DETERMINANTS OF THE CAPITAL STRUCTURE EVIDENCE FROM THE PROPERTY AND REAL ESTATE COMPANIES LISTED IN INDONESIA STOCK EXCHANGE

Sparta SE.Ak.,ME.,CA [1]

Salsya Defadjria [2]

Abstract

The main purpose of this study is to determine whether the variables are considered to affect the company's capital structure by a variety of literature and previous research, is able to explain the company's capital structure policy in the property and real estate sector enterprises. The variables analyzed in this study is the risk business, asset structure, profitability, sales growth and firm size. This research was conducted on the Stock Exchange, where the period of time 2011-2015. The samples taken using a purposive sampling method. This study used multiple linear regression model by pooling the data. The result showed that asset struchire and firm size has a positive and significant influence on capital struchlfe, while risk business, profitability and sales growth does not significantly influence the capital structure.

Keywords: *Risk Business, Asset Structure, Profitability, Sales Growth and Firm Size.*

INTRODUCTION

Among the development of investments that grow in the community, one of them is to invest funds in the form of land or property or place it in the property and real estate industry in Indonesia Stock Exchange. According to their type, real estate is divided into several types: 1) residential property, which includes residential, whether housing, apartment, flats and multi-unit buildings as a place for small businesses; 2) commercial property, specific land or buildings designed to generate profits such as industrial buildings, hotels, shopping malls, and office buildings. Business in property and real estate is generally long term and will grow in line with economic growth.

The increase in the property and real estate business that is entering the globalization era has resulted in increasingly sharp competition, so every company is required to always maintain the financial balance of the company, by controlling the balance between the required assets and liabilities. The selection of assets used by the company will determine the company's wealth structure. While the selection of quantitative and liability structures will determine the financial structure and capital structure (Alipour, 2015). One important aspect of implementing such a balance is the spending plan. Therefore, financial managers are required to compare the advantages and disadvantages of the

various sources of funds to be used, and determine either a good source of spending, or the determination of optimal capital structure.

Company funding sources can be obtained from internal and external funding sources. Internal sources of funds mean that funds derived from the results of the company's operations consisting of retained earnings. While the source of external funds obtained from outside the company that is, debt and personal capital. If the company's capital needs are increased and the funds owned have been used, the company can obtain funds from outside sources such as issuing new shares to prospective investors or taking out loans in the form of debts originating from creditors. The creditor requires the company to make financial disclosures more comprehensively to ensure that the company can meet its obligation to return principal and interest with a predetermined period of time. The shareholders are the owners of the company; have long-term ties to the company and vice versa. Shareholders want dividend profits and companies want financial results with high retained earnings. Therefore, the decision on the capital structure of the company also has a significant relationship to the company's financial structure.

Chadha and Sharma (2015) state that the capital structure consists of debt, common stock and preferred stock that is used to finance various long-term projects of the company. Decision-making capital structure is very vital, if there is a mistake in decision making companies can experience financial distress even to bankruptcy (Alipour et al, 2015). In other words, the capital structure can describe the proportion of debt use to finance its investment, so investors can know the balance between risk and return on investment that has been planted in a company.

In 2011 and 2012 growth in the property and real estate industries is quite high, reaching above 7%. Then it declined slightly in 2013, to 6.54% and decreased again in 2014 and 2015 (http://indoanalisis.co.id/wp-content/uploads/2016/05/Distribution-and- Example-Content-Industry-Property-Commercial-in-Indonesia-2016.pdf). The emergence of this growth decline can bring negative impact on the performance of companies such as financial condition, business prospects, business growth and declining economic growth in business development in Indonesia, including property and real estate.

The capital structure is a combination of debt and capital in corporate finance (Alipour et al., 2015). Chadha and Sharma (2015) state that is the capital structure consists of debt, common stock and preferred stock used for long-term corporate projects, in other words the capital structure is a long-term funding source derived from both internal and external. If the company meets its funding needs from internal sources, the company conducts internal financing in the form of retained earnings. Conversely, if the company meets its funding needs from external sources, then the company does external financing. The fulfillment of external funding needs is separated into 2, namely debt financing and equity financing. Debt financing is obtained through borrowings, while capital funding itself comes from emissions or the issuance of shares.

Trade-off theory summarizes the whole theory that shows the optimal combination of debt and equity, in order to maximize the value of a company that arises when there is a balance between profit and cost (Gómez, 2014). This theory indicates that the debt has a control center in business funding. The trade-off model assumes that the firm's capital structure is the result of trade-offs of tax profits by using debt at costs that would arise as a result of the use of

such debt (Chadha and Sharma, 2015). The essence of the trade-off theory of capital structure is to balance the benefits and sacrifices arising from the use of debt. As far as benefits are greater, additional debt is still permitted. If the sacrifice due to the use of debt has been greater, than the additional debt is not allowed. The conclusion is that the use of debt will increase the value of the company but only to a certain point. After that point, the use of debt actually lowers the value of the company.

Pecking Order Theory is based on two prominent assumptions (Sheikh et al., 2011). First, managers prefer to use internal information rather than using information from outside investors. Second, managers aim to maximize the prosperity of the owners and shareholders of the company. In summary, the pecking order theory does not discuss how to find the optimal capital structure, but only explains the funding sequences because the pecking order theory does not explain theoretically why the sequences occur, so the theory is known as Information Asymmetry.

Investment property is property (land or building or part of a building or both) that is controlled for rented interest to obtain long-term rental income and / or for value increase or both of them.

Business risk can be measured by income variability (Kumar, 2017). The income variance of an enterprise will have an effect on the level of foreign capital usage, since it can be used as collateral to meet the fixed expenses that must be borne by the company in the form of principal and interest. In this research, the researcher uses the standard deviation of earning before tax income (EBIT) compared with total assets

The structure of assets as a determination of how much the allocation of funds for each component of the asset, both in current assets and fixed assets. Basically the value of liquidation of fixed assets will be higher than intangible assets. In addition, the asset structure also describes some of the assets owned by the company that can be used as a collateral asset (collateral) to obtain external funding (Haron, 2016). In this study, researchers used fixed assets in comparison with total assets

Profitability is an indicator performed by the management company in managing the wealth of a company that can be shown by showing the profit generated. The pecking order theory states that companies will prefer internal funding rather than external funding when companies need funds for investment purposes (Viviani, 2008). In this research the researcher uses profit after tax in comparison with total assets.

Sales Growth. Companies with high growth rates will imply a higher demand for external funding needs. When external funds are needed to meet investment needs, according to the pecking order theory hypothesis, the company will prefer to use the debt first instead of issuing new shares. This is because the higher the chance of growth will cause the higher the asymmetry of information that occurs (Mande et al., 2012). In this study, the researcher uses the sales of the current period minus the sales period of the previous year compared with the sales period of the previous year.

Size. Basically, the size of the company is only divided into 3 categories, namely large companies (large firm), medium firm (medium firm) and small firm (small firm). The determination of the size of the company is based on

the total assets of the company. Large (size) of the company can be expressed in total assets, sales and market capitalization. In this study, researchers used the logarithm of the total assets of the company.

Many people are interested in investing in the property sector and real estate because the price is likely to always go up. At the end of quarterly III- 2008, residential property prices in Indonesia increased 0.97%, while in commercial property developments in Indonesia increased for supply of units, while rental rates decreased by 1.25% driven by weak value Rupiah exchange rate against US Dollar (www.bi.go.id). At this time, the global financial crisis that devastated the stability of the financial system in developing countries so that the impact on developing countries, including Indonesia that ultimately affect interest rates, inflation, economic recession, economic policy as a whole, and changes in investor expectations of economic developments that can be at risk the development of the company, not least the property sector and real estate.

Prior study indicate diference result. And then, this studi try to study how impact business risk, asset srtructure, profitability, sales growth and size on capital structure. The results of previous research indicate that business risk positively impact on the capital structure (Chadha and Sharma, 2015), while other research showed a significant negative effect (Kumar, Colombage, and Rao, 2017, Alipour, Mohammadi, Derakhshan, 2015; Nuswandari, 2013; and Haron, 2016). Other research results indicate that there is no influence of business risk on capital structure (Kim and Berger, 2008; Kartika, 2009; Gomes at All, 2014; and Benkraiem, Gurau, 2013).

Previous research related with impact asset structure on capital structure indicated that result of positively significant (Chadha and Sharma, 2015, Chen, Jiang, Lin, 2014, Gomes, 2014, Kumar, Colombage, and Rao, 2017; and Gharaibeh, 2015), while other studies show the result of the negative influence (Alipour, Mohammadi, Derakhshan, (2015), Benkraiem, Gurau, (2013). The results of other studies indicated that there was no effect of the asset structure on capital structure (Haron, 2016; Santika and Sudiyanto, 2011; and Kartika, 2009).

Previous studies related to the effect of profitability on capital structure showed different results. The results of Chadha and Sharma's (2015) showed that profitability has a positive effect on capital structure, while other research results (Gomez, Rivas and Bolanos, 2014, Kartika, 2009, Kumar, Colombage, and Rao, 2017; Alipour, Mohammadi, and Derakhshan, 2015; Nuswandari, 2013; Benkraiem and Gurau, 2013; Haron, 2016; Santika and Sudiyatno, 2011; and Gharaibeh, 2015) showed a negative effect. Other results indicate that there was no effect of profitability on capital structure (Chen, Jiang and Lin, 2014).

The results of previous research indicated that sales growth has a positive effect on capital structure (Santika and Sudiyatno, 2011; Gomes At all, 2014; Kumar, Colombage, and Rao, 2017; Benkraiem and Gurau, 2013; Chadha and Sharma, 2015; and Gharaibeh, 2015), whereas other studies have shown opposite results: sales growth negatively affects capital structure (Alipour, Mohammadi and Derakhshan, 2015 and Haron, 2016). Other research results show that sales growth has no effect on capital structure research (Chen, Jiang, and Lin, 2014; Haron, 2016); Kim and Berger, 2008; and Nuswandari, 2013).

The results of previous research indicated that firm size has a positive influence on capital structure (Kumar, Colombage, and Rao, 2017, Chadha and Sharma, 2015; Nuswandari, 2013; and Gharaibeh, 2015), while other research

results showed a negative effect (Alipour, Mohammadi, Derakhshan, (2015), Benkraiem, Gurau, (2013), and Haron, 2016). Other pepenilitian results show that firm size has no effect on capital structure (Kim and Berger, 2008 and Gomes, 2014).

Business risk is the risk of the company when it is unable to cover its operating costs and is affected by the stability of revenue and expenses (Nuswandari, 2013). Firms with high business risks tend to avoid funding using debt compared to firms with lower business risk. High corporate risk in general prioritizes the use of internal funds rather than the use of debt or issuance of shares. The higher the business risk the lower the capital structure. Based on the study of theory and previous research results related to the impact of business risk on capital structure, the first hypothesis proposed in this study is business risk influences the capital structure

Kumar et al. (2017) state that is the asset structure is represented by total assets that are an important measure of the firm's capital structure. If the company has good assets, then it can be used as collateral, which will increase funding from external sources. Usually industrial companies where most of their capital is embedded in fixed assets, will prioritize the capital have been a permanent capital of its own and the debt as a compliment. Based on the study of theory and previous research results related to the impact of the asset structure on capital structure, the second hypothesis proposed in this study is asset structure influences the capital structure

Profitability measures the focus on corporate profits. The profitability of a company shows the comparison between profits with assets or capital that generate such profits. Profitability ratio aims to measure the company's ability to earn profits, both in relation to the sale of assets, as well as to own capital. So can be interpreted that profitability is the ability of the company to generate profit during certain period. Companies that have high profitability will reduce debt. This is because companies allocate most of their profits to retained earnings, relying on internal sources and relatively low capital structure. Based on the study of theory and previous research results related to the impact of profitability on capital structure, the hypothesis proposed in this study are as follows, the third hypothesis proposed in this study is profitability influences the capital structure

Sales growth reflects the current capacity that the market can absorb and reflects the company's competitive advantage in the marketplace. The company's sales growth is a measure of the success of a company in doing its activities. The steady growth of sales allows the company to grow larger, for that capital or corporate funding is indispensable. Based on the study of theory and previous research results related to the impact of sales growth on capital structure, the fourth hypothesis proposed in this study is sales growth influences the capital structure

Company size is one of the factors that companies consider in determining how much source of financing came from debt or internal fund (capital structure) in meeting the size or size of the company's assets. The amount of total assets owned by a company can reflect the size of the company. The size of large companies will give a more positive signal to investors or creditors to invest in the company, which will lead to increased use of external funds (Al-Shubiri, 2010). In addition, larger companies will be easier to obtain loans than small companies. This allows large companies to have a greater degree of leverage than small companies. Based on the study of theory and previous research results related to firm size impact on capital structure, the fifth hypothesis proposed in this study is firm size influences the

capital structure

RESEARCH OJECTIVES

The purpose of this study is to know the determinants of capital structure by using independent variabel as risk business, asset structure, profitability, sales growth, and asset size on capital structure of property and real estate company. The central idea of this study is about the impact of business risk on capital structure of companies engaged in property and real estate sector in Indonesia. Property and real estate companies are selected because, in view of the rapidly growing world of property and real estate, many properties and real estate companies have gone public. This helps corporate managers in obtaining financial statement information as a basis in making capital decisions. Based on the description that has been described above, the authors take this study with the title "Determinants of The Capital Structure evidence from the Property and Real Estate Companies listed in Indonesia Stock Exchange".

RESEARCH METHODOLOGY

The research was conducted in 2017 with the object of research on property and real estate companies listed on Indonesia Stock Exchange period 2011-2015 period. This study aims to reveal the impact of business risk, asset structure, profitability, sales growth, and firm size on capital structure in the period 2011-2015.

This study uses secondary data in the form of financial statements of property companies and real estate that has been going public and has been listed on the Indonesia Stock Exchange period 2011-2015, and has met the criteria set.

Analytical techniques used in this study include descriptive statistical analysis, panel data regression analysis, classical assumption test and hypothesis testing. In the classical assumption test the researcher performs the normality test, multicollinearity test, heteroscedasticity test and autocoroleation test. As for hypothesis testing using t test (partial) and test f (simultaneous).

Research equations used in this study are as follows,

$$DER_{it} = \beta_0 + \beta_1 BRISK_{i,t} + \beta_2 SA_{i,t} + \beta_3 PROF_{I,t} + \beta_4 SGROWTH_{i,t} + \beta_5 SIZE_{i,t} + \in_{i,t}$$

……(1)

Where, *DER* is *Debt to Equity Ratio* in company i, in period t, β_0 is constant coefficients, β_1, β_2, β_3, β_4, and β_5 are Regression coefficient independent variable. $BRISK_{i,t}$ is business risk in company i, in period t, $SA_{i,t}$ is asset structure in company i, in period t, $PROF_{I,t}$ is profitability in company i, in period t, $SGROWTH_{i,t}$ is sales growth in company i, in period t, $SIZE_{i,t}$ is firm size in company i, in period t, and ε is *Error*.

Definition of operational variale of this research can be seen in the table 2.

Table 2. Operational Definition and Variable Measurement

Variable	Definition	Formula	Scale of measurement
Capital Structure (*DER)*	Permanent financing consisting of long-term debt, preferred stock, and share capital.	(Viviani, 2008)$_{DER}$ = $\frac{Long-term\ debt}{Equity}$	Ratio
Business risk (*BRISK*)	The difference between profit after tax divided by total assets.	(Kumar, 2017) $B.\ RISK = \sigma \frac{EBIT}{Total\ Aktiva}$	Ratio
Asset Structure (*SA*)	How to measure by comparing fixed assets with total assets.	(Haron, 2014) $SA = \frac{Fixed\ Assets}{Total\ Assets}$	Ratio
Profitability (*PROF*)	the ratio between net income to total assets	(Sheikh, 2017) $PROF = \frac{Net\ Income}{Total\ Assets}$	Ratio
Sales Growth (*SGROWTH*)	Sales growth is by comparing the sales of the year to t after deducting the sales in the previous period against sales in the previous period.	(Ahsan *et al.*, 2016) $S.GROWTH = \frac{Sales_t - Sales_{t-1}}{Sales_{t-1}}$	Ratio
Firm Size (SIZE)	Ln log total asset	Benkraiem dan Gurau (2013), *SIZE*=Ln Total Assets	Ratio

RESULTS AND ANALYSIS

Descriptive Analysis

Based on calculations that have been written in table 3, it can be seen that the average of the DER variable is 0.585052. The maximum value of DER is 1.310000, while the minimum value is 0.057685. Then the standard deviation of DER variable is 0.327085.

Table 3. Descriptive Statistics

	DER	BRISK	SA	PROF	SGROWTH	SIZE
Mean3	0.585052	0.035396	0.674976	0.057780	-1.09E+10	28.47837
Median	0.560000	0.021984	0.179881	0.046912	-4.18E+09	28.65868
Maximum	1.310000	0.207894	60.63811	0.316064	0.000000	31.35253
Minimum	0.057685	0.002853	0.000174	-0.102698	-1.17E+11	23.11628
Std. Dev.	0.327085	0.038881	5.037878	0.066495	1.66E+10	1.596140
Skewness	0.293059	2.375871	11.83177	0.871063	-3.024.889	-0.528357
Kurtosis	2.159177	8.959290	141.3310	4.955474	15.28567	2.900598
Observations	144	144	144	144	144	144

Source: Authors' own calculation (2017)

Regression results of the research

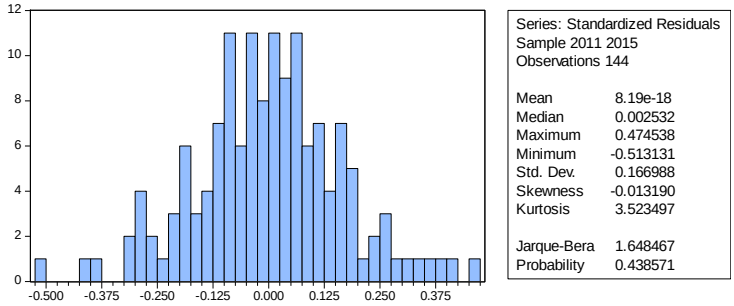
Regression research can be seen in table 4.

Table 4. Regression Model

Variable	Coeff.	Std. Error	t-Stat.	Prob.	Conclusion
BRISK	-0.357882	0.551751	-0.648629	0.5179	Insignificant
SA	0.014279	0.003701	3.858.002	0.0002	Significant
PROF	-0.281098	0.318534	-0.882474	0.3794	Insignificant

SGROWTH	-8.46E-13	1.77E-12	-0.479123	0.6328	Insignificant
SIZE	0.136569	0.023699	5.762.730	0.0000	Significant
C	-3.294.138	0.658696	-5.001.001	0.0000	
R-squared	0.739356	Mean dependent var		0.585052	
Adjusted R-squared	0.661162	S.D. dependent var		0.327085	
F-statistic	9.455480	Durbin-Watson stat		1.542.406	
Prob(F-statistic)	0.000000				

Source: processed by self



source: result of data processing (2017)

Picture 1

Normality residual of regression equation

Result of regression can be found in the table 4. There is the result of the test where in this study using the fixed effect model after the chow test and hausman test. The data in this study has been normally distributed (show picture 1) and free from multicolinearity (show table 5.), autocorrelation (durbin Watson Statistic is 1.542.405) and heterocedasticity problems (show table 6) after passing the classical assumption test.

Tabel 5

Correlation Matrix of independent variabel

	DER	BRISK	SA	PROF	SGROWTH	SIZE
DER	1					
BRIS	-0,20282	1				
SA	0,181174	-0,01038	1			
PROF	0,076939	0,19396	0,070598	1		
SGROWTH	-0,47471	0,081156	0,058221	-0,09598	1	
SIZE	0,392023	-0,05379	-0,28264	0,221397	-0,67684	1

source: result of data processing (2017)

Tabel 6

Heteroscedacity test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BRIS	-0.180687	0.124662	-1.449.407	0.1501
SA	0.000234	0.000836	0.279728	0.7802
PROF	0.005283	0.071969	0.073406	0.9416
SGROWTH	5.70E-13	3.99E-13	1.427.145	0.1564
SIZE	0.006786	0.005354	1.267.279	0.2077
C	-0.153421	0.148825	-1.030.879	0.3049

source: result of data processing (2017)

The coefficient of determination is one of the statistical values that can be used to measure how far the model used to connect the independent variable with the dependent variable in estimating the regression equation. Based on Table 1.4, the coefficient of determination of this research equation (Adjusted R-Squared) is 0.661162 or 66.11%.

The Influence of Business Risk to Capital Structure

Based on the first hypothesis test in Table 4 above can be seen that business risk shows insignificant results on capital structure. This shows that the essence of trade-off theory and pecking order theory in the selection of capital structure is still not considered by managers in decision-making regarding their capital structure, where both theories are required by the company's managers to minimize the business risks that will arise.

In the sampling study is a property industry and real estate companies listed on the Indonesia Stock Exchange during the period 2011-2015, where the company has a sizeable asset and is not a newly developed company in the property and real estate sectors, so the company's manager in capital structure decision-making does not take into account future business risks to the company. The sample company represented by profit after tax in shares with total assets results in that business risk does not affect the capital structure.

This study result consistent with the study that have been done by Kim and Berger (2008), Gomes at all (2014), Kartika (2009), Benkraiem, and Gurau, (2013). And so, this study no consistence with the study have done by Chadha and Sharma (2015), Kumar, colombage, and Rao (2017), Alipour, Mohammadi, Derakhshan, (2015), Nuswandari (2013), and Haron (2016).

The Influence of Asset Structure to Capital Structure

Based on the second hypothesis test in Table 1.4.2 above can be seen that the asset structure shows positively significant results on the capital structure of property and real estate industry companies listed on the Indonesia Stock Exchange during the period 2011-2015.

In the company that became the sample of this study is a company that has fixed assets in large quantities. The amount of fixed assets in the company will affect the amount of loans to be provided by external parties to the company. This is because of the scale of large companies will easily get access to financial resources compared with small companies. Then the amount of fixed assets can be used as a debt guarantee company, so the company can use large amounts of debt.

This result of study consistent with the study that have been done by Chadha and Sharma (2015), Chen, Jiang, and Lin (2014), Gomes (2014), Kumar, Colombage, and Rao (2017), Gharaibeh (2015). And so, this study no consistency with the study that have been done by Alipour, Mohammadi, Derakhshan, (2015), Benkraiem, Gurau, (2013), Haron (2016) , Santika and Sudiyanto (2011), and Kartika (2009).

The Influence of Profitability to Capital Structure

Based on the third hypothesis test in Table 1.4.2 above can be seen that the profitability showed insignificant results on the capital structure of property and real estate industry companies listed on the Indonesia Stock Exchange during the period 2011-2015.

The results of the third hypothesis test in this study mean that when companies earn a large profit the company more likely to share earnings to shareholders as dividends. This dividend distribution can result in the proportion of retained earnings to be used for future investment financing is reduced. This enables companies to seek other sources of funding for corporate investment financing. Alternative funding that can be used is external funding that comes from long-term debt. In other words, the company increased the use of debt in financing its investment activities, which means that in financing its activities the company will use more long-term debt so as to enlarge the value of its capital structure. Using more debt means also increasing the company's dependence with outsiders.

This result of study consistent with the study that have been done by Chen, Jiang, Lin (2014). And so, this study no consistency with the study that have been done by Chadha and Sharma (2015), Gomez, Rivas, and Bolanos (2014), Kartika (2009), Kumar, Colombage, and Rao (2017), Alipour, Mohammadi, and Derakhshan, (2015), Nuswandari (2013), Benkraiem and Gurau (2013), Haron (2016), Santika and sudiyatno (2011), and Gharaibeh (2015).

The Influence of Sales Growth to Capital Structure

Based on the fourth hypothesis test in Table 1.4.2 above, it can be seen that sales growth shows insignificant results on the capital structure of property and real estate industry companies listed on the Indonesia Stock Exchange during the period 2011-2015.

Increased sales growth in the sample companies encourages management to use or add to corporate debt, in addition to the high demand for real estate and property makes management more effort to expand their business. The addition of this debt can increase the level of risk and the consequences on the company that can result in loss of investor confidence in the company for the debt repayment made by the company.

This result of study consistent with the study that have been done by Chen, Jiang, and Lin (2014), Haron (2016), Kim and Berger (2008), and Nuswandari (2013). And so, this study no consistency with the study that have done by Santika and Sudiyatno, (2011), Gomes At All.(2014), Kumar, Colombage, and Rao(2017), Benkraiem and Gurau, (2013), Chadha and Sharma, (2015), Gharaibeh (2015), Alipour, Mohammadi and Derakhshan (2015), and Haron (2016)

The Influence of Firm Size to Capital Structure

Based on the fifth hypothesis test in Table 1.4.2 above can be seen that the size of the company showed positively significant results on the capital structure of property and real estate industry companies listed on the Indonesia Stock Exchange during the period 2011-2015.

Larger companies will find it easier to obtain loans from external parties than with small companies. Allowing for large companies, their leverage levels will be greater than small companies. Small firms will tend to like short-term debt compared to long-term debt because the cost is lower. Similarly, large companies will tend to have a strong source of funding.

This result of study consistent with the study that have been done by Kartika (2009), Nuswandari (2013), Chen, Jiang and Lin (2014), Chadha and Sharma (2015), Gharaibeh (2015), and Kumar, Colombage, and Rao (2017). And

so, this study no consistance with study have done by Alipour, Mohammadi, and Derakhshan, (2015), Benkraiem and Gurau, (2013), Haron, (2016), Kim dan Berger (2008), and Gomes (2014).

Managerial Implications

Based on the above explanation, the results of the analysis in this study found that there are two of the five independent variables that can affect the capital structure, namely variable structure of assets and the size of the company. The variable of asset structure and firm size in this research is proved to have positive and significant relation, so it indicates that the structure of assets and company size can be one of the measurement parameters of capital structure, where companies with large fixed assets can use the amount of debt big. That way, the company's management is expected to focus and can continue to maintain total assets of the company.

Business risk variables have an insignificant relationship to capital structure. These results indicate that in decision-making the company's capital structure, managers does not pay attention to it. However, the non-significant effect explains that the property and real estate companies listed on the Indonesia Stock Exchange for the period 2011-2015 should maintain and pay attention to business risks

Profitability variables have no significant effect on capital structure, so if the company with high rate of return on investment use a relatively small debt. High returns make it possible to finance most of the funding needs with internally generated funds. However, the non-significant effect explains that the property and real estate companies listed in Indonesia Stock Exchange for the period 2011-2015 should maintain and pay attention to profitability.

The variable of sales growth has an insignificant relationship to the capital structure, that increased sales growth encourages management to use or add to corporate debt, which will automatically increase the risk of the company. However, the non-significant effect explains that the property and real estate companies listed in Indonesia Stock Exchange for the period 2011-2015 should maintain and pay attention to profitability.

CONCLUSION AND RECOMMENDATIONS

Based on the results of the research, it can be concluded that business risk has no significant influence on capital structure, asset structure has significant influence on capital structure, profitability has no significant effect on capital structure, sales growth has no significant effect on capital structure, to the capital structure.

Based on research conducted by researchers, the limitations in this study are: 1). In this study only take samples from property companies and real estate listed on the Indonesia Stock Exchange with a short period of the period 2011-2015, 2). The number of samples in this study only 36 companies because there are some property companies and real estate that has not gone public during the sample period, and 3). This study only uses business risk variables, asset structure, profitability, sales growth and firm size as independent variables.

Based on the above conclusions, then the advice can be given is: 1). The external and internal parties in the property and real estate sector should be able to make the total assets as the main focus used in capital structure, decision-making, since the asset structure is shown to significantly affect the capital structure., 2). The result of the

research showed negative not significant between business risk to capital structure. From these results should managers need to give more attention to business risks in decision-making, capital structure in order to optimize and minimize operating costs in order to create efficiency and effectiveness of the use of funds, and 3). The results of research for companies that have DER above 100%, need to pay more attention to the proportion of debt and own capital in the capital structure of the company. Because if the proportion of debt and equity is unbalanced in the capital structure, it can increase the risk of capital borne by the company and it is feared to disrupt business stability. It can also lower creditor confidence.

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[1] Ph.D. Indonesia Banking School, e-mail: sparta@ibs.ac.id.

[2] Indonesia Banking School, e-mail: salsyadefadjria@gmail.com.