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The Influence of Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) on Return on Asset (ROA) at PT. Buana Finance, Tbk Period 2018-2022

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ABSTRACT

This study aims to determine the effect of capital structure on the level of assets (profitability). The population of this study was conducted in the multi-finance sector, namely PT Buana Finance which was listed on the Indonesia Stock Exchange (IDX) with a sample period of 2018 - 2022. This type of research was quantitative research. The analysis technique used in the study was the SEM-PLS application which was carried out by model analysis test. construction and path analysis. The results of this study indicate that the value of the R-Square model gives a value of 0.991, both for the DAR variable which is influenced by the DER in the model of 99.1%. The value of the R-Square of ROA is 0.754 either or 75.4% of the variation in profitability (ROA) is influenced by DAR and DER. The remaining 24.6% is influenced by factors other than the second variable. The results of testing the DER hypothesis have no effect on ROA. DAR has a negative and significant effect on ROA. DER has a significant effect on DAR.

Keywords: debt to equity ratio, debt to asset ratio, return on assets

INTRODUCTION

Financial reports are a very important tool for obtaining information regarding the financial position and results obtained by the company. In this regard, financial information is very useful for investors who will invest capital in a company to assess the extent of success that has been achieved. In the investment that will be made by investors, careful planning is needed by analyzing the company's performance Asiah (2011).

According to Fahmi (2017) Return on Assets (ROA) is a ratio to see the extent to which the investment that has been made is able to provide returns as expected. The investment is actually the same as the company assets invested or placed. Every company certainly has the same goal, namely to obtain maximum profits so that it can be said to have good profitability. To measure the success of a company that is effective and efficient in generating profits, it can not only be seen from the size of the amount of profit obtained but can also be seen from its profitability. As for ways to find out how much a company's ability to gain profits, one of them can be measured using the Return on Assets (ROA) ratio.

The level of ROA is also influenced by several factors such as the Debt to Assets Ratio (DAR) and the Debt to Equity Ratio (DER). DAR is a comparison between total debt and total assets and shows the extent to which debt can be covered by assets. Meanwhile, DER is a comparison between debt and equity in company funding and shows the ability of the company's own capital to fulfill all its obligations. The higher the ratio, the greater the risk that will be faced. Companies that have a high return on assets (ROA) tend to have small amounts of debt.

PT Buana Financeis a financial services company PT. Buana Finance Tbk was founded on June 7 1982 and its business is engaged in leasing and consumer financing (especially used car financing). PT Buana Finance is located at Tokopedia Tower-Ciputra World Floor, Unit AF Jl. Prof. Dr. Satrio Kav. 11 South Jakarta – DKI Jakarta.

Hypothesis Development

H1: DER has no effect on ROA

At the Buana Finance company in 2018 - 2022.The results of the PLS calculation show that DER does not have an influence on ROA with the T-statistic value of DER being 1.879, which is smaller than 1.96 with the original sample estimate value of -0.868604.

H2: DAR has a negative and significant effect on ROA

At the Buana Fianace company in 2018 - 2022.The PLS calculation results show that DAR has no influence on ROA with the T-statistic of DAR being 0.364 which is smaller than 1.96 with the original sample estimate value of-0.142625.

H3: DER has a significant effect on DAR

At the Buana Finance company in 2018 - 2022. Please note that the T-statistic value for hypothesis 3 is1902,138which is greater than 1.96 with the original sample estimate value being positive, namely 0.995662.

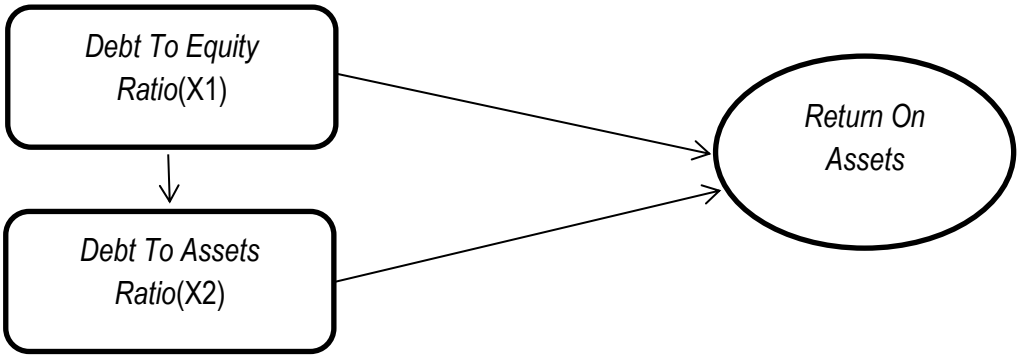

Figure 1. Theoretical Framework

Research Hypothesis

H1: Debt to Equity Ratio(DER) influences Return On Assets

H2: Debt to Asset Ratio(DAR) influences Return On Assets

H3: Debt to Equity Ratio(DER) influences the Debt to Asset Ratio (DAR)

RESEARCH METHODS

Types and Sources of Research Data

The research location is the place where the researcher will conduct research to obtain the necessary data. Researchers chose the Indonesian Stock Exchange as a place to conduct research via the site (www.idx.co.id). The company used as a sample is PT. Buana Finance Tbk is listed on the Indonesia Stock Exchange in the 2018-2022 period.

Types of Research

This research was conducted on multi-finance companies listed on the Indonesia Stock Exchange in 2018-2022. This research uses quantitative methods. The research was carried out using secondary data, to obtain the required information data by accessing it from www.idx.co.id. Secondary data or second hand data is data obtained by researchers from research subjects. Secondary data usually takes the form of available documentation data or report Azwar (2011).

Table 1. Variable Operationalization

No	Ratio	Variable	Formula	Source	Scale
1	Solvency	Debt to Equity Ratio (X1)	DER = Total Liabilities X100 Total Capital	Ghozali (2012)	Ratio
		Debt to Asset Ratio (X2)	DAR= X100Total liabilitas Total Assets	Brealey (2007)	Ratio
2	Profitability	Return On Assets (Y)	ROA= $\frac{net\ profit}{total\ assets}$ X 100%	Cashmere (2012)	Ratio

Research Population and Sample

The population that will be used for research is the financial report of PT Buana Finance Tbk for the 2018-2022 period so the population is 5 years. Sample According Sugiyono (2018)The sample is a part of the whole and the characteristics possessed by a population. If the population is large, it is certainly not possible for researchers to study everything in that population. Some of the obstacles that will be faced include limited funds, energy and time, so in this case it is necessary to use samples taken from the population. Furthermore, what is learned from the sample will result in conclusions that will later be applied to the population. In this study, the following samples were 5 (five) financial reports for the 2018-2022 period.

Research Data Source

Data sources are anything that can provide information about data. Based on the source, data is divided into two, namely primary data and secondary data. The data used in this research is secondary data, namely data that has been published by the Indonesia Stock Exchange (IDX) and company financial reports for 2018-2022, as well as literature studies through journals, books and previous research and also through internet sites. which relate to the objects and subjects studied. The data obtained includes profitability (return on assets), DAR and DER.

Descriptive Analysis Method

The descriptive analysis method in research is in principle a cyclical process of changing research data in tabulated form, with objectives that are understood and easy to interpret. Descriptive statistics are statistics that provide a review or depiction of information seen from the average, standard deviation, variance, maximum, kurtosis Majid & Ghozali (2018).

SEM with SmartPLS 2.0

This section will explain the techniques and data analysis used. The technique used in this research is path analysis. Path analysis is categorized in the context of multivariate analysis methods as a variant of part analysis, namely Systematic Equation Modelling (SEM), which is a development of part analysis. One of the characteristics of multivariate analysis techniques is that they use one independent variable with one or more dependent variables Budiyanto & Aditya (2015), defines "multivariate analysis as follows. Multivariate analysis includes all statistical methods that simultaneously analyze several estimates of certain individuals or objects in one exploration". In this SEM analysis using the Smart PLS 2.0 program. Partial Least Square (PLS) is a Structural Equation Modeling (SEM) method that is capable of analyzing latent variables, indicator variables and measurement errors directly. PLS is a powerful examination technique because it can be applied very well at all data scales, does not require many assumptions, the sample size is not large.

Model Test

Model testing is carried out through the Inner model or structural model to test the theory between one variable and another variable. This test was carried out by looking at the percentage of variance described, namely R^2 for the dependent latent variable which was modeled as having the influence of the independent latent variable using the stone-geiser Q Square test measure, as well as looking at the magnitude of the structural path coefficient. The stability of this estimate is the t-statistic test obtained through the bootstrapping system.

Table 2. Model Test

MODEL TEST	OUT PUT	CRITERIA
*Inner Mode*l (Hypothesis testing)	a. The R^2 for the latent variable is endogenous	a. The R^2 result is 0.67; 0.30; 0.19 indicates that the model is "Good", "Moderate", "Weak"
	b. Parameter coefficients and t- Statistics	b. The estimated value for the path relationship in the structural model must be significant, which can be obtained by the bootstrapping procedure

Source: Wiyono (2017:403)

RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive analysis is carried out by providing a descriptive picture of the data from each variable by looking at the indicators for that variable.

Table 3. Tabulation of Secondary Data

NO	ISSUER CODE	Year Period	DER (%)	DAR (%)	ROA (%)
1	BBLD	2018	1.86	0.66	1.84
		2019	2.22	0.7	1.57
		2020	2.78	0.74	1.66
		2021	3.17	0.77	1.23
		2022	3.08	0.76	1.18

From the table above is the calculation ofDebt to Equity, Debt to Asset Ratio and Return On Assets which are presented in percentages.

Descriptive statistics

Descriptive statistical analysis is statistics used to analyze data by describing or illustrating the collected data. According to Ghozali (2018) This analysis aims to present the minimum, maximum, average and independent variables Debt to Equity, Debt to Asset Ratio and Return On Assets as well as the dependent variable ROA.

Table 4 Descriptive Statistical Results

	N	Minimum	Maximum	Mean	Std Deviation
Debt to Equity Ratio	5	1.86	3.17	2,622	1.49
Debt to Asset to Ratio	5	0.86	0.77	0.726	0.81
Return On Assets	5	1.18	1.84	1,496	1.29

FromThe table above shows thatDebt to Equity Ratioshows that from 5 observations of research data on the Buana Finance company in 2018-2022, the minimum equity ratio value was 1.86, namely in 2015 and the maximum value was 3.17, namely in 2018. Meanwhile, the mean value obtained was 2.622 in the standard deviation value. 1.49 is greater than the mean value or 2.622 > 1.49, indicating that the DER variable is homogeneous. The average value (mean) is 2.622, this means that the multi-finance company has debt with equity of 2.622%.

Seen fromfacetDebt to Asset to RatioIt is known that from 5 observations of research data on the Buana Finance company in 2018-2022, it shows a minimum DAR value of 0.66, namely in 2015 and a maximum value of 0.77, namely in 2018. Meanwhile, the mean value obtained is 0.726. The

standard deviation value has a 0.81 can be concluded that the average value (mean) is smaller than the standard deviation value, namely 0.726 < 0.81, indicating that the DAR variable data distribution is not good or is not homogeneous. The average value (mean) is 0.726, this means that the multi-finance company has debt with assets of 0.726%.

Viewed in terms of profitability (ROA), it shows that from 5 observations of research data on the Buana Finance company in 2018-2022, the minimum ROA value was 1.18, namely in 2019 and the maximum value was 1.84, namely in 2015. Meanwhile, the mean value was 1,496. It can be seen that ROA obtained an average value (mean) that is greater than the standard deviation value, namely 1.496 > 1.29, meaning the data distribution is good or homogeneous. The average value (mean) is 1.496, this means that every rupiah of the total assets owned by the company can generate a profit of 1.496%.

SEM analysis with Smartpls 2.0

Structural Model Testing (Inner Model)

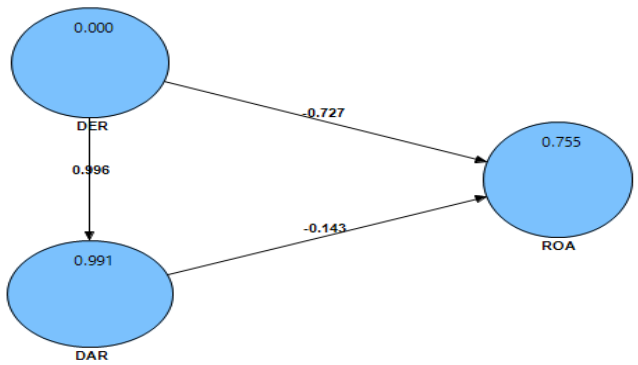

Figure 2. PLS2.0 SEM Algorithm Model Test

From processing the data in the image, tests were carried out taking into account the level of significance and the path parameters between the latent variables. And hypotheses are proposed to also find out the relationship between each hypothesized construct and show varying relationships. The structural model or inner model test aims to determine the relationship between latent constructs that have the influence of one latent variable and other latent variables, both exogenous and endogenous, the significance value and R-square which are used to assess the influence of the independent variable on the dependent variable has a substantive influence. Structural model analysis in this research uses bootstrapping techniques in Smartpls2.0. It can be seen that the hypothesis has a clear direction of the relationship between variables, so hypothesis testing is used with a T-table value of 1.96.

Table 5 R-Square

	R Square
DAR	0.991
ROA	0.754

Source: Smartpls2.0 output

Table 1 above shows that the R value-SquareThe model gives a good value of 0.991 for the DAR variable which is influenced by DER in the model of 99.1%. The R-Square value of ROA is 0.754, or 75.4% of the profitability variable (ROA) is influenced by DAR and DER. The remaining 24.6% is influenced by factors other than the second variable. The R-Square value is categorized as high referring to the criteria (good, moderate, weak). This means that the variables in the model have a greater influence on the related variables than other factors that come from outside the model.

The images that can be seen from bootstrapping are as follows:

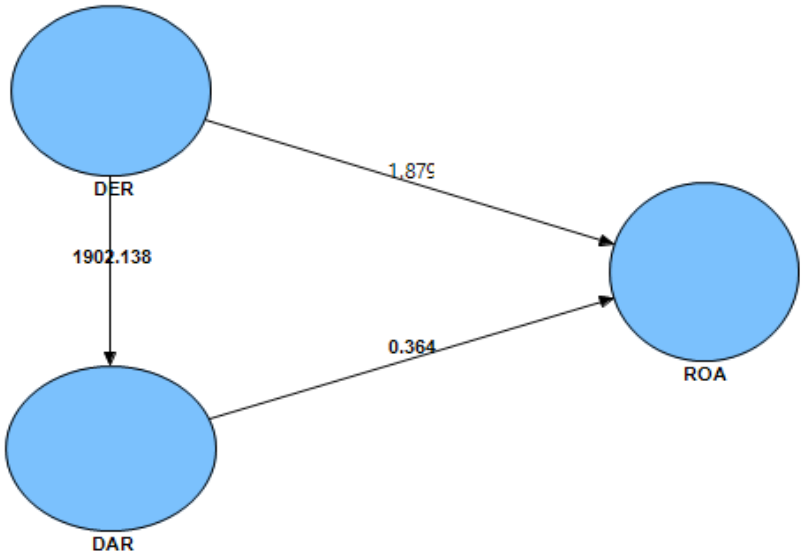

Figure 3. PLS2.0 Bootstrapping Output

Table 6. Inner Model T-Statistics

	T Statistics (O/STERR)
DAR -> ROA	0.364
DER -> DAR	1902.138
DER -> ROA	1,879

Table 7. Path Coefficients

	ROA	DAR
DAR	-0.142625	
DER	-0.868604	0.995662

Judging from the Path Coefficients in the table above, the level of significance and relationship between variables. The criteria are as follows:

a) If t count > t table, if it is greater than 1.96 then the hypothesis is accepted.

b) If t count < t table, if it is less than 1.96 then the hypothesis is rejected.

Based on the results for each hypothesis test it can be described as follows:

Hypothesis 1 states that Debt to Equity Ratio has no influence on ROA. The results of the PLS calculation show that DER does not have an influence on ROA with the T-statistic value of DER being 1.879, which is smaller than 1.96 with the original sample estimate value of -0.868604. Therefore, hypothesis 1 is proven to have no effect. The results of this research support research by Sutrisno (2018) which proves that DER has no effect on ROA.

Hypothesis 2 states that Debt to Asset Ratio does not have a significant influence on ROA. The PLS calculation results show that DAR has no influence on ROA with the T-statistic of DAR being 0.364 which is smaller than 1.96 with the original sample estimate value of-0.142625. Therefore, hypothesis 2 is proven to have no significant effect. The results of this research support the research of M. Basri Kamal (2016), which proves that DAR has no significant effect on ROA. The results of this research are not in line with research by Mutiara Aulia (2020), which states that DAR has a negative and significant effect on ROA. This is worth comparing, because research conducted by Mutiara Aulia (2020), the DAR variable has a significant effect on ROA in the Cooperative sector in Palembang City in 2014 - 2018, while these results were carried out at PT. Buana Finance Tbk. Period 2018 - 2022.

Hypothesis 3 states that Debt to Equity Ratio has a positive influence on the Debt to Asset Ratio. From the table above it is known that the T-statistic value for hypothesis 3 is1902,138which is greater than 1.96 with the original sample estimate value being positive, namely 0.995662. Therefore, hypothesis 3 is declared proven. The results of this research are in line with research by Harsi Romli, Luis Marnisah and Mutiara Aulia (2020) which proves that DER has been proven to have a significant effect on DAR in cooperatives in Palembang City.

CONCLUSION

As explained in this research, it was carried out to determine the influence of DER and DAR on ROA at PT Buana Finance in 2018 - 2022. Based on the discussion of the results of the research that has been carried out, the following conclusions can be drawn:

1. DER has no effect on ROA at the Buana Finance company in 2018 - 2022.The results of the PLS calculation show that DER does not have an influence on ROA with the T-statistic value of DER being 1.879, which is smaller than 1.96 with the original sample estimate value of -0.868604.

2. DAR has a negative and significant effect on ROA at the Buana Fianace company in 2018 - 2022.The PLS calculation results show that DAR has no influence on ROA with the T-statistic of DAR being 0.364 which is smaller than 1.96 with the original sample estimate value of-0.142625

3. DER has a significant effect on DAR at the Buana Finance company in 2018 - 2022. DPlease note that the T-statistic value for hypothesis 3 is1902,138 which is greater than 1.96 with the original sample estimate value being positive, namely 0.995662

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