THE EFFECT OF LIQUIDITY, ASSET STRUCTURE AND PROFITABILITY ON DEBT POLICIES OF TRADING COMPANIES LISTED ON THE IDX 2016-2019

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Abstract : *This study aims to determine the effect of Liquidity, Asset Structure and Profitability on Debt Policy in trading companies listed on the Indonesia Stock Exchange in 2016-2019. The sample used in this study were 12 trading companies. The sampling method used was done by using purposive sampling. The data in this study are quantitative data. The analytical method used is multiple linear regression models. To test the hypothesis simultaneously and partially, the F test, t test and determination test (R2) were used. The results of this research hypothesis testing indicate that simultaneously the liquidity, asset structure and profitability variables simultaneously influence debt policy. Asset structure and liquidity variables affect debt policy. Meanwhile, partially the profitability variable has no effect on debt policy. The amount of determination test (Adjusted R Square) of 0.523 means that the independent variables (liquidity, asset structure and profitability) can explain the dependent variable (debt policy) by 52.3%, while the remaining 47.7% is explained by other variables outside the research model.*

Keywords: *y liquidity, asset structure, profitability , debt policy*.

1. Introduction

At this time the competition in the business world is getting tighter, to face this competition requires a large amount of capital both from internal and external companies. Internal capital comes from own capital, while external capital comes from debt. Debt has an important influence on the company because apart from being a source of funding, debt is also a mechanism that can be used to reduce conflicts that may arise between shareholders and management related to the main objectives of the company. The main objective of the company is to improve the welfare of shareholders. The funding policy concerns activities undertaken to obtain funds and use these funds. The funds obtained by the company are used as capital to support their business activities. One of the company's funding policies is the use of external funds in the form of debt. In financing using debt, managers are required to make the right decisions. When debt increases, the interest costs that must be paid will also increase. Managers have different interests from shareholders. Shareholders want high returns, while managers are afraid that if they provide high dividends in a sustainable manner and have to carry out long-term funding activities that will impact the company for operational activities. The way that owners and managers can use long-term funding is by increasing debt

The debt policy is a very important policy because it is a part of the company's financing policy. Debt has two important advantages. First, debt can reduce the existing tax burden. Second, creditors get a fixed amount of refund, so shareholders don't have to share the profits if the business is doing very well. But debt also has its drawbacks. First, the higher the debt, the more risky the company is, so the higher the costs of debt and equity. Second, debt will also burden finances in the future. Not only principal debt, costs and interest can also be a financial burden if the company does not perform well.

According to Munawir (2007: 31), liquidity is the company's ability to meet financial obligations when they are collected. The higher the level of liquidity of the company, the better its performance is considered and has the opportunity to get support from various targeted parties. The liquidity benchmark in this study is the Quick Ratio. Quick Ratio is one of the ratios to measure the company's ability to meet its short-term liabilities without including inventory because inventory is considered a less liquid current asset.

According to Syamsudin (2007: 9), asset structure is the determination of how much the allocation of funds for each asset component, whether current assets or fixed assets. Asset structure is the property owned by the company in its operating activities. In general, there are two types of assets owned by a company, namely current and fixed assets, where one of the accounts of the asset structure is fixed assets that can be used as collateral for consideration by creditors in providing loans. The amount of fixed assets in the company can determine the amount of use of debt. If the company has a large amount of fixed assets, it can use a large amount of debt as well, because these assets can be used as collateral for loans. Surya and Rahayuningsih (2012) found that asset structure has a positive effect on debt policy. According to Mamduh (2004: 320) there are several factors that have an influence on debt policy, including: Non Debt Tax Shield (NDTS), asset structure, profitability, business risk, company size, and internal company conditions.

Profitability is a comparison to determine the company's ability to obtain profit from earnings related to sales, assets and equity according to certain measurement bases. Types of profitability ratios are used to show how much profit or gain derived from the performance of a company affects the notes on financial statements that must be in accordance with financial accounting standards. According to Kasmir (2014: 122), the profitability ratio is a ratio to assess a company's ability to seek profit. This study uses one of the benchmarks of profitability, namely the Return on Investment Ratio (ROI). Return on Investment Ratio (ROI) is a profitability ratio to measure the company's strength in obtaining profits after tax related to the total assets used so that the efficiency of a company in managing its assets can be seen from this percentage ratio.

Farah Agustina (2017) in her research related to the title Analysis of the Effect of Profitability, Asset Structure, Company Growth and Institutional Ownership on Debt Policy Listed on the Indonesia Stock Exchange for the 2012-2015 Period shows that partially the profitability variable has no influence on debt policy, asset structure. , company growth, and institutional ownership have a positive effect on debt policy.

Putri and Ibrahim (2018) in their research related to the influence of asset structure, company size, and profitability on debt policy in pulp and paper manufacturing companies listed on the Indonesia Stock Exchange shows that asset structure has a negative effect on debt policy,

company size has a positive effect. debt policy, and profitability has a negative effect on debt policy.

Based on the results of the research above, the results are different, the writer wants to re-examine with the title "The Effect of Liquidity, Asset Structure and Profitability on Debt Policy at Trading Companies Listed on the Indonesia Stock Exchange 2016-2019"

2. Research Method

The research method in this research is quantitative research methods. The population in this study are trading companies listed on the Indonesian Stock Exchange (IDX) in 2016 - 2019. This study uses purposive sampling technique obtained from trading companies listed on the Indonesia Stock Exchange with a total of 12 companies, over a 4-year period. 48 company data. The data collected in this study are secondary data. The data used in this study were obtained from the website www.idx.co.id/, the data used in this study are financial reports of trading companies listed on the Indonesia Stock Exchange (IDX). The data collection technique used in this study is to use secondary data. Secondary data is data that has been collected to solve the problem at hand.

The dependent variable in this study is the Debt Policy for Trading Companies listed on the Indonesia Stock Exchange from 2016 to 2019, where the debt policy is proxied by the Debt To Equety ratio (DER). The independent variables in this study are Liquidity, which is proxied by Quick Ratio (QR), Asset Structure which is proxied by Fixed Assets to Total Assets Ratio (FA to TA) and Profitability which is proxied by Return On Investment (ROI).

Methods of data analysis using the SPSS 22 computer program. Before the data is analyzed, first a classical assumption test is carried out:

a. Classic assumption test

Before testing the hypothesis using multiple linear regression analysis, it is necessary to first test the normality, multicollinearity test, autocoleration test, and heteroscedasticity test.

b. Hypothesis test

Hypothesis testing in this study consists of:

1) Multiple Linear Regression Analysis

Multiple linear regression analysis in this study is used to determine the effect of liquidity, asset structure and profitability. Multiple linear regression test is used to determine the effect of the independent variable (X) on the dependent variable (Y) on the hypothesis that is made:

$$Y = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + e$$

Information :

Y = Debt To Equety Ratio

β = Regression Coefficient

X1 = Quick Ratio

X2 = Fix asset to Total Assets Ratio

X3 = Return On Investment

α = Constant

e = Error

2) t test (partial)

The t test to test the hypothesis partially shows the effect of each independent variable individually on the dependent variable.

3) F Test (Simultaneous)

The F statistical test is generally to find out whether all the independent or independent variables included in the model have a joint influence on the dependent variable or the dependent variable.

4) Coefficient of Determination (R^2)

The coefficient of determination (R^2) is a tool to measure the ability of the model to explain the variation in the dependent variable. The coefficient of determination is a value between zero or one.

3. Results And Discussion

a. Descriptive Statistics of Research Variables

Tabel 1
Statistik Deskriptif

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
QR	48	0,84	3,25	1,6096	0,6095
FA to TA	48	0,12	0,42	0,2525	0,08073
ROI	48	0,01	0,42	0,0835	0,08724
DER	48	0,32	2,97	1,2173	0,72138
Valid N (listwise)	48				

Source: Data Processed by SPSS

From the descriptive statistics above, it shows that the minimum value of the liquidity variable (QR) is 0.84 and the maximum value is 3.25 with a mean value of 1.6096 and std. Deviation 0.60950. The minimum value of the asset structure variable (FA To TA) is 0.12 and the maximum value is 0.42 with a mean value of 0.2525 and std. Deviation 0.08073. The minimum value of the profitability variable (ROI) is 0.01 and the maximum value is 0.42 with a mean value of 0.0835 and std. Deviation 0.08724. The minimum value of the debt policy variable (DER) is 0.32 and the maximum value is 2.97 with a mean value of 1.2173 and std. Deviation 0.72138.

b. Classic assumption test

1) Normality Test

The normality test in this study used the One Sample Kolmogorov Smirnov Test. The test results are as follows:

Table 2
Normality Test Results

		Unstandardized Residual
N		48
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	0,48209735
Most Extreme Differences	Absolute	0,117
	Positive	0,117
	Negative	-0,065
Test Statistic		0,117
Asymp. Sig. (2-tailed)		0,097[c]

Source: Data Processed by SPSS

Based on the normality test above, it shows that the Kolmogorov-Smirnov test results prove that the significance value (Asymp. Sig 2-tailed) is greater than 0.05, namely 0.097> 0.05, it can be concluded that the residual data is normally distributed.

2) Multicollinearity Test

Table 3
Multicollinearity Test Results

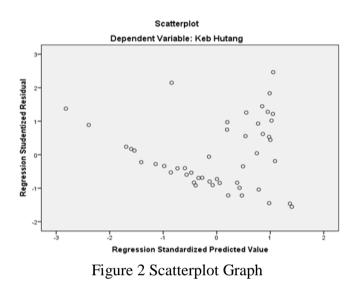| Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	QR	0,086	1,129
	ROI	0,991	1,009
	FA to TA	0,881	1,134

Source: Data Processed by SPSS

Based on the results of the multicollinearity test in Table 3, it shows that the independent variables of liquidity (QR), asset structure (FA to TA Ratio) and profitability

(ROI) are declared free of multicollinearity or multicollinearity does not occur with a tolerance value of each variable> 0.1 and the VIF value. each variable <10.

3) Heteroscedasticity Test

From the scatterplot graphic image presented, it can be seen that the point spreads randomly and does not form a certain pattern either above or below zero on the Y axis. Thus the regression model does not show heteroscedasticity. This means that the regression model is feasible to be used to predict debt policy.

Figure 2 Scatterplot Graph

4) Autocorrelation Test

The results of the autocorrelation test of this research data initially produce the Durbin Watson value in table 4 below, which is 0.733, where the amount of data is 48 (n) and the number of independent variables 3 (k = 3) can be obtained dL value of 1.4064 and dU of 1,6708. The value of DW (0.733) is lower than dL (1.4064) which means there is autocorrelation. So that the autocorrelation test was improved using the Cochrane Orcutt transformation method. Cochrane Orcutt is a method in autocorrelation test to increase DW value.

Table 4
Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,744[a]	0,553	0,523	0,49826	0,733

Source: Data Processed by SPSS

After the transformation using the Cochrane Orcutt method, the DW values were obtained as follows:

Table 5
Transformation Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,698[a]	0,487	0,451	0,35716	1,729

Source: Data Processed by SPSS

Based on Table 5, after the Cochrane Orcutt transformation, the DW value (1.729) was greater than dU (1.6708) and less than 4-dU (2.3292). Or dU <DW <4-dU = 1.6708 <1.729 <2.3292. Then the conclusion drawn is that there is no autocorrelation.

c. Hypothesis test
1) Multiple Linear Regression Analysis

Multiple linear regression analysis in this study is used to determine the effect of liquidity (QR), asset structure (FA to TA) and profitability (ROI) on debt policy (DER).

Table 6
Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3,504	0,385		9,105	0,000
QR	-0,921	0,127	-0,778	-7,269	0,000
FA to TA	-2,729	0,959	-0,305	-2,846	0,007
ROI	-1,377	0,837	-0,167	-1,646	0,107

Source: Data Processed by SPSS

The multiple linear regression equation above can be interpreted:
a) A constant value of 3.504 indicates that if liquidity (QR), Asset Structure (FA TO TA) and profitability (ROI) are 0, the value of debt policy as seen from the DER value is 3.504.
b) The Liquidity (QR) regression coefficient value is -0.921, meaning that if Liquidity (QR) has increased by one unit, it can reduce the debt policy by 0.92.

c) The regression coefficient value of the Asset Structure (FA To TA) is -2,729, meaning that if the Asset Structure has increased by one unit, it can reduce the debt policy (DER) by 2,729.

d) The value of the Profitability regression coefficient (ROI) is -1.377, meaning that if the profitability (ROI) increases by one unit, it can reduce the debt policy (DER) by 1.377.

2) Simultaneous F Test

The F test is used to test the effect of all independent variables in multiple linear regression models simultaneously or simultaneously on the dependent variable (Gujarati, 2001). The significant level is 5% with the assessment criteria if F-count> F table, then Ho is rejected and Ha is accepted, which means that the independent variable simultaneously has a significant effect on the independent variable.

Table 7
Simultaneous F Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	13,535	3	4,512	18,173	0,000
Residual	10,924	44	0,248		
Total	24,459	47			

Sumber: Data Diolah SPSS

Based on the test results above, it can be seen that the significance value of F is 0.000 <α = 0.05 and the F-count value is 18.173 <F table 2.82. So it can be concluded that liquidity (QR), asset structure (FA To TA) and profitability (ROI) simultaneously influence debt policy (DER). This shows that the first hypothesis (H1) in this study is accepted.

3) Partial t test

According to Ghozali (2012), the t statistical test is used to test the effect of each independent variable (Liquidity, Asset Structure and Profitability) on the dependent variable (Debt Policy).

Based on the test results below (Table 8) it can be explained that the effect of the independent variables partially (one by one) on the dependent variable is as follows:

Table 8
Partial t test results

Model	t	Sig.
(Constant)	9,105	0,000
QR	-7,269	0,000
FA To TA	-2,846	0,007
ROI	-1,646	0,107

Source: Data processed by SPSS

a) Effect of Liquidity on Debt Policy

The test results show the liquidity significance value (QR) which is equal to 0.000 <0.05 and the t-count value of 7.269> t-table of 2.015 means that H0 is rejected Ha is accepted so that Liquidity (QR) has a significant effect on debt policy (DER).

b) Effect of Asset Structure on Debt Policy

The test results show that the significance value of the asset structure (FA to TA) is 0.007 $<\alpha = 0.05$ and the t-count value is 2.846> t-table of 2.015 means that H0 is rejected Ha is accepted so that partially the asset structure (FA to TA) has an effect. significant to debt policy (DER)

c) The effect of profitability on Debt Policy

The test results show the significance value of profitability (ROI) which is equal to 0.107> $\alpha = 0.05$ and the t-count value of 1.646 <t-table of 2.015 means that H0 is accepted Ha is rejected so that partially profitability does not have a significant effect on debt policy.

4) Coefficient of Determination (R^2)

Table 9
Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,744	0,553	0,523	0,49826

Source: Data Taken by SPSS

Based on the table above, Adjusted R2 is obtained of 0.523, it can be concluded that the variable liquidity (QR), asset structure (FA to TA) and profitability (ROI) can only explain the debt policy (DER) of 0.523 or 52.3%. While the rest (100% - 52.3% = 47.7%) is explained by variables other than the variables used in this study.

d. Discussion

1) The effect of profitability, asset structure and liquidity on debt policy

Liquidity (QR), asset structure (FA To TA), and profitability (ROI) simultaneously influence debt policy (DER). This hypothesis is proven to be true because the test results are obtained simultaneously with the SPSS 22 program, it is known that the value of F-count (18.173)> F-table (2.82) with a significance of 0.000 $<\alpha = 0.05$, it can be concluded that Ho is rejected, which means liquidity (QR), asset structure (FA To TA) and profitability (ROI) simultaneously influence debt policy (DER). This shows that liquidity, asset structure and profitability play an important role in a company.

2) The effect of liquidity on debt policy

These results indicate that liquidity (QR) has a partial effect on debt policy (DER). This hypothesis is proven to be true because the result of the t-value value is 7,269> t-table of 2,015 with a significance of 0,000 $<\alpha = 0.05$, meaning that H0 is rejected and Ha is accepted so that liquidity (QR) has a significant effect on debt policy (DER). The results of this study

are supported by research conducted by Faria Susanti (2013), which states that liquidity has a significant effect on debt policy. This shows that the higher the current ratio of a company, it means that the company has sufficient current assets to repay its current debt. So the more liquid a company is, it means that it has the ability to pay short-term debt, so it tends to reduce its total debt.

3) The effect of profitability on debt policy

The research hypothesis states that profitability (ROI) has a partial effect on debt policy (DER). This hypothesis is not proven true because the result of the t-count value is 1.646 <t-table 2.015 with a significance of 0.107> 0.05, meaning that H0 is accepted Ha is rejected so that partially profitability does not have a significant effect on debt policy (DER). The results of this study are supported by research conducted by Agustina (2017) and Yulia Putri and Ibrahim (2018), which state that profitability has no significant effect on debt policy. This shows that the higher the level of company profitability, the lower the level of debt, this is because companies with high levels of profitability have high internal sources of funds so that companies will prefer to use their internal funds first. The results of this study are not in line with the research of Prathiwi, Dhyana Intan, and I. Putu Yadnya (2017) which concluded that profitability has a significant positive effect on debt policy. Sheisarvian's research, Revi Maretta (2015) concluded that profitability has a significant and negative effect on debt policy.

4) The effect of asset structure on debt policy

The hypothesis of this study states that the asset structure (FA to TA) has a partial effect on debt policy (DER). This hypothesis is proven to be true because the results of the t-count value of 2.846> t-table of 2.015 with a significance of 0.007 <α = 0.05 means that H0 is rejected Ha is accepted so that partially the Asset structure (FA to TA) has a significant effect on debt policy (DER). The results of this study are supported by research conducted by Agustina (2017), which states that the greater the growth rate of the company's assets, the greater the company's ability to borrow debt, due to the guarantee of the company's assets. This result is also in line with research conducted by Prathiwi, Dhyana Intan, and I. Putu Yadnya (2017) which states that asset structure has a significant negative effect on debt policy. When the number of fixed assets of the company that can be used as collateral increases, it makes it easier for the company to get a large amount of collateral. Meanwhile, research by Prathiwi, Dhyana Intan, and I. Putu Yadnya (2017) states that the business risk asset structure has a significant negative effect and profitability has a significant positive effect on debt policy. This result is different from the results of research by Faria Susanti (2013) which states that asset structure does not have a significant effect on debt policy.

4. Conclusion

a. Independent variables, namely liquidity (QR), asset structure (FA to TA) and profitability (ROI) have a simultaneous effect on debt policy in trading companies on the Indonesia Stock Exchange 2016-2019. This is evidenced by the significant value of 0.000 <α = 0.05 and the F-count value 18.173> F table 2.82 so that H1 is accepted. This shows that liquidity, asset structure and profitability play an important role in a company.

b. The liquidity variable (QR) has a significant effect on debt policy (DER) in trading companies on the Indonesia Stock Exchange 2016-2019. This is evidenced by the significance value of 0.000 <α = 0.05 and the t-count value of 7.269> t-table 2.015 so that H4 is accepted. This shows that the higher the current ratio of a company, it means that the

company has sufficient current assets to repay its current debt. So the more liquid the company of a company is, it means that it has the ability to pay short-term debt, so it tends to reduce its total debt.

c. Asset structure variable (FA to TA) has a significant effect on debt policy (DER) in trading companies on the Indonesia Stock Exchange 2016-2019. This is evidenced by the significance value of $0.007 < \alpha = 0.05$ and the t-count value of 2.846 > t-table of 2.015 so that H3 is accepted. This shows that the greater the growth rate of the company's assets, the greater the company's ability to borrow debt, due to the guarantee of the company's assets. When the number of fixed assets of the company that can be used as collateral increases, it provides an easier opportunity for the company to get debt from other parties.

d. The profitability variable (ROI) has no significant effect on debt policy (DER) in trading companies on the Indonesia Stock Exchange in 2016-2019. This is evidenced by the significance value of $0.107 > \alpha = 0.05$ and the t-count value of 1.646 < t-table 2.015 so that H2 is rejected. This shows that the higher the level of profitability (ROI) of the company, the lower the level of debt, this is because companies with high levels of profitability have high internal sources of funds so that companies will prefer to use their internal funds first, which come from company profits.

e. The result of the determination test shows that the coefficient of determination (R2) is 0.523. This means that 52.3% of the variation in the Debt Policy (DER) variable can be explained by the Liquidity (QR), Asset Structure (FA to TA) and Profitability (ROI) variables, while the remaining 47.7% is influenced by other variables that are not included. in the regression model.

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