

## The Influence of Company Size, Business Risk, Profitability, Liquidity, and Asset Structure in Automotive Sector Industry Companies Listed on the IDX for the 2018-2020 Period



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**ABSTRACT:** This study aims to analyze the effect of company size, business risk, profitability, liquidity, and asset structure on debt policy in automotive industry companies listed on the Indonesia Stock Exchange for the 2018-2020 period. Of the 13 issuers, a sample of 9 issuers was taken. This research method uses a quantitative approach and multiple linear regression data analysis using the SPSS version 21 program. Hypothesis testing uses the t test (partial) and the f test (simultaneous). The results of this study indicate that individually or partially the variables of firm size, profitability, and asset structure have an effect on debt policy, while business risk and liquidity variables have no significant effect on debt policy in industrial companies in the automotive sector. Company size, business risk, profitability, liquidity, and asset structure affect the debt policy of industrial companies in the automotive sector.

**KEYWORDS:** Company Size, Business Risk, Profitability, Liquidity, Asset Structure, Debt Policy

### I. INTRODUCTION

Companies in carrying out their operational activities and developing their business really need funding. Corporate funding is a basic issue of corporate financial management in making decisions. The problem of funding decisions will be related to the selection of sources of funds, both from within and from outside which greatly affect the value of the company. The company will prioritize the use of internal sources of funds originating from retained earnings balances to meet its operational needs, but if internal sources of funds are deemed insufficient, the policy that must be taken by the company is to use external sources of funds, one of which is debt.

Debt policy is a policy taken by management in order to obtain funding sources for companies that can be used to finance the company's operational activities (Riyanto, 2011; 98). Debt policy is a very important decision for the company because the debt policy is one of the policies in determining the company's funding decisions.

There are several factors that influence debt policy, one of which is the size of the company. Large companies that are better known to the public have financial performance that is more transparent to external parties, this makes it easier for companies to get loans, because they are more trusted by creditors. In carrying out its operational activities, large companies certainly need a larger source of funds compared to small companies, companies will use debt if internal sources of funds originating from retained earnings are unable to meet operational needs. The larger the size of the company, the greater the use of debt, because large companies require large funds to meet their operational needs. In a study conducted by Susilawati et al. (2012), Purwasih et al. (2012), Surya and Rahayutiningsih (2012) state that company size has an effect on debt policy, whereas in research conducted by Listiana (2019), company size has no significant effect on debt policy.

This business risk can also determine the company in making decisions about the debt policy that will be taken by the company. The company will use debt if internal funds are not sufficient to meet operational needs, but the company will have an obligation to pay debts and interest. If the use of debt is higher, the obligations and interest that must be paid by the company also increase. It was at that time that the company's business risk was high. Companies that have a high level of business risk tend to use less debt because the use of debt that is too high can increase interest expenses so that it can cause bankruptcy if the company is unable to pay these obligations. In research conducted by Calvin (2020), Surya and Rahayutiningsih (2012) show that business risk has no significant effect on debt policy.

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In making debt policy decisions, it is also necessary to consider the company's profitability. Profitability is a company's ability to generate profits in a certain period. The higher the profits earned by the company, the lower the use of external funding sources, because companies tend to use their own retained earnings to meet their operational needs. According to Listiana (2019) the relationship between profitability and debt policy has a negative relationship, that is, if the level of company profitability increases, the debt policy will decrease and vice versa. In research conducted by Purwanti (2017), Susilawati et al. (2012), Surya and Rahayutiningsih (2012), Yuniarti (2013) show that profitability has a significant effect on debt policy, while according to Listiana (2019) and Purwasih et al. (2012), profitability has no effect on debt policy.

To determine the debt policy, the company must consider its ability to repay short-term debt, this ability is often referred to as company liquidity. Liquidity affects debt policy by assuming that if a company is able to pay its short-term obligations, the company will be able to meet its long-term debt. In research conducted by Purwanti (2017), and Calvin (2020) shows that liquidity affects debt policy.

The asset structure is also related to the debt policy adopted by the company. Asset structure is the determination of the amount of allocation for each component of assets, both current assets and fixed assets. Companies will use external funds from debt if internal funding sources cannot meet their operational needs, to increase the use of debt companies need appropriate collateral to make loans, and good collateral is generally in the form of fixed assets. Therefore, the higher the company's asset structure, the higher the use of corporate debt because the company has a large collateral for debt. In research conducted by Listiana (2019), Susilawati et al. (2012), Surya and Rahayutiningsih (2012), shows that asset structure has a significant effect on debt policy, whereas in research conducted by Yuniarti (2013), Purwasih et al. (2012), and Calvin (2020) show that asset structure has no significant effect on debt policy.

From the description of the research above, it can be concluded that there are inconsistent research results on debt policy, so the researcher intends to examine and re-examine the effect of company size, business risk, profitability, liquidity, and asset structure on debt policy in automotive sector industrial companies that listed on the IDX. Where are the differences? The difference between this study and previous research conducted by Listiana (2019) lies in the variables used and the research object. In this study, business risk and liquidity variables were added, as well as differences in research objects. In this study, companies in the automotive industry sector were used which had not been widely used in previous studies.

The purpose of this research is to analyze the effect of company size on debt policy, analyze the effect of business risk on debt policy, analyze the influence of profitability on debt policy, analyze the effect of liquidity on debt policy, and analyze the effect of company asset structure on debt policy.

## **II. LITERATURE REVIEW**

### **2.1. Pecking Order Theory**

Theory pecking order was first put forward by Myres and Mailjuf (1984), this theory explains the hierarchy of sources of funds that are most preferred by companies (Husnan, 2006; 276). According to this theory, companies will be more likely to choose funding from internal rather than external sources. The essence of this theory is that there are two types of capital, namely external financing and internal financing. Based on this theory, generally profitable companies will tend to use less debt, this is because these companies require little external financing, while companies that are less profitable will tend to use more debt for two reasons, namely (1) insufficient internal funding sources and (2) debt is the preferred source of external funds. Therefore, this theory creates a hierarchy of funding sources, namely from internal funding sources (retained earnings) and external funding sources (debt and stocks).

According to Brealey and Myers in Husnan (2006; 278) briefly, this theory states that:

- 1) Companies prefer internal financing (funding from the company's operating results).
- 2) The company adjusts the dividend payout ratio according to the investment opportunities it faces, and tries to avoid changes in dividend payments that are too large.
- 3) Dividend payments tend to be constant and profits tend to fluctuate resulting in excess or insufficient internal funds for investment.
- 4) If external funding is really needed, then the company will issue the most "safe" securities first, namely starting from issuing bonds, then convertible bonds, and finally issuing shares.

### **2.2. Trade-Off Theory**

According to this theory, debt financing brings benefits in the form of tax advantages and at the same time creates costs or losses. When the tax shield benefits are higher than the estimated agency costs, companies can still increase the use of debt and

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increase debt. must be stopped if the tax deduction for the additional debt is already lower than the increase in agency costs (Sugeng, 2017: 319-320).

The implications of the trade-off theory according to Brealey and Myers in Mutamimah (2009) are:

- 1) Companies that have high business risk, the use of debt will be lower than companies that have low business risk, because the higher the use of debt, the higher the interest expense. This can result in the company experiencing financial difficulties.
- 2) Companies that are subject to high taxes to a certain extent should use more debt because debt has a tax reduction benefit (tax shield).
- 3) The target debt ratio will differ from one company to another. Profitable companies have a target debt ratio that is higher than unprofitable companies with high risk.

### **2.3. Hypothesis Development**

#### **a. Effect of Company Size on Debt Policy**

Based on the pecking order theory in Sugeng (2017; 330) the company's funding requirements follow a certain sequential pattern, in that order internal funds originating from profits (retained earnings) are preferred over external funding sources which include bonds payable, convertible bonds payable, preferred stock and common stock. However, if external funding is needed, the company will issue the safest securities first, namely from issuing bonds payable, convertible bonds payable, and finally issuing shares (Husnan, 2006; 278).

The bigger the company, the more funds from debt needed to carry out the company's operational activities. Large companies tend to find it easier to obtain loans from creditors, because the ability to access other parties or collateral in the form of company assets is of greater value than small companies.

**H<sub>1</sub> = Company Size has an effect on Debt Policy.**

#### **b. Effect of Business Risk on Debt Policy**

According to Brigham and Houston (2014; 158) business risk is uncertainty regarding the projected return on assets in the future. A company is said to have high business risk if the company has high income volatility so that the possibility of bankruptcy is also high.

Companies that have high business risk tend to avoid corporate funding from debt, because by using debt the company's liquidity risk will increase (Yeniatie and Destriana, 2010). In accordance with the trade-off theory, companies that have high business risk tend to use less debt because using too much debt can increase interest expenses which can cause bankruptcy for the company if it is unable to pay its obligations.

**H<sub>2</sub> = Business Risk influences Debt Policy.**

#### **c. Effect of Profitability on Debt Policy**

Profitability is the company's ability to make a profit. If the company's profitability increases, retained earnings will also increase. Some companies will prefer to invest using internal sources of funds derived from their profits (retained earnings). If the company's profitability is higher, the company will be able to meet its own operational needs. However, if a company requires a large amount of funding, the company will need a source of funds from outside the company. This makes profitability can affect debt policy.

**H<sub>3</sub> = Profitability influences debt policy.**

#### **d. The Effect of Liquidity on Debt Policy**

According to Munawir (2002; 93) liquidity is related to the company's ability to meet current obligations. Liquidity affects debt policy with the assumption that if a company is able to pay its short-term obligations, the company is also able to meet its long-term obligations that will mature. If the company is unable to repay its debts, the company will bear bankruptcy costs. Therefore, companies that have a high current ratio can increase creditor trust, so that companies will be easy to obtain debt. This shows that the higher the level of liquidity of a company, the higher the use of debt.

**H<sub>4</sub> = Liquidity has an effect on Debt Policy**

#### **e. Effect of Asset Structure on Debt Policy**

Asset structure is the determination of the amount of allocation for each component of assets, both in current assets and fixed assets (Syamsudin, 2001; 9). According to Brigham and Houston (2014; 188) companies whose assets are sufficient to be used as collateral for loans tend to use quite a lot of debt, because general assets that can be used by many companies can be good collateral, and vice versa not for special collateral.

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According to the pecking order theory, if internal funds are not sufficient the company will use external funds originating from debt, to increase the use of corporate debt it also requires large collateral to make loans, and good collateral is generally fixed assets. Therefore, the higher the asset structure of a company, the higher the use of debt by a company.

**H<sub>5</sub> = Asset Structure influences Debt Policy.**

### III. RESEARCH METHODS

#### 3.1. Research sites

This research was conducted on automotive industry companies listed on the IDX for the 2018-2020 period.

#### 3.2. Research Object

In this study, the object of research is the influence of business risk company size, profitability, liquidity, and asset structure on debt policies in automotive industry companies listed on the IDX for the 2018-2020 period.

#### 3.3. Data Sources and Data Types

- 1) Data source: financial reports of automotive companies listed on the IDX for the 2018-2020 period which can be accessed via the web <http://www.idx.co.id//>
- 2) Type of data: secondary data in the form of automotive company financial report document files issued by the IDX.

#### 3.4. Data collection technique

The data collection technique used in this study is a documentation technique, namely secondary data stored in documents or files (conventional and electronic records).

#### 3.5. Data analysis technique

##### a. Multiple linear Regression Analysis

Multiple regression is a regression or prediction model that involves more than one independent variable or predictor. Multiple regression analysis is used to determine the significance of the variables independent of Company Size (SIZE), Business Risk (BRISK) and Asset Structure (ASSET) on debt policy dependent variable (DEBT).

The functional equation is formulated as follows:

$$DEBT = \alpha + \beta_1 SIZE - \beta_2 BRISK + \beta_3 ROA + \beta_4 CR + \beta_5 ASSET + e_i$$

##### b. Test Appropriateness Model

According to Ghazali (2016: 95) in proving the accuracy of a regression function of a sample in estimating an accrual value by measuring the value of the coefficient of determination, the value of the F statistic, and the value of the t statistic. In proving a hypothesis proposed is true or not, the following tests are carried out:

##### 1) Coefficient of Determination (R<sup>2</sup>)

The coefficient of determination is to measure the ability of a model to explain how much influence the independent variables simultaneously influence the dependent variable which can be indicated by the adjusted R Square value (Ghozali, 2016).

##### 2) Simultaneous Significance Test (F-Test)

The F statistic test will basically show whether an independent variable in a regression model simultaneously affects the dependent variable. There are criteria in determining the decision: if the significance value is <0.05, then all the independent variables together affect the dependent variable.

##### 3) Partial Test with T test (t test)

This test is carried out to find out separately or partially the independent variables have a significant effect or not on the dependent variable. The test was carried out using a significance level of 0.05 ( $\alpha = 5\%$ ). Provisions for rejecting or accepting the hypothesis are as follows:

- a) If sig > 0.05, then the independent variables individually have no effect on the dependent variable
- b) If sig < 0.05, then the independent variables individually affect the dependent variable.

### IV. RESEARCH RESULTS AND DISCUSSION

#### 4.1. Research result

##### 1) Multiple Linear Regression Analysis

Based on the classical assumption test that has been carried out, it can be concluded that the regression model passes the classical assumption test. The results of multiple linear analysis tests can be seen in table 1 below:

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**Table 1. Multiple Linear Regression Results Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Beta		
1 (Constant)	1.307	2.008		0.651	0.522
Company Size	0.282	0.117	0.551	2.412	0.025
Business Risk	0.018	0.169	0.047	0.107	0.916
Profitability	-15.796	7.050	0.902	-2.240	0.036
Liquidity	-0.003	0.061	0.010	-0.048	0.962
Asset Structure	7.080	3.303	0.690	2.144	0.044

a Dependent Variable: Debt Policy

Based on the calculation results in table 1, the regression equation is obtained as follows:

$$DEBT = 1,307 + 0,282 \text{ SIZE} + 0,018 \text{ BRISK} - 15,796 \text{ ROA} - 0,003 \text{ CR} + 7,080 \text{ ASSET} + e_i$$

The regression equation above can be explained as follows:

- A constant value of 1.307 means that if the level of company size (SIZE), business risk (Brisk), profitability (ROA), liquidity (CR), and asset structure (Assets) is equal to zero and there is no interaction, then the debt policy achieved is of 1.307
- Coefficient value  $\beta_1$  of 0.282 means that the value of the size of the company will increase by 0.282 if SIZE increases by 1 unit, the size of the company will increase by 0.282 one unit provided that the other variables are constant.
- Coefficient value  $\beta_2$  of 0.018 means that the value of company size will increase by 0.018 if Brisk increases by 1 unit, business risk will increase by 0.018 one unit provided the other variables are constant.
- Coefficient value  $\beta_3$  of -15.796 means that the value of the size of the company will decrease by 15.796 if the ROA increases by 1 unit, the profitability will decrease by 15.796 one unit provided the other variables are constant.
- Coefficient value  $\beta_4$  of -0.003 means that the value of firm size will decrease by 0.003 if CR increases by 1 unit, liquidity will decrease by 0.003 one unit provided that the other variables are constant.
- Coefficient value  $\beta_5$  of 7.080 means that the value of company size will increase by 7.080 if ASSET increases by 1 unit, the asset structure will increase by 0.018 one unit provided the other variables are constant.

## 2) Model feasibility test

### a. Coefficient of Determination ( $R^2$ )

This coefficient of determination test was conducted to find out how much the endogenous variables were simultaneously able to explain the exogenous variables. The higher the value  $R^2$  means the better the prediction model of the research model that is done. The coefficient of determination test is carried out to determine and predict how big or important the contribution of the influence that has been given by the independent variables jointly to the dependent variable. The results of the test for the coefficient of determination can be seen from table 2 below:

**Table 2. Determination Coefficient Test**

Summary model<sup>b</sup>

Model	R	R Square	Adjusted Square	Rstd. Error of the Estimate
1	0.741a	0.548	0.441	0.765363

a. Predictors: (Constant), Asset Structure, Liquidity, Company Size, Profitability, Business Risk

b. Dependent Variable: Debt Policy

Based on the results of the determination test in table 2 above, it can be seen that the value of the coefficient of determination (R Square) on the debt policy dependent variable is 0.548, this means that all independent variables simultaneously have an effect of 54.8% on debt policy (dependent variable). While the remaining 45.2% is influenced by other variables not tested in this study.

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### b. F test

The F test is used to determine the feasibility of the model, whether the model built meets the fit criteria or not. The regression model is said to be fit if the probability level of the F-statistic is less than 0.05. Based on the calculation results, the calculated F value is obtained as presented in Table 3 below:

**Table 3. F Test Results (Goodness of Fit)**

ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	14.937	5	2.987	5.100	0.003 <sup>b</sup>
residual	12.301	21	0.586		
Total	27.238	26			

a. Dependent Variable: Debt Policy

b. Predictors: (Constant), Asset Structure, Liquidity, Company Size, Profitability, Business Risk

From the test results in table 3, a significance value of 0.003 is obtained. The comparison results show that the significance value is 0.003 more smaller than ( $\alpha = 0.05$ ). This shows that  $H_0$  is rejected, so it can be concluded that simultaneously the independent variables in the form of firm size (SIZE), business risk (BRISK), liquidity (CR) and asset structure (ASSET) have an effect on debt policy (DEBT). in the automotive sector industry listed on the IDX.

### c. t test

This test is carried out to find out separately or partially the independent variables have a significant effect or not on the dependent variable. Testing was carried out using a significance level of 0.05 ( $\alpha = 5\%$ ). The test results can be seen in table 4 below:

Table 4. Partial t test results

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Beta		
1	(Constant)	1.307	2008		0.651	0.522
	Company Size	0.282	0.117	0.551	2.412	0.025
	Business Risk	0.018	0.169	0.047	0.107	0.916
	Profitability	-15.796	7.050	0.902	-2.240	0.036
	Liquidity	-0.003	0.061	0.010	-0.048	0.962
	Asset Structure	7.080	3.303	0.690	2.144	0.044

a Dependent Variable: Debt Policy

The results of partial testing of the independent variable on the dependent variable can be explained as follows:

#### (1) Effect of Company Size on Debt Policy

Based on the results of testing the effect of company size on debt policy, it shows that company size (SIZE) in the automotive sector industry listed on the IDX has a regression coefficient value of 0.282 and a significance value of 0.025 which is smaller than the significance level ( $\alpha = 0.05$ ) so that  $H_0$  rejected, this means that company size affects debt policy. The direction of the relationship (regression coefficient sign) is positive and significant.

#### (2) Effect of Business Risk on Debt Policy

Based on the results of testing the effect of business risk on debt policy, it shows that business risk (BRISK) in the automotive sector industry listed on the IDX has a regression coefficient of 0.018 and a significance value of 0.916 greater than the significance level ( $\alpha = 0.05$ ) so that  $H_0$  not rejected, this means that business risk has no effect on debt policy. The direction of the relationship (regression coefficient sign) is positive and not significant.

#### (3) Effect of Profitability on Debt Policy

Based on the results of testing the effect of Profitability on debt policy, it shows that Profitability (ROA) in the automotive sector industry listed on the IDX has a regression coefficient of -15.796 and a significance value of 0.036 which is smaller than the

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significance level ( $\alpha = 0.05$ ) so that  $H_0$  is rejected, this means that Profitability affects debt policy. The direction of the relationship (regression coefficient sign) is negative and significant.

Based on the results of testing the effect of liquidity on debt policy, it shows that liquidity (CR) in the automotive sector industry listed on the IDX has a regression coefficient of -0.003 and a significance value of 0.962 greater than the significance level ( $\alpha = 0.05$ ) so that  $H_0$  is not rejected, this means that liquidity has no effect on debt policy. The direction of the relationship (regression coefficient sign) is negative and not significant.

### **(4) Effect of Asset Structure on Debt Policy**

Based on the results of testing the effect of asset structure on debt policy, it shows that the asset structure (ASSET) in the automotive sector industry listed on the IDX has a regression coefficient value of 7.080 and a significance value of 0.044 greater than the significance level ( $\alpha = 0.05$ ) so that  $H_0$  is rejected, this means that the asset structure influences debt policy. The direction of the relationship (regression coefficient sign) is positive and significant.

## **4.2. Discussion**

Based on the results of the research analysis above, the following is a discussion regarding the acceptance or rejection of the hypothesis:

### **1) Effect of Company Size on Debt Policy**

The results of the research on the first hypothesis succeeded in proving the effect of company size on debt policy. This means that the larger the company size, the greater the debt policy in the automotive sector industry that is listed on the IDX for the 2018-2020 period.

This study shows that company size has an effect on company size. The results of this study are in accordance with the pecking order theory which states that if internal funds are insufficient, then external funds are prioritized from debt. The larger the size of the company, the greater the debt needed, so that in this automotive industry company, the larger the size of the company, the higher the level of use of debt to meet the operational needs of the company. The results of this study are in line with the results of research conducted by Susilawati (2012) and Purwasih (2014), and are not in line with the research conducted by Listiana (2019).

### **2) Effect of Business Risk on Debt Policy**

Based on the results of the research on the second hypothesis, it was not successful in proving the influence of business risk on debt policy, this can be seen from the Brisk significance value of  $0.087 > (\alpha = 0.05)$  it can be concluded that  $H_0 =$  not rejected, so the size of the risk that the company has the automotive sector industry has no significant effect on debt policy.

However, the results of this study show that business risk has no effect at all on debt policy in automotive industry companies, so that if the company has high or low risk, the company will use or not use high amounts of debt. the results of this study are also in line with research conducted by Surya and Rahayutiningsih (2012) and Calvin (2020).

### **3) Effect of Profitability on Debt Policy**

Based on the results of the tests that have been carried out, it shows that profitability has an effect on debt policy. This can be seen from the profitability significance value of  $0.036 < (\alpha = 0.05)$ . It can be concluded that  $H_0$ : is rejected, so the higher the profitability owned by the company, the use of debt will be lower because the company will use more internal funding sources from retained earnings than external funding sources from debt.

In this study it shows that profitability affects debt policy, this is in accordance with the pecking order theory where if internal funding sources are sufficient, the company will prioritize internal funding sources from retained earnings compared to external funding sources from debt, so that in industrial companies In the automotive sector, the company will use less debt if the company has high profitability, but conversely, if the profit is low, the company will use a lot of debt to meet its operational activities if its internal funding sources, which come from retained earnings, are insufficient. The results of this study are in line with research by Purwanti (2017), Susilawati et al. (2012), Surya and Rahayutiningsih (2012), and Yuniarti (2013), however, this is not in line with research conducted by Calvin (2020), Listiana (2019), and Purwasih et al. (2012).

### **4) The Effect of Liquidity on Debt Policy**

The results of the research on the fourth hypothesis failed to prove that liquidity has no effect on debt policy. This can be seen from the significant value of profitability of  $0.962 > (\alpha = 0.05)$ . It can be concluded that  $H_0$ : not rejected, so that high and low liquidity owned by industrial companies automotive has no significant effect on debt policy.

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However, the results of this study indicate that liquidity has no effect on the debt policy of automotive companies, so this study cannot determine the size of the debt policy owned by automotive industry companies when the level of liquidity is low or high. The results of this study are consistent with the results of research conducted by Listiana (2019), Purwasih et al. (2012) but not in line with the results of research conducted by Purwanti (2017), Susilawati et al. (2012), Surya and Rahayutiningsih (2014) and Yuniarti (2013).

### 5) Effect of Asset Structure on Debt Policy

The test results on the fifth hypothesis show that asset structure has an effect on debt policy. This can be seen from the significance value of the asset structure of  $0.044 < (\alpha = 0.05)$ . It can be concluded that  $H_0$  is rejected, so that the greater the asset structure owned by the company, the more debt used by the company because the company has a high guarantee to perform the debt.

The results of this study succeeded in showing that asset structure influences debt policy in automotive industry companies, so that the greater the asset structure, the higher the use of debt in automotive sector industrial companies listed on the IDX. The results of this study are in line with research conducted by Listiana (2019), Surya and Rahayutiningsih (2012), and Susilawati et al. (2012), but not in line with research conducted by Yuniarti (2013), Purwasih et al. (2012), and Calvin (2020).

## V. CONCLUSIONS AND RECOMMENDATIONS

### 5.1. Conclusion

The purpose of this study was to analyze the effect of company size, business risk, profitability, liquidity, and asset structure on debt policy in automotive industry companies listed on the IDX for the 2018-2020 period, using a purposive sampling method, from 13 industrial companies. In the automotive sector listed on the IDX, only 9 companies meet the criteria to be sampled. The data analysis technique used is multiple linear regression analysis. Based on the results of data analysis used is multiple linear regression analysis. Based on the results of data analysis and the discussion that has been put forward, it can be concluded:

- 1) Company size has an effect on debt policy
- 2) Business risk has no effect on debt policy
- 3) profitability affects debt policy
- 4) liquidity has no effect on debt policy
- 5) Asset structure influences debt policy

### 5.2. Suggestion

Based on the research that has been conducted by the author, the authors provide suggestions for further research as follows:

- 1) Adding or using independent variables other than those used in this study or adding other variables, such as in Surya and Rahayutiningsih's (2012) study which used managerial ownership, institutional ownership, and investment opportunity sets.
- 2) In future research, you can add or use more than one proxy for each variable so that the percentage of the relationship is high and the relationship between the dependent variable and the independent variable is stronger.
- 3) Using samples from industrial company sectors other than automotive which have a broader sample target such as research conducted by Listiana (2019) and Calvin (2020), which uses a target sample of consumer goods industry companies.

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