THE INFLUENCE OF CAPITAL STRUCTURE, COMPANY SIZE, ADVERTISING RATIO, INTELLECTUAL CAPITAL, AND COMPANY AGE ON THE COMPANY'S FINANCIAL PERFORMANCE; (A STUDY OF NON-CYCLICAL CONSUMER SECTOR COMPANIES ON IDX FOR 2018-2021)

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ABSTRACT

The ability of a business to effectively allocate resources from the primary line of business and gain income by its financial performance. The aim of the study for examine the impact of a company's age, capital structure, size, advertising ratio, and intellectual capital on company's financial performance. Research populations on this study involved consumer non-cyclical companies listed on the Indonesian stock exchange period 2018 to 2020. The sample was determined using the objective sampling method. Through four predetermined sample criteria, the researchers used 47 companies' annual reports. The researchers used quantitative methods with classical assumption test ad multiple linear regression tests in this paper. Result reveal that the capital structure, size, intellectual capital, and company's age have significant effects on the company's financial performance. Meanwhile, the advertising ratio doesn't have an effect on the company's financial performance.

Keywords: Financial Performance, Capital Structure, Company Size, Advertising Ratio, Intellectual Capital, Firm Age.

INTRODUCTION

In carrying out a company's operations, they must have good financial performance. The capability of the company is measured by its financial performance to achieve corporate goals. Good corporate financial performance will show how good the quality of the company is in carrying out its operations. Many factors can be employed to assess the company's great financial performance. Financial performance companies are the outcome of success in carrying out particular responsibilities that may be looked at by the company's financial position in gaining profits (Simanjutak,2005:1). In maximizing resources to improve financial performance, it is necessary to concern with the internal factors in companies. Capital arrangement theory is a theory of corporate financing through debt and equity to maximize corporate value (Hamidy, Wiksuana, & Artini,2015). Trade-off theory explains that the value of the company grows increasing capital structure as long the debt does not reach its maximum limit. In addition, size of a firm is also significant thought to make an improvement on the business value because the size matter of the company, the easier for a company to secure funding sources. It can be utilized to achieve business objectives. Moreover, A company's size is an adequate determiner of its prospective strength (Hermuningsih, 2013). On the existing literature, the correlation between advertising and company performance shows more concern for many years. The value creation process within the organization is significantly affected by advertising. It is unavoidable in a setting where there is a competition that companies have create marketing plans to increase long-term relationships with clients and enhance shareholder value. These tactics typically center on customer brand recognition, consumer behaviour,repeat order, and customer satisfaction rangkings from increasing revenue and raising brand recognition (Doyle, 2000). Intellectual capital refers to The understanding and abilities that can be used to provide value to your company's operations (Williams,2001). The indicator value of added intellectual coefficient (VAIC) can measure intellectual capital to determine the effectiveness of financial performance in a company. Financial performance is also influenced by the company's age. It is the time of the f first establishment of the company operates in this current time. Companies that have a longer age will have an advantage in managing the company's experience because they already have many working hours (Yuniasih and Isbanah, 2017).

LITERATURE REVIEW / METHODS

This study refers to two theories as a reference, namely pecking order theory which explains the stages a company goes in increasing the amount of funding and influencing decisions on capital structure through retained earnings, other debt, and issuing ordinary shares in a summarized manner (Ika Puspita K,2018). Additionally, signaling theory suggests that an organization keeps trying to disclose information in a company's financial statements that could be good signals to potential investors. Market response to an organization's good signals is anticipated to be positive. It can give a business a competitive edge and high value to warrant investment (Williams, 2001).

Financial Performance

Financial performance is a formal effort by a company to evaluate how efficient and effective an activity in a company, is conducted during a specific time. Financial performance is the establishment of specifically targeted metrics that may figure out a business's ability to earn a profit (Sucipto, 2003). Financial performance is a resource control and management capability

of the organization (IAI,2007). Is seen from the financial report in the company or business entity concerned related to the cash flow statement, statement of income, balance sheet, and other items that contribute to determining the state of financial performance.

Capital Structure

The capital structural the meaning is the breakdown of a company's capital as seen from its sources, highlighting the capital that comes from equity sources and the capital that comes from debt. Capital structure is measured using three indicators, namely leverage, equity debt, and collateralizable assets. Additionally, capital structure refers to the long-term debt and own capital that make up a company's permanent spending structure. Capital structure is the balance or ratio between the amount of long-term debt with its capital. According to this theory, the researchers aim for the tal structure analysis influences on financial performance.

Company's Size

Company's size is a scale that is capable of being utilized to classify companies based on how large they are in a variety of ways, such as total assets, stock market value, and others. The size of the will have an impact on its capacity to assume risks that may result from a variety of conditions it may encounter (Bekti Fitri Prasetyorini,2013). The company size can be seen from the total assets owned by the company to carry out the operational activities of the business. If a company has aa huge asset then it might be easier to the management utilizes the assets that are assigned to the company itself. Taking a managerial perspective, the ease of controlling the company will increase the company's value (Suharli, 2006). According to this theory, the researchers analyze how the impact of a company's size behave the company's financial performance.

Advertising Ratio

One of the key strategies used by businesses to focus communication and persuade the public and target customers is advertising. Advertising is done to boost sales and earnings over what should be attained for the company (Kolter,1983:220). Effectiveness is the ratio between the output and the goals achieved by a company. The greater an output is issued, the more effective the unit, (Anthony and Govundarajan, 2005:174). Based on this theory, the researchers find out how The significance of the advertising ratio on the financial performance of the firm.

Intellectual Capital

Markets, intellectual property, human resources, and infrastructure are examples of intangible assets that can be combined to create works of art (Brooking,1996). Categories of knowledge can be distinguished into three categories, namely knowledge related to employees, customers, and the company. In this case, the three categories form intellectual capital (Brookstein, 2006). According to this theory, the researchers found how intellectual influence the financial condition of the firm.

Company Age

The corporation age refers to the number of years since establishment in the non-cyclical consumer sector companies. Companies that have a longer standing period of course will have more experience and usually have excellent performance, good reputation, and allow to have high margins when selling their goods. According to this theory, the researcher determines how the age of the companies affects their financial performance.

METHODOLOGY

The research being conducted is quantitative in scope and conducted on a population of all non-cyclical consumers 113 sector businesses floated on the Indonesia Stock Exchange between 2018 and 2021. Based on predetermined sampling criteria, the research employs the purposive sampling method. In this investigation, 154 samples were collected.

Variable Measurement

Financial performance is the only dependent variable in this study. The other five independent factors are capital structure, company size, advertising ratio, intellectual capital, and company age.

Return on Assets (ROA) was employed in this research to quantify company's financial performance. The ratio used to evaluate a companies total capacity for profit-making (Ingrid E. Turang). Therefore, the larger ROA of a company, the higher level of profitability achieved, indicating a better place of the company in utilizing its assets The financial performance is proxied into:

$$\textbf{ROA} = \frac{\text{Net Income}}{\text{Total assets}}$$

On the right side of the balance sheet, several items make up the capital structure, including debt and equity (Asnawi and Wijaya,2005). Measurement of capital structure in this study using DER, This ratio compares the entire shareholder equity owned by the corporation in relation to the quantity of leverage (debt use) (Kusumajaya, 2011). Capital structure is proxied into:

$$\textbf{DER} = \frac{\text{Amount of Debt}}{\text{Total Equity}}$$

A company's size can be determined by calculating the amount of its assets, total net sales, average level of revenues, and average total assets. The size of the corporation increases with the overall assets or assets of the company. The amount of capital invested, sales, and money turnover in a corporation all increase as total assets increase. So, according to Nanang Ari and Nisa Novia (2017), the size of a corporation can be defined as the size or magnitude of its assets. The following formula can be used to determine the size of a corporation :

$$\textbf{Size} = \text{Log (Total Assets)}$$

One of the key strategies businesses employ to reach out to potential customers and the general public is advertising. The formula is as follows :

$$\textbf{AdEx}\Sigma = \frac{\sum \text{Advertising and promotion costs}}{\text{Total assets}}$$

Intellectual capital is one of the strategic assets that are very important to use in the company (Rahman et al,2014). The ValueContributedd Capital Coefficient (VACA) compares the value contributed to the physical capital that is currently employed in the business. Value Added Human Capital (VAHU) is a useful knowledge base for businesses that shows how much each rupiah spent on human capital adds to the value that a firm adds. A measure of how well structural capital contributes to value is called structural capital value added (STVA). STVA is a comparison of structural capital to value-added that can measure the amount of structural capital needed to produce one rupiah from value-added. Value Added Intellectual Coefficient (VAIC) is a consequence of adding three parts:

$$\textbf{VAIC} = VACA + VAHU + STAVA$$

The company age refers to the duration that the company has existed, starting from its establishment until an indefinite time (Bestivano,2013). The company age can be formulated as follows:

$$\textbf{Age} = \text{Numbers from the year the company was founded}$$

Model Specification

This study used multiple regression analysis with specification models, the following:

$$\textbf{ROA} = \alpha_0 + \beta_1\textbf{DER} + \beta_2\textbf{Size} + \beta_3\textbf{AdEx} + \beta_4\textbf{VAIC} + \beta_5\textbf{Age} + \textbf{e}$$

Description:

ROA = Return on Assets, DER = Capital Structure, size = Company Size, ADEX = Advertising Ratio, VAIC = Intellectual Capital, Age = Company Age, α = regression equation constant, β1,2,3,4, 5 = regression coefficient, e = error item.

RESULT AND DISCUSSION

Descriptive Analysis

Table 1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	154	-.203	.291	.064	.067
DER	154	.041	4.091	.975	.772
SIZE	154	25.231	32.820	29.122	1.651
AdEx	154	.000	.182	.031	.039
VAIC	154	-51,401	8.386	2.394	4.662
AGE	154	7.000	116.000	39.968	23.386
Valid N (listwise)	154				

These results demonstrate that the N value for each variable was 154. Table 1 can be explained that for the mean variable of DER, Size, and Age value is greater than standard deviation, then the distribution of data on these variables is good. While the variables of ROA, AdEx, and VAIC has a lower value than the average deviation from the mean, where the distribution of data on these variables is not quite good.

Classical Assumption Test

Table 2

Classical Assumption Test

	Tolerance	VIF	Glejser
ROA			
DER	0,927	1,079	0,064
Size	0,923	1,083	0,197
AdEx	0,943	1,060	0,293
VAIC	0,970	1,031	3,13
Age	0,921	1,086	0,313
Monte Carlo	0,773		
Durbin Watson	1,912		

Referring to Table 2, can be seen that significance value of the Monte Carlo test is 0.773 > 0.05 this shows that the data has been normally distributed. It is known that all the independent variables studied are valued at VIF < 10 and Tolerance > 0,1, therefore the regression in this research multicollinearity doesn't occur. The heteroscedasticity test results show that all the independent variables studied produce a significance value > 0.05,

heteroscedasticity has not shown up in the regression used in this investigation. Based on Table 2, the DV value obtained is 1.912 which means higher than DU is 1,8040 and smaller than (4-du) is 2,196 or 1,8040 < 1,912 < 2,196. The outcome is derived from a DW table with 154 samples and a total of 5 independent variables (k=5). As a result, the regression equation model can be utilized because there's no autocorrelation in relation to the independent factors.

Hypotheses Test

Table 3
Multiple Regression - Hypothesis Test

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-1104.738	684.519		-1.614	.109
Capital structure (DER)	-.026	.005	-.301	-5.136	.000
Company Size (Size)	.005	.002	.121	2.070	.040
Advertising Ratio (AdEx)	.087	.099	.051	.875	.383
Intellectual Capital (VAIC)	.007	.001	.467	8.166	.000
Company Age	9.311	1.692	.323	5.503	.000

The Impact of Capital Structure on the Financial Performance of the Company

According to findings the t-test hypothesis test, the variable capital structure considerably impacts the company's financial performance because the DER variable (X1) had a significant value of $0.000 < 0.05$. Non-cyclical consumer sector companies' financial performance will improve if their capital structure is altered by raising the amount of debt they hold. The findings of this test can lend credence to Myers' notion that the capital structure of a company is decided after taking into account both the advantages and disadvantages of using debt. One of the benefits is that the company can increase its performance by utilizing the availability of sufficient funds obtained from debt. The test results is lined with research by Gleason (2000), Anggreani (2006), Zeitun (2007), Lavorskyi (2013), and Nugraha (2013).

The Impact of Company Size on the Financial Performance of the Company

That be considered that the size had a substantial impact on the financial performance based on the results of hypothesis test that was conducted using the t-test, where the Size variable (X2) obtained a significance value of $0,040 < 0,05$. The findings of this study suggest that growing a company's size will improve financial performance in Indonesian manufacturing firms. According to this finding, expanding business results in improved financial performance (profit). These findings show that a size of a manufacturing company influences its capability to make a profit. Findings by Liargovas et al. (2008), which say that firm size is a key investing factor for investors when buying stocks, lend support to the study's findings. Investors view the company's size as a yardstick for whether or not it is performing well. Prasetyantoko and Parmono (2008) support the findings of this study. They contend that a larger corporation can do better financially. Since large firms with Indonesian stock exchange listings can gain more from their activities, there is a one-way relationship between company size and profitability.

The Impact of Advertising Ratio on the Financial Performance of the Company

That may be concluded from results of t-test hypothesis test that variable of advertising ratio hasn't discernible impact on the company's financial performance caused by the AdEx variable (X3) obtained a significant value of 0,383 > 0,05. The findings of this study indicated that there is no effect on the company's financial success as determined by the variable advertising ratio test. These findings are consistent with earlier research by Xu,J., Liu,F., & Chen,Y.H. (2019), which concluded that the advertising ratio had no discernible impact on the company's financial performance. This shows that advertising only is not enough to make investors intending to invest in the company, it must be accompanied by other promotions so that the company can create a good corporate image for investors.

The Impact of Intellectual Capital on the Financial Performance of the Company

Based on the t-test hypothesis test findings, the VAIC variable (X4) obtained a significant value of 0.000 < 0.05, indicating that the variable's impact on the financial achievement of the company is substantial. The findings demonstrated that VAIC significantly improves financial performance. The findings of parallel tests revealed that VAIC significantly improves financial performance. These findings also corroborate Chen et al. (2005) study, which found that VAIC had an impact on ROA. These results suggest that VAIC significantly contributes to stakeholder theory, which emphasizes the need for management to be able to successfully handle the company's resources, including its structural capital, human capital, and physical assets, in order to produce value for the company's shareholders. Well-managed intellectual capital will reduce costs incurred by the business, resulting in increased sales of goods or services combined with lower costs, increasing the business's profitability. The higher ROA, the more proficient company at overseeing the intellectual capital.

The Impact of Company Age on the Financial Performance of the Company

Contemplating the findings of the t-test hypothesis, which was used, It could be said that the age has a significant impact on its financial performance. because the Age variable (X5) had a significance value of 0.000 < 0.05. According to the findings of the test on the effects of the company's age characteristics it's found that this link has a very good impact on the company's financial performance. These findings support the theoretical basis and findings of previous research by Silwal (2016) and Osunsan et al (2015) found that company age have significant positive correlation to company's financial performance. The increasing company age will add to the company's experience that make management will be more effective and efficient so that the level of company performance can keep increasing (Rose et al, 2010).

CONCLUSION AND RECOMMENDATION

The detrimental effect of capital structure, company size, advertising ratio, intellectual capital, and company age on the financial performance of non-cyclical consumer sector company indicated on the Indonesia Stock Exchange (IDX) in each year during 2018 and 2020 are investigated in this article. Depending to the outcomes the hypothesis tests, it might be established and those the capital structure, company size, advertising ratio, intellectual capital, and age of the company each significantly influence a company's financial performance. The results additionally reveal that the advertising ratio has no impact on a company's financial performance. Suggestions for future researchers would be to expand the sampling network, not only focusing on companies in the non-cyclical sector but also on other corporate sectors.

In addition, it also further expands the variables that affect the company's financial performance to be studied.

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