CAPITAL STRUCTURE DETERMINANTS OF MANUFACTURING FIRMS LISTED ON INDONESIA STOCK EXCHANGE

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ABSTRACT

The research objective is to examine and analyze the growth, profitability and current structure and capital structure in the previous period in the current capital structure. Population used by companies in industry on the Indonesia Stock Exchange. Companies as examples of populations using stratified random methods. Data regression models are used as data analysis methods. The results of the study show that current growth is in a negative form towards the current capital structure. Structure, profitability, current structure and capital structure of the previous period.

Keywords: company growth, profitability, structure, capital structure of the previous period, capital structure of the current period.

INTRODUCTION

Capital structure policy is important for a company. In determining the capital structure, financial managers are required to analyze and consider the composition of debt and own capital that will be used to finance all company activities, both for corporate spending, running company operations, and for investment requiring funding (Brigham and Houston, 2001).

Corporate funding consists of internal and external capital. Internal capital is obtained from equity (equity), while external capital is obtained from debt (debt) both short-term debt and long-term debt. Corporate funding using debt has two benefits for the company, namely reducing taxes (tax deductibles) and providing benefits to shareholders because there is no need to divide the profits to return the debt if the business goes very well (Brigham and Houston, 2001).

The use of debt makes the company have a risk if the company cannot return the debt and pay the interest expense arising on the debt. Capital structure decisions are financial decisions relating to the composition of debt, preferred stock and common stock used by the company, managers must be able to raise capital either from within the company or from outside the company efficiently, in the sense that the funding decision is able to minimize the capital costs must be borne by the company (Prabansari and Kusuma, 2005).

The capital costs that arise from the funding decision are consequences that directly arise from decisions that have been taken by the manager. When managers use debt, the cost of capital that arises is the cost of capital that has been charged by the creditor while if the manager uses internal funds or own funds, then the opportunity cost will arise from the funds or capital that has been used. Funding decisions that are made inaccurately will lead to fixed costs in the form of high capital costs, which can result in the profitability of the company. Capital structure problems are an important problem for companies, because the good and bad capital structure will have a direct effect on the company's financial position.

Based on the results of previous studies, the capital structure was influenced by the company's growth, both negatively as in the Kesuma (2009) and positive studies such as Prabansari and Kusuma (2005), Santika and Sudiyatno (2011), Ramjee and Gwatidzo (2012), Abdeljawad et al . (2013), Maryanti (2016)[1], Pahlevi et al. (2016) and can also not be influenced by the growth of companies such as the research of Reindhard and Li (2010), Zuliani and Asyik (2014) and Maryanti (2016).

In addition to the company's growth, the capital structure is influenced positively by both positively such as the research of Prabansari and Kusuma (2005), Hadianto (2008), Wijaya and Hadianto (2008) and negatively as in the research of Adrianto and Wibowo (2007), Reinhard and Li (2010) , Santika and Sudiyatno (2011), Ramjee and Gwatidzo (2012), Abdeljawad et al. (2013), Zuliani and Asyik (2014) and can also not be influenced by profitability such as Kesuma (2009), Maryanti (2016), Pahlevi et al. (2016), Primantara and Dewi (2016).

In addition to the company's growth and profitability, the capital structure is influenced positively by asset structure such as the research of Adrianto and Wibowo (2007), Hadianto (2008), Reinhard and Li (2010), Ramjee and Gwatidzo (2012), Abdeljawad et al. (2013), as well as negatively as Pahlevi et al. (2016) and can also not be influenced by asset structures such as Wijaya and Hadianto (2008), Santika and Sudiyatno (2011), Zuliani and Asyik (2014) and Maryanti (2016). Read more, the contradiction of the results of the research on the three variables can be seen in Table 1.

[1]There are two growth proxies for Maryanti's research (2016): asset growth and sales growth. In this research, capital structure is positively influenced by the growth of assets and not affected by sales growth.

Tabel 1 Summary of Previous Research Results on the Influence of Corporate Growth, Profitability, Structure of Assets and Lag Capital Structures on Capital Structure

No.	Researcher Name	Influence of Variables Determining Capital Structure			
		Corporate Growth	**Profitability**	**Structure of Assets**	**Lag Capital Structures**
1.	Prabansari and Kusuma (2005)	Positive (Significant)	Positive (Significant)	-	-
2.	Adrianto and Wibowo (2007)	-	Negative (Significant)	Positive (Significant)	-
3.	Hadianto (2008)	-	Positive (Significant)	Positive (Significant)	-
4.	Wijaya and Hadianto (2008)	-	Positive (Significant)	No effect	-
5.	Kesuma (2009)	Negative (Significant)	No effect	-	-
6.	Reinhard and Li (2010)	No effect	Negative (Significant)	Positive (Significant)	Positive (Significant)
7.	Santika and Sudiyatno (2011)	Positive (Significant)	Negative (Significant)	No effect	-
8.	Ramjee and Gwatidzo (2012)	Positive (Significant)	Negative (Significant)	Positive (Significant)	Positive (Significant)
9.	Abdeljawad, *et al.* (2013)	Positive (Significant)	Negative (Significant)	Positive (Significant)	Positive (Significant)
10.	Zuliani and Asyik (2014)	No effect	Negative (Significant)	No effect	-
11.	Maryanti (2016)	PA*): Positive (Significant), PP**): No effect	No effect	No effect	-

Tabel 1 Summary of Previous Research Results on the Influence of Corporate Growth, Profitability, Structure of Assets and Lag Capital Structures on Capital Structure

No.	Researcher Name	Influence of Variables Determining Capital Structure			
		Corporate Growth	**Profitability**	**Structure of Assets**	**Lag Capital Structures**
12.	Pahlevi, *et al.* (2016)	Positive (Significant)	No effect	Negative (Significant)	Positive (Significant)
13.	Primantara and Dewi (2016)	-	No effect	-	-

Description: Mark -: variable not examined. , *) PA = asset growth, * PP = sales growth

Table 1 not only shows the contradictions of the influence of company growth, profitability, asset structure on capital structure, but also shows that capital structure is strongly influenced by capital structure in the previous period/capital structure lag as in the research of Reinhard and Li (2010), Ramjee and Gwatidzoa (2012), Abdeljawad et al. (2013), Pahlevi et al. (2016). The four researchers documented the same thing, namely the current capital structure is positively influenced by the capital structure in the previous period. The existence of this lag of capital structure does not yet exist in the models of other researchers.

There are contradictions in the results of research on the three determinants (company growth, profitability, and asset structure) of the capital structure and the addition of the capital structure lag variable as a determinant of capital structure in the research model in addition to the research models Reinhard and Li (2010), Ramjee and Gwatidzo (2012), Abdeljawad et al. (2013), and Pahlevi et al. (2016), this is what drives research that examines the influence of these four variables as determinants of capital structure of manufacturing firms on the Indonesia Stock Exchange.

Identification and Formulation of Problems
Based on the description above, the problems to be examined can be identified as follows:
1. Does the company's growth, profitability, and asset structure affect the capital structure?
2. Does the capital structure of the previous period affect the current capital structure?

Research Purposes
Based on the research problem formulated in the previous section, the purpose of this research is:
1. To test and analyze the influence of company growth, profitability and asset structure on capital structure.
2. To test and analyze the influence of the previous period's capital structure on the current capital structure.

LITERATURE REVIEW, HYPOTHESES THINKING AND DEVELOPMENT FRAMEWORK

Pecking Order Theory
This theory suggests that companies tend to use internal funding sources as much as possible to finance projects within the company rather than using external sources. Companies that generate high profits generally owe a small amount.

Trade-off Theory
Capital structure theory which states that companies can exchange tax benefits from debt financing with problems caused by the potential for bankruptcy (Brigham and Houston, 2011: 183). The trade-off theory essentially balances the benefits of taxes and the sacrifices arising from the use of debt.

Capital Structure
The capital structure is an illustration of the form of financial proportions that are a source of financing for a company (Fahmi, 2011: 106). In this study, capital structure variables are proxied by using the ratio of total debt to total assets or debt to total asset ratio (DAR). This ratio reflects how to measure the total use of debt to total assets and how much the total assets of the company are financed by total debt.

Company Growth

Every company has a business to achieve high growth every year because the company's growth provides an overview of the company's development that occurred (Fauzi and Suhadak, 2015 in Maryati, 2016). In this study, the company's growth variable is proxied by using sales growth, describing changes in sales from year to year.

Profitability
Profitability is defined as the relationship between income and costs generated by using company assets both smoothly and permanently in production activities (Gitman, 2003). In this study, profitability variables are proxied by using return on assets because the use of return on assets shows the ability of all funds invested in assets to generate profits which is a comparison between net income and total assets (Weston and Copeland, 1997: 240).

Assets Structure
Asset structure is the determination of how much funds are allocated for each asset component, both in current assets and in fixed assets (Syamsudin, 2007). Measurement of asset structure can be done by looking at the proportion of the company's fixed assets to the total assets of the company as a whole.

THOUGHT FRAMEWORK
The company's growth provides an overview of future funding needs. The faster the growth of the company, the greater the need for funds to finance investment so that companies tend to hold back profits (Sartono, 2008). The more profits retained in accordance with the predictions of the pecking order theory, the company will rely on internal funding (Hanafi, 2004). With the accumulation of retained earnings in large amounts, this automatically reduces the level of debt used by the company. The explanation of this theory was confirmed by the results of Kesuma's (2009) study which showed that company growth negatively affected the capital structure.
H_1: The company's growth has a negative effect on the modal structure

The static trade-off theory states that profit-making companies will use more debt to get a greater benefit from tax protection benefits (Modigliani and Miller, 1954). Explanation of this theory is supported by the results of research by Prabansari and Kusuma (2005), Hadianto (2008), Wijaya and Hadianto (2008) which show that profitability has a positive effect on the capital structure.
H_2: Profitability has a positive effect on the capital structure

The static trade-off theory states that companies that have fixed assets will use large amounts of debt considering that fixed assets can be used as collateral to obtain debt (Adrianto and Wibowo, 2007; Sartono, 2008). The explanation of this theory is supported by the results of the research of Adrianto and Wibowo (2007), Hadianto (2008), Reinhard and Li (2010), Ramjee and Gwatidzo (2012), Abdeljawad et al. (2013) which shows the asset structure has a positive effect on the capital structure.
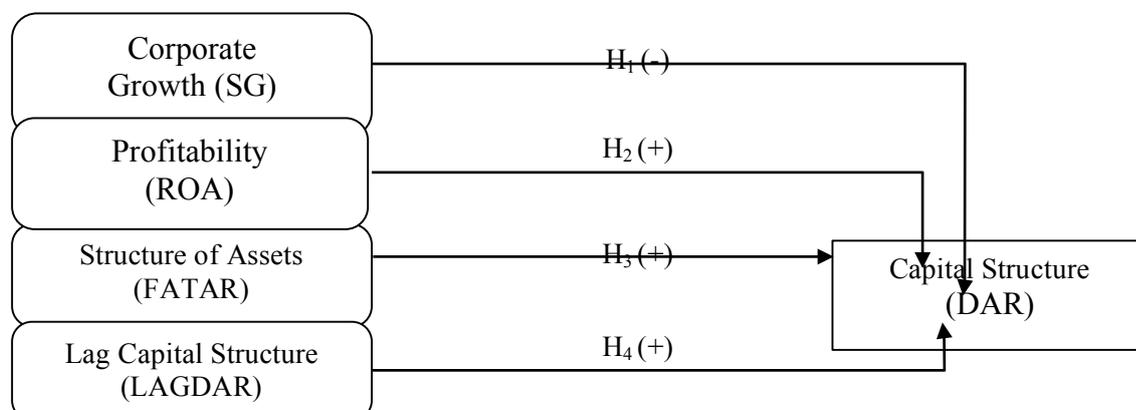
H_3: The structure of assets has a positive effect on the capital structure
Companies that use debt get the benefit of tax protection. This tax protection allows the deduction of interest from taxable income (Modigliani and Miller, 1954). Thus, companies tend to utilize these conditions so that they use debt in the coming year with an amount greater than the amount of debt this year. And according to Pahlevi et al. (2015), companies that have experience achieving debt amounts in the past are trusted by banks to add new debt. This condition is confirmed by the results of research by Reinhard and Li (2010), Abdeljawad et al. (2013) and Pahlevi et al. (2015) which shows that the capital structure of the previous period has a positive effect on the current capital structure.
H_4: The capital structure of the previous period has a positive effect on the current capital structure.

RESEARCH MODEL AND RESEARCH HYPOTHESES

Figure 1 Research Model

Source: Data in stacking researchers

HYPOTESES DEVELOPMENT
H_1: The company's growth has a negative effect on the modal structure

H_2: Profitability has a positive effect on the capital structure
H_3: The structure of assets has a positive effect on the capital structure
H_4: The capital structure of the previous period has a positive effect on the current capital structure.

OBJECT AND RESEARCH METHODS
Objects, Population and Research Samples
In this study the object and population are manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2011-2015. The total manufacturing companies recorded from 2011-2015 were 113 companies consisting of basic industrial and chemical sectors, various industries, and the goods and chemical industries. The sample was determined using the Slovin formula and obtained for 53 companies.

The method used
This study uses quantitative research methods. According to Sugiyono (2012: 13), quantitative research methods can be interpreted as research methods based on positivism philosophy, used to examine certain populations or samples, sampling techniques are generally done randomly, data collection using research instruments, quantitative data analysis/statistics with the aim of testing a predetermined hypotheses.

Operationalization of Variables
1) Independent or independent variables, which are variables that affect other variables or cause changes or the emergence of dependent or dependent variables. Acting as an independent variable is the company's growth, profitability, asset structure and capital structure of the previous period.
2) Dependent or dependent variable, which is a variable that is affected by other variables or that results from an independent or independent variable. Acting as a dependent variable is the capital structure.

Read more, the definition of operationalization of the research variables can be seen in Table 2 below.

Table 2 Operationalization of Variable

No	Variable	Definition	Indicator	Scale
1.	Capital Structure	Setting the amount of debt in financing assets	Debt to total assets ratio at the end of the year (DAR)	Ratio
2.	Corporate Growth	Company size increase	Sales growth at the end of the year (SG)	Ratio
3.	Profitability	The company's ability to generate profits	*Return on assets of the company at the end of the year (ROA)*	Ratio
4.	Structure of Assets	The amount of the fixed assets in the total assets owned by the company	The ratio of fixed assets to total assets at the end of the year (FATAR)	Ratio
5.	Lag Capital Structure	Setting the amount of debt in financing assets in the previous period	Debt to total assets ratio at the end of the previous year (LAGDAR)	Ratio

Source: Data in stacking researchers

Data analysis method
The analytical method used in this study is a multiple regression model with pooled data. The regression model in question can be seen in the equation below.

$$DAR_{it} = \beta_0 + \beta_1 SG_{it} + \beta_2.ROA_{it} + \beta_3 FATAR_{it} + \beta_4 DAR_{it-1} + e_{it1}$$

Classic assumption test is a statistical requirement that must be met in multiple linear regression analysis based on Ordinary Least Square (OLS) (Sunjoyo et al., 2013). This classic assumption test is done to get a good regression model and really able to provide the best, reliable and unbiased estimation (Best Linear Unbias Estimator / BLUE). In this study the classic assumption test that will be used is normality test, multicollinearity test, heteroscedasticity, and autocorrelation.

RESULTS AND DISCUSSION

Descriptive Statistics

The following shows the description statistics on the five variables. Descriptive statistics that include minimum, maximum, average, and standard deviation.

Table 3 Statistics of Research Variables Descriptions

Variable	N	Minimum	Maximum	Average	Standard Deviation
DAR	265	0,12	2,66	0,5158	0,36393
SG	265	-66,47	204,90	12,3181	30,25002
ROA	265	-34,59	74,84	6,6765	11,78209
FATAR	265	0,00	0,99	0,3539	0,21104
DAR(-1)	265	0,12	2,79	0,5225	0,37878

Source: Output IBM SPSS 20

Based on Table 3 it can be seen that the Debt to total asset ratio variable has a maximum value of 2.66 and a minimum value of 0.12, with an average value of 0.5158 and a standard deviation of 0.36393. This illustrates that the average sample of the company has a debt of 0.5158 times the assets of the company. Debt to total asset ratio values below 100% indicate that companies tend to use assets as a source of corporate funding.

The Sales Growth variable has a maximum value of 204.90 and a minimum value of -66.47, with an average value of 12.3181 and a standard deviation of 30.25002.

Variable Return on assets has a maximum value of 74.84 and a minimum value of -34.59, with an average value of 6.6765 and a standard deviation of 11.78209.

FATAR variable has a maximum value of 0.99 and a minimum value of 0.00, with an average value of 0.3539 and a standard deviation of 0.21104.

The DAR Lag variable has a maximum value of 2.79 and a minimum value of 0.12, with an average value of 0.5225 and a standard deviation of 0.37878. There is a difference in value between the current DAR Lag and DAR which is located at the maximum value of 2.79 and 2.66. And the difference in the average value is 0.5225 and 0.5158, which illustrates that there is a decrease in the average level of samples of companies that have debt.

Classical Assumption Test Results
With reference to a series of classic assumption tests, the following are the results of tests of normality, multicollinearity, autocorrelation, and heteroscedasticity:

Normality Test Results
The normality test used in this study is the Jarque-Bera test. The full test results can be seen in Figure 1. In the figure, the probability value of the JB-statistical value is 0.00000. Since this value is smaller than the significance level of 5%, the null hypotheses is rejected. This means that the regression model residuals are not normally distributed.

Figure 3 Normality Test Results
Sumber: Ouput E-Views 6
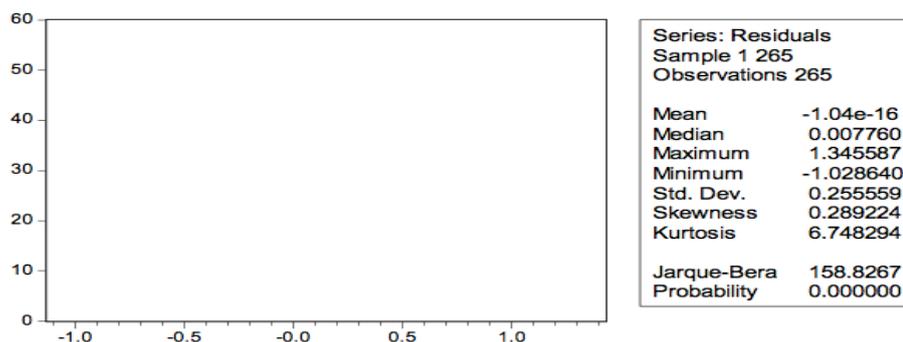
This data abnormality according to the central limit theorm assumption can be tolerated considering the number of observations used is quite large. By using this assumption, when the number of observations is in large numbers, the average distribution of sample residuals tends to be normally distributed (see Supranto, 1996).

Multicollinearity test result

In this study, the multicollinearity test was carried out by detecting it, namely by comparing the VIF value of each independent variable with 10 as the required reference value.

Multicollinearity test result can be seen in table 4, it can be seen that the VIF values for the variables SG, ROA, FATAR and DAR (-) are 1.058; 1,160; 1,071; and 1,077. Since there is no VIF value for all the independent variables that are greater than 10, multicollinearity does not occur in this regression model.

Table 4 Value of Variance Inflation Factor (VIF) for Free Variables Used

Independent Variable	Collinearity Statistics	
	Tolerance	VIF
SG	0,946	1,058
ROA	0,862	1,160
FATAR	0,934	1,071
DAR (-1)	0,928	1,077

Source: Output IBM SPSS 20

Autocorrelation Test Results

Autocorrelation test used in this study is a run test. This test is done by comparing the asymp.sig. (2-tailed) value of Z with a significance level (α) of 5%. Read more, the results of the run test can be seen in Table 5. It can be seen in the table that the asymp.sig. (2-tailed) value of Z is 0.124. Given this value is greater than α which is set at 5%, then H0 is accepted. Thus, the residual is random so that H0 is accepted so that autocorrelation does not occur in this regression model.

Table 5 Autocorrelation Results Using Run Test on Residual Value

	Unstandardized Residual
Test Value[a]	0,0000000
Cases < Test Value	131
Cases >= Test Value	134
Total Cases	265
Number of Runs	121
Z	-1,537
Asymp. Sig. (2-tailed)	0,124

Source: Output IBM SPSS 20.

Heteroscedasticity Test Results

The heteroscedasticity test used in this study is the Glesjer test. This test is done by comparing the Prob value. Chi-Square (4) for observing the value of R squared with a significance level (α) of 5%. Read more. Glesjer test results can be seen in Table 6. In the table, you can see the Prob.Chi-Square value (4) of Obs * R-square for 0.0000. Since this value is smaller than α which is set at 5%, Ha is accepted.

Thus, heteroscedasticity still exists in this regression model.

Table 6 Glejser Test Results

F-statistic	32,83795	Prob. F(4,260)	0,0000
Obs*R-squared	88,94357	Prob. Chi-Square(4)	0,0000
Scaled explained SS	154,5917	Prob. Chi-Square(4)	0,0000

Test Equation:

Dependent Variable: ARESID

Method: Least Squares

Date: 11/05/17   Time: 06:29

Sample: 1 265

Included observations: 265

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0,045837	0,015116	-3,032424	0,0027
SG	-0,000184	0,000190	-0,968849	0,3335
ROA	0,002292	0,000510	4,497301	0,0000
FATAR	0,075259	0,027345	2,752200	0,0063
DAR (-1)	0,168583	0,015281	11,03232	0,0000

Source: Output E-Views 6.

To overcome the problem of heteroscedasticity, the researcher divides each value of the variable used with the predicted value of the capital structure (DARF). This method is used with reference to Gujarati (2003). After doing this, the Glesjer test to detect heteroscedasticity is done again and the results can be seen in Table 7. below.

**Table 7 Glesjer Test Results after Modification of
Regression Models**

F-statistic	2.646142	Prob. F(4,260)	0.0340
Obs*R-squared	10.36611	Prob. Chi-Square(4)	0.0347
Scaled explained SS	13.12446	Prob. Chi-Square(4)	0.0107

Test Equation:

Dependent Variable: ARESID

Method: Least Squares

Date: 11/05/17   Time: 06:51

Sample: 1 265

Included observations: 265

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,364823	0,221041	1,650475	0,1001
SG/DARF	9,33E-05	8,51E-05	1,096421	0,2739
ROA/DARF	0,000434	0,000452	0,959065	0,3384
FATAR/DARF	0,022849	0,039338	0,580834	0,5619
DAR(-1)/DARF	-0,212278	0,206291	-1,029019	0,3044

Source: Output E-Views 6.

Seen in the table, the probability value of Chi-Square (4) for obs * R-squared is 0.0347. This value is greater than α which is tightened to 1%. Given that the probability value is above α of 1%, heteroscedasticity does not occur. This is also confirmed by the t-statistical probability value for the regression coefficients of SG / DARF, ROA / DARF, FATAR / DARF and DAR (-1) / DARF which is greater than α of 5% referred to in this study so that there are no variables free which affects the absolute value of residuals that are transformed. Based on this, heteroscedasticity does not occur in this regression model.

Results of Regression Model Estimates
The estimation results of this regression model can be seen in Table 8 below.

Table 8 Results of Pooling Data Regression Model Estimates

Dependent Variable: DAR/DARF2

Method: Least Squares

Date: 11/05/17   Time: 06:52

Sample: 1 265

Included observations: 265

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0,807149	0,329297	-2,451126	0,0149
SG/DARF2	-0,000508	0,000127	-4,004467	0,0001
ROA/DARF2	0,001144	0,000673	1,698212	0,0907
FATAR/DARF2	0,254827	0,058604	4,348251	0,0000
LAGDAR/DARF2	1,601320	0,307324	5,210531	0,0000

R-squared	0,952335	Mean dependent var		1,079023
Adjusted R-squared	0,951602	S,D, dependent var		1,170559
S.E. of regression	0,257518	Akaike info criterion		0,143232
Sum squared resid	17,24201	Schwarz criterion		0,210774
Log likelihood	-13,97826	Hannan-Quinn criter,		0,170370
F-statistic	1298,690	Durbin-Watson stat		2,177613
Prob(F-statistic)	0,000000			

Source: Output E-Views 6.

Results of Hypotheses Testing and Discussion

The first hypotheses states that the company's growth has a negative effect on the capital structure. This hypotheses is tested by comparing the probability value of the t-statistic with a significance level (α) of 5% and seeing the sign of the regression coefficient value. In Table 8, the t-statistics probability value of SG / DARF is 0.0001 and the regression coefficient shows a negative sign. Given the probability value below α of 5%, then the negative influence is significant. Thus the first hypotheses is accepted. This is consistent with the predictions of the pecking order theory. Growing companies have a tendency to hold back profits. By holding back profits, the better the position of the company's capital structure. Thus, the results of the study are in line with the results of Kesuma's research (2009).

The second hypotheses states that profitability has a positive effect on capital structure. This hypotheses is tested by comparing the probability value of t-statistic with a significance level (α) which is loosened to 10%. and see the sign of the regression coefficient. In Table 8, the t-statistical probability value of ROA / DARF is 0.0907 and the regression coefficient shows a positive sign. Given the probability value below α is 10%, then the positive effect is significant. Thus the second hypotheses is accepted. This is consistent with static trade-off theory predictions. Companies that are able to generate profits will use a lot of debt to get a greater benefit from the benefits of tax protection. Thus, the results of research are in line with the results of research by Prabansari and Kusuma (2005), Hadianto (2008), Wijaya and Hadianto (2008).

The third hypotheses states that the asset structure has a positive effect on the capital structure. This hypotheses is tested by comparing the probability value of the t-statistic with a significance level (α) of 5% and seeing the sign of the regression coefficient. In Table 8, it can be seen that the t-statistical probability value of FATAR / DARF is 0.0000 and the regression coefficient shows a positive sign. Given the probability value below α of 5%, then the positive effect is significant. Thus the third hypotheses is accepted. This is consistent with static trade-off theory predictions. This means that the company uses fixed assets to be used as collateral to obtain loans from both the capital market in the form of bonds and from banks. Thus, the results of this study are in line with the results of Adrianto and Wibowo (2007) research, Hadianto (2008), Reinhard and Li (2010), Ramjee and Gwatidzo (2012), Abdeljawad et al. (2013).

The fourth hypotheses states that the capital structure of the previous period has a positive effect on the capital structure. This hypotheses was tested by comparing the probability value of the t-statistic with a significance level (α) of 5% and and looking at the sign of the regression coefficient. In Table 8, the t-statistical probability value of DAR (-1) / DARF is 0.0000 and the regression coefficient shows a positive sign. Given the probability value below α of 5%, then the positive effect is significant. Thus the fourth hypotheses is accepted. This means that companies get the benefits of tax protection so that the tendency of companies to use debt in the future is higher. Thus, the results of this study are in line with the results of research by Reinhard and Li (2010), Abdeljawad et al. (2013) and Pahlevi et al. (2015).

Discussion

The results of testing the first hypotheses shows that the company's growth has a negative effect on the capital structure. This is consistent with the predictions of the pecking order theory. Growing companies have a tendency to hold back profits. By holding back profits, the better the position of the company's capital structure. Thus, the results of the study are in line with the results of Kesuma's research (2009).

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The results of testing the fourth hypotheses show that the capital structure of the previous period has a positive effect on the current capital structure. Thus, the results of this study confirm the explanation of MM's theory. This means that companies get the benefits of tax protection so that the tendency of companies to use debt in the future is higher. Thus, the results of this study are in line with the results of research by Reinhard and Li (2010), Abdeljawad et al. (2013) and Pahlevi et al. (2015).

Managerial Implications

Considering that the company's growth has a negative effect on the capital structure, the company tends to hold back profit which will be used to finance all activities and needs of the company so that it can reduce the level of debt in the company.

Given that profitability has a positive effect on the capital structure, the company must make efforts to increase sales results so that the profits earned are able to pay interest on creditors as remuneration for the amount of money borrowed.

Considering that the asset structure has a positive effect on the capital structure, lenders do not need to worry about the risk of failure to pay the company so that they can still provide funds to the company on a predetermined credit ceiling.

Considering that the capital structure of the previous period had a positive effect on the current capital structure, the company was trusted by banks to add new debt because the company had experience of debt in the previous year.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the results of testing the hypotheses and discussion in the previous section, it can be concluded that the results of this study do not fully support the explanation of the pecking order theory but also the static trade-off theory. In this context, the variables that support the explanation of pecking order theory are company growth, while asset, profitability, and lag structure of capital structure are independent variables that support the explanation of static trade-off theory.

Suggestion

Based on the results of the research and conclusions that have been stated, the suggestions that the researcher can convey are as follows:

- For further researchers
  - Considering that this study uses only four capital structure determinants that are relevant to be studied, further research can include variables not examined in this study such as investment opportunities, company size, investment opportunities, internal funding deficits, business risks, liquidity.
  - Considering this research was only carried out on manufacturing companies for the period observation for 5 (five) years, it is advisable for researchers to further expand the population coverage (for example in non-financial companies in the Indonesia Stock Exchange) or extend the time period of observation (for example 6 to 10 years). By doing these two things, quantitative research that has a better generalizing ability will be created.

- For Management

  For company management, it is advisable to pay attention to profitability so that the company is able to continue to be able to pay off debts and interest to creditors. Management must monitor and make good and innovative sales strategies so that sales increase and generate high profits to pay off the company's debt.

  Also pay attention to the structure of assets so that the company can make it as collateral for borrowing debt. With the guarantee of the company's fixed assets, the creditor will be more considering the submission of new debt or top up because the creditor feels more secure because there is a guarantee.

  And management needs to pay attention to the capital structure of the previous period because the experience of using debt in the previous period can make creditors more confident of adding new debt or top up. Management is expected to be able to maintain the payment of the company's debt installments every period so that the level of creditor trust is good for the company.

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