

Management Strategies of Debt and Fix's Asset Turnover To Company's Growth through Return on Asset as Variable Intervening on Pharmaceutical Companies in Indonesia

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ABSTRACT

This research aims to find out how strategic management of debt management and turnaround asset at pharmaceutical companies in Indonesia, whether with debt management and an effective asset turnover can directly affect the growth of the company both directly and indirectly through Return on Assets. Research data from pharmaceutical company started in 2011 to 2015, test hypothesis using Path Analysis..

The result of the research shows that debt and turnaround of influential positive and significant assets against the Return on Asset, debt, and assets turnover Return on assets are positive and significant effect against the growth of the company.

Keyword : *Strategies, Debt, Fix's Asset Turnover, ROA*

1. Introduction

The profitability of the company is judged by the ratio of Return on Assets or return on investment, the higher the better profitability and efficiency of the company, as to obtain a great necessary existence ROA earning assets quality and solid management. ROA or Return On Investment (ROI) shows how much net profit which can be polished off the entire estate owned by the company, because it used the figure of profit after taxes with a wealth of companies (Husnan, 2006:74). The larger the ROA, means more efficient use of assets of the company or in other words by amount turnover assets is an important part of the company's operational activities play a role in generating profits, accounting for fixed assets.

For it takes proper assessment, defacement, either at the time of acquisition or at the time of use, because it is very influential towards the determination of the profits of the company. One way to increase profits is to increase the fixed assets turnover, because the larger the turnaround fixed assets then the profitability at the company will get bigger.

According to Syamsuddin (2009:54), debt ratio measuring how big the assets financed by the lender. The higher the debt ratio the greater the amount of capital loans used in generating profits for the company. In addition this ratio indicates the extent to which debt can be covered by assets; the greater the ratio will be more loans (Harahap, 2010:304). Debt to Asset Ratio is the ratio of the debt used to measure a comparison between the total debts by total assets. In other words, how the company's assets are financed by

debt or how much debt the company's influence on the management of assets. Use of own capital or loan capital will provide specific impact for the company. The management must be good at regulating the debt to Asset Ratio; a good ratio setting will provide many benefits to the company in order to confront all possibilities will happen.

Based on the things above, so the role of the capital structure and the assets of the turnover is very important to obtain a profit, because by acquiring profit then profit growth of companies will increase (Susanti,2014)

2. Literature

Any activity or operations of companies need of funds for daily activities. The source of the funds the company typically comes from internal and external sources. Internal resources could come from cash, profit was detained and the owner's capital, while external resources derived from debt and the issuance of shares. According to Sari & Abundanti (2014), debt is one tool used to increase the company's capital in order to increase profits. In general the company too many doing the financing with debt, considered unhealthy because it can lower profits (Sari & Abundanti, 2014). Another case with Wals (2006:126), stated that companies with high leverage will perform great at times profitable, but will soon trouble when there is recession. The decision to choose to use your own capital or loan capital shall be used some calculations with ratio-ratio. Advantage by knowing the ratio of debt/leverage is (Kasmir, 2010):

- a. can assess the ability of the company's position against a liability to other parties.
- b. assess the company's ability of fulfilling the obligations are fixed.
- c. know the balance between the value of assets particularly fixed assets with capital.

A benchmark used in the analysis of the ratio of debt is the Debt Ratio. According to Kasmir and Jakfar (2014:130), debt to asset ratio is a ratio used to measure a comparison between the total debt (debt short term and long term) with total assets or in other words how big a company's assets are financed by debt or how much debt the company's influence on the management of assets. This ratio indicates how large the debt that can be paid by assets, the greater the ratio was more solvable. It could also read how the portion of the debt than assets. So that the secure portion of debt to assets should be smaller (Harahap, 2011:304).

According to Kasmir and Jakfar (2014:138), fixed assets turnover ratio is used to measure the number of times the funds invested in fixed assets that rotates in one period, with net sales and compare between fixed assets and this ratio is usually stated with decimals. Brigham and Houston (2001:83) stated, fixed asset turnover measures how effectively a company uses its fixed assets (factory and equipment). According to Harahap (2011:309), this ratio indicates how many times the value of rotating assets when measured from the sales volume, the higher this ratio the better, meaning the ability of fixed assets creates high sales.

Profitability is the relationship between income and costs generated by the use of the company's assets, either assets or fixed assets. In production activity with no profit the company can not attract external capital sources to invest their funds in the company (Destiana. 2011). According to Harahap (2011:304), profitability ratios illustrate the ability of companies get profit through all the existing resource capability and sales activities, cash, capital, number of employees, number of branches, and so on. Company growth is determined by factors of sales or revenues generated. According to Harahap (2011:309), the ratio of growth described the presentation of the company's growth from year to year, in order to make the company grow that is profit required. A positive profit growth reflects that the company has been able to manage and utilize the resources that belong to generate profit and showed the good financial performance of the company, and vice versa (Rachmawati, 2014).

Relationships Between Variables

2.1 The relationship of Debt Ratio and Return on Assets Any operational activities the company needed a strong capital structure. The capital can be obtained from the current assets, or retrieved from debt companies also require debt that is used as the operating capital. This is done to avoid business risks related to the company's liquidity. Business risks associated with the projected rate of return on

assets (ROA) of an enterprise in the future (Brigham & Houston, 2001b: 7).

2.2 Fixed Assets Turnover and Return on Assets

The higher the usage of the fixed assets of the company to be released for operations and produce, then from the product sales will get a return on all assets that are used during the process of production of capital. (Harahap, 2011:309)

2.3 Debt to Assets Ratio and Corporate Growth

Debt to asset ratio is so large it will increase the risk of financially comfortable. So a great debt ratio will decrease the profits of the company. Because companies must spend to pay interest charges or close are likely to be greater than the operating profit of the acquired company (Bringham, 2001b: 16)

2.4 Fixed Assets Turnover Against profit growth

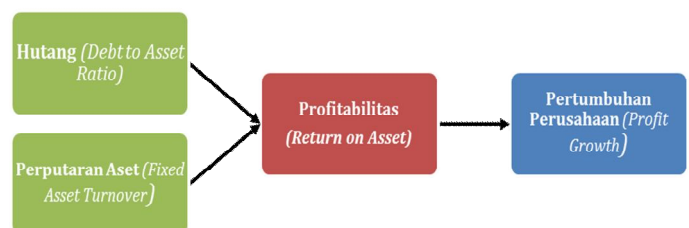
If want a profitable returns then the fixed assets of the company should also be released in large numbers because every rupiah of fixed assets shown will result in either a gain or profit. (Gunawan and wahyuni, 2013)

2.5 Relationship of the Return on Assets Against profit growth

The larger the ROA, the greater the level of profit achieved also by these companies and the better the company's position also in terms of the use of the asset (Novitasari, 2015)

3. The Conceptual Framework

Based on the background of the problem, the cornerstone of the theory, and the relationship between conceptual framework formulated then variables this research as follows:



Equations Model :

$$Y_1 = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + e_1$$

$$Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta ROA + e$$

Note:

- Y = Profit
- α = constanta
- X_1 = Debt to Assets Ratio
- X_2 = Fixed Assets Turnover
- e = standar error ϵ

Hypothesis

Based on the background and some of the results of previous research, it can be formulated as the following hypothesis:

- H1 Debt Effect Significantly To Profitability.
- H2 Influential Asset Turnover Significantly To Profitability.
- H3 Debt Effect Significantly To The Growth Of The Company.
- H4 Asset Turnover Effect Significant Company Growth.
- H5 Influential Profitability Significantly To Company Growth

4. Research Methods

4.1 The Design Of The Research.

Based on the approach used, the research is classified into types of quantitative research, because research goes from theory to analyze the effect between variables that are observed through the deductive and Inductive approach (Wan Usman,2009:4). In addition the study also wants to analyze and test the relationship between the variable exogenous variable endogenous in equations structural regression model so that the study also belongs in this type of research explanatory and included in this type of research of causality (Kuncoro, 2003:10)

4.2 Research Data

Data to be used in this study is secondary data collected from BEI residing in Gallery stock exchange Muhammadiyah University of Sidoarjo. The data available after accrued, researched, and discussed with the competent authorities on where the source of the data obtained. After the data is true then the data will be processed in accordance with the method of this research.

4.3 Population and Sample

The population of the region is a generalization which consisted of objects or subjects that have certain qualities and characteristics set by the researchers to learn and then taken the conclusion (Sugiyono, 2005:72). The population used in this study is all Pharmaceutical company listed on the BEI starting in 2011 to 2015

While the method used is the Purposive Sampling, namely the taking of the sample based on desired criteria i.e. pharmaceutical companies already listed on the BEI starting in 2011 to 2015 which is considered relates to the characteristics of the population that is already known, included the annual report there should be continuous, so retrieved 7 companies as follows: DVLA, INAF, KAEF, KLBF, MERK, PYFA, TSPC.

4.4 Operational definitions of variables and Variable

In this study there is the dependent variable and independent variable, in which the dependent variable consists of the ratio of profitability represented Return On Assets Ratio (ROA) and profit growth. Then for the independent variables consisted of debt ratio represented by Debt To Assets Ratio/Debt Ratio and the ratio of turnover assets represented by Fixed Assets Turnover Ratio (PPA).

4.4.1 Profit growth

The company's profit growth States how large an increase in the profit of the company, calculated by subtracting the profit period way now with a profit of previous periods are then divided by earnings in the previous period. (Warsidi, 2000)

$$\text{Profit growth} = \frac{\text{Year net profit}_t - \text{Year net profit}_{t-1}}{\text{Year net profit}_{t-1}} \times 100\%$$

4.4.2 Return on Assets Ratio

Return on Assets Ratio is a comparison between business profits or operation to the total assets (samsul, 2015:173). This ratio is usually expressed in the form of percentage.

$$\text{ROA} = \frac{\text{operating profit-taxes}}{\text{Total assets}} \times 100\%$$

4.4.3 Debt to Assets Ratio

Debt to Asset Ratio is a ratio used to measure the percentage and that provided by the lender. . (Bringham, 2001:86)

$$\text{DAR} = \frac{\text{Total Debt}}{\text{Total assets}} \times 100\%$$

4.4.4 Fixed Assets Turnover

Fixed Assets Turnover is the ratio that shows how times the value of rotating assets when measured by sales volume. (Bringham, 2001:86)

$$\text{PPA} = \frac{\text{sales}}{\text{fixed assets net}} \times \text{times}$$

4.5 Data Analysis Techniques

Relationships are analyzed in this research is the relationship between the endogenous variables with exogen variables intervening and endogenous variables the dependent, where the endogenous variables in this equation can be exsogen other variables.

It also conducted a classic assumption test includes testing normality, test heterokedasity (Priyatno 2008,2009,2010:84), autocorrelations test (Kendall, 1971:8) and multicollinearity test (Winarno, 2007:5.7).

Analytical tools used in this study by using the Software SPSS Version 17. The form of the causal relationships that appear in this study using a model that is not simple, namely the existence of a dual role as variable independent variable on a relationship, but being the dependent variable on the relationship to the other. The form of such a relationship requires individual analysis tools able to explain simultaneously, for it d be used path analysis.

Indirect influences on a model that uses variable intervening then determined by the multiplication of intervening variables influence coefficient of relationship towards the dependent variable (Ghozali and Fuad, 2012).

5. Results And Discussion

5.1 Classic Assumption Test.

5.1.1 Test for Normality

TABLE 4.1
TEST FOR NORMALITY

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		35
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.06657798
Most Extreme Differences	Absolute	.149
	Positive	.149
	Negative	-.091
Kolmogorov-Smirnov Z		.879
Asymp. Sig. (2-tailed)		.722

a. Test distribution is Normal.

b. Calculated from data.

5.1.2 Test for Multicollinearity

TABEL 4.2
MULTICOLLINEARITY TEST
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.129	.224		.574	.570		
DAR	2.460	.407	.958	6.043	.000	.476	2.103
ROA	1.402	.616	.374	2.276	.030	.443	2.258
PPA	-.495	.145	-.403	-3.405	.002	.853	1.173

a. Dependent Variable: LABA

5.1.3 Test for Heterokedasity

TABEL 4.3
HETEROKEDASITY TEST
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-.034	.041		-.829	.413		
DAR	.078	.075	.231	1.047	.303	.476	2.103
ROA	.306	.113	.619	2.700	.011	.443	2.258
PPA	.016	.027	.097	.589	.560	.853	1.173

a. Dependent Variable: RES2

5.1.4 Test for Autocorrelations

TABEL 4.4
AUTOCORRELATIONS

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.793 ^a	.629	.594	.22092	1.876

a. Predictors: (Constant), PPA, DAR, ROA

b. Dependent Variable: LABA

5.2 Hypothesis Test

5.2.1 Relationship between Debt and Fix's Asset Turnover

TABEL 4.5
HYPOTESIS TEST

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.746 ^a	.557	.529	.06338

a. Predictors: (Constant), PPA, DAR

TABEL 4.6
HYPOTESIS TEST

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.129	.060		2.143	.040
	DAR	-.478	.081	-.699	-5.939	.000
	PPA	.090	.039	.276	2.349	.025

a. Dependent Variable: ROA

5.2.2 Relationship between Debt and Fix's Asset Turnover and Profitability

TABEL 4.7
HYPOTESIS TEST

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.793 ^a	.629	.594	.22092

a. Predictors: (Constant), ROA, PPA, DAR

TABEL 4.8
HYPOTESIS TEST

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.129	.224		.574	.570
	DAR	2.460	.407	.958	6.043	.000
	PPA	-.495	.145	-.403	-3.405	.002
	ROA	1.402	.616	.374	2.276	.030

a. Dependent Variable: LABA

5.3 Relationship of the intervening Variables

The relationship between a dependent variable and the independent variable through the intervening namely:

5.3.1 Intervening Model 1

Based on the results of path analysis is done then it can be calculated direct and indirect relationships between these variables. Some of the direct and indirect influence through the ROA of the DAR and the influence of the total against PROFIT described as follows:

- a. the direct influence of the variable DAR to profit with the value of the coefficient
 $= 2.46$
- b. the indirect Influence of the variable DAR to PROFIT through ROA can be calculated as follows: $(0.478 \times 1.4) = 0.699$

Based on the results of the statistical analysis proves that in order to increase the profits of the company required a good debt management strategy, it also returns the height will increase high profit anyway. To increase the return need the addition of a high cost. The addition of this fee can be done either by using earnings withheld or by using debt.

The companies that have high growth rates will have the full confidence of investors as well as borrowers, so that the company will be more likely to use debt as a source of their funding boost in sales growth. In addition to the increased debt will lower the profitability of the company having to pay interest charges and risk nonpayment. (Darsono dan Ashari, 2009).

5.3.2 Intervening Model 2

Based on the results of path analysis is done then it can be calculated direct and indirect relationships between these variables. Some of the direct and indirect influence through the ROA of PPA and influence total against PROFIT are outlined as follows:

- a. the direct influence of the variable PPA to profit with the value of the coefficient $= 0.495$
- b. the indirect Influence of the variable PPA to PROFIT through ROA can be calculated the Total value of the coefficient: $(0.08 \times 1.4) = 0.126$

Based on the results of the statistical analysis that the fixed assets turnover will affect directly against profit. its influence is bigger than on direct influence is not against profit through ROA

This shows that the support fixed assets greatly affect his business activities against. Fixed assets are tangible assets that are owned for use in the business activities of the company, and have the time benefits over one year, in the form of land, buildings, and equipment, and so on. Assets serves to support the running of its activities, namely activities conducted the company in order to obtain funds (Bramasto, 2010)

Moreover, of the two intervening model is also found as follows:

1. The contribution of the DAR and PPA are simultaneously that directly contributes to the effect on ROA R^2 square 0.557 or 55.7% and 44.3% is affected by other factors that cannot be described in this study.
2. The contribution of the DAR, PPA and ROA are simultaneously directly influence to profit R^2 square of $Y^2 = 0.629$ or 62.9%, and 23.1% is affected by other factors that cannot be described in this research

6. Conclusion

Base on statistics analysis results it can be concluded that the company's strategic growth to improve debt management and optimalizations of fixed asset turnover is very important because the influential variables directly to the growth of the company. The role of mediation as variables of profitability to affect the growth of the company has an impact not of direct influence

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