

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

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**Abstract**-Study of Capital structure in Indonesia cooperative entity is almost never be done, the sources of cooperative capital not only from internal source i.e. reserve of business surplus and members contribution but also derived from debts. 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 performances that measured, only sales stability, asset structure, and company size that become determinant factors that effect on cooperative 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

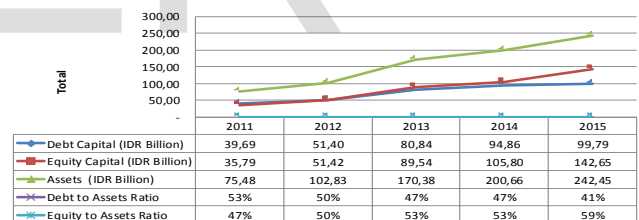
Classical problems of cooperative organization in Indonesia related to cooperative's ability to raise capital. Cooperative was founded, managed and cooperative service is primary used by members. Cooperative member as an owner and a user of cooperative organization that mentions as dual identity of cooperative member. Cooperative as a business entity that owned by members, capital requirements should be met by member 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 cooperative 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 accordance 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 source from debt, this condition is not in accordance with independence of cooperative principle, and cooperative was founded, managed and used by members.

Statistical data from Ministry of Cooperatives and SME's indicates that the performance of cooperative capital in 2011 to 2015:

**Table 1: Capital Structure Development of Cooperative in Indonesia**



Source: Financial Report of Ministry of Cooperative and SME's of Indonesia

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), illustrate that the proportion of cooperative debt is 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 cooperative financial performance but the other side may 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 sales, asset 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). Acaravci, 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. LITERATURE REVIEW

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, cooperatives as economic organizations that are not specialized activities to create gain but rather to create the members welfare, in a form of satisfactory service, the principal task of cooperative 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 indicate the source of capital or capital contributions from owners and creditors, financial contribution of members as equity or shares, reserves and other deposits formation, thereby cooperative capital resources can also be obtained from its own capital resources (equity) as well as the source of loan capital (Debt) (Hanel, A1989).

Differences judgment regarding the theory of capital structure continue until now, Modigliani and Miller argue that leverage (capital structure) is independent of the value of the company, and is known to irrelevance 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, asymmetry 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:

$$Debt\ to\ Asset\ Ratio = \frac{Total\ Debt}{Total\ Asset} \times 100\% \dots\dots\dots 1)$$

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, Cinde Ririh 2016). Ghosh et 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 Viorela Ligia Vaidean 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:

$$Sales\ Growth = \frac{P_{j,t} - P_{j,t-1}}{P_{j,t-1}} \dots\dots\dots 2)$$

$P_{j,t}$  = sales at year t

$P_{j,t-1}$  = sales at year t - 1

(2) *Profitability*, most of the empirical studies show that there are 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 et 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 net profit of cooperative organization assumed to be equal to the cooperative business surplus. Profitability is defined as earnings before interest and tax to total assets:

$$Return\ On\ Asset = \frac{EBIT}{Total\ Asset} \dots\dots\dots 3)$$

(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 to 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 some amount of assets that can be pledged as collateral value of assets. The asset structure is measured by comparing the non-current assets with overall assets owned by the cooperative in a certain period.

$$Asset\ Structure = \frac{Non\ Current\ Asset}{Total\ Asset} \dots\dots\dots 4)$$

(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 Ligia Vaidean 2014 and Lim, Thian Cheng, 2012). The liquidity ratios measure the relationship between a firm's liquid or current assets and its current liabilities (Cornet et al, 2012). Liquidity is measured:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \dots \dots \dots 5)$$

(5) *Business risk* is the risk of the company is 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 Qian 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 on a business margin, return on equity and the other for several years. Measured by the formula:

$$\text{Risk} = \text{standard deviation of cooperative returns} \dots \dots \dots 6)$$

(6) *The Company size*, describes the size of a company, measured by total sales or total assets. Some researchers use asset or sales growth this positive reflecting the greater size of the company, thus multiplying also funding alternatives that can be selected in increasing profits. 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 cooperative assets.

$$\text{Asset Growth} = \frac{Pa_t - Pa_{t-1}}{Pa_{t-1}} \dots \dots \dots 7)$$

$Pa_t$  Cooperative Assets at year  $t$   
 $Pa_{t-1}$  Cooperative Assets at year  $t - 1$

### 3. THEORETICAL FRAMEWORK

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

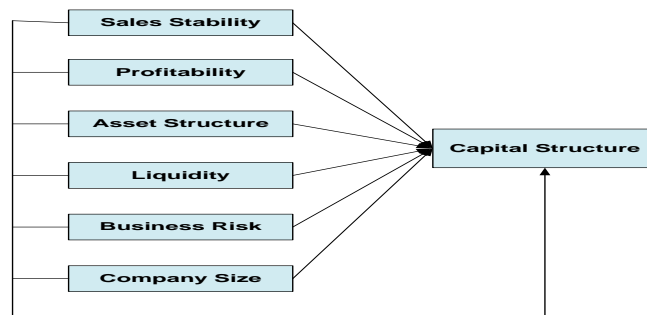


Figure 1: Model of Research Paradigm

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. Methods of analysis to explain the strength and direction of the influence of the independent/explanatory variables on the dependent variable are using multiple regression models. Use of this analytical model, should avoid the possibility of

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

$$Y = f(X_1, X_2, \dots, X_n) \dots\dots\dots 8)$$

Multiple regression equation becomes:

$$Y = a + b_1 X_1 + b_2 X_2 + \dots + b_n X_n \dots\dots\dots 9)$$

Notes: Y as a dependent variable, a value of Y when X = 0  
X1, X2, ..., Xn as an independent variable 1, 2, and n  
b slope of variable X1, X2, ..., Xn.

Regression Equation:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + b_7 X_7 \dots\dots\dots 10)$$

Notes:

Y = Debt to Asset ratio

b1 ... bn = 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, the results are the data/residual is normal distribution/normal data, does not occur multicollinearity among the independent variables, does not occur heteroscedasticity or variant disturbance variables constant (homoscedasticity), and does not occur autocorrelation between residuals of each independent variable.

The results of partial correlation analysis, the correlation coefficient (r) and the determinant coefficient (r<sup>2</sup>) to describe the effect of financial performance as determinant factors on cooperative capital structure can be explained in the following table 2:

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

No	Affecting Variables	Correlation Coefficient	Determinant Coefficient	Significance
1	Sales Stability	0.489	23,9%	Significance
2	Profitability	0.016	0%	Not significance
3	Asset Structure	0.685	46,9%	Significance
4	Liquidity	-0.066	0,4%	Not significance
5	Business Risk	-0.015	0%	Not significance
6	Company Size	0.502	25,2%	Significance

Sources: Analysis result

Based on the analysis results, it can be explained on the analysis of the effect of each independent variable in the form of a cooperative financial performance as a determinant factor on cooperative capital structure: (1) The

magnitude of the correlation coefficient of effect of sales stability on cooperative capital structure by  $r = 0.489$  with determinant coefficient ( $r^2$ ) = 23.90% with significance test result of 0.000, because the probability of 0.000 less than 0.05, it can be stated that sales stability effect on cooperative capital structure is significantly. It means that the ability of cooperative to raise capital sourced from debt capital is influenced or determined by sales stability. (2) The effect of profitability on cooperative capital structure with a correlation coefficient ( $r$ ) = 0.016 or determinant 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 effect on capital structure. So the hypothesis that there is an influence on the profitability of capital structure is not proven. (3) The effect of asset structure on cooperative capital structure, with  $r = 0.685$  or determinant coefficient of  $r^2 = 46.90\%$ . Results of significance test of 0.000, less than 0.05, it can be concluded that asset structure has significant effect on cooperative capital structure. (4) The effect of liquidity on cooperative capital structure can be explained that magnitude of correlation coefficient of  $r = -0.066$  or determinant coefficient of  $r^2 = 0.40\%$ . Test results are not significant for a significance level of 0.618 is greater than 0.05, then liquidity does not effect on cooperative capital structure. (5) The effect of the business risk on cooperative capital structure with correlation coefficient of  $r = -0.015$  or the determinant coefficient of  $r^2 = 0\%$ . Significance test results can be seen that the significance level of 0.910 is greater than 0.05, then business risk does not effect on cooperative capital structure. And (6) Effect of company size on cooperative capital structure with a correlation coefficient of ( $r$ ) = 0.502 or the determinant coefficient of  $r^2 = 25.20\%$ . Results of significance tests of 0.000 is smaller than 0.05, it means firm size effect on cooperative capital structure.

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

**Table 3: Model Summary Multiple Regression**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.708 <sup>a</sup>	.502	.445	8.36641

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 determinant 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 coefficient determinant 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 effect on cooperative capital structure significantly. The results of multiple regression equation used to predict how much the variable cooperative capital structure change when there are change 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**

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	-.770	1.466		-.525	.602
Sales Stability	.019	.024	.096	.769	.445
Profitability	-.002	.112	-.002	-.016	.987
Asset Structure	.100	.027	.518	3.699	.001
Liquidity	-.002	.005	-.072	-.409	.684
Business Risk	.019	.303	.071	.392	.697
Company Size	.093	.058	.192	1.603	.115

a. Dependent Variable: Capital Structure

Linear regression equation is:

$$Y = -0.770 + 0.019X_1 - 0.002X_2 + 0.100X_3 - 0.002X_4 + 0.019X_5 + 0.093X_6$$

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 effect on cooperative capital structure. Constants significance testing can be done by comparing the value t table with t count value, for a 5% error level test of the parties with df = n-2, the obtained t table 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 cooperative should find additional sources of financing, 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 cooperatives 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 capital is obtained 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 Pengelolaan 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.

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