



Effect of Capital Structure on Profitability in PT Astra International Tbk Period 2016-2020

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ABSTRACT

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The car business is one of the pillar areas that has a great commitment to the community's economy. Not only that, this is also supported by the popular expansion for multi-purpose vehicles which is the biggest commitment to expanding the deal in Indonesia. The data used is secondary data. Secondary data is mostly as evidence, notes, or authentic reports that have been collected in files (documentation data), both distributed and unpublished. Where information is obtained from the financial statements of the organization PT Astra International Tbk for the period 2016-2020. Based on the results of multiple linear regression, namely $Y=0.055-0.594X_1+0.37X_2$ the regression equation shows that there is a negative influence between capital structure and a positive influence on profitability at PT Astra International Tbk period 2016-2020. DAR has a negative and insignificant effect on profitability. DER has a positive and insignificant effect on profitability. PT Astra International, Tbk must expand the organization to get and follow the organization's long-term utilization and temporary commitment to create organizational benefits or benefits and can attract financial backers to buy the organization's offerings or reinvestment. because for the funder, the use of the obligation can show the organization's exhibition in supervising the organization's funds. PT Astra International, Tbk must increase the profit of the organization because profit is one of the financial supporting elements that are interested in buying shares and reinvesting and the organization must hedge by making an agreement with the bank to build the cost of the organization's portion.

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1. Introduction

Advances in innovation used to amplify financial seriousness and faster data flows keep organizations competing to keep up. Extreme contests between organizations will affect the organization's performance. One of them is the automotive organization. Competition in the business world, especially in the assembly business, makes every organization increasingly develop its presentation so that its goals can be achieved. Organizations that have opened up to the world intend to build the development of owners or investors through expanding organizational rewards [1].

The automotive business is one of the backbones that has a critical commitment to the community's economy. Currently, there are at least 22 modern four-wheeled vehicle organizations in Indonesia. The Minister of Industry also revealed that the potential for the two- and three-wheeled vehicle industry in Indonesia currently amounts to 26 organizations. The total speculative value that has been disbursed is Rp . 10.05 trillion with a production limit of 9.53 million units per year and absorbing up to 32 thousand workers.

Not only that, this is also supported by the increasing interest in multi-purpose vehicles which became the biggest commitment to sales expansion in Indonesia in 2008. Towards the end of 2008, the automotive business in the world experienced a decline. because of the worldwide monetary emergency, which began



with the collapse of the world economy. American auto goliath General Motors (GM) saw deals drop nearly 45% in October and foe Ford saw a 30 percent drop in deals over the same period. Car companies in Indonesia also cannot escape the impact of this monetary emergency, the decline in transactions has made many companies experience an oversupply of vehicles. Although the car area is affected by emergencies around the world, the organization's exhibition actually shows a positive presentation.

Viewed from the perspective of monetary administration, the increase in firm value is indicated by an increase in government assistance from owners (investors) through the venture approach , the choice of subsidies and the choice of profits which are reflected in the cost of shares in the capital market. Development of organizational value by handing over the management of the organization to experts who are responsible for handling the organization called directors. Leaders appointed by investors and relied on to follow up on investors' interests, specifically increasing the benefits and value of the organization so that investor success will be achieved. According to [2] the issue of subsidies refers to capital, either at the time of establishment, when the organization runs normally, or when the organization develops its business. The fundamental task of the board organization is to decide on the ideal objective capital construction where there is a level of financing by the organization's obligations. Capital design is the alignment between foreign capital or liabilities with own capital.

The capital structure in this study is measured by several proxies, namely DAR (Debt to Assets Ratio) and DER (Debt to Equity Ratio) which are the ratio of debt to assets and debt to equity ratio [3]. According to Brigham & Ehrhad (2011:630) capital structure is a combination of debt and equity that can meet or maximize stock prices. According to Irawati (2006:193) the use of each type of capital has a different effect on the profits earned by a company.

In this review, the financial ratio used to analyze the capital structure is the solvency ratio and to measure performance is the profitability ratio. Solvency ratio or leverage is a ratio used to measure the extent to which organizational resources are financed with obligations [6]. Solvency analyzes the organization's capital design including remote reserve springs and the organization's capacity to meet long-term venture commitments and obligations. To measure it, the Debt to Equity Ratio is used. This ratio shows the risk factors seen by the funders. The higher the proportion of DER, the higher the monetary hazard of the organization. This can affect the cost of inventory and the volume of the organization's portion. According to Hanafi & Halim (2000) the profits obtained by the company are used to pay interest on debt, then preferred stock. Only then (if there is any remaining) it is given to the common stockholders.

Organizations with low benefit development will seek to attract outside assets, in order to obtain ventures that cost them most of their profits. So organizations with low benefit development will also strengthen the relationship between DAR and DER which has a negative impact on productivity. Where the debtor's debt expansion will affect the size of the organization's profits, which reflects the organization's ability to fulfill each of its commitments, which is indicated by the least capital used to pay each of its commitments, on the grounds that the more prominent the utilization of obligations, the more important the responsibility. For companies, liabilities should not exceed their own capital so that liability issues are not too high. Meanwhile, according to Sartono (2008:113) profitability is the capacity of the organization to obtain profits that are proportional to the agreement, all resources and own capital are used. Productivity in this study is proxied by Return on Equity (ROE), because ROE is the proportion of success in completing this explanation by looking at the current Return on Equity figure . Financial backers who will buy the offering will be attracted by this productivity measure, or the share of all-out benefits it can provide investors.

Based on the explanation above, the researchers took the title, namely "The Effect of Capital Structure on Profitability at PT Astra International Tbk in 2016-2020".

2. Method

2.1 Data Types and Source

The data used is secondary data. Additional data mostly as evidence, records, or chronicle reports that have been collected in files (documentation data), which are distributed. Where information is obtained from the financial statements of the organization PT Astra International Tbk for the 2016-2020 period.

2.2 Research variable

The independent variable in this study is the Capital Structure which is represented by:

a. Debt to Assets Ratio (DAR)

DAR is an action to find out the amount of organizational resources obtained from obligations and what are the arrangements for organizational obligations and resources. Basically, the loan boss is bound to choose low liabilities for the proportion of resources. Because, the lower the proportion of dar, the more important the collateral for the loan boss in the event of liquidation. The DAR formula is as follows:

$$DAR = \frac{\text{Total Debt}}{\text{Total Assets}}$$

b. Debt to Equity Ratio (DER)

Debt to equity ratio to value is the proportion of liabilities to value or liabilities to value proportions. From a broader perspective, the obligation to assess proportion is the supermonetary proportion used to survey the monetary position of an organization. The value of the Debt to equity ratio can be used as a kind of perspective to measure financial welfare. Assuming an increase in the price proportion, it implies that the organization's financing is obtained from the loan boss, not from the financial sources of the organization itself. This can serve as a warning to the owners and top management of the organization. The DER recipe is as follows :

$$DAR = \frac{\text{Total Utang}}{\text{Total Ekuitas}}$$

The dependent variable in this study is Profitability which is represented by Return On Equity . Return On Equity is the capacity of its own cash flow to create profits for shareholders of common stock and common stock. The formula for Return On Equity is as follows:

$$ROE = \frac{\text{laba setelah pajak}}{\text{Total ekuitas}}$$

3. Result and Discussion

3.1 Result

a. Qualitative Descriptive Analysis

TABLE 1
RATIO (DER) DEBT TO ASSETS PT ASTRA INTERNATIONAL TBK 2016-2020

Year	Total Debt	Total Assets	Dar
2016	118,174	249.977	0.47
2017	142.563	291,473	0.49
2018	165,394	333,325	0.50
2019	177.293	358,123	0.51
2020	146,239	341,264	0.43
Average			0.48

Based on the table above, it can be seen that the average DAR value at PT Astra International Tbk for the 2016-2020 period with the highest average value was in 2019 with a value of 0.51.

TABLE 2
DEBT TO EQUITY RATIO (DER) PT ASTRA INTERNATIONAL TBK 2016-2020

Year	Total Debt	Total equity	DER
2016	118,174	131,803	0.90
2017	142.563	148,910	0.96
2018	165,394	167,931	0.97
2019	177.293	180,830	0.98
2020	146,239	195,025	0.75



Year	Total Debt	Total equity	DER
Average			0.91

Based on the table above, it can be seen that the average value of DER at PT Astra International Tbk for the 2016-2020 period with the highest average value was in 2019 with a value of 0.98 .

TABLE 3
RETURN ON EQUITY (ROE) PT ASTRA INTERNATIONAL TBK 2016-2020

Year	Profit after tax	Total equity	ROE
2016	13,231	131,803	0.10
2017	17,421	148,910	0.12
2018	21,517	167,931	0.13
2019	19,628	180,830	0.11
2020	16,233	195,025	0.08
Average			0.11

Based on the table above, it can be seen that the average ROE at PT Astra International Tbk for the 2016-2020 period is 0.11 . This means that every Rp. 100 securities contributes Rp. 11 to net income.

b. Quantitative Descriptive Analysis

1). Multiple Linear Regression Analysis

TABLE 4
ANALYSIS RESULTS MULTIPLE LINEAR REGRESSION

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(Constant)	0.055	0.165	
1 DAR(X1)	-0.594	0.842	-0.977
DER(X2)	0.37	0.274	1,873

Then the regression equation model as follows:

$$Y=0.055-0.594X_1 +0.37X_2$$

capital structure and a positive influence on profitability at PT Astra International Tbk for the 2016-2020 period.

2). Correlation Coefficient and Determination Coefficient

TABLE 5
ANALYSIS RESULTS CORRELATION AND DETERMINATION

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
dimension0	1	.931 ^a	0.867	0.734

3). Simultaneous Test (F Test)

TABLE 6
F TEST RESULTS

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	0.001	2	0.001	6.508	.133 ^a
Residual	0	2	0		
Total	0.001	4			

The results of the resulting F test show that F count > T table or 6.508 > 0.133 which means that the independent variable does not have a significant effect on the dependent.

4). Partial Test (T Test)



TABLE 7
T TEST RESULTS

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.055	0.165		0.333	0.771
1 DAR(X1)	-0.594	0.842	-0.977	-0.706	0.553
DER(X2)	0.37	0.274	1.873	1.353	0.309

a. Dependent Variable: ROE (Y)

- a) *Debt to Asset Ratio* has a calculated t value of -0.706 with a significant value of 0.553 which is greater than 0.05, it is said that DAR has a negative and insignificant effect on profitability.
- b) *The Debt to Equity Ratio* has a t - count value of 1.353 with a significant value of 0.309 which is greater than 0.05, so it is said that DeR has a positive and insignificant effect on profitability.

3.2 Discussion

a. Evaluation of Capital Structure at PT Astra International Tbk

Optimizing the balance between harm and return to broaden the cost of offering. Therefore, in deciding the capital design of an organization, it is important to consider the various factors that influence it. Based on the table above, it can be seen that the average DAR value at PT Astra International Tbk for the 2016-2020 period with the highest average value was in 2019 with a value of 0.51 . And the lowest was in 2020 with a value of 0.43 . Assuming a high proportion, this indicates that providing subsidies with more obligations will make it difficult for the organization to obtain additional credit because it is expected that the organization will not be able to cover its obligations with its resources. Similarly , assuming that the proportion is low, the simpler the organization is to finance with liabilities .

Based on the table above, it can be seen that the average value of DER at PT Astra International Tbk for the 2016-2020 period with the highest average value was in 2019 with a value of 0.98 . And the lowest in 2020 with a value of 0.75 . The higher the value, the company or shares of the company concerned are indicated to provide a higher risk to investors.

b. Profitability Evaluation at PT Astra International Tbk

Based on the table above, it can be seen that the average ROE at PT Astra International Tbk for the 2016-2020 period is 0.11 . And the lowest in 20220 with a value of 0.08 . This means that every Rp. 100 securities contributes Rp. 11 to net income. If the calculation of return on equity increases, the position of the organization will increase according to capital market participants. This is because the business is proven to have the option to take advantage of capital assistance. The low return on equity was due to a sharp decline in net profits after the valuation and expansion of the organization's value. The reduction in net profit is due to the reduced popularity of bicycles, the increase in the lowest wage permitted by law, an increase in the cost of work and a decrease in net benefits, also due to monetary conditions and government approaches that affect the presentation of the organization, for example, changes in rupiah cash and increases in labor costs.

c. Evaluation of the capital structure and profitability of PT Astra International Tbk

Based on the results multiple linear regression, namely $Y=0.055-0.594X_1 +0.37X_2$ the results of the regression equation show that there is a negative influence between capital structure and a positive influence on profitability at PT Astra International Tbk for the 2016-2020 period. The results of this study are in line with Indri Pramesti (2020) which states that the results of the DAR and DER have reduced benefits. The result of calculating the proportion of actions shows that the normal benefit development of PT Astra International Tbk's business will increase, but from the TAT results will experience a decrease in benefits. For the time being, as stated by Kasmir, the portion of PT Astra International Tbk's actions will decrease in the next period. For the time being, according to Kasmir, according to Kasmir, the benefits will be reduced in the next term.



Based on the explanation above, it is better for PT Astra International, focusing on overall profit for profit by expanding organizational agreements and expanding liabilities is also an attraction that is increasingly attracting financial supporters, because liability funders can show the company's financial presentation in overseeing the company's accounts. This is what financial backers consider whether to contribute or not, then the organization must build on its credit.

4. Conclusion

Based on the table above, it can be seen that the average DAR value at PT Astra International Tbk for the 2016-2020 period with the highest average value was in 2019 with a value of 0.51 . And the lowest was in 2020 with a value of 0.43 . Assuming a high ratio, this means that providing subsidies with more obligations will make it more difficult for the organization to obtain additional credit because it is expected that the organization will not be able to cover its obligations with its resources. Similarly, assuming the ratio is low, the simpler the organization is to finance with liabilities.

Based on the table above, it can be seen that the average ROE at PT Astra International Tbk for the 2016-2020 period is 0.11 . And the lowest in 20220 with a value of 0.08 . This means that every Rp. 100 securities contributes Rp. 11 to net income. If the ROE calculation is greater, the company's reputation will also increase in the eyes of capital market players.

Based on the results of multiple linear regression, namely $Y=0.055-0.594X_1 +0.37X_2$ The results of the regression equation show that there is a negative influence between capital structure and a positive influence on profitability at PT Astra International Tbk for the 2016-2020 period.

The result of r is 0.931, there is a very strong correlation or relationship between the independent variable and the dependent variable. The result of the coefficient of determination is 0.867, meaning that profitability can be explained by the capital structure of 86.7% and the remaining 13.3% is explained by other variables outside of this research variable.

The results of the resulting F test show that $F_{count} > T_{table}$ or $6.508 > 0.133$ which means that the independent variable does not have a significant effect on the dependent

Debt to Asset Ratio has a calculated t value of -0.706 with a significant value of 0.553 which is greater than 0.05, it is said that DAR has a negative and insignificant effect on profitability. The Debt to Equity Ratio has a t - count value of 1.353 with a significant value of 0.309 which is greater than 0.05, so it is said that DER has a positive and insignificant effect on profitability.

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