OPEN ACCESS
Scholars Bulletin
Abbreviated Key Title: Sch Bull
ISSN 2412-9771 (Print) |ISSN 2412-897X (Online)
Scholars Middle East Publishers, Dubai, United Arab Emirates
Journal homepage: http://scholarsbulletin.com/

Subject Category: Management

The Effect of Profitability, Liquidity, Asset Structure, Growth Opportunity, Institutional Ownership on Capital Structure (Case Study at Property and Real Estate Companies in Indonesia Stock Exchange Period 2013-2017)

Debby Pratiwi Arlita[1*], Dwi Asih Surjandari[2]

[1]Student of Master of Accounting Program at the Postgraduate Faculty Universitas Mercu Buana, Jakarta, Indonesia
[2]Asistance Professor, Mercu Buana University, Jakarta, Indonesia

DOI:10.21276/sb.2019.5.8.8 | Received**:** 20.08.2019 | **Accepted:** 27.08.2019 | **Published:** 30.08.2019

***Corresponding author:** Debby Pratiwi Arlita

Abstract

The objectives of the research are to analyze the effect of profitability, liquidity, asset structure, growth opportunity and institutional ownership on capital structure. This study use secondary data, the financial statements of property and real estate company's in Indonesia Stock Exchange period 2013-2017. The sample used in this study was conducted by purposive sampling method. The analytical method used is multiple linear regression analysis. Based on the results of the study it can be concluded that the variable liquidity, asset structure, and institutional ownership affect the capital structure. While profitability and growth opportunity do not affect the capital structure.

Keywords: Profitability, Liquidity, Asset Structure, Growth Opportunity, Institutional Ownership and Capital Structure.

INTRODUCTION

In this current era of globalization, the competition in business sector is very high, it comes not only from domestic companies but also from multinational companies, it requires these companies to be able to compete strictly in global business activities. The decision regarding company´s fund is one of the most important process in the company to support the operational activities in financial management. Funding decision is used to find out the rate of the debt compared to the equity in the financing of a company that aims to determine the optimal capital structure. Capital structure is a blend or the proportion between long-term debt and equity, in order to fund company´s investment [1].

Capital structure is used as the foundation of the company's policy in determining the type of securities to be issued by the company. Capital structure can be measured using the Debt to Equity Ratio (DER). DER shows the proportion of equity and debt a company is using to finance its assets and the extent to which shareholder's equity can fulfill obligations to creditors in the event of a business decline.

The amount of profitability affect management decision if they need to commit alternative funding from external parties or not. It will also affect the decisions of management in its operational funding utilization. Return on Equity (ROE) illustrates the ability of company's assets to generate profit/return rate that can be earned by shareholders. ROE can be calculated by comparing the net income with the amount of the equity of the company.

Liquidity is a company's ability to convert its assets to cash in order to pay its liabilities when they are due. The level of liquidity affects the level of confidence in a company that may affect the amount of external funds or debt acquired by the company. The liquidity ratio that is commonly used is the Current Ratio (CR) which shows the relationship between current assets by current liabilities. This ratio is a way to measure the ability of a company to meet its financial obligations.

The asset structure is the ratio between fixed assets with total assets owned by the company. According to Kasmir [2], the asset structure is a treasure or wealth owned by company at a particular moment or period. Asset structure is one of the factors in determining long-term or short-term debt that the company have. Companies that have relatively large fixed assets will most likely utilize foreign capital in their capital structure.

Growth opportunity is the possibility of company's change in the future that will affect the decisions of investors in investing in the company. Brigham and Houston [1] stated that a company with a fast growth rate face a high level of uncertainty, so the company more likely will reduce the use of debt (eksternal debt). Investors will look at the company's growth opportunities in the future to find out how fast the company can grow.

The development of the company can also be supervised by increasing the institutional ownership. Institutional ownership is the sum of the proportion of the stock owned by institutions such as banks, investment companies, the insurance company and other form of ownership by the institutions. Increasing institutional ownership can also increase supervision on management performance that makes management department more careful in determining the source of the funding.

Companies in property and real estate sector are companies with high growth potential along with the increasing of economic growth in Indonesia. As the population growth, the demand in property sector also increase, such as housing construction, apartments, shop houses and shopping centers. But companies in real estate and property sector are not totally risk free. The risk of fluctuation due to the high degree of sensitivity to interest rates, inflation and exchange rates could happen all the time. The high competition in the real estate and property industry adds the challenge for management sector in gaining additional capital to finance the company.

LITERATURE REVIEW

Agency Theory

Agency theory is a theory that explains agency relationships and the problems caused [3]. The agency relationship is a bond between the shareholders with other party that act as an agent for providing services and decision-making as the representatives of the shareholders. Shareholder is a provider of facilities and funds to run the company, while the agent is a party that has an obligation to manage a company that have been facilitated by the shareholders. The agent responsible for the execution of an assignment for the benefit of shareholders.

Pecking Order Theory

Pecking order theory explains why the company will determine the hierarchy of the most preferred source of funding. This theory is expressed by Myers and Majluf [4]. In this theory, companies tend to choose to utilize the funding sources that have the lowest first risk. Companies that are less profitable will likely have a bigger debt because they do not have enough internal funds, and external loan is a preffered source.

Trade off Theory

Brigham & Houston [1] explains a summary of Trade off Theory or the Theory of the Exchange, which is the fact that the interest paid as a tax deduction to make debt loads become cheaper compared to common stock or stock preferred. Indirectly, the Government pays a portion of the cost of the loan or in another word, loan can make tax protection benefit.

Profitability

Brigham and Houston [1] said that the profitability ratio is a group of ratio that shows the combination as the result of the effect of liquidity, asset and debt management from operational process. One of the major profitability ratios that commonly used is the ROE. ROE is the most commonly used ratio of investors in making investment decisions to indicate how high/fast the possibility of retun from the investments made [16]. Company profitability is the level of net profit that the company can achieve when carrying out its operations [5].

Liquidity

Sartono [6] explained that liquidity is the ability of the company to meet its short-term financial obligations on time. In this study the liquidity ratio used is the Current Ratio (CR). According to Kasmir [2] the higher the current ratio of the company, also shows company's ability to meet its operational needs. Primarily, its working capital. Working capital can be instrumental inkeeping the company’s performance and affect the price of stocks that will make investors more confident and interested in buying the company's shares. It will also increasing the return of the stock.

Asset Structure

According to Sudana [7], asset structure is a comparison between the fixed assets to the total assets. The composition of the company's intangible fixed assets in large number will have the opportunity to obtain additional capital from the loan, because fixed assets can be used as collateral to get loan [8]. The higher the assets structure of a company, shows the higher the ability of the company to be able to guarantee the long-term debt that is borrowed.

Growth Opportunity

The growth opportunity is a change company in developing its business in the future. The company may see the development of the company's growth by looking at growth opportunities. Brigham and Houston [1] stated that the company, with a fast growth rate face a high level of uncertainty that makes the companies are more likely to reduce the utility of loan (external capital). High growth opportunities can support company‘s business activities such as increased sales, ease lending and increase investor confidence in investing their funds.

Institutional Ownership

Institutional ownership is the proportion of shares owned by a certain institution. Institutional ownership generally acts as the party that controls the company. The institutional share ownership is usually formed in a stock that are owned by other companies which are located in and outside the country as well as stock of local or foreign Government [10]. Jensen and Meckling [3] say that institutional ownership is able to minimize the conflicts which occurred in institutions between managers with investors.

Capital Structure

According to Sartono [6] capital structure is the Equalization amount of permanent short-term debt, long-term debt, preferred stock and common stock. Capital structure can be measured from Debt to Equity Ratio (DER). DER reflects the amount of the proportion between total debt and total capital on its own. Total debt includes the overall total liabilities of short-term and long term debt. While the total capital itself is a whole total capital i.e. share capital and profit withheld that owned by the company.

RESEARCH METHODS

Population and Sampel

The population in this research, namely property and real estate companies listed on the Indonesia stock exchange period 2013-2017. The selection of samples determined by purposive sampling method, which is sampling based on certain criteria. Based on data from 48 companies, as many as 17 companies selected to be the samples of this research.

Type and Sources

The data that is used in this research is secondary data include the financial statements from Property and Real Estate Companies listed in Indonesia stock exchange period 2013-2017. Source data obtained from the Indonesia Stock Exchange.

Operational Definition Variables

The dependent variables in this research is the capital structure measured by using Debt to Equity Ratio (DER), because DER reflects the amount of proportion between total capital and total debt itself. Profitability is the company's ability to generate profits in a certain period of time. Profitability in this research measured by using Return On Equity (ROE), which is calculated by dividing net income by the amount of company‘s equity. Liquidity is the ability of the company to meet its short-term financial obligations on time. In this research liquidity measured by using Current Ratio (CR) which can be calculated by dividing assets with current liabilities of the company.

Asset structure usually will determine structure of long-term or short-debt within the company. The higher the amount of company’s assets structure, shows the higher the ability of the company to be able to guarantee the return of its long-term debt. Asset structure can be calculated by dividing the fixed assets with total assets. Growth opportunity is the change of the company to develop its business in the future. Growth opportunity can be calculated by comparing the total assets in the current year with the previous year. Institutional ownership is the proportion of shares owned by a particular institution such as banking institutions, insurance agencies or other institutions. Institutional ownership can be calculated by dividing the number of institutional shares by the number of outstanding shares.

Analysis Data Method

Statistical methods that is used to test the hypothesis in this study is multiple linear regression using SPSS 23 software. Data analysis method that is used in this research is descriptive statistics, classic assumption test, multiple linear regression analysis and the coefficient of determination (R^2).

RESULT AND DISCUSSION

Descriptive Statistics Results

The dependent variable in this research is the capital structure, while the independent variable are profitability, liquidity, asset structure, growth opportunity, and institutional ownership. The distribution statistics for each of the variables in this study shows in table 1 below:

Table-1: Descriptive Statistics Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
DER	85	,1097	1,8300	,898509	,4069516
ROE	85	,0250	,5243	,142289	,0840412
CR	85	,2405	7,1942	2,32911	1,726800
AS	85	,0028	,8464	,123084	,1828538
GO	85	,0013	1,1896	,191902	,1953982
IO	85	,1136	,9100	,588826	,2073657
Valid N (listwi)	85				

Table-1 shows the analysis results of the variables as follows

The Capital Structure variable has the minimum value of 10,97% and maximum value of 183%. The average value of the variable capital structure is 89,85%. It is less than one, which means the companies use their own capital to finance thier operational. The value of the standard deviation is 40,69%. It is smaller than average value. So it can be concluded that there is no significant fluctuations from Capital Structure variable.

The Profitability variable has the minimum value of 2,5% and maximum value of 52,43%. The average value of the variable profitability 14,23%. It is also less than one, which means, in generating profit, companies can not rely on equity that they owned. The value of the standard deviation is 8,4%. It is smaller than average value. So it can be concluded that there is no significant fluctuations from Profitability variable.

The Liquidity variable has the minimum value of 24,05% and maximum value of 719,42%. The average value of the Liquidity variable is 232,91%. It is more than one, which means that the company could afford to pay short-term debt. The value of the standard deviation is 172,68%. It is smaller than average value. So it can be concluded that there is no significant fluctuations from liquidity variable.

The Asset Structure variable has the minimum value of 0,28% and maximum value of 84,64%. The average value of the variable asset structure 12,31%. It is less than one, which means that the company experienced a shrinkage value of assets or sales of fixed assets, which are not accompanied by a new purchase to replace the assets. The value of the standard deviation is 18,29%. It is bigger than the average value. So it can be concluded that there is a sinificant fluctuations from Asset Structure variable.

The Growth Opportunity has the minimum value of 0,13% and the maximum value of 118,96%. The average value of the Growth Opportunity variable is 19,19%, which means that the average growth in property companies and real estate from the year 2013 to 2017 is 19%. The value of the standard deviation is 19,54%. It is bigger than the average value. So it can be concluded that there is a significant fluctuations of Growth Opportunity variable.

The Institutional Ownership variable has the minimum value of 11,36% and maximum value of 91%. The average value of the Institutional Ownership variable is 58,88%, which means, on average, another institutions owned 58% of the total shares of the Property and Real Estate Companies in the period of 2013 to 2017. The value of the standard deviation is 20,74%. It is smaller compared to the average value. So it can be concluded that there is no sinificant fluctuations from Institutional Ownership variable.

Classic Assumption Test Result

A classic assumption test is a requirement that must be accopmplised in a multiple linear regression analysis. Here are the results from classic assumption test:

Data Normality Test Result

In this research, data normality test uses *one sample kolmogorov smirnov* and the results can be shown in table 2 below:

Table-2: Kolmogorov Smirnov test One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		85
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,19458556
Most Extreme Differences	Absolute	,073
	Positive	,073
	Negative	-,041
Test Statistic		,073
Asymp. Sig. (2-tailed)		,200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

From the results of Kolmogorov Smirnov, it can be seen that the research variables already meet the assumptions of normality, that is the value significance of 0.200. It is greater than the value of significant that's already specified, which is 0.05. In other words, the regression model can be used for hypothesis testing.

Multicollinearity Test Result
Multicollinearity test was conducted to analyze the correlation between independent variables. A test to detect the Multicollinearity may be seen if the value of tolerance > 0.10 or VIF < 10, then there is no multikolinieritas in between the independent variables. Multicollinearity test results can be seen on the following table 3:

Table-3: Multicollinearity Test Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1,643	,184		8,951	,000		
ROE	-,247	,559	-,051	-,442	,660	,730	1,369
CR	-,087	,027	-,371	-3,256	,002	,750	1,334
AS	-,479	,227	-,215	-2,110	,038	,936	1,068
GO	,132	,235	,063	,560	,577	,763	1,310
IO	-,802	,219	-,409	-3,667	,000	,783	1,277

a. Dependent Variable: Y

Multicollinearity test results show that the independent variable i.e. profitability has VIF value of 1.369 and tolerance value of 0.730, liquidity has VIF value of 1.334 and tolerance value of 0.750, and structure of assets has VIF value of 1.068 and tolerance value of 0.936, growth opportunity has VIF value of 1.310 and tolerance value of 0.763, and institutional ownership has a VIF value of 1.277 and tolerance value of 0.783. That means that five of the variables have VIF less than 10 and tolerance value more than 0.10. So it can be concluded that the regression model is not multicollinearity, so the regression model is qualified to use.

Heteroscedasticity Test Result
Heteroscedasticity test focused on the possibility in regression model can accure the variance inequality from residual from one observation to another observation. How to detect it is by looking at the chart of a scatterplot on the output generated. Scatterplot graph shows in Figure 1 below:

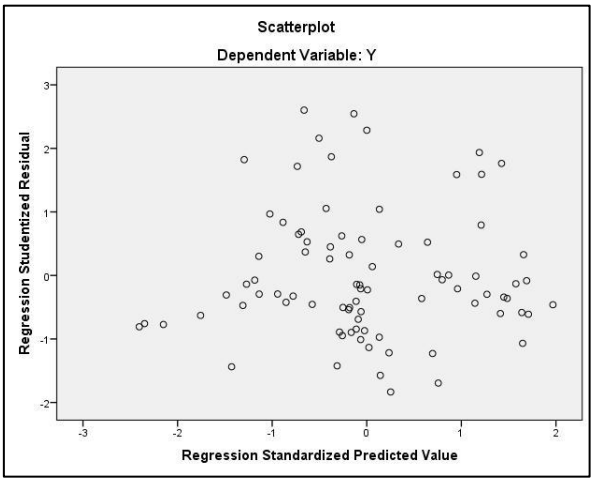

Fig-1: Scatterplot Chart

From the chart above, it shown that dots spread randomly and spread both above and below number 0 on Y axis without forming a pattern. So from these images can also be concluded that the test results above do not occur heteroscedasticity.

d. Autocorrelation Test Result Autocorrelation test aimed to test whether in linear regression model happen to be error from errors in the previous period. This test uses the

Durbin Watson (DW-test). Autocorrelation test results using the Durbin Watson can be seen in table 4:

Table-4: Durbin Watson Test before Cochrane Orcutt Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,481[a]	,231	,183	,3678689	,383

a. Predictors: (Constant), X5, X4, X3, X2, X1
b. Dependent Variable: Y

Based on the autocorrelation test on the table 4, it can be seen that the value of the Durbin Watson is 0.383. This value will be compared with the value of the alpha table 5%, the number of samples.

(n) is 85 and the number of independent variables is 5 (k = 5), then obtained the value of table Durbin Watson i.e. dL = 1.5254 and dU = 1.7736. From the value of the Durbin Watson of 0.383, it can be concluded that the d value dL < 0.383 < 1.5254 so it can be stated that the data is flawed or occurred autocorrelation of the data. So, it required to use Cochrane Orcutt method. This method uses estimated value to generate autocorrelation coefficient Rho (ρ). The formula is as follows [10]:

$$\mu t = \rho\mu -1 + \varepsilon t$$

Explanation

μt = error (residual) obtained from regression equation
ρ = estimation of the coefficient from regression equations
μ -1= the first lag of this residual

Value (ρ) is obtained by transforming unstandardized residual (res_1) so that it the lag _ unstandardized residual (lag_e) appear. Value (ρ) that obtained is 0.783, which can be seen in table 5 below:

Table-5: Residual Regression With Lag Residual Result Coefficients[a,b]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 LAG_e	,783	,064	,800	12,145	,000

a. Dependent Variable: Unstandardized Residual
b. Linear Regression through the Origin

b.

After getting the value (ρ) then the next step is to transform chochrane orcutt then re-do the autocorrelation test with variables that have been through data transformed using the Durbin Watson can be seen in the table 6 below:

Table-6: Durbin Watson Test after Cochrane Orcutt

Model	R	R Square[b]	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,774[a]	,599	,574	,19572	1,982

Predictors: LAG_X5, LAG_X2, LAG_X4, LAG_X3, LAG_X1

Model Summary[c,d]

For regression through the origin (the no-intercept model), R Square measures the proportion of the variability in the dependent variable about the origin explained by regression. This CANNOT be compared to R Square for models which include an intercept.

Dependent Variable: LAG_Y

Linear Regression through the Origin

Based on table 6 autocorrelation test results, it can be seen that the value of the Durbin Watson is 1.982. This value will be compared with the value in the alpha table, which is 5%. The number of samples (n) is 85 and the number of independent variables is 5 (k = 5), then obtained the value of table Durbin Watson i.e. dL = 1.5254 and dU = 1.7736. From the value of the Durbin Watson of 1.982, it can be concluded that dU < d < (4-dU) with value of 1.7736 < 1.982 < 2.2264. So it can be stated that it does not occur autocorrelation on the data.

Multiple Linear Regression Analysis Result

Multiple linear regression analysis technique that is used in this study aims to find out the influence between the dependent variable and independent variable. This study used multiple linear regression analysis because there are more than one independent variable i.e. profitability, liquidity, structure of assets, the growth of institutional ownership and opportunity, to know its effects on the dependent variable i.e. capital structure. Multiple linear regression analysis results can be seen in table 7 as follows:

Table-7: Multiple Linear Regression Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1,643	,184		8,951	,000		
ROE	-,247	,559	-,051	-,442	,660	,730	1,369
CR	-,087	,027	-,371	-3,256	,002	,750	1,334
AS	-,479	,227	-,215	-2,110	,038	,936	1,068
GO	,132	,235	,063	,560	,577	,763	1,310
IO	-,802	,219	-,409	-3,667	,000	,783	1,277

a. Dependent Variable: Y

$$Y = 1{,}643 - 0{,}051X1 - 0{,}371X2 - 0{,}215X3 + 0{,}063X4 - 0{,}409X5 + \varepsilon$$

Based on table 7 above, then the regression equation is obtained as follows:

The equation above can be explained as follows

- The constants value at 1.643 shows that if variables of profitability, liquidity, structure of assets, growth opportunity, and institutional ownership do not experience any change, then the capital structure has a value of 1.643.
- Profitability variable have a regression coefficient value in negative direction - 0.051. If other independent variables are assumed to be constant, this means that any increase in the profitability by 1 unit will lower the capital structure of -0.051 unit and vice versa.
- Liquidity variable has a regression coefficient value with negative direction -0.371. If other independent variables are assumed to be constant, this means that any increase in liquidity by 1 unit, will lower the capital structure of -0.371 unit and vice versa.
- Asset Structure variable has a regression coefficient value with negative direction -0.215. If other independent variables are assumed to be constant, this means that any increase in the structure of assets by 1 unit, will lower the capital structure of - 0.215 unit and vice versa.
- Growth Opportunity variable has a regression coefficients value with positive direction +0.063. If other independent variables are assumed to be constant, this means that any increase in the growth opportunity by 1 unit, will raise the capital structure of +0.063 unit and vice versa.
- Institutional Ownership variable has a regression coefficients value with negative direction -0.409. If other independent variables are assumed to be constant, this means that any institutional ownership increases by 1 unit, will lower the capital structure of - 0.409 unit and vice versa.

Coefficient Determination Result (R^2)

The coefficient of determination (R^2) aims to see the amount of the contributions given by the dependent variable to the independent variable. Results the coefficient of determination (R^2) can be seen in table 8:

Table-8: Coefficient Determination (R^2) Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,481[a]	,231	,183	,3678689

a. Predictors: (Constant), X5, X4, X3, X2, X1
b. Dependent Variable: Y

Table 8 shows that the value of the coefficient of determination (R^2) is 0.183, this means 18.3% of dependent variables affected by the independent variable. While the 81.7% rest is affected by other factors that are not described in this research.

Simultaneous Significant Test Result (F test)

F-test focused on tesing the significancy of the influence from the variables against the dependent variable.

Simultaneous significant test result (F test) can be seen in table 9:

Table-9: Simultaneous Significant Test (F test) ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3,220	5	644	4,759	001[b]
Residual	10,691	79	135		
Total	13,911	84			

a. Dependent Variable: Y
b. Predictors: (Constant), X5, X4, X3, X2, X1

The table above shows that the independent variables have simultaneous effect on the dependent variable.

Partial Significant Test Result (T test)

T Test aims to test if each variable individually has significant effect against the dependent variable. Partial significant test result (t test) can be seen in table 10:

Table-10: Partial Significant Test (t test) Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	1,643	,184		8,951	,000
ROE	-,247	,559	-,051	-,442	,660
CR	-,087	,027	-,371	-3,256	,002
AS	-,479	,227	-,215	-2,110	,038
GO	,132	,235	,063	,560	,577
IO	-,802	,219	-,409	-3,667	,000

a. Dependent Variable: Y

The table above shows that profitability has a value of t -0,442 with significance probability value of 0,660. Profitability does not affect significantly to capital structure. Liquidity has a value of t - 3,256 with significance probability value of 0,002. Liquidity affects significantly to capital structure. Asset structure has a value of t -2,110 with significance probability value of 0,038. Asset structure affects significantly to capital structure. Growth opportunity has a value of t 0,560 with significance probability value of 0,577. Growth opportunity does not affect significantly to capital structure. Institutional Ownership has a value of t - 3,667 with significance probability value of 0,000. Institutional Ownership affects significantly to capital structure.

The Effect of Profitability on Capital Structure

Based on the results from hypothesis testing that has been obtained, it can be concluded that profitability does not affect the capital structure. Some property and real estate companies experience a decrease in the amount of profit each year, from 17 research sample there are 9 companies or around 53% which have decreased. The companies that experienced a decrease in profit amount were Alam Sutera Realty Tbk, Bekasi Fajar Industrial Estate Tbk, Bumi Serpong Damai Tbk, Ciputra Development Tbk, Duta Anggada Realty Tbk, Intiland Development Tbk, Lippo Cikarang Tbk, Lippo Karawaci Tbk and Modernland Realty Tbk. The result of this research is in line with the research conducted by Widayanti, *et al*. [11] Which obtained results that profitability did not affect the capital structure, meanwhile the result of Surjandari [12] studies shows that profitability has significant effect on capital structure.

The Effect of Liquidity on Capital Structure

Based on the results from hypothesis testing that has been obtained, it can be concluded that the liquidity has significant effect to capital structure. Companies that have high liquidity tend to not utilize funding from loans because they will more likely to use internal sources to fund their investments than use external financing through loans. High liquidity can be one of investors' important considerations, because it indicates that the company may fulfill its current liability and has a low bankruptcy risk. The result of this research is in line with the research conducted by Watung, *et al*. [13], and Widayanti, *et al*. [11] that indicates that the liquidity effects to capital structure.

The Effect of Asset Structure on Capital Structure

Based on the results from hypothesis testing that has been obtained, it can be concluded that the asset structure has significant effect to capital structure. The assets structure is used to determine how much of a long-term debt that the company can take. It will affect the amount of the capital structure of the company. Generally, asset structure is the determination of how much allocation is used for each component of good

assets, either current assets or fixed assets. The result of this research is in line with the research conducted by Watung [13] that indicate that the asset structure has effect to capital structure.

The Effect of Growth Opportunity on Capital Structure

Based on the results from hypothesis testing that has been obtained, it can be concluded that growth opportunity does not affect the capital structure. Asset growth that is not followed by an increase in company profits will not have an impact on the capital structure. Property and real estate sector companies that are the sample of research in the period 2013 to 2017 experience an average asset growth of 16% each year. This can be used as an indicator of the opportunity to develop the company in the future, because it can provide an overview of the total needs in the company. The result of this study is in line with the research conducted by Chandra [14] which shows that growth opportunity has no affect on capital structure, meanwhile the result of Surjandari [12] studies shows that growth opportunity has significant effect on capital structure.

The Effect of Institutional Ownership on Capital Structure

Based on the results from hypothesis testing that has been obtained, it can be concluded that the influential institutional ownership has significant effect to capital structure. Institutional ownership can increase oversight on management's performance that makes management sector be more careful in their decision-making process regarding the source of the funding. The result of this research is in line with the research conducted by Maftukhah [15] shows that instutional ownership affects to capital structure.

CONCLUSION

The results of the study provide a conclusion that the profitability and growth opportunity variables do not affect the capital structure, while the variables of liquidity, asset structure and institutional ownership affect the capital structure of property and real estate companies that listed on the Indonesia stock exchange in 2013-2017. The companies are expected to be able to maintain their capital structure. Funding decisions that will be taken by the company either using its own capital or loan must be considered very carefuly so that it can meet the needs of the company and create an optimal capital structure.

Investors need to pay attention to the capital structure of the company in investing, because capital structure can provide an overview of return rate that investors will earn in the future. The next researcher is expected to add other variables that are relevant to the capital structure and not only use the object of research limited to the property and real estate sector listed on the Indonesia Stock Exchange. So that the research results are broader and can be used in general by interested parties.

This research is expected to make contribution and useful for interested parties, even though it has several limitations. These limitations include the lack of an independent variable that causes the possibility of other factors that affect the capital structure, the object of research is limited only to the property and real estate sector and the observation period of only five years, 2013-2017 cause limited samples that used in this study.

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