The Effect Of Company Size On Capital Structure In Tourism, Restaurant, And Hotel Companies Listed On The Indonesia Stock Exchange In 2019-2020

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ABSTRACT

This research on profitability aims to examine the effect of firm size on capital structure. The population in this research are tourism, restaurant, and hotel companies listed on the Indonesia Stock Exchange in 2019 - 2020. The sample in this research was selected through purposive sampling, so that a sample of 31 companies was obtained. The statistical test tool uses multiple regression analysis. Capital ctructure in this research was measured using Debt to Equity Ratio, while firm size was measured using total assets. The results show that firm size has negative and insignificant effect on capital structure. The size of the company has no effect on management decisions to manage capital structure, whether management will use accounts payable or use its own capital. The bigger the company, the management will decide to manage using their own capital. There is a possibility that the larger the size of the tourism, restaurant, and hotel companies, management will tend to use capital originating from within the company, especially to reduce risk. This is exacerbated by the COVID-19 pandemic which has caused a sluggish tourism worldwide. Investors may withdraw their money in tourism and divert their funds to other fields that are considered more profitable.
Keywords: ***firm sixe, capital structure, hotel***

Abstrak

Penelitian tentang profitabilitas ini bertujuan untuk menguji pengaruh ukuran perusahaan terhadap struktur modal. Populasi dalam penelitian ini adalah perusahaan pariwisata, restoran, dan hotel yang terdaftar di Bursa Efek Indonesia tahun 2019 - 2020. Sampel dalam penelitian ini dipilih melalui purposive sampling, sehingga diperoleh sampel sebanyak 31 perusahaan. Alat uji statistik menggunakan analisis regresi berganda. Struktur modal dalam penelitian ini diukur dengan Debt to Equity Ratio, sedangkan ukuran perusahaan diukur dengan total aset. Hasil penelitian menunjukkan bahwa ukuran perusahaan berpengaruh negatif dan tidak signifikan terhadap struktur modal. Ukuran perusahaan tidak berpengaruh terhadap keputusan manajemen untuk mengelola struktur modal, apakah manajemen akan menggunakan hutang usaha atau menggunakan modal sendiri. Semakin besar perusahaan, maka manajemen akan memutuskan untuk mengelola dengan menggunakan modal sendiri. Ada kemungkinan bahwa semakin besar ukuran perusahaan pariwisata, restoran, dan hotel, manajemen akan cenderung menggunakan modal yang berasal dari dalam perusahaan, terutama untuk mengurangi risiko. Hal ini diperparah oleh pandemi COVID-19 yang menyebabkan lesunya pariwisata di seluruh dunia. Investor dapat menarik uangnya di bidang pariwisata dan mengalihkan dananya ke bidang lain yang dianggap lebih menguntungkan.

1. Introduction

The tourism sector in Indonesia is currently being intensively promoted by the government. In the last two years, the effects of the pandemic have been felt which has resulted in sluggishness in the tourism sector. However, since the end of 2021, the government has begun to revive tourism in Indonesia. Therefore, all companies in the tourism sector are currently vying to reactivate tourism that was sluggish. Several types of tourism are currently being enjoyed by the community after having to limit social activities for a long time. One thing that is currently very much considered by the public in choosing a tourist location is the commitment of the owner of the tourist place to the health protocol. Several other tours offer facilities such as self-isolation, where people can travel in peace and with restrictions on the number of tourists who enter these facilities.

To fulfill this, substantial funds are needed to revive existing tourist attractions, especially for the fulfillment of health protocols. According to Ryadi (2014), the fulfillment of company funds can come from internal sources and external sources of the company. Determination of the total proportion between long-term debt and capital in its use as a source of funding for a company has a close relationship with the capital structure. Capital structure is a factor that affects firm value. So, if the company changes the proportion between internal and external sources, then the stock price of a company can change. So that in determining the capital structure policy, the manager must be able to determine the funding needs needed by the company can be met from the company's internal funds or from the company's external funds. This is done as an effort to optimize the value of the company.

Yubagio and Agustin (2021) in their research stated that the increasingly fierce competition and the rapid growth of companies in the tourism industry sector, resulted in increased investment in fixed assets and activities in the form of operations so that it had an impact on the company's capital structure. The capital structure in this research can be represented by the debt to equity ratio (DER). The size of the capital for the company's operational activities is also in line with the size of the business being carried out. This research uses companies in the tourism and hotel industry sectors, because this sector is one of the foreign exchange-producing sectors of the country that has a major influence on macroeconomic growth. This can be seen from the increase in tourist visits, both local and foreign, every year. Good developments in the tourism and hospitality sectors are due to the high interest of investors to invest in these sectors, which in turn will increase the investment value for the company. Vice versa, the declining interest of investors to invest in the tourism and hospitality sector is due to the lack of good development in these sectors.

Companies that are large in size and have shares that have more widely spread their shares will dare to reissue shares to meet the need to finance their sales when compared to small companies (Ryadi, 2014). The larger the size of a company, the company will tend to have a high level of debt usage as well. Research conducted by Ryadi (2014) shows that firm size has a positive and significant effect on capital structure. The same results are also shown by research conducted by Wulandari and Artini (2019), where the results of their research state that company size has a positive and significant effect on capital structure. The positive influence of company size on capital structure can be explained that large companies will have broad and easy opportunities to obtain loans, because creditors are more confident to lend capital to large companies. So that it can be said that the size of the company can be one of the factors that affect the capital structure because the better the company's finances, the more it can provide an adequate rate of return for investors and provide confidence to investors that the company can fulfill all its obligations. So the higher the size of the company, the better the company's capital structure.

Joni and Lina (2010) in Bhawa (2015) states that large company size is considered as a an indicator that describes the level of risk for investors to do investment in the company, because if the company has the ability to good financial condition, it is believed that the company is also able to fulfill all obligations and provide an adequate rate of return for investors.

Research conducted by Yubagyo and Agustin (2019) showed different results. Their research states that firm size has no significant positive effect on capital structure, namely the size of the company does not have a significant effect on increasing capital structure because large companies need more funds from external sources. Meanwhile, research conducted by Wardana and Sudiartha (2015) and research conducted by Mamnuah et al (2020) stated that company size had a negative and significant effect on capital structure. According to Wardana and Sudiartha (2015), the negative relationship between firm size and capital structure variables indicates that if the firm size increases, the firm's capital structure will decrease. Meanwhile, research conducted by Bhawa (2015) states that company size has an insignificant negative effect on capital structure. This can be caused by errors in the return of funding decisions, the company's management is not able to manage the company's capital structure optimally.

Due to the existing research gap on the effect of company size on capital structure, a research was conducted on the effect of company size on capital structure in tourism, restaurant and hotel sector companies listed on the Indonesia Stock Exchange in 2019 - 2020.

1. Order Pecking Theory

Pecking order theory states that financial managers prefer to use internal funds rather than funds from external parties (Myers, 1984 in Mamnuah et al, 2020). The company will establish a financing hierarchy model. This hierarchical model ranks funding sources from those with the lowest risk to the highest risk. The company will start funding from internal, lowest risk debt, down to riskier debt, hybrid securities such as convertible bonds, preferred stock, and finally common stock. This theory is called pecking order, because this theory explains why companies will determine the most preferred hierarchy of sources of funds.

The implication of pecking order theory is that the company does not set a certain optimal capital structure, but the company sets a priority policy on funding sources (Laili Hidayati, et al, 2001 in Mamnuah et al, 2020). Pecking order theory explains why profitable companies generally borrow in small amounts. This is not because the company has a low target debt ratio, but because it requires little external financing. Meanwhile, companies that are less profitable tend to have greater debt because internal funds are not sufficient and debt is the preferred external source.

Trade Off Theory states that the larger the size of the company then the company can use more debt, this is related to lower risk than large companies (Indrajaya, et al. 2011 in Wardana and Sudiartha, 2015).

2. Capital Structure

The capital structure is a mix of long-term debt and equity funding (Brealeyet al., 2011:600 in Mamnuah et al, 2020). According to Bambang Riyanto (2013: 282), in Mamnuah et al, 2020, capital structure is a balance or comparison between the amount of long-term debt and own capital, which means how much capital and how much long-term debt will be used so that it can be optimal. Companies that have optimal capital will produce optimal rates of return, so that not only companies that benefit, but shareholders also benefit. A capital structure that is not optimal will result in a cost of capital that is too large. If the debt used is too large, it will cause a large debt cost.

When considering capital structure decisions, there are several important factors that influence and must be considered. As for the factors-Factors that can affect the capital structure of the company consist of: sales stability, growth rate, control, tax, management attitude, attitudes of lenders and lending agents, asset structure, profitability, operating leverage, market conditions, company internal conditions and financial flexibility (Sumani and Rachmawati, 2012 in Wardana and Sidiartha, 2015).

3. Firm Size

According to Machfoedz (1994), in Mamnuah et al, 2020, "company size is a scale where companies can be classified in various ways (total assets, log size, stock market value, etc.). Basically the size of the company is only divided into 3 categories, namely large companies (large firms), medium-sized companies (medium-size) and large companies

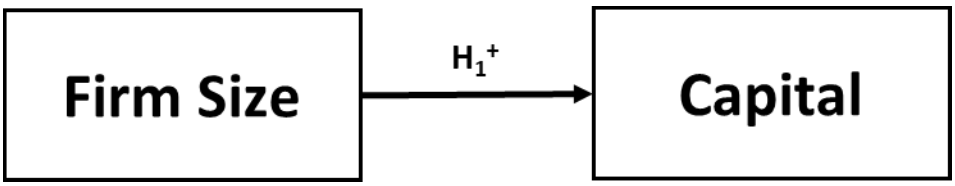
small companies (small firms). Determination of the size of this company is based on the total assets of the company.

A company with a large size is often more widely diversified and has a more stable cash flow, thereby reducing the risk of bankruptcy. Therefore, large companies tend to use external funding sources rather than small companies due to the company's accessibility to the capital market, besides that large companies have been able to fulfill debts with wider diversification and better cash flow stable so that the capital structure will also increase (Muhajir and Triyono, 2010 in Wardana and Sudiartha, 2015). Bhawa (2015) states that large-scale companies will find it easier to find investors who want to invest in the company and also in order to obtain credit compared to small companies.

Based on the background of the problem, the hypothesis in this research is:

H_1^+ : Firm size has a significant positive effect on the company's capital structure.

Figure 1. Research Framework



Source: Processed secondary data, 2022

2. Research Method

The population is a collection of elements that have certain characteristics that can be used to make conclusions (Chandrarin, 2017). This research uses a population of tourism, restaurant, and hotel companies listed on the Indonesia Stock Exchange in 2019 - 2020. The sample is a collection of subjects that represent the population (Chandrarin, 2017). The sampling in this research used purposive sampling, namely the sampling method based on certain criteria (Chandrarin, 2017). The sampling in this research used purposive sampling with certain criteria so that a sample of 31 tourism, restaurant, and hotel companies listed on the Indonesia Stock Exchange in 2019 - 2020. The type of data based on the data source used in this research is secondary data. Chandrarin (2017) states that secondary data is data that comes from parties or institutions that have used or published it so that testing the validity and reliability of secondary data is not necessary. This research used secondary data in the form of 2019 - 2020 financial statements on the IDX. The data is obtained by downloading the financial statements and other related information from the IDX official website. The method used to collect data in this research is the documentation method. According to Sugiono (2015) documentation is a method used to obtain data and information in the form of books, archives, documents, writings, numbers and images in the form of reports and information that can support research. In this research, data were obtained by downloading financial reports from the official website of the Indonesia Stock Exchange.

To determine the effect of firm size on capital structure, multiple regression analysis method was used with the following regression equation:

$SM = \alpha + \beta.UK + e$

Explain :

SM = Capital Structure
UK = Firm Size
α = intersep model
β = regression koefisien
e = error residual

Variables and Operational Definitions

Chandrarin (2017) defines a variable as something or anything that has value and can be measured, both tangible and intangible. Variables must be clearly defined both conceptually and operationally, in other words, variables must be measurable. The variables used in this research are:

1. Independent Variable
   The independent variable is a variable that is thought to have an effect on the dependent variable (Chandrarin, 2017). The independent variable in this research is capital structure. The indicator to measure the capital structure is calculated using the formula Debt to Equity Ratio (DER). The DER formula according to Mamnuah et al (2020) is as follows:

$$DER = \frac{\text{Total Amoun of debt}}{\text{Total Equity}}$$

2. Dependent Variable

The dependent variable is the main variable that becomes the attraction or focus of research (Chandrarin, 2017). The dependent variable in this research is firm size. According to Mamnuah et al (2020), basically the size of the company is only divided into 3 categories, namely large companies (large firms), medium-sized companies (medium-size) and small companies (small firms). Determination of the size of this company is based on the total assets of the company.

In this research, the size of the indicator uses a calculation in accordance with the research conducted by Mamnuah et al (2020) as follows:

Firm Size = Ln Total Asset

3. Results and Analysis

Multiple linear regression analysis was used to determine the direction and magnitude of the effect of firm size on the capital structure of tourism, restaurant, and hotel companies listed on the Indonesia Stock Exchange in 2019 - 2020 using SPSS 20.0. Multiple linear results for this research can be seen in table 1 as follows:

Table 1. t test results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.147	2.320		.925	.358		
	LnUP	-.046	.084	-.071	-.553	.582	1.000	1.000

a. Dependent Variable: SM

Source: Processed secondary data, 2022

Based on the results of the t test above, it can be seen that the size of the company has a negative and insignificant effect on the capital structure of the tourism, restaurant, and hotel companies listed on the Indonesia Stock Exchange in 2019 – 2020. The size of the company has no effect on management decisions to manage capital structure, whether management will use accounts payable or use its own capital. The bigger the company, the management will decide to manage using their own capital. There is a possibility that the larger the size of the tourism, restaurant, and hotel companies, management will tend to use capital originating from within the company, especially to reduce risk. This is exacerbated by the COVID-19 pandemic which has caused a sluggish tourism worldwide. Investors may withdraw their money in tourism and divert their funds to other fields that are considered more profitable.

The results of this research are the same as the research conducted by Bhawa (2015) where company size has an insignificant negative effect on the company's capital structure.Bhawa (2015) states that company size has an insignificant negative effect on capital structure. This can be caused by errors in the return of funding decisions, the company's management is not able to manage the company's capital structure optimally.

4. Conclusion

Based on the discussion of the research results, it can be concluded that firm size has a negative and insignificant effect on the capital structure of the tourism, restaurant, and hotel companies listed on the Indonesia Stock Exchange in 2019 – 2020. The size of the company has no effect on management decisions to manage capital. company, whether management will use accounts payable or use its own capital. The bigger the company, the management will decide to manage using their own capital.

A good company's capital structure shows the level of good financial health of the company as well. Company financial health good will make the company's stock price will increase because much in demand by investors. So further researchers are advised to look for or add other variables that can affect the capital structure company, such as growth rate, liquidity, profitability, leverage, tax, business risk, company's internal conditions and others.

It is also necessary to consider in further research whether the pandemic has a significant effect on management decisions in managing its capital structure. The COVID-19 pandemic has had a very significant impact on the tourism sector.

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