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Sales Growth and Current Ratio on Debt to Equity Ratio: An Evidence Of Infrastructure Companies in Indonesia Stock Exchange

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Abstrak. Penelitian dibuat penulis untuk mencari pengaruh Pertumbuhan Penjualan dan Rasio Lancar Terhadap Debt to Equity Ratio pada Perusahaan Infrastruktur yang tercatat di Bursa Efek Indonesia. Penulis mengumpulkan 44 perusahaan pada sub sektor infrastruktur pada tahun 2015 - 2019, sehingga total dari sampel sebanyak 220 sampel. Dalam menganalisis mengunakan analisis regresi linear berganda. Pengambilan daripada sampel pada penelitian ini dilakukan dengan mengunakan *purposive sampling.* Hasil penelitain ini menunjukan bahwa secara simultan Pertumbuhan Penjualan dan Rasio Lancar tidak memiliki pengaruh yang signifikan terhadap Debt to Equity Ratio. Sedangakan secara parsial Pertumbuhan Penjualan dan Rasio Lancar tidak memiliki pengaruh positif terhadap Debt to Equity Ratio.

Kata kunci: Pertumbuhan Penjualan; Rasio Lancar; Debt to Equity Ratio

Abstract. *The research was made by the author to find the effect of Sales Growth and Current Ratio on Debt to Equity Ratio in Infrastructure Companies listed on the Indonesia Stock Exchange. The author collects 44 companies in the infrastructure sub-sector in 2015 - 2019, so the total sample is 220 samples. In analyzing using multiple linear regression analysis. The sampling in this study was carried out using purposive sampling. The results of this research show that simultaneously Sales Growth and Current Ratio have no significant effect on the Debt to Equity Ratio. Meanwhile, partially, Sales Growth and Current Ratio have no positive effect on the Debt to Equity Ratio.*

Keywords: *Sales Growth; Current Ratio; Debt to Equity Ratio*

INTRODUCTION

In the era of globalization, business competition has become increasingly active and there are more challenges and competitions that enter the business sector. Companies must be able to face the challenges of finding the best way to capture or maintain market share. Companies nowadays do a lot of ways to develop their companies, such as make innovations in its products to increase the competitiveness of the products produced, expand business or market expansion, improve the quality of human resources, and so on to face the competition. The funds needed by the company to develop and carry out its business activities are not the least of all the ways it does. Sources of funding obtained by a company can come from internal and external companies. Internal funds are funds that are created or generated by a company, namely retained earnings and accumulated depreciation. External funds are funds from creditors and owners, participants or participants in the company (Riyanto, 2001). The funding decision is one of the important decisions faced by company managers in the continuity of company operations. Capital structure is one of the decisions financial management faced by the company's financial manager, where the capital structure is a comparison in determining the fulfillment of company spending needs where the funds obtained are a combination of sources that come from long-term funds which consist of two main sources, namely from inside and outside the company (Rodoni and Ali, 2010). Capital structure is permanent expenditure which also reflects the balance between long-term debt and equity (Riyanto, 2001). Companies in determining the capital structure need to consider and pay attention to various variables which affects it because capital structure decisions will directly affect the condition and value of the company and determine the company's ability to survive and develop (Utami, 2009). To measure the capital structure, the researcher used Debt to Equity Ratio (DER). Financial managers in making capital structure decisions must consider factors that can affect the capital structure, one of which is sales growth. Sales is one of the important factors that determine the survival of the company.

Companies get funds for survival and development apart from debt and equity, as well as from sales of company products in the form of goods or services. The management of the company is trying to be able to increase the sales of its products because high or stable sales growth is related to company profits (Priambodo, 2014). One of the important factors that determine the survival of a company is sales. Companies get funds for survival and development apart from debt and equity, one of which is the sale of company products in the form of goods or services. The management of the company is trying to be able to increase the sales of its products because high or stable sales growth is related to company profits (Priambodo, 2014). One of the goals of overall sales is to increase sales results to the target level

the company has set. The maximum profit generated by each company can maintain its survival as well as develop its business, while companies that cannot maintain their profit will have the opposite impact (Ariyanti, et al., 2014). High or stable sales growth has an effect on company profits. Increased sales means that the company's revenue also increases. So that it becomes a consideration for company management in determining the capital structure.

Companies with high sales growth rates will tend to use debt in their capital structure. A high sales growth rate means increased sales, so the company needs to increase its production capacity through the addition of new machines; where in the procurement of this new machine the company will require large funds. Companies tend to use debt with the expectation that production volumes will increase to compensate for high levels of sales. Production volume offsets the rate of sales growth, so the profit from sales also increases and the company can use it to cover debt (Hanafi, 2004). The greater the liquidity ratio of a company, the greater the company's ability to pay its obligations and vice versa In this study, the liquidity ratio used Current Ratio (CR) proxy. The percentage of CR can show the company's ability to increase profits. The higher the CR value, the better the position of creditors. This is because there is a greater likelihood that the company's debt will be paid on time. This is especially true when the company leadership strictly/properly controls working capital posts. Meanwhile, a low CR contains more risk than a high CR, but sometimes a low CR indicates the company's leadership uses current assets very effectively. Companies that have high liquidity will tend not to use debt financing. This is because companies with high levels of liquidity have large internal funds, so that these companies will use internal funds first to finance their investments before using external financing using debt.

Theoritical Framework

Sales Growth

Sales growth is how far a company places itself in the overall economic system or economic system for the same industry. According to Harahap (2010) growth is the growth in total assets where the growth of past assets will illustrate future profitability and future growth. Or it can be said that Sales growth describes the percentage growth of company posts from year to year. A company that is in an industry that has a high growth rate, must provide sufficient capital to finance the company. For companies with high sales and profit growth rates, the company tends to use debt as a bigger source of external funds compared to companies with low sales growth rates. Conversely, if the company's sales growth rate is low, the company will only use internal funds to fund sales growth. Companies that have a high sales growth rate will requires more investment in various asset elements, both fixed assets and current assets. Management needs to consider the appropriate source of funding for the expenditure of these assets.

Current Ratio

This is the liquidity ratio, which describes the company's ability to meet its short-term obligations that are due. The current ratio itself is an indicator of the liquidity ratio, which is the ratio between current and current debt owned by company. This ratio measures the assets owned by the company in the current debt of the company (Aminatuzzahra, 2010). CR is used to measure short-term completion. The extent to which short-term creditors' claims can be fulfilled by assets that are expected to be converted to cash within a period approximately equal to the maturity of the claims. A current that is too high indicates excess cash or other current assets compared to what is needed now. The high value of the company's current ratio makes the company have excess funds, so the company will pay off its current debt. So that the payment of current debt will reduce the level of the company’s debt.

Debt to Equity Ratio

Debt to equity ratio is a ratio that measures the level of use of debt (leverage) to the total share methoder's equity owned by the company. Mathematically, DER is the ratio between total debt or total debts and total share methoder's equity (Ang, 1997). This ratio is useful for knowing the amount of funds provided by the borrower (creditor) and the company owner. In other words, this ratio serves to determine each rupiah of own capital that is used as debt collateral.

Company Sales Growth & Debt to Equity Ratio

Sales growth can maximize a company's prosperity through increasing company income (Pradhana et al., 2014). The income is eventually reused for the company's capital for the sustainability of the company. Sales reflect the manifestation of investment success in the past period and can be used as a prediction for future growth (Hidayat, 2018). The decision to go into debt was implemented with the funding for this debt. Thus, sales growth can affect the debt to equity ratio. The debt to equity ratio is used to find out every rupiah of own capital that is pledged for debt collateral. For creditors, the greater this ratio, the less profitable it is because the risk of default may occur in the company (Numarsari, 2017).

Current Ratio & Debt to Equity Ratio

Current Ratio (CR) measurement is based on the comparison of current assets with short-term debt that must be paid by the company (Djarwanto, 2010). Companies that have the ease of obtaining funds in the short term will be better able to solve financial problems

and maintain their business continuity (Sopian & Rahayu, 2017). If the current ratio is preserved by the company, the debt-equity ratio will get the impact too. The company's debt will be in a small number if the current ratio is in good value.

Company Sales Growth, Current Ratio & Debt to Equity Ratio

The current ratio shows the company's ability to pay current debt with current assets and the sales growth can improve the company's income. If both of them have a good ratio, then the company has assets, equity, and debt that are good in composition for the company (Deitiana, 2011). The debt to equity ratio will be affected if the three components also move. Creditors will also look at this factor which will be used as their guarantee (Kasmir, 2013).

METHOD

This research was conduct at infrastructure companies listed on the IDX in 2015-2019 using purposive sampling. The sample criteria used are a) Companies listed on the Indonesia Stock Exchange during 2015-2019, b) Companies that publish financial reports for the period 2015-2019, c) Companies publish financial reports that provide all the required data regarding the variables research, namely debt to equity ratio, current ratio, and sales. The application of this method resulted in 44 infrastructure companies that met the criteria.

The variables in this study were operationalized as follows:

1. Company Sales Growth (X1). The sales growth ratio is used to measure the rate of sales growth in a period (Fahmi, 2014). The sales growth ratio is calculated by subtracting sales from the current period from the previous period, then dividing it by the sales of the previous period. Sales Growth = (St - St-1)/ (St-1) x 100%
2. Current Ratio (X2). The current ratio is a ratio to measure the company's ability to pay the short-term debt when it is collected (Hanafi & Halim, 2010). Or in other words, how many current assets are available that can cover current liabilities that are due soon. Current Ratio = Current Asset/Current Liabilities
3. Debt to Equity Ratio (Y). Debt to Equity Ratio is a ratio used to calculate debt and capital, which can cover debts to external parties (Harahap, 2010). Debt to Equity Ratio = Total debt/total equity

RESULT

Table 1. Correlation Coefficient

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.019	.000	.004	17.48009

Source: process data

The table above shows that the correlation coefficient (r) is 0.019, which means that company sales growth has a low level of positive relationship to the Debt to Equity ratio. Meanwhile, the results of the R square are found to be 0.00 or 0%. This means that it has an effect of 0% while the remaining 100% is influenced by other factors.

Table 2. Hypothesis Test

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.478	1.205		1.227	.221		
	CSG	-.039	.137	-.019	-.285	.776	1.000	1.000

Source: process data

The result of the hypothesis test on the Debt to Equity ratio is 0.776> 0.05, which means that it does not have a significant positive effect on the Debt to Equity ratio. Simple linear regression for Debt to Equity ratio = 1.478 - 0.039 (CSG). The constant value is 1.478, which means that if the value of Company sales volume is 0, the Debt to Equity ratio is 1.478 negative to the increase in Debt to Equity ratio.

Table 3. Model Summary[b]

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.025	.001	-.004	17.47793

Source: process data

The table above shows that the correlation coefficient (r) is 0.025, which means that the current ratio has a low positive level of relationship to the Debt to Equity ratio. Meanwhile, the results of the R square were found to be 0.001 or 0.1%. This means that it has an effect of 0.1% while the remaining 99.9% is influenced by other factors.

Table 4. Coefficients[a]

Model		*Unstandardized Coefficients*		*Standardized Coefficients*			*Collinearity Statistics*	
		B	*Std. Error*	*Beta*	*t*	*Sig.*	*Tolerance*	*VIF*
1	(Constant)	1.270	1.224		1.037	.301		
	CR	.072	.196	.025	.369	.713	1.000	1.000

Source: process data

The result of the hypothesis test on the Debt to Equity ratio is 0.713, which is 0.713 > 0.05. This means that it does not have a significant positive effect on the Debt to Equity ratio. Simple linear regression for Debt to Equity ratio = 1.27 + 0.072 (Current ratio). This means if the current ratio is 0, the Debt to Equity ratio is 1.270, and if the Current ratio increases by 1 unit, the Debt to Equity ratio increases by 1.27. It can be concluded that there is a positive influence on the Debt to Equity ratio.

Table 5. Correlation Coefficient

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.031[a]	.001	-.008	17.51484

Source: process data

This correlation test is used to determine the relationship between X1 and X2 variables to Y. This study found that the r-value was 0.031, which means that the company sales growth and the current ratio had a relationship even though it was relatively low. While the value of the r-square was 0.001 or 0.1% where company sales growth and current ratio contributed 0.1% and the rest was influenced by other factors.

Table 6. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.349	1.261		1.070	.286		
	CSG	-.037	.137	-.018	-.271	.786	.999	1.001
	CR	.070	.197	.024	.357	.721	.999	1.001

Source: process data

Table 7. ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.	Model
1	Regression	64.009	2	32.049	.104	.901
	Residual	67182.597	219	306.770		
	Total	67246.695	221			

Source: process data

The table above shows that the significant value is 0.901> 0.05. This means that company sales growth and the current ratio do not have a significant effect on the debt to equity ratio. Simple linear regression for Debt to Equity ratio = 1.349-0.37 (CSG) -0.070 (current ratio). The constant value is 0.183 which means that if the CSG value and the current ratio are 0 then the value of the Debt to Equity ratio is 1.349. Then if the CSG value increases by 1 unit, the value of the Debt to Equity ratio will also increase by 1.349 and that means CSG has an influence positive on the Debt to Equity Ratio. And if the value of the current ratio has increased by 1 unit, the Debt to Equity ratio will decrease by 1.349, which means that the Current ratio contributes negatively to the Debt to Equity ratio.

CONCLUSIONS

Company sales growth in infrastructure companies listed on the IDX in 2015-2019 is included in a good category, as well as the current ratio in infrastructure sector companies listed on the IDX has fairly healthy indicators. The sales frowth found in infrastructure companies does not affect the debt to equity even though it is a small indicator. Company sales growth has a low positive relationship level. Likewise, it does not have a significant effect on the Debt to Equity ratio. Company sales growth has an effect of 0% on the Debt to Equity ratio. And in linear regression, the results show that each addition of 1 unit will increase the Debt to Equity ratio by 1.478. The current ratio studied has a low positive level of relationship. Likewise, the current ratio does not have a significant effect on the Debt to Equity ratio. The current ratio has a relatively small effect of 0.1% on the Debt to Equity ratio. Linear regression shows that if each Current ratio increases by 1 unit, the Debt to Equity ratio will decrease by 1.270. Company sales growth and current ratio have a low relationship to the debt to equity ratio. Company sales growth and current ratio contributed 0.1% to the Debt to Equity ratio. And in linear regression, it has no effect on the company sales growth and the current ratio has no effect on the Debt to Equity ratio. And in the F test, company sales growth and current ratio have a value above the standard so it can be concluded that there is no influence on the debt to equity ratio.

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