Determinant of Capital Structure: New Evidence Panel Data from 100 Largest Cooperatives in West Java
Sugiyanto

Abstract - Study of capital structure in Indonesia cooperative entity is almost never been done, the sources of cooperative capital not only from internal source i.e. reserve of business surplus and members contribution but also derived from debt. Ability to raise capital also becomes a major problem for cooperative in Indonesia. The study was conducted to assess the financial performance as determinant factors affecting on cooperative capital structure. Descriptive quantitative research method used in this study, using new evidence panel secondary data from 100 samples size of largest cooperatives in West Java. Analysis data used regression correlation analysis approach either partially or simultaneously. The study results showed that partially are not all financial performance that analyzed as a determinant of cooperative capital structure, from six financial performance that measured, only sales stability, asset structure, and company size that become determinant factors that effect oncooperative capital structure, while profitability, liquidity, and business risk are not as a determinant factors of cooperative capital structure. But simultaneously all financial performances that analyzed by multiple correlation becomes determinant factors that effect on cooperative capital structure.

Keyword - Financial Performance and Cooperative Capital Structure

1. INTRODUCTION

Classical problems of cooperative organization in Indonesia related to cooperative’s ability to raise capital. Cooperative was founded, managed and cooperative service is primary used by members. Cooperative member as an owner and an user of cooperative organization that mentions as dual identity of cooperative member. Cooperative as a business entity that owned by members, capital requirement should be met by members themselves. In 1987 the United States Department of Agriculture (USDA) adopted just the three principles of user ownership, user control and user benefit.

The problem of cooperative capital gradually can be explained as follows: First, internal capital of cooperative that sources from business surplus reserve, the amount of business surplus reserve is limited because the primary cooperative orientation is not profit oriented but service for their members. So the amount of business surplus reserve is also limited. Second, capital source that collected from members, there is structural weakness of cooperative capital that is variability amount of capital required, its weakness in raising capital because the principle of cooperative that must be followed (Sutaryo Salim, 2000). Another opinion states that the capital function in a cooperative is handicapped, because the amount of benefits available for a member is not dependent on his capital contribution but on his patronage of the cooperative (Röpke J., 2002). Cooperative is less attractive to members, prospective members and other investors, who wish to become a member simply because it has excess capital, the real problem of cooperative equity capital according to member ability and participation to contribute cooperative capital. Third, another important cooperative capital sources from debt, in 2015, cooperative capital resources nationally almost 50% are still sourced from debt, this condition is not in accordance with the independence of cooperative principle, and cooperative was founded, managed and used by members.

Statistical data from Ministry of Cooperatives and SMEs indicates that the performance of cooperative in 2011 to 2015:

Based on table 1, indicate that the source of cooperative capital derived from loan capital in 2011 was 53% and decreased until 42% in 2015. This condition can be interpreted that the ability of cooperatives in collecting loan capital is relatively decreasing.

As described above, that loan capital is one of the main alternatives for cooperatives because the ability of the cooperative to collect the source of internal capital is limited and the amount of source of equity capital from members is small and gradually accepted. See the development of capital sources on table 1, the source of cooperative capital derived from loan capital decreased, this is due to various factors related to the performance of cooperatives that impact on public confidence in the cooperative was declining.
From 2011 to 2015 changes of proportion of debt capital to total equity as a capital structure, capital structure is the mix of the debt and equity the firm uses to finance its operations is either given or irrelevant to the decisions we’ve been making (Cornet et al., 2012). Capital structure can be measured by debt to asset ratio (DAR) or debt to equity ratio (DER), according to the same author those ratio is a debt management ratios measure the extent to which the firm uses debt (or financial leverage) versus equity to finance its assets.

At the same time, from 2011 to 2012, cooperative DER is greater than 1 (DER >1) and from 2013 until 2015 is lower than 1 (DER <1), illustrates that the proportion of cooperative debts lower than their equity. Debt to equity ratio indicates as an ability of cooperative to collect debt capital to finance cooperative asset. Cooperative capital structure can be used as an indicator of cooperatives financial performance but the other sidemay also as a cooperative risk.

Determining the appropriate capital structure is a difficult decision that cooperatives need to consider several factors that can affect on capital structure. Factors affecting on capital structure is the stability of asset, capital structure, operating leverage, growth rates, profitability, tax, control, management attitude, the attitude of lenders and agencies ratings, market conditions, internal conditions and the company’s financial flexibility (Brigham and Houston, 2001). Acaravi, Songul Kakilli (2015) identifies that from the empirical results present that there are significant relationships between growth opportunities, size, profitability, tangibility and leverage variables. But non-debt tax shields explanatory variable has insignificant effect on leverage 1 (book value of total debt/total assets) variable. Result of study by Lim, Thian Cheng (2012) show that profitability, firm size, non-debt tax shields, earnings volatility and non-circulating shares are significant influence factors on financial sector.

The aim on this study to access financial performance as determinant factor that effect on cooperative capital structure on the 100 largest cooperative in West Java. That is capital structure conditions is not different with cooperative capital structure nationally, DER <1.

2. LITERATUREREVIEW

Cooperatives is an economic movement based on the principle of brotherhood that has important function and role in fostering the economic potential of the people, and to realize the prosperous society. Cooperative activities based on cooperative values and principles, which are guidelines for cooperative work in making any effort, cooperative as an economic organization the are not specialized activities to create gain but rather to createthe members welfare, in a form of satisfactory service, the principal task of cooperative is to support the economic interest of the member. Business decision should be based on the interests of the members, in order to stimulate and increase the effective participation of members.

In Indonesian Act No. 25/1992/ Cooperatives, Article 41, mention that cooperative capital consist of equity and debt capital. Source of equity capital derived from principal and compulsory saving, business surplus reserve, and grant. Debt capital derived from members, other cooperative and its member, bank and other financial institution and bond issued.

Brigham, E.F. (1999), describe that obtaining capital structure indicates the source of capital of capital contributions from owners and creditors, financial contributions of members as equity or shares, reserves and other deposits, information, thereby cooperative capital resources are obtained from its own capital resources (equity) as well as the other source of loan capital (Debt) (Hanel, A1989).

Differences judgment regarding the theory of capital structure continued until now, Modigliani and Miller argued that leverage (capital structure) is independent of the value of the company, and this known to irrelevancy theory. Furthermore, Modigliani and Miller concluded that leverage will increase the value of the company due to debt interest reduces the taxable income (Brigham, E.F, 1999).

Cooperatives are also faced by the decision of selecting capital sources, use of debt can be justified, if it can provide additional member service at better price. The theory of capital structure has been developed include: (1) Agency theory, proposed by Jensen and Meckling (1976) Horne and Wachowicz, (1998), a management as an agent and owner as a principal. Principal hopes the agent will act on his behalf, to be able to function properly, the management should be given incentives and adequate supervision. (2) Signaling theory, that stated by Brigham and Houston (2001), a signal of management actions taken to give guidance to investors about how management sees company’s prospects, companies with favorable prospects will try to avoid sale of shares and commercialize any new capital required by other means, including the use of debt that exceeds the normal target capital structure. (3) Asymmetric Information Theory, is a situation where managers have different information (better) about the prospects of the company owned by investors, asymmetric information occurs because management has more information than investors (Myers and Majluf, 1984), so that outside investors trying to capture signal activity manager to suspect the company’s prospects. (4) Pecking Order Theory, companies like internal financing (retained earnings), if funding from outside (external financing) is required, the company will publish the safest securities in advance, which began with bonds issued or debt, and followed by securities that characterized the options (such as convertible bonds), finally if it is still inadequate, the new shares issued.
In accordance with this theory, there is not a target of debt to equity ratio, because there are two types of capital itself, namely internal and external, own capital from the company preferably on own capital that comes from outside the company. Companies prefer to use funding from internal capital, the funds derived from cash flow, retained earnings and depreciation (Myers 1996). The order of use of funding sources with reference to the pecking order theory is: internal funds, debt and equity. In this study, the capital structure is a combination of various sources of funding, with the main categories of debt and equity, which used by cooperative to finance cooperatives assets, the formula:

\[
\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Asset}} \times 100\% \quad 1)
\]

Many factors that predicted by experts as a determinant factors of the capital structure. The determinants of the capital structure right now is a difficult decision for cooperative organization, that need to consider several factors which can influence capital structure. The capital structure is defined as the ability to raise funds and partially offset by an increase in organizational performance. This is to maintain business continuity, trust members and stakeholders.

Risk factors of business, tax position, financial flexibility and conservatism or aggressiveness of management are factors that determine capital structure decisions; especially in the target capital structure (Brigham and Houston 2001).

The result of previous study shows that size of the company, characteristics/type of industry, sales growth, asset structure, operating leverage, non-debt tax shield and profitability simultaneously affect the capital structure (Windayu, CindeRinh 2016). Ghoshet al., (2000) revealed that determinant variables of capital structure are growth of assets, fixed asset ratio, R & D Expenditure have significant effect on the capital structure, the same research have been conducted by Nyanamba, Steve Ondieki, et al (2013) The results of research identified the major determinants of the capital structure of micro-enterprises as being access to capital markets, size of the business, profitability of the business and lender’s attitude towards the firm.

The other empirical research shows that the determinants of capital structure are: tangibility, firm size, growth rate, profitability, liquidity and dividend payout) have an impact on capital structure (Sangeetha, Ms.M. and N. Sivathaasan, 2013, Serghiescu, Laura and ViorelaLigiaVaidean 2014 and Lim, Thian Cheng, 2012).

Based on result of several researches above, determinant factors of cooperative financial performance that are affecting on capital structure in this study, limited by relating factor such as: (1) Sales stability, companies with relatively stable sales may be safer to obtain more loans and fixed using a higher burden in the form of interest on loans compared with companies whose sales are unstable (Brigham and Houston, 2001). Company with sales relatively stable means having a stable cash flow as well it can use more debt than companies with sales of unstable. Sales stability, measured by growth in sales or service, according to the formula:

\[
\frac{P_{jt} - P_{jt-1}}{P_{jt-1}} \quad 2)
\]

\[
P_{jt} = \text{sales at year t}
\]

\[
P_{jt-1} = \text{sales at year t} - 1
\]

(2) Profitability, most of the empirical studies show that there inconsistent theoretical predictions on the effects of profitability on capital structure. In the trade-off theory, more profitable firms should have higher leverage because they have more income to shield from taxes. The free cash-flow theory would suggest that more profitable firms should use more debt in order to discipline managers, to induce them to pay out cash instead of spending money on inefficient projects (Bauer, 2004). Most empirical studies observe a negative relationship between capital structure and profitability (Huang and Song, 2005; Wahabet al., 2012; Yolanda and Soekarno, 2012, Tomak, 2013; Wahab and Ramli 2014). Profitability ratios show the combined effects of liquidity, asset management, and debt management on the overall operating result of the firm (Cornet al. 2012). Profitability measures the ability to generate profit from the level of sales, assets, or certain capital, thus profitability can be described by profit margin, return on assets and return on equity, then profitability can be equal to the cooperative business surplus. Profitability is defined as earnings before interest and tax to total assets:

\[
\text{Return On Asset} = \frac{\text{EBIT}}{\text{Total Asset}} \quad 3)
\]

(3) Asset structure is also another important determinant of capital structure. Asset Structure is the overall assets owned by cooperatives or listed on the balance sheet, which includes current assets and non-current assets. Companies that have a corresponding proportion of assets in the guarantee loan tend to use debt. There is a positive relationship between tangible assets and debt (Titman and Wessels, 1988). Companies that have the guarantee of debt will be easier to get debt than companies that do not have a guarantee (Brigham and Gapenski, 1999). The more tangible the firm’s assets are the more such assets can be used as collateral. This will encourage borrowing. Asset structure describes the amount of assets that are belegged as collateral value of assets. The asset structure is measured by comparing the non-current assets with the current assets and the overall assets owned by the cooperative in a certain period.

\[
\text{Asset Structure} = \frac{\text{Non Current Asset}}{\text{Total Asset}} \quad 4)
\]
(4) **Liquidity** is measured by the current ratio and current liabilities. High liquidity means the company has the ability to pay short-term debt, so that tends to lower the total debt, which eventually capital structure will be smaller. The empirical research shows that liquidity is a determinant of capital structure and has an impact on capital structure (Serghiescu, Laura and Viorela Lilia Vaidean 2014 and Lim, Thian Cheng, 2012). The liquidity ratio measures the relationship between a firm's liquid or current assets and its current liabilities (Cornet et al, 2012). Liquidity is measured:

\[
\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad \text{(5)}
\]

(5) **Business risk** is the risk of the company currently notable to cover operational costs and influenced by the stability of income and expenses. Earnings volatility can reflect the corporate business risk. It is generally a proxy for the probability of financial default (Titman and Wessels, 1988). Companies with high business risk tend to avoid using debt financing. Since leverage increases the risk of financial distress, it is expected that earnings volatility is negatively related with leverage. As Qanet et al. (2007) demonstrated, when firms have high volatility, cash will be accumulated during the flourishing period to avoid future underinvestment and thus the negative relationship is advocated from the pecking order hypothesis. Business risk is the uncertainty faced by the company in business. Business risk is calculated as the standard deviation of return can be shaped margin, return on equity, and other for several years. Measured by the formula:

\[
\text{Risk} = \text{standard deviation of cooperative returns} \quad \text{(6)}
\]

(6) **The Company size**, describe the size of a company, measured by the total sales and total assets. Some researchers use assets to measure sales growth positively reflecting the greater size of the company. Thus, the company is multiplied by the sales of alternative sources, which can be selected to increase the company's profit. Wald (1999), and Booth et al. (2001) provide evidence to support that large firms are highly leveraged. In this study, the company size is measured by the amount of cooperative asset growth that compared to previous years.

\[
\text{Asset Growth} = \frac{P_{a,t} - P_{a,t-1}}{P_{a,t-1}} \quad \text{(7)}
\]

\[
P_{a,t} \quad \text{Cooperative Assets at year } t
\]

\[
P_{a,t-1} \quad \text{Cooperative Assets at year } t - 1
\]

### 3. THEORETICAL FRAMEWORK

Based on the literature review, research framework can be described on figure 1 as follows:

**Figure 1: Model of Research Paradigm**

Based on the research framework above, the hypothesis can be formulated as follows:

- Partially withdrawn hypotheses: (1) There is effect of sales stability on cooperative capital structure, (2) There is effect of profitability on cooperative capital structure, (3) There is effect of asset structure on cooperative capital structure, (4) There is effect of liquidity on the cooperative capital structure, (5) There is effect of business risk on the cooperative capital structure, and (6) There is effect of company size on cooperative capital structure. And (7) simultaneously, the financial performance as determinant factors that effect on cooperative capital structure.

### 4. METHODOLOGY

#### 4.1. Sample

The target population for this study comprised of 300 largest cooperatives in West Java, Indonesia and the sample size consisted of 100 cooperatives (n = 100). This study used random sampling technique which falls in probability sampling domain for the selection of cooperatives sample.

#### 4.2. Procedure

To accomplish above mentioned objectives and hypotheses, the data for this study are extracted from audited annual reports of 100 largest of cooperatives in West Java, this study utilize secondary data that collected over the population period of five years (2011, 2012, 2013, 2014 and 2015). In this study, different methods of statistical processing have been applied. SPSS software programmed exclusively applicable to statistical processing is used for processing data. Here, Correlation, Regression, and descriptive statistics are used to analyze the data. In this study use sales stability, profitability, asset structure, liquidity, business risk and company size as independent variable and cooperative capital structure is the dependent variable.

#### 4.3. Method

This type of research is descriptive quantitative research. The survey method on population is used. Method of analysis is to explain the strength and direction of the influence of the independent/explanatory variables on the dependent variable among multiple regression models. Use of this analytical model, should avoid the possibility of
IJSER
 ISSN 2229-5518

deviation by the classic assumptions. The relationship between the dependent variable (Y) with the independent variable (X) is described in the multiple regression models.

\[ Y = f (X_1, X_2, ..., X_n) \] ................................. 8

Multiple regression equation becomes:

\[ Y = a + b_1 X_1 + b_2 X_2 + ... + b_n X_n \] ................................. 9

Notes: Y as a dependent variable, a value of Y when X = 0

X1, X2, Xn as independent variables 1, 2, and-n

b slope of variable X1, X2, Xn.

Regression Equation:

\[ Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + b_7 X_7 + ... \] ............... 10

Notes: Y = Debt to Asset ratio
     b1 … b7 = Coefficient of regression
     X1 = Sales Stability
     X2 = Profitability
     X3 = Asset Structure
     X4 = Liquidity
     X5 = Business Risk
     X6 = Company Size

Hypothesis test is conducted by the significance test of independent variables (Xi) to the dependent variable (Y) either partially or simultaneously with the statistical test (t-test) and F test.

5. ANALYSIS AND FINDINGS

This study has tested a variety of classical assumptions required and considered important in the multiple regression analysis, therefore the data/residuals normal distribution, normal data, does not occur multicollinearity among the independent variables, does not occur heteroscedasticity, and not occur autocorrelation between residuals variables constant (homoscedasticity), and not occur autocorrelation between residuals of each independent variable.

The results of partial correlation analysis, the correlation coefficient (r) and the determinate coefficient (r^2) todescribe the effect of offinancial performance dependent factors on cooperatives capital structure can be explained in the following table 2:

**Table 2: Correlation coefficient, coefficient Determinant and Significance Effect**

<table>
<thead>
<tr>
<th>No</th>
<th>Affecting Variables</th>
<th>Correlation Coefficient</th>
<th>Determinant Coefficient</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sales Stability</td>
<td>0.489</td>
<td>23.9%</td>
<td>Significance</td>
</tr>
<tr>
<td>2</td>
<td>Profitability</td>
<td>0.016</td>
<td>0%</td>
<td>Not significance</td>
</tr>
<tr>
<td>3</td>
<td>Asset Structure</td>
<td>0.683</td>
<td>46.9%</td>
<td>Significance</td>
</tr>
<tr>
<td>4</td>
<td>Liquidity</td>
<td>-0.066</td>
<td>0.4%</td>
<td>Not significance</td>
</tr>
<tr>
<td>5</td>
<td>Business Risk</td>
<td>-0.015</td>
<td>0%</td>
<td>Not significance</td>
</tr>
<tr>
<td>6</td>
<td>Company Size</td>
<td>0.902</td>
<td>25.2%</td>
<td>Significance</td>
</tr>
</tbody>
</table>

Sources: Analysis result

Based on the analysis results, it can be explained that the effect of each independent variable is the form of the cooperative financial performance as determinate factors of cooperative capital structure: (1) The magnitude of the correlation coefficient of effect of sales stability on cooperatives capital structure by r=0.489 with a determinate coefficient (r^2) = 23.90% with a significance test result of 0.000, because the probability of 0.000 less than 0.05, it can be stated that sales stability significantly. (2) The effect of profitability on cooperatives capital structure with a correlation coefficient (r) = 0.16 with a determinate coefficient (r^2) = 0.00%. Results of tests of significance of 0.902, greater than 0.05, it can be stated that profitability does not affect capital structure. (3) The effect of asset structure on cooperatives capital structure with r=0.683 with a determinate coefficient (r^2) = 46.90%. Results of significance test result of 0.000, less than 0.05, it can be concluded that asset structure has a significant effect on cooperative capital structure. (4) The effect of liquidity on cooperatives capital structure can be explained that the magnitude of the correlation coefficient (r) = 0.066 with a determinate coefficient (r^2) = 0.40%. Test results are not significant for a significance level of 0.618 is greater than 0.05, then liquidity does not affect cooperative capital structure. (5) The effect of the business risk on cooperatives capital structure with a correlation coefficient (r) = 0.15 with a determinate coefficient (r^2) = 0%. Significance test result can be seen that the significance level of 0.910 is greater than 0.05, then business risks does not affect cooperative capital structure. And (6) The effect of company size on cooperative capital structure with a correlation coefficient (r) = 0.502 with a determinate coefficient (r^2) = 25.2%. Results of significance test results of 0.000 smaller than 0.05, it means that company size significantly affects cooperative capital structure.

Simultaneously, the effect of the sales stability, profitability, asset structure, liquidity, business risk, and company size on the cooperative capital structure can be explained from multiple correlation analysis in the following table 3:

**Table 3: Model Summary Multiple Regression**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R^2</th>
<th>Adjusted R^2</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.708*</td>
<td>.502</td>
<td>.445</td>
<td>8.36641</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Sales Stability, Profitability, Asset Structure, Liquidity, Business Risk, and Company Size

Based on the analysis in Table 3, it can be explained that determinate factor of sales stability, profitability, asset structure, liquidity, business risk, and company size simultaneously have a very strong effect, with a correlation coefficient of 0.708 or a determinate coefficient of 50.20%. Significance test result can be seen that significance level of...
0.000, less than 0.05, it can be stated that six of determinant factors of financial performance effects on cooperative capital structure is significant. The results of multiple regression equations used to predict how much the variable cooperative capital structure change when there are changes in variables of sales stability, profitability, asset structure, liquidity, business risk, and company size. Results of regression analysis are presented in the following Table 4:

### Table 4: Calculation of Coefficients Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-0.770</td>
<td>1.466</td>
<td>-5.25</td>
<td>.602</td>
<td></td>
</tr>
<tr>
<td>Sales Stability</td>
<td>.019</td>
<td>.024</td>
<td>.096</td>
<td>.769</td>
<td>.445</td>
</tr>
<tr>
<td>Profitability</td>
<td>-0.002</td>
<td>.112</td>
<td>-0.02</td>
<td>-0.016</td>
<td>.987</td>
</tr>
<tr>
<td>Asset Structure</td>
<td>.100</td>
<td>.027</td>
<td>.518</td>
<td>3.699</td>
<td>.001</td>
</tr>
<tr>
<td>Liquidity</td>
<td>-0.002</td>
<td>.005</td>
<td>-0.072</td>
<td>-0.409</td>
<td>.684</td>
</tr>
<tr>
<td>Business Risk</td>
<td>.019</td>
<td>.030</td>
<td>.071</td>
<td>.392</td>
<td>.697</td>
</tr>
<tr>
<td>Company Size</td>
<td>.093</td>
<td>.058</td>
<td>.192</td>
<td>1.603</td>
<td>.115</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Capital Structure

Linear regression equation is:

\[ Y = -0.770 + 0.019X1 - 0.002X2 + 0.100X3 - 0.002X4 + 0.019X5 + 0.093X6 \]

Based on the significance test, it can be seen that with a significance level of 0.000, less than 0.05, it can be concluded that sales stability, profitability, asset structure, liquidity, business risk, and company size are determinant factors of cooperative capital structure. Constants significance testing can be done by comparing the value table with t count value, for a 5% error level test of the parties with df = n-2, the obtained ttable of 1.997. If \(-1.997 \leq t \leq 1.997\) mean that there is a significant effect of six independent variables on cooperative capital structure as dependent variable.

### 6. DISCUSSION

Based on results of partial statistical analysis shows that only 3 financial performances are analyzed as determinant factors of cooperative capital structure that are sales stability, asset structure, and company size, but profitability, liquidity, and business risk are not a determinant factor of cooperative capital structure.

Sales stability, asset structure, and company size become determinant of cooperatives capital structure can be described as follows; (a) Cooperative ability on maintaining sales stability or member services will be determinant in the decision of acquisition of debt as a funding source. This illustrates that if member service activity can be improved by cooperative, the easiest one is sourced by loan rather than from other sources such as members deposit, if member deposit must be increased have to wait this decision on member meeting, or capital sources funded by cooperative business surplus, usually is very small amount. (b) Asset structure has a significant effect on cooperative capital structure, asset structure pledged as collateral for cooperative loans, greater ratio of asset structure shows that cooperative increasingly ability to provide collateral for their loans, in other words cooperative more solvable. (c) Company size effects on capital structure, it can be explained that the cooperative has bigger size of cooperative company it has greater opportunity for obtaining fund from loan. Or in other words, the greater cooperative size is easier to access loan capital sources. Thus, based on the analysis and findings hypothesis 1, 3, and 6 are upheld and accepted.

Variables of profitability, liquidity, and business risk is not a determinant factor of cooperative capital structure, that can be explained: (a) There is no effect of profitability on cooperative capital structure, it means the ability of cooperatives to raise capital sourced from capital loans are not determined by cooperative profitability, this condition illustrates that decision to increase capital resources derived from loan does not consider the level of profitability, since most of small of cooperative profitability and cooperative goal is not profit oriented but service oriented for their members. (b) The results of this analysis showed that the level of liquidity is not a significant effect on cooperative capital structure, because loan as source of cooperative capitalisobtained by cooperative mostly from government credit program, which is channeled through cooperatives or for the cooperative itself, such as business credit (Kredit Usaha Rakyat), loans disbursed by Institute of Management Revolving Funds (Lembaga Pengelola Dana Bergulir), a soft loan from the partnership program (Program Kemitraan) and so on, in which direction the distribution in order to empower cooperatives and SMEs, and not pay attention to the ability of liquidity. And (c) The business risk variable has no effect on cooperative capital structure, because that lender to ignore the risks facing cooperative, as described before business risk is measured by deviation of expected return with real return. Return obtained year after year cooperative relatively stable thus indicating the occurrence of low volatility. It can be seen in ROE obtained from cooperative population during the last three years of growth averaged only 0.21% per year. Hence, hypothesis 2, 4 and 5 were not upheld and accepted and therefore rejected.

This research study revealed that simultaneously six of financial performance: sales stability, profitability, asset structure, liquidity, business risk, and company size as determinant factors that effect on cooperative capital structure, these result are basically consistent with previous studies. Thus, based on the analysis and findings hypothesis 7 are upheld and accepted.

### 7. CONCLUSION

The conclusion from this study include: In partial analysis are not all of financial performance as determinant
factors of cooperative capital structure, only financial performance that measured by sales stability, asset structure, and company size. Profitability, liquidity, and business risk are not determinant factors of cooperative capital structure, but based on the multiple correlation analysis show that six of financial performance variables as measured by sales stability, profitability, asset structure, liquidity, business risk, and company size as determinant factors that effect on cooperative capital structure.

8. IMPLICATIONS

This research study has implications in both practical and theoretical aspects. As far as the theoretical aspect has been concerned, this research study is not only highlighting the importance of cooperative financial performance has an effect on cooperative capital structure. If cooperative financial manager makes decision especially related to raise capital source from debt has to consider the several financial performance factors that effect on cooperative capital structure, partially that are sales stability, asset structure, and company size, but simultaneously, sales stability, profitability, asset structure, liquidity, business risk, and company size as determinants of cooperative capital structure. So, if the sources of cooperative capital will be increased especially from debt must be considered by those factors.

Meanwhile on the theoretical implications end, this study is evolving a new role that sales stability, profitability, asset structure, liquidity, business risk, and company size as determinant factors context by putting it as a predictor of cooperative capital structure and this theory can be extended in this dimension.

9. LIMITATIONS & FUTURE RESEARCH

This research study has been conducted in the largest cooperative in West Java, Indonesia, due to lack of resources and time. Future researchers can replicate it on more cooperative level including medium and small cooperatives and also not only in West Java but nationally. Sample size was small for this research but in future needs larger samples. Future research can also use non-financial performance variables rather than only financial performance.

10. ACKNOWLEDGEMENT

All praises are for Allah SWT Almighty who gives us sense and wit to complete this research study with the best of our knowledge. Furthermore the author is presented immense regards to the colleagues which were all along us while drafting this research study.

REFERENCES

Journal Paper References


**Book References**


