

INFLUENCE OF EXTERNAL FUNDING ON RETURN ON ASSETS IN LIPPO GROUP COMPANY

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Abstract

Return on Assets as one form of the ratio of profitabilitas to measure the ability of a company with the overall funds infused in assets used to operate the company in generating profits. The purpose of this research is to analyze influence external funding as measured by the Debt Equity Ratio on Return on Assets in the Lippo Group Company. Population in this research are Lippo Group Company that listed on the Indonesia Stock Exchange period 2013 – 2017. Samples are taken by using saturation sampling method. It used 7 companies as sample in Lippo Group period 2013 – 2017, So total observation in this research are 35 observations. Types and sources of data in this research is quantitative data and secondary data. The using of analyzed method is by simple linear regression using Statistical Package for the Social Sciences (SPSS). Hypothesis testing are using t test. The results of this research show that External Funding as measured by Debt Equity Ratio influence Return on Assets significantly in Lippo Group Company that listed in the Indonesia Stock Exchange.

Keywords : Return on Asset, Debt Equity Ratio

1. BACKGROUND

Profitability ratios are used to be able to measure a company's ability with the overall funds invested in assets used for its operations in generating profits. There are several measurements of the profitability of the company where each measurement is related to asset volume, total assets and own capital. Overall, these three measurements will allow an analyst to evaluate the level of earnings in relation to the volume of assets, the amount of assets and certain investments of the owner of the company. Return on Assets (ROA) is a form of profitability ratios used to measure the ability of a company with the overall funds invested in assets used for its operations in generating profits. Profitability ratios are used to measure a company's ability with the overall funds invested in assets used for the company's operations to generate profits. There are several measurements of the profitability of the company where each measurement is related to asset volume, total assets and own capital. Overall, these three measurements will allow an analyst to evaluate the level of earnings in relation to the volume of assets, the amount of assets and certain investments of the owner of the company. Return on Assets (ROA) is a form of profitability ratio that is used to measure a company's ability with the overall funds invested in assets used for its operations in generating profits (Munawir, 2010). The factors that become the ROA assessment are capital aspects, asset quality aspects, income aspects, cash flow aspects and liquidity aspects. This study only uses the capital aspect measured by external funding as a factor that influences profitability measured using ROA (Kasmir, 2012).

Return On Assets (ROA) shows company returns or profits generated from the activities of the company used to run the company. The greater the ratio, the better the profitability of the company. Return On Assets (ROA) is the ratio between net income and overall assets to generate profits. This ratio shows how much the net profit obtained by the company is measured by the value of its assets. According to Kasmir (2012) Return

Return On Assets (ROA) is a ratio that shows the results (return) of the amount of assets used in the company. Analysis of Return On Assets (ROA) or often translated in Indonesian as economic rentability, measuring the development of companies generating profits. Furthermore According to Syamsuddin (2007) profitability can be increased by investing in more profitable assets, while the risk is measured by the probability of a company being in a "technically insolvent" condition, namely the inability to pay obligations / debts at maturity. Return On Assets (ROA) is obtained by comparing net income after tax to total assets. if a company has a net profit and total assets decreases it will get a small profit and vice versa if the net income and total assets increase then to get a high profit has a big opportunity.

The external funding structure indicates how the company finances its operational activities or how the company's assets are spent, thus the financial structure is reflected in the overall liabilities in the balance sheet. Financial structure also reflects the balance between overall foreign capital (both short and long term) with the amount of own capital (Riyanto 2011). This external funding structure is a comparison between debt (foreign capital) and equity (own capital) as measured by Debt to Equity Ratio (DER). The purpose of a combination of external funding is to be able to reduce costs as low as possible, maintain the lowest possible costs, dividend and income policies, and maximize shareholder wealth (Brigham and Houston, 2011). This ratio is a comparison between all debts, including current debt with all equity.

If the company's debt is higher than the capital itself, it shows a DER ratio above 1, so that the use of funds used for operational activities of the company uses more of the debt element. The higher the DER, the lower the level of funding provided by the owner so that it will be difficult to obtain funding from creditors to support its operational activities which can result in a decrease in the value of ROA (Sartono, 2010).

Lippo Group was chosen as the object of this research because the company is a fast-growing company in various fields such as property, banks, telecommunications and various other types of businesses. The following will be presented external funding data (DER) and ROA for Lippo Group companies listed on the IDX in 2013 - 2017. In several years the DER value has increased and the DER value is still above the value of 1, this will cause the company to be more big bear debt to meet the company's capital, so that the resulting profit will be low. DER conditions above 1, the company must bear large capital costs, the risk borne by the company also increases if the investment carried out by the company does not produce optimal returns (Sartono, 2010).

Meanwhile, for the value of ROA has decreased, the decline in the value of ROA indicates the company's ability to generate corporate profits lower. While according to the theory of ratios connect the profits obtained from the company's operations with the amount of investment or assets used to generate profits from the operation (Munawir, 2010).

The increase in the value of the DER followed by decline in ROA, this will have an impact on the company's difficulties in generating profit because the company is too large in the use of his compare capital to live its operational activities, While in DER above 1 the company shall bear the costs of big capital, the risk borne by the companies also increased so that the resulting company profits decline followed by a decline in ROA (Sartono, 2010).

2. METHOD OF RESEARCH

The population in this research are Lippo Group company listed in Indonesia Stock Exchange for the period 2012-2016. The population of the research are lippo group company registered in Indonesia Stock Exchange totalling as much as 7 companies. Sampling method using *saturation sampling method* the entire population as a sample, so total 7 company lippo group listed in Indonesia Stock Exchange made samples. Types of data used in this research is quantitative data and secondary data financial reports company lippo group listed on the Indonesia Stock Exchange. This research aims to look

at the influence of the relationship between the dependent variable on the independent variable by using simple linear regression method.

3. DATA ANALYSIS AND DISCUSSION

3.1 Descriptive Statistic

The results of the descriptive statistical test can be seen in the table below :

Table 1. Statistik Deskriptif

	N	Minimum	Maximum	Mean	Std. Deviation
DER	35	-4,76	18,19	1,3769	3,17301
ROA	35	-12,57	45,79	10,2723	14,44843
Valid N (listwise)	35				

From the data above, it can be seen that the lowest DER value of -4.76 is in LPPF issuers in 2013, the highest DER value of 18.19 is in LPPF issuers in 2014. The lowest ROA value of -12.57 is in 2014 LPLI issuers, the highest ROA value of 45.79 is found in the 2015 LPPF issuers.

3.2. Normality Test

The classic assumption test in this research used the normality test can be seen in the table below :

Table 2. One-Sample Kolmogorov-Smirnov Test

		DER	ROA
N		35	35
Normal Parameters ^{a,b}	Mean	1,3769	10,2723
	Std. Deviation	3,17301	14,44843
Most Extreme Differences	Absolute	,309	,234
	Positive	,309	,234
	Negative	-,308	-,137
Test Statistic		,309	,234
Asymp. Sig. (2-tailed)		,303 ^c	,400 ^c
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			

The output correlation between DER and ROA yields a sig number of 0.303 > 0.05 and 0.400 > 0.05. The results of processing the data, it can be obtained that the data in the study are normally distributed.

3.3 Simple Linear Regression Test

Data analysis in this study used simple regression analysis. In this study there are 1 independent variable, namely DER and one dependent variable, ROA.

Tabel 3. Simple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8,478	2,595		3,267	,003
	DER	1,303	,760	,286	6,715	,001

a. Dependent Variable: ROA

Based on calculations performed using SPSS 15.0 above, a simple regression equation will be obtained as follows: $Y = 8.478 + 1.303DER$. Based on the regression equation analyzed the relationship of investment decisions and DER to ROA, it is

estimated that the average value of ROA each year is 8.4785. The simple linear regression equation above can be interpreted that, if the DER value increases by one unit point, then the average value of ROA will increase by 1,303.

3.4 Coefficient of Determination

The coefficient of determination (R²) shows the percentage of the influence of all independent variables on the dependent variable can be seen in the table below:

Tabel 3 Coefficient of Determination

Model	R	R Square	Adjust Square	R
1	.786(a)	.682	.540	

From the results of the R Square test it can be seen that 0.682 and this states that the DER affects the ROA of 68.2% to influence the ROA variable the remaining 31.8% is influenced by other factors or variables.

3.5 Discussion

T-test testing is used to show how far the influence of one independent variable on the dependent variable. Tests carried out Criteria for acceptance / rejection of hypotheses are as follows:

- Reject H₀ if the probability value is $t \leq$ significant level of 0.05 (Sig. \leq α 0.05)
- Accept H₀ if the probability value is $t >$ significant level of 0.05 (Sig. $>$ α 0.05)

From the results of this study obtained DER significance value based on the t test obtained at 0.001 (Sig 0.001 $<$ α 0.05), thus H₁ is accepted. This means that external funding (DER) has a significant effect on ROA. From the results of this study obtained DER significance value based on the t test obtained at 0.001 (Sig 0.001 $<$ α 0.05), thus H₁ is accepted. This means that external funding (DER) has a significant effect on ROA. The results of this research are in line with the research of Andy and Windasari (2016) which states that DER has a significant effect on ROA. The results of this research are not in line with the research of Dian and Inta (2018) which states that DER has no effect on ROA.

Return On Assets (ROA) shows company returns or profits generated from the activities of the company used to run the company. The greater the ratio, the better the profitability of the company. Return On Assets (ROA) is the ratio between net income and overall assets to generate profits. This ratio shows how much the net profit obtained by the company is measured by the value of its assets. Return On Assets (ROA) is a ratio that shows the return (return) on the amount of assets used in the company.

The greater the Debt To Equity Ratio (DER) indicates that the capital structure of the business uses more of the debt relative to equity. The greater the Debt To Equity Ratio (DER) reflects the relatively high risk of the company as a result of increasing the amount of debt also makes equity more at risk as a result will reduce the value of ROA (Kasmir 2012).

If the company wants to maximize liquidity, it is likely to affect the company's level of profitability which is declining. The higher the liquidity, the better the position of the company in the eyes of creditors. Because there is a greater possibility that the company will be able to pay its obligations on time. On the other hand, from the perspective of the shareholders, a high Current Ratio is not always the most profitable. High liquidity has the opportunity to generate unemplyed funds which will cause a decrease in the value of profitability.

4. Conclusions

From the discussion which has been described in the previous chapter, then the conclusion can be drawn that is t test results obtained a value of 0.001 (Sig 0.001 $<$ α

0.05) means there is significant influence DER against ROA. The R-Square test results can be seen that 0.682 and it is claimed that DER affect ROA of 68.2% variable to affect all of the remaining 31.8% ROA was influenced by other factors.

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