

**Proceeding Book of
The 2nd International Conference on Business and Banking Innovations
(ICOBBI) 2020
“Nurturing Business and Banking Sustainability”
Surabaya, 14 - 15th August 2020**

**Master of Management of Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya
Indonesia**

Collaboration with

Magister Manajemen Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya
Universitas 17 Agustus 1945 Surabaya
Universitas Surabaya
Universitas Dr. Soetomo Surabaya
Universitas Dian Nuswantoro Semarang
Sekolah Tinggi Ilmu Ekonomi 66 Kendari

Published by :

Magister Manajemen Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya Indonesia
Jalan Nginden Semolo 34th - 36th Surabaya
Phone : 082247845434
Website : <http://pascasarjana.perbanas.ac.id/>

**Proceeding Book of
The 2nd International Conference on Business and Banking Innovations
(ICOBBI) 2020
“Nurturing Business and Banking Sustainability”**

Steering Committee

Dr. Yudi Sutarso, S.E., M.Si.
Dr. Drs. Emanuel Kristijadi, M.M.
Dr. Basuki Rachmat, S.E., M.M.

Organizing Committee

Manager : Prof. Dr. Dra. Tatik Suryani, Psi., M.M.
Vice Manager : Dr. Ronny, S.Kom., M.Kom., M.H.
Secretary and Treasury : Dewi Aliffanti, S.E.
Tanza Dona Pratiwi, S.E.
Publication and Proceeding : Munawaroh, S.S., M.Si,
Dio Eka Prayitno, S.Sos.
Journal Networking : Tri Suhartuti, S.S.
Technology Supporting : Hariadi Yutanto, S.Kom., M.Kom.
Risky Andriawan, S.T.
Sumantri, S.Kom.
Supporting : Riska Friski

Graduate Student Union

Steering Committee : Farhan Hisyam, S.M.
Manager : Nanda Diah Syarifah, S.M.
Secretary : Lidya Aviolitta, S.I.Kom
Sponsorship : Citra Putri Ramadani, S.M.
Gibson Randy Prathama, S.M.
Atikah Resiana Fildzah, S.M.
Event Program : Much. Zakariya Rosyid, S.Kom.I
Uvy Dian Rizky, S.Sos.
Ponta Dewa Saktiawan
Amilia Jasmin Nabila
Mochamad Arya Seta
Publication and Documentation : Chowal Jundy Kumoro, S.M.
Yesica Lola Arlinda, S.E.

The 2nd International Conference on Business and Banking Innovations (ICOBBI)
"Nurturing Business and Banking Sustainability"
Surabaya, 14th - 15th August 2020

Reviewers :

1. Prof. Angelica M., Baylon, Ph.D (Maritime Academy of Asia and the Pacific, Philippines)
2. Associate Prof. Dr. Elisha Nasruddin (Universitas Sains Malaysia, Malaysia)
3. Prof. Reevani Bustami, Ph.D. (Universitas Sains Malaysia, Malaysia)
4. Associate Prof. Pallavi Paathak, Ph.D. (School of Management Sciences, Varanasi, India)
5. Chonlatis Darawong, Ph.D. (Sripatum Chonburi University - SPU Graduate School Bangkok, Thailand)
6. Prof. Dr. Dra. Tatik Suryani, Psi., M.M (STIE Perbanas Surabaya, Indonesia)
7. Dr. Soni Harsono, M.Si (STIE Perbanas Surabaya, Indonesia)
8. Prof. Abdul Mongid, Ph.D. (STIE Perbanas Surabaya, Indonesia)
9. Dr. Lutfi, M.Fin. (STIE Perbanas Surabaya, Indonesia)
10. Burhanudin, Ph.D. (STIE Perbanas Surabaya, Indonesia)
11. Mohammad Shihab, Ph.D. (Universitas 17 Agustus 1945 Surabaya, Indonesia)
12. Dr. Yudi Sutarso, M.Si (STIE Perbanas Surabaya, Indonesia)
13. Dr. Ronny., S.Kom., M.Kom (STIE Perbanas Surabaya, Indonesia)

Editor and Layout :

1. Dr. Ronny, S.Kom., M.Kom., M.H.
2. Dewi Aliffanti, S.E.
3. Tanza Dona Pratiwi, S.E.
4. Munawaroh, S.S., M.Si.
5. Dio Eka Prayitno, S.Sos.

Published 14th & 15th August 2020

Magister Manajemen Sekolah Tinggi Ilmu Ekonomi Perbanas Surabaya Indonesia
Jalan Nginden Semolo 34th - 36th Surabaya, East Java 60118
Telpon 082247845434
Website : <http://pascasarjana.perbanas.ac.id/>
Indexed by google scholar

ISBN : 978-623-92358-1-9

The originality of the paper is the author's responsibility

The 2nd International Conference on Business and Banking Innovations (ICOBBI)

“Nurturing Business and Banking Sustainability”

Surabaya, 14th - 15th August 2020

FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 2nd International Conference on Business and Banking Innovations (ICOBBI) with the topic “*Nurturing Business and Banking Sustainability*”. This proceeding contains several researches articles from many fields in Marketing, Management Technology, Finance, Banking, Human Resources Management, Information System Management, and Islamic Economics.

The 2nd International Conference on Business and Banking Innovations was held on 14th – 15th August 2020 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with six Higher Education Institutions in Indonesia and five Universities from Asia countries. Keynote speakers in this conference were: Prof. Angelica M..Baylon, Ph.D (Director of the Maritime Academy of Asia and the Pacific, Philippines), Chonlatis Darawong, Ph.D. (Head of the Master of Business Program Sripatum Chonburi University - SPU Graduate School Bangkok, Thailand), Prof. Madya Dr. Reevany Bustami (Director of Centre for Policy Research and International Studies Universiti Sains Malaysia), Associate Prof. Dr. Elisha Nasruddin (Graduate School of Business Universiti Sains Malaysia), Associate Prof. Pallavi Pathak Ph.D. (School of Management Sciences, Varanasi, India) and Prof. Dr. Tatik Suryani (Head of the Master of Management Study Program of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the six universities, namely Universitas 17 Agustus Surabaya, Universitas Surabaya, Universitas Dr. Soetemo Universitas Dian Nuswantoro Semarang, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website <https://pascasarjana.perbanas.ac.id>.

Chair of the Master Management Study Program
STIE Perbanas Surabaya

Prof. Dr. Tatik Suryani, M.M.

Tabel of Content

Cover.....	i
Committee.....	ii
Reviewers.....	iii
Foreword.....	iv
Table of Content.....	v

Marketing

Analyzing Competitive Strategies in Food SMEs Post Pandemic Covid-19 (Case Study in Madiun Municipality)	1 - 9
Tatik Mulyati; Saraswati Budi Utami; Hendro Susi	

Effect of Support Services And Relationship Quality on Customer Loyalty and Repurchase Intention on Johnson & Johnson Customers in Surabaya.....	10 - 21
Fеды Ardiansyah	

The Effect of Service Quality and Trust on Repurchase Intention Through Customer Satisfaction in Rollaas Cafe Mall City of Tomorrow Surabaya	22 - 31
Brahma Satrya	

Analysis of Logistics Services Quality Using SERVQUAL Method in Surabaya City: Literature Review and Research Suggestion	32 - 36
Andini Anastasia Novitasari	

Exploration of Factors Affecting Customer Satisfaction and Loyalty in Community Pharmacies in Thailand: A Qualitative Study.....	37 - 43
Ramida Maruay; Chonlatis Darawong; Boonkiat Wisittigars	

The Effect of Social Media Marketing Activities, Brand Image, Customer Satisfaction on Shopee Customer Loyalty in Surabaya City	44 - 49
Farhan Hisyam; Tatik Suryani	

Performance Analysis Through Intrinsic and Extrinsic Motivation with Work Satisfaction as Intervening Variables in Retail Company Employees in Surabaya (Case Study on Employees of PT. Lotte Mart Marvel Surabaya).....	50 - 55
Firdaus	

Influence of Work Fatigue, Unclear Tasks and Management Career on Employee Turnover at PT. Sulselbar Bank.....	56 - 64
Rosnaini Daga; Armi Pasampang; Aminuddin Hamdad	

Performance of Service In General Hospital City of Surabaya Era Covid-19.....	65 - 71
Feliks Anggia B.K. Panjaitan; Hwihanus; Adiati Trihastuti; Hotman Panjaitan	

Workability and Self Awareness on Employee Engagement in Indonesian Manufacturing Industries.....	72 - 78
Siti Mujanah	
Increasing Performance through Motivation and Competence at 17 August 1945 University Surabaya.....	79 - 89
Sri Budi Kasiyati; Endang Setyowati; Ida Bagus Cempena	
Developing Brand Loyalty.....	90 - 97
Estik Hari Prastiwi	
E-Marketing Adoption As an Alternative Solution For Fight Back The Covid-19.....	98 - 105
Febrianur Ibnu Fitroh Sukono Putra	
The Approach of The Agility Social Innovation: A Dynamic Capability Strategy.....	106 - 112
Mufti Agung Wibowo	
Quality of Work Life and Work Stress on Employee Performance	113 - 117
Sumiati	
Word of Mouse: How e-WOM Influence Consumer Behavior (A Study of UNTAG Surabaya Student)	118 - 128
Nanis Susanti	
The Effect of Service Quality, Customer Trust, Brand Image and Electronic Word of Mounth on Online Purchasing Decisions on Shopee Customers in Surabaya	129 - 144
Anis Fitriyasari	
The Effect of Marketing Mix 7Ps, Customer Experience, and Customer Relationship Marketing on Customer Loyalty Mediated by Indomaret Customer Satisfaction in Surabaya.....	145 - 152
Citra Putri Ramadani	
The Impact Of Celebrity Endorser And Self-Connection Of The Brand On The Equity Of The Brand	153 - 166
Mahmud; Mia Dika Anggraini	
The Brand Loyalty Determining Factors: The Role of Self Brand Connection, Brand Love, Brand Trust And Brand Image (at PT. Eloda Mitra)	167 - 174
Budi Anandya; Ni Made Laksmi Oktavia	
The Effect of Website and Social Media on Customer Behavior Responses	175 - 182
Tatik Suryani; Abu Amar Fauzi; Mochamad Nurhadi	
What Makes Tencent Becomes a Successful Business? a Case Study Analysis of Tencent.....	183 - 190
Binsar Energia Pratama Napitupulu	

The 2nd International Conference on Business and Banking Innovations (ICOBBI)
 “Nurturing Business and Banking Sustainability”
 Surabaya, 14th - 15th August 2020

The Effects of Social Media Marketing Activities on Brand Love and Brand Trust That Have an impact on Brand Loyalty of Visval Bags Consumers191 - 196
 Novian Navas Mahardhika

Analysis the Effect of Marketing Mix on Consumer Decisions in Buying Paint Products ...197 - 205
 Febrianto Ramadhan

Analysis of The Impact of The Development of Inolobunggadue Central Park (ICP) on Micro, Small And Medium Enterprises in Konawe Regency 206 - 212
 Abdul Razak

The Effect of Transformational Leadership and Work Commitment on Incentives and Disaster Preparedness for Southeast Sulawesi Province Disaster Preparedness 213 - 222
 Bakhtiar Abbas

The Effect of Service Quality on Civil Population Document Towards Society’s Satisfaction and Trust for Population and Civil Registry Office of Kendari City..... 223 - 232
 Nofal Supriaddin

CRM Impact on Customer Satisfaction and Customer Loyalty at Garuda Indonesia: The Airline of Indonesia 233 - 240
 Muhamad Reynaldi Adhyaksa

The Implementation of Simple Form Gamification In Companies 241 - 246
 Nathania Agatha Benita

Social Entrepreneurship dan Peningkatan Ekonomi pada Siswa SMA Selamat Pagi Indonesia 247 - 254
 Azwar Cholili

Leaping Innovation Barriers For Business Longevity Purpose Based on Different Measurements of Innovation 255 - 261
 Mia Novinda Mudjiono

Business Model Analysis: A Study Case in Wood Pellet Industry..... 262 - 267
 Kadek Budiadnyana Putra

Drivers And Barriers Of Purchasing Groceries Online In Surabaya :Age, Gender, Educational Level And Experience As Moderating Variables 268 - 273
 Diky Murdoyo Rahadiarto

Optimization Services and Strategies Toward Satisfaction Value of Training Participants Held by Integrated Service Unit Surabaya 274 - 282
 Sukesi

The 2nd International Conference on Business and Banking Innovations (ICOBBI)
 "Nurturing Business and Banking Sustainability"
 Surabaya, 14th - 15th August 2020

The Influence of Investment Knowledge, Investment Motivation, Investment Capital and Investment Risk Perception on Investment Interest in Capital Markets (Study On Feb Dr. Soetomo University Students)..... 283 - 288
 Sri Handini

The Effects Of Human Capital And Strategic Partners On Strategic Planning And Organizational Performance (Study at PT. Segar Murni Utama) 289 - 296
 JFX. Susanto Soekiman

The influenxe of Utilitarian Value, Hedonic Value, and Perceived Risk on Customer Satisfaction and Customer Loyalty to Shopee Customers in Surabaya..... 297 - 303
 Nensi Laurence Nggai; Dudy Anandya

Unisfat The Pattern of Spatial Interaction of Workers in Central Java Province using the Explanatory Spatial Data Analysis (ESDA) Approach 304 - 315
 Caroline; Achmad Nuruddin S.; Ety Puji Lestari; Ceasilia Srimindarti; Teguh Imam Rahayu

Analysis Web-Based Customer Relationship Management Strategy at PT. ABC 316 - 320
 Alfred Turisnol

The Influence of Planned Behavior On The Level of Customer Trust And Satisfaction In Determining Loyalty In Green Hotels In Indonesia 321 - 328
 Hayuning Purnama Dewi

Financial

Independence Financial Expertise in Audit Committee and Tax Avoidance: is business strategy moderate this relationship?329 - 337
 Ms. Lisa Gabrielle; Devie; Juniarti

Effect of Asset Quality, Liquidity, Solvability, Efficiency and Good Corporate Governance (GCG) Towards Go Public Bank Profitability In Indonesia338 - 350
 Ramlan

Credit Quality Stress Tests Based on Macroeconomics at Bank Persero in Indonesia in 2008 - 2016351 - 359
 Elna Arlina Nandasari

Decision On The Utilization Of Digital Payment In Millennial Generation Based On Perceived Experience.....360 - 365
 Karta Negara Salam; Muh. Imam Taufiq

Determining Factors of Thin Capitalization Practices in Indonesia366 - 381
 Jepri Duwi Safrudin; Diah Hari Suryaningrum

The 2nd International Conference on Business and Banking Innovations (ICOBBI)
 "Nurturing Business and Banking Sustainability"
 Surabaya, 14th - 15th August 2020

Factors That Become A Customer Considerations Become A Brachless Bangking Agent ..382 - 388
 Novita Rosanti

Going Concern and Liquidity Perspective in Indonesia Manufacture Industry.....389 - 394
 Tri Ratnawati; Widi; Rahmiyati; Nekky

Influence Of Debt Policy And Cash Ratio On Dividend Policy On IDX30 Index In Indonesia Stock Exchange.....395 - 400
 Muhammad Ashary Anshar; Ichbal Warimin

Performance Analysis Of Share And After Online Application On The Sector Registered Transportation In Indonesia Exchange401 - 406
 Rachman Suwandar; Hartina

Measuring The Performance of the Surabaya City Regional Budget Value For Money Analysis.....407 - 414
 Risanda Alirastra Budiantoro; Tito Aditya Perdana

A Syestematic Literature Review of Liquidity, Asset Quality, Size, Solvability and Efficiency of Probability on National Private Commercial Banks Go Public415 - 421
 Devinta Ayu Ramadhani

The Effect of Multiple Role Conflict on Employees Performance Moderated By Self Efficac422 - 428
 Awanis Linati Haziroh, S.M, M.M.; Amanda Dyla Pramadanti; Raden Ayu Aminah R.P.S;
 Febrianur Ibnu Fitroh Sukono Putra

The Factors of Banking Capital Structure Determination in Indonesia.....429 - 434
 Foza Hadyu Hasanatina; Amalia Nur Chasanah; Vicky Oktavia

Identification and Analysis of Regional Economic Growth Patterns in the New Autonomous Region of Southeast Sulawesi Province.....435 - 448
 H. Mahmudin A. Sabilalo

Corporate Partnership of PT. SKLT with Crackers MSME in Sidoarjo As a Form Corporate Social Responsibility (CSR)449 - 463
 Jimmy Herlambang

Influencing Factors Safety Quality Cost Delivery People (SQCDP) on Lean Manufacturing Implementation at Directorate Production Indonesian Aerospace (IAe).....464 - 471
 Niza Nurmalasari; Ida Aju Brahmasari; Ida Aju Brahma Ratih

Increasing the Role Of Bank Financial Institutions and Non-Bank Financial Institutional in Providing Optimal Distribution For Communities During The COVID-Pandemic.....472 - 479
 Matdio Siahaan

The 2nd International Conference on Business and Banking Innovations (ICOBBI)
"Nurturing Business and Banking Sustainability"
Surabaya, 14th - 15th August 2020

Utilization of Payment Gateway in Fundraising from a Management Perspective of Zakat, Infaq, and Alms: A Case Study of Baitul Maal Hidayatullah Surabaya480 - 486
Sarah Lutfiyah Nugraha and Ika Yunia Fauzia

The Impact of Capital Structure Towards Firm Performance Moderated by Corporate Governance in LQ-45 Company in BEI at 2013-2018.....487 - 495
Gabby Markus Angkasajaya; Putu Anom Mahadwartha

The Factors of Capital Structure Determination: Evidence in Manufacturing Company in Indonesia

Foza Hadyu Hasanatina¹, Amalia Nur Chasanah², Vicky Oktavia³

^{1,2,3} Dian Nuswantoro University, St. Imam Bonjol 207, Pendrikan Kidul, Central Semarang, Semarang City, Central Java, Indonesia 50131

ARTICLE INFO

Article history:

Received

Revised

Accepted

Key words:

Capital Structure, Size, Growth, Profitability, Liquidity.

ABSTRACT

The aim of this research is to analyze the factor that determine the firm's capital structure. The population are manufacturing companies in Indonesia. The sampling technique used is purposive sampling, which the characteristics are listed manufacturing company and the data that available at least in three years on period of 2015 -2019. The total sample are 189 manufacturing companies. The research type is quantitative research, using secondary data obtained from Osiris Database. This research use unbalance panel data estimated by fixed effect model with Stata Software. The results show that size has a significant positive effect in company's capital structure, while liquidity and profitability have negative significant effect in company's capital structure.

1. INTRODUCTION

In carrying out operational activities, it is important for the management to determine the capital structure decisions. Capital structure decision related to the composition of debt, preferred stock, and common stock. Management have to determine the source of funds, both form within company and outside the company efficiently, in the sense that the funding decision is an optimal capital structure decision (Don, 2019).

The optimal capital structure is important because it has a direct effect on statement of financial position. The capital structure of any company describes the long-term capital which is expected crucial to help maximizing the company's stock price and firm value (Amjad et al., 2013). Mishkin (2000) stated company try to hold its capital because of the cost of capital. There are factors of the capital structure that have to be considered by company. These factors are internal factor, such us: size, growth, liquidity, and profitability (Yu, 2000; Amjad et al., 2013; Lisyawati et al., 2017; Efendi & Ngatno, 2018; Chowdhury & Zaman, 2018).

Size has direct effect on capital Structure (Gropp and Heider, 2010). Titman and Wessless (1998) stated that size makes possibility of bankruptcy less, have stable cash flow, and can adopt debt financing in their capital structure. Schildbach (2017) stated that size has positive effect on debt. It indicates company with larger size can obtain more debt than the small one. While Cevheroglu-Acar (2018) stated negative relation between size and debt, larger company has the power in access capital structure because has economic of scale, less volatile.

Growth shows company's operational activity. Company with higher of growth required to more funds than lower of growth company (Sokang & Ratanak, 2018). Company with high growth will continue to expand their business and the funds needed are certainly not small. Lisyawati, Oemar, & Supryanto (2017) stated that growth has a positive and significant effect on capital structure. Inversely, Yang et al., (2010) stated that growth has negative effect on capital structure.

* Corresponding author, email address: ¹fozahadyu49@gmail.com, ²amalia.nurchasanah@gmail.com,

³vicky.udinus@gmail.com

Chowdhury & Zaman (2018) stated that liquidity makes company has ability to cover the short-term obligations at the due date. Company has more power to pay its debt. Company makes capital structure decisions with more debt rather than issuing equity. While pecking order theory predicts liquidity has negative effect on leverage. Marozva (2015) stated that company with high level of liquidity have large internal funds so that company will use their internal fund first to finance their operational before using external financing through debt.

Profitability is the key factor that influence company's capital structure. It reflects the ability to generate profits from various activity (Petria, Capraru, & Ilnatic, 2015). Different theory suggests the different predictions. Based on trade-off theory, profitability has positive effect on capital structure (Um, 2001). It makes tax-benefit for the profit company. Inversely, Fengju et al. (2013) stated that profitability has negative effect on capital structure. Pecking Order Theory suggest manager to prefer uses financing first namely retained earnings then debt. Company with more profit tends to finance their investments with retained earnings rather than financing with debt while the less company uses debt financing because the internal fund is limited.

Based on this explanation, it shows that the capital structure decision is very important for the survival of the company. Many factors influence in determining company's capital structure, such us: size, growth, profitability, and liquidity. And from the empirical study, there are the variety effect of the factors of capital structure.

The objective of this research is to examine and fill the gap of the effect of size, growth, profitability, and liquidity on company's capital structure in Indonesia.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

The capital structure is the company's long-term permanent funding mix (proportion), consisting of debt, preferred stock, and common stock (Horne & Wachonic, 2012). The source of capital structure comes from internal and external company. Internal fund can be in the form of own capital and retained earnings, while external funds can be in form of debt, both long-term and short-term debt also shares (Strýčková, 2015). In relation to the problem of determining the sources of funds to be used, as well as the proportions each sources of funds, the company will analyze a number of factors then the targeted capital structure (Brigham & Houston, 2010). Capital structure also known as financial leverage. It is referred to insight of equity to short-term and long-term debt policy of any organization (Horne & Wachonicz, 2012). In this study, the proxy used for capital structure is debt to equity ratio.

Size can be expressed in terms of total assets. The greater assets, the greater size of the company. The company's assets are in a balance sheet position which reflects the wealth. Assets owned by company consist of cash, current account with others, securities, loans, investments, prepaid expenses, fixed assets, leased assets, and other assets (Roman & Sargu, 2015). Size has direct effect on capital Structure (Gropp and Heider, 2010). According to trade-off theory, company with higher size tends to make more debt. Titman and Wessless (1998) stated that size makes possibility of bankruptcy less, have stable cash flow, and can adopt debt financing in their capital structure. Schildbach (2017) stated that size has positive effect on debt. It indicates company with larger size can obtain more debt than the small one. Based on theoretical explanation and empirical evidence, this research concludes the first hypothesis:

H1: Size has positive significant effect on company's capital structure

Growth shows company's operational activity. It can be express in term of asset's growth. Growth shows company's operational activity. Company with higher of growth required to more funds than lower of growth company (Sokang & Ratanak, 2018). Company with high growth will continue to expand their business and the funds needed are certainly not small. Lisyawati, Oemar, & Supryanto (2017) stated that growth has a positive and significant effect on capital structure. Based on theoretical explanation and mpirical evidence, this research concludes the first hypothesis:

H2: Growth has positive effect on company's capital structure

Liquidity is the strength of company in paying its obligations that are due in the short-term. If the company uses a lot of current assets. It means the company can generate cash flow to finance operating and investment activities. Chowdhury & Zaman (2018) stated that liquidity makes company has ability to cover the short-term obligations at the due date. Company has more power to pay its debt. Company makes capital structure decisions with more debt rather than issuing equity. Cevheroglu-Acar (2018) stated that leverage company can prevent agency problems with higher liquidity. Based on theoretical explanation and empirical evidence, this research concludes the first hypothesis:

H3: Liquidity has positive effect on company’s capital structure

Profitability is the ability of company to earn profits through its business operations by using asset owned by company (Fauzi & Nurmatias, 2019). Another definitions states that profitability is company’s ability to generate profit in relations to sales, total assets, and own capital as the measure of operational efficient using its asset (Efendi & Ngatno, 2018). Profit is measure of company’s performance. In accessing profitability, it can be seen from Return on Asset Ratio (ROA). Trade-off theory explain the relationship between profitability and capital structure. Company with higher profitability will make more debt to shelter their income (Cevheroglu-Acar, 2018). It also makes tax-benefit for the profit company by increasing debt financing (Um, 2001). Based on theoretical explanation and empirical evidence, this research concludes the first hypothesis:

H4: Profitability has positive effect on company’s capital structure

3. RESEARCH METHOD

This is quantitative research. This research obtains data in form of numbers and uses statistical analysis. It is able to meet scientific principle, namely concentrate/empirical objectives, measurable, rational, and systematic (Sugiono, 2010). This study examines the factors of company’s capital structure, such us: size, growth, profitability, and liquidity.

The population in this study is manufacturing companies in Indonesia. The total samples of this research are 189 manufacturing companies. The sample research is characterized by purposive sampling technique with predetermined characteristics. The predetermined characteristics are listed manufacturing company and the data that available at least in three years on period of 2015-2019.

Data is needed in this research is total assets, growth of tangible asset, Return on Asset Ratio (ROA), Loan to Deposit Ratio (LDR), and Debt to Equity Ratio (DER). This research uses secondary data which is obtained from Osiris Database.

The research model uses unbalance panel data estimated by fixed effect model with Stata. The research model is testing the direct effect of size, growth, liquidity, and profitability on capital structure. The model of this research is:

$$Capital\ Structure_{i,t} = a + \beta_1 size_{i,t} + \beta_2 growth_{i,t} + \beta_3 liquidity_{i,t} + \beta_4 profitability_{i,t} + e$$

4. DATA ANALYSIS AND DISCUSSION

4.1. Descriptive Analysis

The number of samples are 189 manufacturing companies in Indonesia. The data in this research is unbalance panel data, that means entirely information data are not available. This makes the number of observations are not the same. Table 4.1.1 shows the descriptive analysis for each measurement.

From Table 4.1.1, it can be seen the descriptive statistics of the sample study. The dependent variable is capital structure while the independent variable are size, growth, liquidity, and profitability. The mean of capital structure is 7.869 with 910 observations. The mean of size, growth, profitability for the sample are 12,441; 1,294; 1,434; and 4,280; 0,4; and -13,35 with 921,895,897, and 917 observations.

Table 4.1.1
Descriptive Statistics Sample Study

Variables	Obs.	Means (%)	Std. Dev.	Min	Max
Capital Structure	910	7,869	17,050	0,008	201,409
Size	921	12,441	3,844	1,361	19,679
Growth	895	1,294	1,948	0,009	42,464
Liquidity	897	1,434	2,665	0,010	61,230
Profitability	917	4,280	12,122	-60,570	73,010

This table presents the descriptive statistics for each measurement of the variables in this research. The dependet variable is capital structure using Debt to Equity Ratio (DER). Independent variabels are size, growth, liquidity, and profitability using ln of total assets, growth of tangible asset, Loan to Deposit Ratio (LDT), and Return of Asset (ROA).

Source: Processed data (2020)

Beside presents the descriptive statistics for each measurement in Table 4.1.1, this research presents the correlation value between variable in this study in Table 4.1.2, as follow:

Table 4.1.2

Correlation test results between variables

	CapitalStructure	Size	Growth	Profitability	Liquidity
CapitalStructure	1.000				
Size	0,2792*** 0,000	1.000			
Growth	-0,0181 0,5910	0,0090 0,7871	1.000		
Liquidity	--0,0709* 0,0347	0,0303 0,3650	0,5333*** 0,0000	1.000	
Profitability	0,3895*** 0,0000	0,1789*** 0,0000	-0,0300 0,3715	0,1325*** 0,001	1.000

This table presents the results of the correlation test between variables used in this research. In each column of test results, the first row of each variable is correlation coefficient while the second row is p(value). ***, **, and * are the significance level of 1%, 5%, and 10%.

Source: Processed data (2020)

Table 4.1.2 presents correlation value between variables. From the Table 4.1.2 can be seen that size has a significant positive correlation to capital structure ($r=0,0000$; $p<0,05$). Growth has no significant negative correlation to capital structure ($r=0,5910$; $p>0,10$). Liquidity has negative significant correlation to capital structure ($r=-0,0709$; $p<0,10$). And profitability has negative significant correlation to capital structure ($r=0,0000$; $p<0,05$).

4.2 Regression Analysis of Testing Hypotheses

This research has four hypotheses. The first hypothesis is the effect of size on capital structure. The second hypothesis is the effect of growth on capital structure. The third hypothesis is the effect of liquidity on structure capital. And the fourth hypothesis is the effect of profitability in capital structure. Table 4.2.1 presents hypotheses testing results. These results have been considered the problem of autocorrelation, heteroscedasticity, linearity, and multicollinearity.

Table 4.2.1 shows the testing hypotheses results for the sample study. For the results, size has positive effect on capital structure with t-statistics 4,44. Growth also has no positive effect on capital structure. While profitability and liquidity have negative significant effect on capital structure with t-statistics -9,54 and -1,09.

The positive significant effect between size and capital structure can be explain with trade-off theory. Trade-off theory predicts a positive relation between size and leverage. Size makes possibility of bankruptcy less, have stable cash flow, and can adopt debt financing in their capital structure (Titman and Wessless, 1998). It indicates bank with larger size can obtain more debt than the small one.

The negative significant effect between liquidity and leverage can be explain with pecking order theory. Pecking order theory predicts a negative relation between, liquidity and leverage. Marozva (2015) stated that company with high level of liquidity have large internal funds so that company will use their internal fund first to finance their operational before using external financing through debt.

The negative significant effect between profitability and leverage can be explain with pecking order theory. Pecking order theory predicts a negative relation between profitability and leverage. Pecking order theory suggest manager to prefer uses financing first namely retained earnings then debt. Company with more profit tends to finance their investments with retained earnings rather than financing with debt while the less company uses debt financing because the internal fund is limited.

Table 4.2.1 Hypotheses Testing Results:

The Effect of Size, Growth, Liquidity, and Profitability on Capital Structure

	β	t-statistics	p-value
Constant	-0,412	-1,09	0,276
Size	0.134***	4,44	0,000
Growth	0,148	0,90	0,368
Liquidity	-0,005***	-9,54	0,000
Profitability	-0,412**	-1,09	0,028

This table presents the results of the hypotheses testing results, testing the effect of independent variable on dependent variable. The independent variables are size, growth, profitability, and liquidity. And the dependent variable is capital structure. The proxy of size, growth, profitability, and liquidity that used in this research are total asset, growth of tangible assets, Loan to Deposit ratio (LDR), and Return on Asset (ROA). The proxy of capital structure that used in this research is Debt to Equity Ratio (DER).

***, **, and * are the significance level of 1%, 5%, and 10%.

Source: Processed data (2020)

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This research examines the effect the factors that determine company’s capital structure in Indonesia, especially in manufacturing company, such us: size, growth, liquidity, and, profitability. This research tests four hypotheses. The first hypothesis is size has positive significant effect on capital structure. The second hypothesis is growth has positive significant effect on capital structure. The third hypothesis is liquidity has positive significant effect on capital structure. The fourth hypothesis is profitability has positive significant effect on capital structure. The results of this research are size has positive significant effect in capital structure. Growth has no significant effect in bank’s capital structure. While liquidity and profitability has negative significant effect on capital structure. It indicates that first, third, and fourth hypotheses of this research are accepted. The effect of size on capital structure consistent with trade-off theory and the effect of liquidity and profitability consistent with pecking order theory.

The limitations of this research is variable is limited. It makes the research has a quite small R-square. The future research can add more variable that related. This research also can be expanded by adding the effect capital structure in firm value and adding the comparative analysis in different type of company.

REFERENCES

- Amjad, S., Bilal, Tufail, S. (2013). What can be the Determinants of Capital Structure of Banking Sector of Pakistan? *Proceedings of 3th International Conference on Business Management*.
- Bitar, M., Pukthuanthong, K., & Walker, T. (2019). Efficiency in Islamic vs. Conventional Banking: The role of Capital and Liquidity. *Global Finance Journal*, 100487.
- Brigham, & Houston (2010). *Dasar-dasar Manajemen Keuangan*.
- Cevheroglu-Acar, M. G. (2018). Determinants of Capital Structure: Empirical Evidence from Turkey. *Journal of Management and Sustainability*, 8(1).
- Chowdhury, M. M, & Zaman, S. (2018). Effect of Liquidity Risk on Performance of Islamic Banks in Bangladesh. *IOST Journal of Economics and Finance*, 9(4), 1-09.
- Don. D.F (2019) The impact of Liquidity Management on Bank Financial Performance in a Subdued Economic Environment: A Case of the Zimbabwean Banking Industry. *Journal of Banking and Finance Management*, 2(4), 26-27.
- Efendi, F.M., & Ngatno, N. (2018). Pengaruh Return on Assets (ROA) terhadap Harga Saham dengan Earning Per-Share (EPS) sebagai Intervening (Studi Kasus pada Perusahaan Sub Sektor Tekstil dan Garmen yang terdaftar di Bursa Efek Indonesia Periode 2013-2016). *Jurnal Administrasi Bisnis*, 7(1), 1.
- Fauzi, A. & Nurmatias, N. (2019). Pengaruh Profitabilitas dan Leverage terhadap Nilai Perusahaan dengan Kebijakan Dividen sebagai Variabel Intervening pada Perusahaan yang Terdaftar di BEI Tahun 2013. *Jurnal Ekonomi dan Bisnis*, 2(2), 177.
- Fengju, X., Frad, R. Y., Maher, L. G., & Akhteghan, N. (2013). The Relationship between Financial Leverage and Profitability with an Emphasis on Income Smoothing in Iran’s Capital Market. *European Online Journal of Natural and Social Sciences*, 2(3), 156-164

- Gropp, R., & Heider, F. (2010). The Determinants of Bank Capital Structure. *Review of Finance*, 14(4), 587-622.
- Horne, J. C. V., & Wachowics J. M. (2012) Prinsip-prinsip Manajemen Keuangan. Jakarta: Salemba Empat.
- Lisyawati, Oemar, A., & Supriyant, A. (2017). Pengaruh Ukuran Perusahaan (Size), Profitabilitas (ROA), Growth dan Likuiditas terhadap Struktur Modal Perusahaan Perbankan Syariah Periode Tahun 2011-2014. *Journal of Accounting*.
- Marozva, G. (2015). Liquidity and Bank Performance. *International Business & Economics Research Journal (IBER)*, 14(3), 453.
- Mishkin, F. (2000). *The Economics of Money, Banking and Financial Markets* (6Tth ed.): Addison Wesley, New York.
- Petria, N., Capraru, B., & Ihnatoc, I. (2015). Determinants of Bank's Profitability Evidence from EU 27 Banking Systems. *Procedia Economics and Finance*, 20(15), 518-524.
- Roman, A., & Sargu, A. C. (2015). The Impact of Bank-Specific Factors on the Commercial Banks Liquidity: Empirical Evidence from CEE Countries. *Procedia Economics and Finance*, 20(15), 571-579.
- Schildback, J. (2017). Large or Small? How to Measure Bank Size. *EU Monitor Global, Financial Markets, Deutsche Bank Research*, 1-24
- Sokang, K., & Ratanah, N. (2018). Capital Structure, Growth, and Profitability: Evidence from Domestic Commercial Banks in Cambodia. *International Journal of Management of Science and Business Administration*, 5(1), 31-38.
- Strýčková, L. (2015). Factors Determining the Corporate Capital Structure in the Czech Republic from the Perspective of Business Entities. *Ekonomie a Management*, 18(2), 40-56.
- Titman, S., & Wessels, R. (1988). The determinants of capital structure choice. *The journal of Finance*, 43(1), 1-19.
- Um, T. (2001). Determination of Capital Structure and Prediction of Bankruptcy in Korea. Unpublish PhD thesis, Cornell University.
- Yang, C. C., Lee, C., Gu, Y. X., & Lee, Y. W. (2010). Co-determination of Capital Structure and Stock Returns – A LISREL approach: An empirical test of Taiwan Stock Markets. *The Quarterly Review of Economics and Finance*, 50(2), 222-233.
- Yu, H. C. (2000). Banks Capital Structure and the Liquid Asset Policy Implication of Taiwan. *Pacific Economic Review*, 5(1), 109-114