Eviews Analysis Determinan Laverage and Company's Performance

by Nardi Sunardi

Submission date: 09-Nov-2018 08:41AM (UTC+0700)
Submission ID: 1035670765
File name: views_Analysis_Determinan_Laverage_and_Company_s_Performance.doc (322.5K)
Word count: 2653
Character count: 15240

EVIEWS ANALYSIS : DETERMINANT OF LEVERAGE AND COMPANY'S PERFORMANCE

[1]Abdul Kadim, [2]Nardi Sunardi

[1] Lecturer of Universitas Persada Indonesia Y.A.I Jakarta. Indonesia
[2]. Lecturer of Universitas Pamulang. Indonesia
Correspondent Author : e.augusta26@gmail.com

ABSTRACT

The purpose of this study is to examine the partial or simultaneous effect between Business Risk (RISK), Asset Growth (AGR), Firm's Size (Size), Likuidity (CR), Leverage (DER) and Company's Performance (ROA).

The populations in this study are all companies incorporated in Ritail Trade Company's listed on the Indonesia Stock Exchange from 2008 until 2017. The samples in this study were 7 companies incorporated in Ritail Trade Company's in accordance with the established criteria. Regression analysis was performed based on panel data analysis results.

This study summarizes some of the following: (1) The Business Risk has a positive and significant effect on Leverage. (2) Asset Growth has a positive and not significant effect on Leverage (3) Firm's Size has a positive and significant effect on Leverage. (4) Likuidity has a positive and not significant effect on Leverage. (5) RISK, AGR, SIZE and CR proved to be positive and significant effect on Leverage. (6) The Business Risk has a positive and not significant effect on Company's Performance. (7) Asset Growth has a positive and significant effect on Company's Performance. (8) Firm's Size partially has a negative and significant effect on Company's Performance. (9) Likuidity partially has a negative and not significant effect on Company's Performance. (10) RISK, AGR, SIZE and CR has a positive and significant effect on Company's Performance,

Keyword : Company's Performance, Leverage, Business risk, Asset Growth, Firm's Size, Likuidity, Ritail Trade Company's In Indonesia.

A. INTRODUCTION

` "The rapid growth of the economy will cause a lot of increasingly tight business competition. Companies must be able to maintain the existence of their business to stay alive, let alone the condition of the Indonesian economy is now increasingly uncertain. So on the other hand investors must be careful in investing capital. To attract investors in investing capital, the company must also pay attention to the progress and growth of its business, thus promising future profits" (Gitman and Zutter, 2012)

The purpose of the establishment of a company is to maintain the continuity of its business, earn profits and to expand its business, it will lead to the goal of improving the welfare of its shareholders. In general, each company has a different purpose, the Company's Perpormance and Company's soundness.

Achieving company goals can be influenced by various factors. One important factor that affects the achievement of corporate objectives is in terms of sources of financing. The Company has two external sources of financing, namely through the issuance of long-term debt and issuance of shares. The combination of the use of long-term debt and equity as a source of financing is called the capital structure.

"Performance is a function of an organization's ability to acquire and manage resources in several different ways to develop competitive advantage. The relationship between the elements that make up the financial statements can be shown by the financial ratios. Financial ratios are tools used to compare figures derived from the results of a comparison of one financial statement post with other financial posts that have a relevant and significant relationship". According to (Brigham and Houston, 2010: 84)

B. LITERATURE REVIEW

Company's performance

Company's performance is "the company's ability to generate profits. Profit is often a measure of company performance, where when a company has a high profit means it can be concluded that the company's performance is good and vice versa. High profitability makes the company able to fund its operations with funds from internal funds company, then the company does not require funds from debt. The bigger a company, the tendency to use external funds is also greater. This is because large companies have large financing needs and one of the alternative fulfillment of financing by using external funds that is by using debt. The company prefers to use external funds to meet funding needs as it is judged to be insufficient internal funds for its operations" According to Insiroh, Lusia. (2014)

Leverage

Leverage is the ratio used to regulate the extent to which a company's activities are financed with debt. Meanwhile, according to Irham Fahmi (2011: 62) leverage ratio is "the ratio used to measure how much the company financed with debt. Excessive debt usage will endanger the company because the company will enter the extreme leverage category (extreme debt) ie companies that will be stuck in high debt levels and difficult to release the debt burden". Therefore, "companies should balance how much debt is worth taking and from which sources can be used to repay debt". Cashmere (2010: 151)

Business Risk

Business risk is "a risk arising from the uncertainty of the company in generating revenue in the future. The company must meet all the obligations arising from the loan obtained by the company. Business risk in a company can be affected by the stability of revenue and operational cost structure. Companies with high debt can lead to business risks because the company must be able to meet its obligations as well as borne interest expense by companies". Companies with fluctuating profits can be said that the company is facing business risks (Amiriyah & Andayani, 2014).

Asset Growth

"Growth is an indicator for an advanced company or an enterprise that is in an industry that the growth rate has a high capital must provide sufficient to the company. company that of growth is slowly" (Brigham & Houston, 2013: 193).

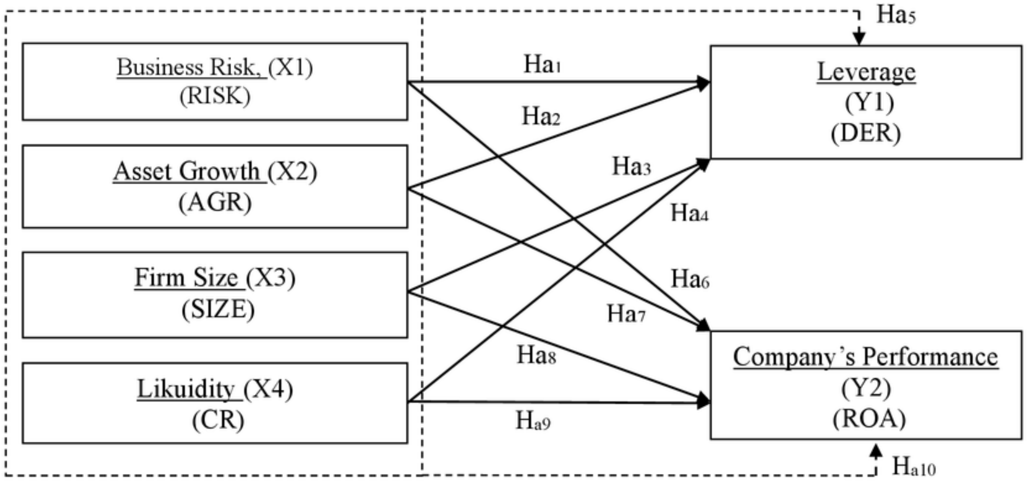
Firm Size

The size of a company is one of the factors that companies use to determine how much capital structure policy in meeting the large assets of a company. If the company gets bigger then the bigger fund will be issued, either from debt policy or own capital in maintaining or developing company.

Liquidity

Company liquidity is "the company's strength in paying off its obligations that are due in the short term. If a company uses a lot of current assets it means the company can generate cash flow to finance the company's operating and investment activities. Increased current assets show that the company successfully repay its short-term debt, resulting in short-term debt reduced and resulted in a decrease in the proportion of debt in the capital structure" (Vina and Saifudin, 2012

Research Model



Research Hypothesis

Hypothesis (Ha_1)	:	The influence of Business Risk (RISK) on Leverage (DER)
Hypothesis (Ha_2)	:	The influence of Asset Growth (AGR) on Leverage (DER)
Hypothesis (Ha_3)	:	The influence of Firm Size (SIZE) on Leverage (DER)
Hypothesis (Ha_4)	:	The influence of Likuidity (CR) on Leverage (DER)
Hypothesis (Ha_5)	:	The influence of RISK, AGR, SIZE, and CR on Leverage (DER)
Hypothesis (Ha_6)	:	The influence of Business Risk (RISK) on Company's Performance (ROA)
Hypothesis (Ha_7)	:	The influence of Asset Growth (AGR) on Company's Performance (ROA)
Hypothesis (Ha_8)	:	The influence of Firm Size (SIZE) on Company's Performance (ROA)
Hypothesis (Ha_9)	:	The influence of Likuidity (CR) on Company's Performance (ROA)
Hypothesis (Ha_{10})	:	The influence of RISK, AGR, SIZE, CR and DER on Company's Performance (ROA)

C. METODOLOGI

This type of research uses a quantitative approach with each variable or between variables based on quantitative measurement scale.

Data collection techniques used are documentation techniques, this documentation technique where researchers collect quantitative data obtained through non-participant observation or obtained indirectly, that is by collecting, recording and reviewing secondary data in the form of corporate financial statements incorporated in the of Ritail Trade Company's In Indonesia at the period of 2008-2017.

Number of Sample Based on Sampling Criteria

No	*Sample Characteristic*	*Sample Size*
1.	The number of population is a company engaged in the Ritail Trade Company's index listing in idx period of 2008-2017	21
2	The company incorporated in the Ritail Trade Company's does not publish its financial statements and publish its full financial statements	(14)

during the period 2008-2017.	
Last Sample Size	7
Observation Year 10	10
Observation Amount	70

Research Sample :

No.	*Code*	*Ritel Company In Indonesia*
1	CSAP	PT Catur Sentosa Adiprana Tbk.
2	HERO	PT Hero Supermarket Tbk.
3	LPPF	PT Matahari Departemen Store Tbk.
4	ACES	PT Ace Hardware Indonesia Tbk.
5	AMRT	PT Sumber Alfaria Trijaya Tbk.
6	MAPI	PT Mitra Adiperkasa Tbk.
7	RALS	PT Ramayana Lestari Sentosa Tbk.

Operationalization of Variable :

Variable	***Proxy***	***Measurement***	***Scale***
Company's Performance (Y2)	ROA	$\text{ROA} = \frac{\text{Total Revenue}}{\text{Total Asset}}$	Ratio
Leverage (Y2)	DER	$\text{DER} = \frac{\text{Total Liability}}{\text{Total Equity}}$	Ratio
Business Risk (X1)	RISK	$ST.DEV.\left(\frac{Laba\ Bersih}{Total\ Equity}\right)$	Ratio
Asset Growth (X2)	AGR	$\text{AGR} = \frac{TA_t - TA_{t-1}}{TA_{t-1}}$	Ratio
Firm's Size (X3)	SIZE	Firm's Size = Ln. (Total Asset)	Ratio
Likuidity (X4)	CR	$\text{CR} = \frac{\text{Current Asset}}{\text{Current Liability}}$	Ratio

"The method of data analysis conducted in this research was using regression analysis method of panel data. To determine one of the three panel regression approaches to be used are Ordinary Least Square (OLS) or Common Effect Model, Fixed Effect Model, Random Effect Model, thereby Chow test and Hausman test were performed. To process the secondary data obtained, the researchers use statistical software applications assistance programs such as *MS.Exel 2010* that cover the creation of tables and graphs for descriptive analysis. While the data processing activities with *EVIEWS version 9.0* is used to assist in analyzing the data used in performing the test of significance of multiple linear regression analysis of panel data".

D. RESULT AND DISCUSSION

Result

Factors that affect Financial's Performance consists of internal factors of the company associated with Business Risk (RISK), Asset Growth (AGR), Firm's Size (Size), Likuidity (CR), Leverage (DER) and Company's Performance (ROA).

1. Descriptive

A description of statistics the factors that Determinant of Leverage and Company's Performance of Ritail Trade Company's In Indonesia at the period of 2008 – 2017 of each variable used in the, shown in:

	ROA	DER	RISK	AGR	SIZE	CR
Mean	9.710319	1.628714	18.18213	15.91993	18.26800	210.1636
Median	6.240700	1.655000	9.224500	13.93895	15.76150	119.6850
Maximum	45.78850	18.19000	565.0476	103.3867	26.89300	1060.000
Minimum	-6.240400	-4.760000	-104.0843	-99.99740	13.25700	38.88000
Std. Dev.	11.24512	2.524211	69.95621	22.68413	4.539386	204.7502
Skewness	1.648734	3.822429	6.935001	-0.976514	0.541664	2.153800
Kurtosis	5.240532	28.14510	55.10718	13.81866	1.817510	7.294452
Jarque-Bera	46.35540	2014.599	8480.311	352.5018	7.501316	107.9101
Probability	0.000000	0.000000	0.000000	0.000000	0.023502	0.000000
Sum	679.7223	114.0100	1272.749	1114.395	1278.760	14711.45
Sum Sq. Dev.	8725.240	439.6432	337677.1	35505.33	1421.815	2892661.
Observations	70	70	70	70	70	70
Cross sections	7	7	7	7	7	7

2. Determinant Leverage.

Based on testing of paired data regression model against the third panel, the conclusions are as follows:

No	*Methods*	*Testing*	*Result*
1.	Uji Chow-Test	common effect vs fixed effect	fixed effect
2.	Langrage Multiplier (LM-test)	common effect vs random effect	random effect
3.	Haustman Test	fixed effect vs random effect	fixed effect

Estimation of Partial Panel Data Regression Model (*T Test*) and Simultaneous (*Test F*) *Fixed Effects Model* with *White-Test*. As follows:

Dependent Variable: DER?
Method: Pooled EGLS (Cross-section weights)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.169665	1.465861	-2.844517	0.0061
RISK?	0.030874	0.003122	9.888297	0.0000
AGR?	0.000203	0.003173	0.063923	0.9492
SIZE?	0.280724	0.076103	3.688736	0.0005
CR?	0.000502	0.000666	0.754180	0.4537
Fixed Effects (Cross)				
_ACES--C	-3.781187			

_AMRT--C	2.168510
_CSAP--C	0.516591
_HERO--C	0.966483
_LPPF--C	0.141097
_MAPI--C	-0.274218
_RALS--C	0.262724

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.927783	Mean dependent var	2.809593
Adjusted R-squared	0.915543	S.D. dependent var	2.039438
S.E. of regression	0.778501	Sum squared resid	35.75773
F-statistic	75.79850	Durbin-Watson stat	1.537353
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.845073	Mean dependent var	1.628714
Sum squared resid	68.11282	Durbin-Watson stat	1.705562

Estimation Regression Data Panel Result for Fixed Effect as follow :

Model	*Adjusted R^2*	*Prob. (F-stat.) α – 0,05*	*Probabilitas α – 0,05*	
Fixed Effect	0.915543	0.0000	RISK	Significant
			AGR	Not Significant
			SIZE	Significant
			CR	Not Significant

3. Determinant Company's Performance

Based on testing of paired data regression model against the third panel, the conclusions are as follows:

No	*Methods*	*Testing*	*Result*
1.	Uji Chow-Test	common effect vs fixed effect	fixed effect
2.	Langrage Multiplier (LM-test)	common effect vs random effect	random effect
3.	Haustman Test	fixed effect vs random effect	fixed effect

Estimation of Partial Panel Data Regression Model (*T Test*) and Simultaneous (*Test F*) *Fixed Effects Model* with *White-Test*. As follows:

Dependent Variable: ROA?
Method: Pooled EGLS (Cross-section weights)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	40.49693	10.67778	3.792635	0.0004
RISK?	0.069421	0.025236	2.750842	0.0079
AGR?	0.051638	0.024305	2.124567	0.0378
SIZE?	-1.671459	0.547373	-3.053601	0.0034
CR?	-0.011118	0.010160	-1.094298	0.2783
Fixed Effects (Cross)				
_ACES--C	27.72057			

_AMRT--C	-11.49302
_CSAP--C	-2.655413
_HERO--C	-12.65852
_LPPF--C	5.559873
_MAPI--C	-0.608013
_RALS--C	-5.865479

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.797625	Mean dependent var	16.70734
Adjusted R-squared	0.763324	S.D. dependent var	14.07682
S.E. of regression	6.293667	Sum squared resid	2337.004
F-statistic	23.25380	Durbin-Watson stat	1.581690
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.637424	Mean dependent var	9.710319
Sum squared resid	3163.567	Durbin-Watson stat	1.799523

Estimation Regression Data Panel Result for Fixed Effect as follow :

Model	*Adjusted R^2*	*Prob. (F-stat.) α – 0,05*	*Probabilitas α – 0,05*	
Fixed Effect	0.763324	0.0000	RISK	Significant
			AGR	Significant
			SIZE	Significant
			CR	Not Significant

4. Determinant Of Leverage and Company's Performance: Hybrid Analysis

The table below describes the combined two models the regression data panel, on the first model, explains determinants Business Risk (RISK), Asset Growth (AGR), Firm's Size (Size), Likuidity (CR), simultaneously effect significantly to Leverage (DER) and Financial's Performance (ROA) of Ritail Trade Company's In Indonesia at the period of 2008 – 2017 areas follows:

Determinant of Leverage and Company's Performance

Independent Variable	***Model 1 Determinant of Leverage***			***Model 2 Determinant of Company's Performance:***		
	Koefisien Regresi	***Prob.***	***Sign./Not Sign.***	***Koefisien Regresi***	***Prob.***	***Sign./Not Sign.***
RISK	0.030874	0.0000	Significant	0.069421	0.0079	Significant
AGR	0.000203	0.9492	Not Sign.	0.051638	0.0378	Significant
SIZE	0.280724	0.0005	Significant	-1.671459	0.0034	Significant
CR	0.000502	0.4537	Not Sign.	-0.011118	0.2783	Not Sign.

E. CONCLUSION CONCLUSION

1. The Business Risk partially has a positive and significant effect on Leverage.
2. Asset Growth partially has a positive and not significant effect on Leverage
3. Firm's Size partially has a positive and significant effect on Leverage.

4. Likuidity partially has a positive and not significant effect on Leverage.
5. RISK, AGR, SIZE and CR simultaneously proved to be positive and significant effect on Leverage, and able to explain Leverage variables of 0.927783or 92.78 percent while the remaining 7.22% (100% - 92.78%) affected by other variables that are not covered in this research. The dominant variable or the highest dominance of the Leverage variables are SIZE of 0.280724. The non dominant variable or the lowest dominance to the Leverage variable is AGR amounting 0.000203. Companies that have the highest rate of change of sensitivity simultaneously or partially to Leverage are PT Sumber Alfaria Trijaya Tbk. (AMRT) a constant value of 2.168510 and the Company having the smallest change of sensitivity to Leverage is PT Ace Hardware Indonesia Tbk. (ACES) with a constant value of -3.781187.
6. The Business Risk partially has a positive and not significant effect on Company's Performance.
7. Asset Growth partially has a positive and significant effect on Company's Performance..
8. Firm's Size partially has a negative and significant effect on Company's Performance.
9. Likuidity partially has a negative and not significant effect on Company's Performance.
10. RISK, AGR, SIZE and CR simultaneously has a positive and significant effect on Company's Performance, and able to explain the Company's Performance variable of 0.797625 or 79.76 percent while the remaining 20.24% (100%-79.76%) is influenced by other variables that are not tested in this research. The dominant variable or the highest dominance on the company's performance variable is SIZE of 1.671459, the non dominant variable or the lowest dominance on the company's performance variable is the CR of 0.011118. Companies that have the highest rate of change of sensitivity simultaneously or partially to the Company's Performance of the largest companies are PT Ace Hardware Indonesia Tbk. (ACES) with the constant value of 27.72057. The Company that has the smallest change of sensitivity to the Company's Performance is PT Hero Supermarket Tbk. (HERO) with a constant value of -12.65852.

Eviews Analysis Determinan Laverage and Company's Performance

ORIGINALITY REPORT

14%	9%	8%	10%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	eprints.unpam.ac.id Internet Source	3%
2	www.suomenpankki.fi Internet Source	2%
3	Submitted to Universitas Negeri Jakarta Student Paper	2%
4	Submitted to Universiti Malaysia Sabah Student Paper	1%
5	Nangia, Vinay Kumar. "Does diversification influence systematic risk and corporate performance? An analytical and comprehensive research outlook.", Global Business and Management Research: An International Journal Publication	1%
6	Submitted to Birkbeck College Student Paper	1%
7	repository.widyatama.ac.id	

Internet Source

1%

8	Mustaruddin Saleh, Giriati Zahirdin, Ellen Octaviani. "Ownership structure and corporate performance: evidence from property and real estate public companies in Indonesia", Investment Management and Financial Innovations, 2017 Publication	1%
9	journal.undiknas.ac.id Internet Source	1%
10	www.econjournals.com Internet Source	<1%
11	pt.slideshare.net Internet Source	<1%
12	jpkc.cztgi.cn Internet Source	<1%

Exclude quotes	On	Exclude matches	Off
Exclude bibliography	On		