Asset Turnover, Capital Structure and Financial Performance Consumption Industry Company in Indonesia Stock Exchange

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ABSTRACT

This research is conducting an empirical test on the effect of capital structure, liquidity, asset structure and asset turnover on the financial performance of consumption industry sector companies in the Indonesia Stock Exchange in 2016-2018. The difference with previous research lies in the use of independent variables, the number of samples used and the study period. This research is quantitative research. The analytic method in this research is multiple linear regression analysis. The results of the t-test hypothesis show that the capital structure variable debt to equity ratio (DER), liquidity current ratio (CR), and asset turnover (TATO) have a significant effect on financial performance (return on assets).

Keywords: Capital Structure, Asset Turnover, Return on Assets
JEL Classification: G3

1. INTRODUCTION

The consumption industry sector is a provider of community needs. Trade in the stock price of the consumption industry sector in 201 with an average volume of IDR 439.86 million with a value of IDR 589.95 million with a turnover period of 22.14 times. Market realization of the consumption industry sector in 2018 with a value of 1.426,822,476,816,590 rupiah with a percentage of 21.58% (Financial Services Authority, 2018). While there is a significant negative impact of capital structure on return on assets (ROA) in fuel companies and the energy sector in Pakistan (Liaqat et al., 2017). Murtadlo et al. (2014) state that the capital structure and asset turnover have a significant effect on financial performance, while the asset structure has no effect on financial performance. Pramesti et al., (2016) state that the variables debt to equity ratio (DER), TATO, and Firm Size have a significant effect on ROA, while the current ratio (CR) variable does not affect ROA. Whereas different results were found in Mwangi and Birundu (2015) which shows that there is no significant relationship between capital structure and ROA in SMEs in Thika, Kenya.

It shows different results that the capital structure as measured by DER has no significant effect on financial performance as measured by ROA (Mujariyah, 2016). The results of the study indicate that the asset structure has a significant statistical effect on financial performance (Gladys and Omagwa, 2017).

The renewal of this research is to carry out empirical tests on the effect of capital structure, liquidity and asset turnover on the financial performance of consumption industry sector companies listed on the Indonesia Stock Exchange in 2016-2018. The difference with previous research lies in the use of independent variables, the number of samples used and the study period.

2. THEORETICAL REVIEW

2.1. Effect of Capital Structure on Financial Performance (H1)
Companies that enjoy more liquid equity experience lower equity costs and may be more motivated to adopt more equity and reduce

debt in the capital structure (Udomsirikul et al., 2011). The results of research conducted by Murtadlo et al., (2014), asset structure has a significant influence on profitability (Rahmiyatun and Nainggolan, 2016) stated that the variables DER, TATO, and Firm Size have significant effect on ROA (Pramesti et al., 2016). Liaqat et al., (2017), and Iqbal (2016) which states that the capital structure influences financial performance. Capital structure refers to how firm investment is financed using either equity or debt or proportionate mix of both (Sarlija and Harc, 2012; Ghasemi and Ab-Razak, 2016; 2017; Vy and Nguyet, 2017; Olusuyi and Felix, 2017; Burksaitiene and Draugele, 2018). Regression Analysis To measure performance, use the variables commonly used in the literature, namely, ROA (Zulkafli and Samad 2007), ROA ratio and the Operating efficiency ratio. ROA reflects the deployment of bank assets to yield its income (Weisbach, 1988). The results of the study that profitability and liquidity respond to the capital structure depend on the position of the economic business cycle. Financial managers are advised to keep abreast of economic trends in Indonesia, the decision to adopt debt financing (Osaretin et al., 2019). While research in the Norwegian country, Capital Structure has a Positive Impact on Performance. Based on the findings, the variable structural capital can improve industrial performance (Obilikwu, 2018). The results of this study are a positive relationship between capital structure and company performance in Vietnam (Vy and Nguyet, 2017), The hypothesis to examine the effect of capital structure (DER) on financial performance (ROA) is: H_1: Capital structure influences the financial performance of consumption industry sector companies in the Indonesia Stock Exchange.

2.2. Effect of Liquidity on Financial Performance (H_2)

According to CR is a comparison between the amount of current assets and current debt. Husnan, (2002) argued that the indication of a good working capital management is the efficiency of working capital as seen from the working capital turnover. That is how much working capital swirling for a period or a period (Kashmir, 2011). According to Riyanto (2001), working capital is the capital used to finance or refinance daily business or plans to come, where money or funds released was expected to be back in a short time through the sale of goods or production, then money or the funds will be constantly spinning in each period during the life of the company. This ratio shows that the value of current assets (which can be immediately made into money) has many times short-term debt (Munawir, 2002). Demirgunes (2016) states that liquidity

affects profitability. The research results of the Effect of Liquidity on Financial Performance: Evidence from Turkish Retail Industry that liquidity affects profitability (Demirgunes, 2016). The liquidity ratio is the company's ability to pay short-term financial obligations on time (Endah et al., 2017). Iqbal (2016) have the same results in their research that liquidity has a positive correlation with financial performance. Whereas state that the independent variable CR has an effect on profitability (ROA) Pramesti et al., (2016). The results of the study of company size affect performance company (Melawati et al., 2016). Based on the theory, so with the large number of troubled financing, of course, can lead to loss of opportunity to earn income from financing provided to affect earnings and gain a negative impact on ROA (Yusuf and Surjaatmadja, 2018). Variables significant affect the profitability of capital structure (Marfuah and Nurlaela, 2017). While research in the Norwegian country, Capital Structure has a Positive Impact on Performance. He found that higher volatility in the Indian market was associated with greater liquidize in the market. Even after adjusting for the impact of trading activities, volatility was found to show a statistically significant impact on liquidity (Cheriyan and Lazar, 2019) The hypothesis to test the effect of liquidity (CR) on financial performance (ROA) is: H_2: Liquidity affects the financial performance of consumption industry sector companies in the Indonesia Stock Exchange.

2.3. Effect of Asset Turnover on Financial Performance (H_3)

Asset turnover (total asset turn over) is a ratio that measures how all assets owned by a company are operated in supporting company sales (Sitanggang, 2013: 27). State that asset turnover has a significant effect on profitability. Pramesti et al. show that the total asset turnover (TATO) variable h The results of the model feasibility analysis model have a positive effect on profitability (ROA) Murtadlo et al. (2014). Result of the study suggests that the effect of asset structure significant has an impact on performance financial (Al Ani, 2014). The hypothesis to test the effect of asset turnover on financial performance is as follows: H_3: The growth of the company influences dividend policy on agricultural companies in the Indonesia Stock Exchange.

3. RESEARCH METHODS

The population in this study are all consumption industry sector companies listed on the Indonesia Stock Exchange for the period

Table 1: Operational definition of variables

Variables	Definition	Indicators
Financial performance (Y)	Financial performance is a description of every economic outcome that a company can achieve at a certain period through company activities to generate profits	$\text{Return on asset} = \dfrac{\text{Net profit}}{\text{Total assets}}$
Capital structure (X_1)	Capital structure is permanent financing consisting of long-term debt, preferred stock, and share capital	$\text{DER} = \dfrac{\text{Total debt}}{\text{Total equities}}$
Liquidity (X_2)	Liquidity ratio is a ratio that measures a company's ability to meet its short-term obligations on time	$\text{CR} = \dfrac{\text{Current assets}}{\text{Current liabilities}}$
Asset Turnover (X_3)	Asset rotation is a ratio that describes asset turnover measured by sales volume	$\text{Total asset turn over} = \dfrac{\text{Sales}}{\text{Total Asset}}$

Source: Brigham and Joel, (2006)

2016-2018. The sample is determined by the purpose sampling method with the criteria: Consumable industrial sector companies listed on the Indonesia Stock Exchange in 2016-2018, consumption industry sector companies listed on the Indonesia Stock Exchange that publish financial reports and audit their financial statements for the 2016-2018 research period, Consumable industrial sector companies listed on the Indonesia Stock Exchange which have financial reporting periods ending December 31 during the 2016-2018 research period. Consumable industrial sector companies listed on the Indonesia Stock Exchange that has positive earnings during the 2016-2018 research period.

Companies that have met the criteria to be sampled in this study are as many as 28 companies, so the data obtained is 84 data. The independent variables in this study are capital structure (DER), liquidity (CR), and asset turnover (total asset turn over). The dependent variable in this study is financial performance (ROA). Operational definitions of the variables in this study are presented in Table 1.

Before conducting hypothesis testing, a Classic Assumption Test was conducted which consisted of Multicollinearity Test, Autocoleration, Heteroscedasticity, and Normality to ensure that the model used in this study had passed the prerequisite test for testing the hypothesis. Hypothesis testing is done using multiple linear regression analysis using the IBM SPSS 24 application.

4. RESULTS AND DISCUSSION

Descriptive statistics in this study were conducted to provide a characteristic description of the observed research variables (Ghozali, 2017). Descriptive statistics provide an overview of statistical data regarding minimum, maximum, mean (mean)

and standard deviations. The results of descriptive statistical analysis are presented in Table 2. Based on Table 2, it can be seen that financial performance measured by ROA has the lowest value of 0.02 and the largest value of 0.432, the average value is 0.103, and the standard deviation value is 0.107. The mean value is 0.130 > 0.107 standard deviation which means that the distribution of the ROA value is good. Capital structure as measured by the DER has the lowest value of 0.074 and the largest value of 3.029, the average value is 0.795, and the standard deviation value is 0.584.

The mean value of 0.795>0.584 standard deviation means that the distribution of DER values is good. Liquidity measured by the CR has the lowest value of 0.514 and the largest value of 10.254, the average value is 2.790, and the standard deviation value is 1.920. Asset turnover as measured by total asset turn over (TATO) has the lowest value of 0.204 and the largest value of 2.886, the average value is 1,279, and the standard deviation value is 0.555. The mean value is 1,279 > 0.555 standard deviation which means that the distribution of TATO values is good.

4.1. Classic Assumption Test

Classical assumption testing aims to produce a good regression model. To avoid errors in testing classical assumptions, the number of samples used must be free from the classical assumption test classical assumption testing aims to produce a good regression model. To avoid errors in testing classical assumptions, the number of samples used must be free of bias (Ghozali, 2011). The classic assumption test results in this study are as follows: Based on Table 3, it is known that the results of Multics-linearity tests indicate that the whole independent variable has a tolerance value > 0.10 and VIF value <10. Thus it can be stated that the regression model in this study is free from the symptoms of Multicollinearity. Model summary results ae presented in Table 4.

Table 2: Descriptive statistics test results

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	84	,002	,432	,13030	,107080
DER	84	,074	3,029	,79531	,584748
CR	84	,514	10,254	2,79018	1,920533
TATO	84	,204	2,886	1,27986	,555290
Valid N (listwise)	84				

Source: Data processed, 2019, DER: Debt to equity ratio, CR: Current ratio

Table 3: Multicollinearity test results

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.	Collinearity statistics	
		β	Std. Error	Beta			Tolerance	VIF
1	(Constant)	−,101	,054	-	−1,868	,066	-	-
	DER	,076	,027	,413	2,779	,007	,415	2,408
	CR	,029	,008	,524	3,857	,000	,496	2,015
	TATO	,073	,021	,379	3,551	,001	,807	1,240

[a]Dependent Variable: ROA. Source: Data processed, 2019, CR: Current ratio

Table 4: Autocorrelation test results

			Model Summary[b]		
Model	R	R square	Adjusted R square	Standard error of the estimate	Durbin-watson
1	,525[a]	,276	,239	,093409	2,226

[a]Predictors: (Constant), TATO, CR, DER. Source: Data processed, 2019. DER: Debt to equity ratio, CR: Current ratio

Table 5: Model feasibility test results (F-Test)

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	,262	4	,066	7,518	,000[b]
	Residual	,689	79	,009		
	Total	,952	83			

Source: Data processed, 2019

Table 6: Partial regression coefficient test (t-Test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		β	Std. Error	Beta		
1	(Constant)	−,101	,054		−1,868	,066
	DER	,076	,027	,413	2,779	,007
	CR	,029	,008	,524	3,857	,000
	TATO	,073	,021	,379	3,551	,001

Source: Data processed, 2019. DER: Debt to equity ratio, CR: Current ratio

Table 7: Determination coefficient test results (R^2)

Model	R	R square	Adjusted R square	Standrad error of the estimate
1	,544[a]	,296	,184	,107110

Source: Data processed, 2019

4.2. Hypothesis Testing

The analytical method for testing the hypothesis in this study is multiple linear regression analysis: Based on the results of multiple linear regression tests, a regression equation is formed:

$$ROA = −1.01 + 0.076DER + 0.029CR - + 0.073\ TATO + e$$

Feasibility test results of the model (F-test), Multiple Regression Coefficient Test (t-Test), and Determination Coefficient (R2) are presented in Table 5, Table 6 and Table 7. The Model Feasibility Test Results are shown in Table 5 as follows:

The results of the model feasibility test (F-Test) presented in Table 5 can be seen that the value of F_{count} 7.518 is greater than F_{table} 2.487 and the significance level of 0.000 is smaller than 0.050. This indicates that the Capital Structure (DER), Liquidity (CR), and Asset Turnover (TATO) simultaneously influence financial performance (ROA). The t test results are shown in Table 6 as follows:

Based on the results of multiple linear regression tests, a regression equation is formed:

$$ROA = −1.01 + 0.076DER + 0.029CR - + 0.073\ TATO + e$$

The Model Regression Coefficient Test (t-Test) is based on Table 6. Results of hypothesis (H_1) capital structure against financial performance. The results of the analysis (H_1) Capital structure (DER) have a value of t_{count} > from t_{table} which is 2.779 > 1.990 with a significance value of 0.007. This significance value is smaller than the confidence level 0.007 < 0.050. This means that the capital structure (DER) has a significant effect on financial performance (ROA). Hypothesis (H_1) is accepted. The results of

this study support the results of research conducted by Murtadlo et al., (2014), Nainggolan and Pratiwi (2017), Pramesti et al., (2016), Liaqat et al., (2017), and Iqbal (2016) which states that the capital structure influences financial performance. Results of hypothesis (H_2) liquidity on financial performance analysis results (H_2) Liquidity (CR) has a value of t_{count} > t_{table}, which is 3.857 > 1.990 with a significance value of 0.000. Significance value 0.000 < 0.050. This indicates that liquidity (CR) has a significant effect on financial performance (ROA). Hypothesis (H_2) is accepted. Liquidity is the company's ability to fund the company's operations and fulfill its short-term obligations. The results showed that liquidity as measured by the CR has an influence on the size of ROA. This study supports the research results of Iqbal (2016) and Demirgunes (2016) which state that liquidity measured by the CR has an effect on financial performance. Results of hypothesis (H_3) Effect of Asset Turnover on Financial Performance. Results of hypothesis analysis (H_3) Asset rotation has a value of t_{count} > t_{table}, that is (3,551 < 1,990) with the value of sig. 0.01 < 0.05. This indicates that asset turnover (TATO) has a significant effect on financial performance (ROA). So the results of the hypothesis (H_3) are accepted. This shows that if asset turnover measured by total asset turnover (TATO) is higher, then the higher the level of financial performance of the company because the company in utilizing the assets it has in the operational activities of the company has been efficient, resulting in an increase in the level of profitability/improvement in company performance. The results of this study support the results of research by Murtadlo et al. (2014) and Pramesti et al., (2016) which state that asset turnover measured by total asset turn over (TATO) influences financial performance.

4.3. Determination Coefficient Test Results (R^2)

The determination coefficient test results (R^2) in Table 7 shows that the adjusted R square value is 0.184. This means that 18.4% of the dependent variable in this study can be explained by independent variables namely profitability (ROA), liquidity (CR), and DER, and asset turnover (TATO) While the remaining 82.6% is explained by other variables outside the research model.

5. CONCLUSION

This study aims to determine the effect of Capital Striker (DER), Liquidity (CR), and Asset Turnover (TATO) on Financial Performance (ROA) in consumption industry sector companies on the Indonesia Stock Exchange in 2016-2018. Based on the results of the analysis it can be concluded: Capital structure (DER), liquidity (CR), and asset turnover (TATO) simultaneously influence the financial performance (ROA). Hypothesis results (H1) capital structure (DER) has a significant effect on financial performance as measured by ROA. The results of the hypothesis (H2) liquidity (CR) have a significant effect on financial performance (ROA). Hypothesis results (H3) asset circulation (TATO) have a significant effect on financial performance (ROA). Advanced research is recommended This study has several limitations including:

This study is only limited to the consumption industry sector in the Indonesia Stock Exchange, further research is expected to be able to examine all companies listed on the Indonesia Stock Exchange. This study uses 3 independent variables, namely capital

structure, liquidity, and asset turnover, further research should use more variables, considering the independent variables used in this study only focus on financial factors.

6. ACKNOWLEDGMENTS

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