



Influence of Company Size and Debt to Equity Ratio (DER) on The Rent of Sukuk Ijarah

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ABSTRACT

This study aims to analyze the effect of company size and debt to equity ratio (DER) on fees from ijarah sukuk. The population in this study are companies that issue sukuk on the Indonesia stock exchange period 2013-2018. The method used is an associative method. The population in this study is the Indonesia stock exchange with a research year of 6 years 2013-2018. There were 6 samples of complaints that issued ijarah sukuk on the Indonesian stock exchange that meet the criteria. The data collection technique uses secondary data in the form of published financial statements. Hypothesis testing is done using multiple linear analysis methods and testing using IBM SPSS version 22 software. The result showed that company size and debt to equity ratio (DER) doesn't affect on fee of sukuk ijarah.

INTRODUCTION

The capital market has an important role in the economic activities of a country, especially in countries that adhere to a market economy system. The capital market has a strategic role for the national economy. Among other things, this role is as a source of financing for companies and a vehicle for investment for the community. Investment instruments in the Indonesian capital market are not only conventional investment instruments, but also investment instruments that have sharia principles, such as sharia bonds, sharia mutual funds, and sharia stocks.

The Islamic capital market is a capital market whose entire mechanism of activity, especially regarding issuers, the types of securities traded and the trading mechanism, are in accordance with sharia principles. Sharia securities are securities as referred to in the laws and regulations in the capital market sector whose contracts, company management, and issuance methods comply with sharia principles. The capital market is divided into the conventional capital market and the Islamic capital market. One of the instruments that companies can use to obtain funds is the sukuk.

Sharia bonds are a new instrument that has colored the Indonesian capital market since 2002. The first sukuk issued in Indonesia were corporate sukuk, issued by PT Indosat Tbk which has launched Islamic bonds worth 175 billion. This step was followed by other companies. Most of the bonds issued in 2004 and 2005 started using ijarah contracts. Meanwhile, bonds issued in the first year of 2002-2003 used mudharabah contracts. Although sharia ijarah bonds emerged after 2 years from mudharabah sharia bonds, these ijarah sharia bonds were more in demand as evidenced in 2012 there were 39 issuers of sharia ijarah bonds that had been issued while only 15 mudharabah sharia bonds. Return Mudharabah sharia bonds use a term indicative/expected return because it is floating and depends on the performance

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of the income being shared, while the ijarah sharia bonds use a lease contract, so that the amount of return given is the same or fixed as long as the bond is valid at maturity (Yuliana, 2010). Thus, investors will be more interested in investing using an ijarah contract because it provides a fixed return. Various studies related to the influence of company size and Debt to Equity Ratio on the rental rate of sukuk ijarah that has been done by several previous researchers. Research conducted by Melati (2013) which states that the size of the company affects the rental rate of sukuk ijarah. However, this researcher is not in line with the research of Surya (2011) and Laeli (2015) which state that company size has no effect on the rental rate of sukuk ijarah.

Research conducted on the Debt to Equity Ratio to the rental rate of sukuk ijarah that has been carried out by several previous researchers. Research conducted by Surya (2011) and Noviana (2018) which states that the Debt to Equity Ratio has an effect on Islamic bond yields. However, this researcher is not in line with research by Melati (2013) and Pratiwi (2014) which state that the Debt to Equity Ratio has no effect on the rental rate of sukuk ijarah.

LITERATURE REVIEW

Signal Theory (Signalling Theory)

Ross (1997) developed a model in which the structure of the model (debt use) is a signal that is conveyed by managers to the market. If the manager has confidence that the company's prospects are good, and therefore wants the stock price to increase, he or she wants to communicate this to investors. Signals also tell about how a company should give signals to users of financial statements. The signal is in the form of information about the condition of the company to the owner or interested parties. The signal given can also be done through the disclosure of accounting information such as financial statements and signal theory also discusses how the signals of success or failure of management (agents) are conveyed to the owners of capital. Thus the submission of financial statements can be considered as a signal, which means that the agent has acted in accordance with the contract or not. One of the information that must be disclosed by the company is information about the company's financial statements. The company conducts financial analysis in the hope of increasing the reputation and value of the company.

Signaling theory states that good quality companies will intentionally give signals to the market, thus investors can be expected to distinguish between good quality and poor quality companies. In order for the signal to be good, it must be captured by investors and perceived as good and not easily imitated by companies that have poor quality. Information published as an announcement will provide a signal for investors in making investment decisions.

Ijarah Sukuk Rental Rate

Ijarah Sukuk Rental Rate is a lease of sharia bonds with a fee for funds obtained from sukuk ijarah. According to Arum Melati (2013) defines that: "The rental rate of sukuk ijarah is the rental rate or fee for the ijarah Islamic bonds to determine the amount of the rental rate obtained by the holders of the sukuk ijarah".

According to Wahyu Pratiwi (2014) defines that: "The rental rate of sukuk ijarah is the fee or result that will be obtained by investors who invest their funds in Islamic bonds or sukuk with ijarah contracts".

The formula for the rental rate for sukuk ijarah is as follows:

$$\frac{\text{Sewa per tahun}}{\text{Nilai nominal}} \times 100\%$$

Company Size

The size of the company is the greater the ratio of the size of a company, the tendency to use foreign capital is also getting bigger. This is because large companies require large funds to support their operations. And one alternative to fulfill it is with foreign capital if the own capital is not sufficient. (Halim, 2015:30).

Companies with a larger size have greater access to sources of funding from various sources, so it will be easier to obtain loans from creditors because companies with large sizes have greater profitability to win the competition or survive in the industry. On the other hand, small companies are more flexible in dealing with uncertainty, because small companies react more to sudden changes. Therefore, it is possible for large companies to have a higher level of leverage than small companies. the company size can be formulated as follows:

$$\text{Firm size} = \text{Natural logarithm of total assets}$$

Debt to Equity Ratio(DER)

According to Kasmir (2015:157) defines that: "Debt to Equity Ratio is the ratio used to assess debt to equity. This ratio is sought by comparing all debt, including current debt with all equity. This ratio is useful for knowing the amount of funds provided by the custodian (creditor) with the owner of the company. In other words, this ratio serves to find out every rupiah of own capital used as collateral for debt.

*Debt to Equity Ratio*In order to measure the ratio, the focus of attention on long-term creditors is primarily aimed at profit prospects and cash flow forecasts. However, they cannot ignore the importance of maintaining a balance between the proportion of assets funded by creditors and those funded by company owners. The balance of the proportion between assets funded by creditors and funded by company owners is measured by the DER ratio. (Prastowo, 2015:79). According to Harahap (2016:303) defines that: "The Debt to Equity Ratio describes the company's ability to pay its long-term obligations or liquidated obligations. This ratio can be calculated from long-term items such as fixed assets and long-term debt.

Based on the above understanding, it can be concluded that the Debt to Equity Ratio is a ratio to determine the ratio of all current debt and equity as funds and shows the ability of its own capital to meet its obligations. When debt financing is higher, the ratio will be higher. This shows that the company will find it difficult to find additional loans because it is feared that the company will not be able to repay the loan. And when debt funding is low, the ratio is also low. This can show that the company's financing by debt is getting less and less. So the Debt to Equity Ratio (DER) can be formulated as follows:

$$DER = \frac{\text{TOTAL HUTANG}}{\text{TOTAL EKUITAS}}$$

Framework

Ross (1997) developed a model in which the structure of the model (the use of debt) is a signal that managers send to the market. *Signaling theory* emphasizes the importance of information issued by the company on investment decisions of outsiders. The relationship with signal theory is that companies that can provide signals for potential investors or other interested parties can be in the form of company financial statements. The company's financial statements can be used to see the performance of a company in each period and can be used to assist in the decision-making process.

The size of a company can be seen from the size of the total assets and total sales of a company, the greater the total assets owned by the company, the greater the return on the sukuk ijarah rental rate that

will be distributed by the company to investors so that it can attract investors to invest in Sukuk Ijarah. . On the other hand, if the total assets of the company are low, the resulting Sukuk Ijarah Rental Rate will also be lower so that investors will be less interested in investing their funds in the company.

This is supported by Melati's research (2013) that firm size affects the rental rate of Sukuk Ijarah. Thus in this study the following hypotheses will be proposed:

H1: Company size affects the rental rate of Sukuk Ijarah

The theory that underlies this research is Signaling Theory. Signaling theory helps explain the behavior of two parties, namely bond issuers and investors when they have access to different information. This can be interpreted that signal theory explains why companies have the urge to provide financial statement information to external parties. Signaling strategy refers to the actions taken by the company's management to influence the views and behavior of recipients.

Debt to Equity Ratio (DER) is a ratio used to measure the company's ability to settle all its obligations to other parties. This states that if the Debt to Equity Ratio increases, the rate of return on sukuk ijarah will decrease because if the Debt to Equity Ratio is high most of the The capital is obtained from debt so that the company has obligations that must be paid and the burden on the company will be heavier to pay the debt. This will reduce the financing that will be distributed to investors. But on the contrary, if the level of Debt to Equity Ratio is low, it will get a high rental rate because if the company has sufficient capital, the company is not burdened by debt so that the financing to be distributed to investors will be high.

This is supported by research Noviana (2018) and Surya (2011) that the Debt to Equity Ratio has an effect on Sukuk Ijarah Rental Rate. Thus in this study the following hypotheses will be proposed:

H2: Debt to Equity Ratio has an effect on Ijarah Sukuk Rental Rate

Based on the explanation above, the framework of thought is presented in the following figure:

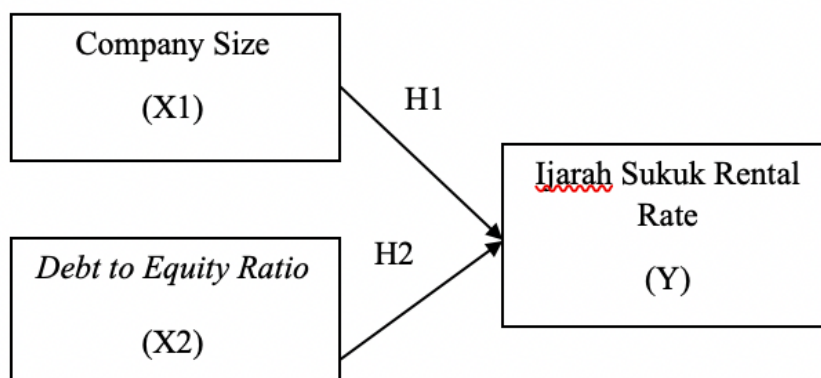


Fig 1. Framework

RESEARCH METHODS

The research method used is the associative method. The associative method is a research method related to the problem of a causal relationship between two or more variables (Sugiyono, 2018:51). The population used in this study are companies that issue sukuk on the Indonesia Stock Exchange (IDX), totaling 22 companies. The sampling technique in this study using *purposive random sampling*. 1) as for the samples obtained are 6 companies with criteria, while the criteria used as samples in this study are: Companies that issue sukuk ijarah on the Indonesia Stock Exchange in 2013-2018. 2) Companies that have complete data on company size and debt to equity ratio during the 2013-2018 period.

The data analysis method used in this study is multiple regression.

Table 1
Variable Operations

Variable	Measurement	Measuring Scale
Dependent : Ijarah Sukuk Rental Rate (Y)	$\frac{\text{Sewa per tahun}}{\text{Nilai nominal}} \times 100\%$	Ratio
Independent: Company Size (X1)	Firm size = Natural logarithm of total assets	Ratio
Independent: Debt to Equity Ratio(DER) (X2)	$DER = \frac{\text{TOTAL HUTANG}}{\text{TOTAL EKUITAS}}$	Ratio

Source: Arum Melati (2013), Wahyu Pratiwi (2014), Kasmir (2015)

RESEARCH RESULTS AND DISCUSSION

The following is a descriptive statistical analysis of the Sukuk Ijarah Rental Rate, Company Size and Debt to Equity Ratio (DER) variables in this study.

Table 2
Descriptive statistics

	N	Minimum	Maximum	mean	Std. Deviation
TSSI	36	2.58	11.27	8.4536	2,56022
SIZE	36	21.03	34.94	28,2380	4,42819
DER	36	,45	4.84	2.1281	1.14122
Valid N (listwise)	36				

Source: Processed secondary data, 2019

Prior to multiple linear analysis, the classical assumption test must be carried out which in this study can be seen as follows:

Table 3
Normality Test Results

		Unstandardized Residual
N		35
Normal Parameters, b	mean	,0000000
	Std. Deviation	,73696196
Most Extreme Differences	Absolute	,142
	Positive	,142
	negative	-,109
Test Statistics		,142
asymp. Sig. (2-tailed)		,072c

Source: Processed secondary data, 2019

Based on table 3 shows that the variables used in this study have a significant value of 0.072. This means that the regression model has met the assumption of normality or the data used in this study is declared to be normally distributed. Related to this, the significance value shows that it is greater than 0.05, namely 0.072 > 0.05, which means that the residual data is normally distributed.

Table 4
Multicollinearity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.	Collinearity Statistics	
	B	Std. Error	Beta	t		Tolerance	VIF
(Constant)	1,479	,691		2,140	0.040		
SQRT_X1	,026	,122	0.037	,211	,835	,997	1.003
SQRT_X2	-,010	,367	-,005	-,028	,978	,997	1.003

Source: Processed secondary data, 2019

Based on table 4, it can be seen that tolerance shows that the Tolerance value 0.10 or the Variance Inflation Factor (VIF) 10 means that there is no multicollinearity that has been carried out with this assumption, it can be proven by the Tolerance value of Company Size (X1) 0.997 0.10 and the value of Tolerance Debt to Equity Ratio (X2) 0.997 0.10. It can be concluded that there is no multicollinearity between independent variables.

Table 5
Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,544a	,296	,252	,36341	1,601

Source: Processed secondary data, 2019

Based on the results of the autocorrelation test in table 5, the Durbin Watson value is 1.601 with a significance of 5% and the number of samples is 35 (n = 35) and the number of independent variables is 2 (k = 2). Referring to the Durbin Watson table, the value of dL = 1.3433 and the value of dU = 1.5838 are obtained.

With a sample size of 35 (n) it can be seen that the dL value is 1.3433 and the dU value is 1.5838. Durbin Watson's value of 1.601 is greater than the value of Du 1.5838 and less than (4-Du) 4 - 1.5838 = 2.4162 then the value of Durbin Watson lies at (Du < d < 4 - du), namely (1.5838 < 1.601 < 2.4162). Which means that there is no positive or negative autocorrelation and the decision results are not rejected and it can be concluded that the regression model in this study does not have autocorrelation or is free from autocorrelation.

Table 6
Glesjer Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1,479	,691		2,140	0.040
SQRT_X1	,026	,122	0.037	,211	,835
SQRT_X2	-,010	,367	-,005	-,028	,978

Source: Processed secondary data, 2019

Based on table 6 shows that the significant value of each variable has a significant value above 0.05 or 5%. The significant value of the Firm Size variable (X1) of 0.835 and a significant value of the variable Debt to Equity Ratio (X2) of 0.978. It can be concluded that there is no heteroscedasticity in this

regression model, so it is feasible to predict to predict Firm Size and Debt to Equity Ratio (DER) on the dependent variable of the Sukuk Ijarah Rental Rate.

Table 7
Multiple Linear Regression Analysis Test Results

Model	Sig.
1 (Constant)	0.040
SQRT_X1	,835
SQRT_X2	,978

Source: Processed secondary data, 2019

The Effect of Firm Size on the Rental Rate of Sukuk Ijarah

The results of this study indicate that the size of the company has no effect on the rental rate of Sukuk Ijarah. In accordance with the results of the study obtained a significant level of 0.835. The significant level is greater than the significant value that has been set at 0.05. That is, the second hypothesis (H2) which states that the size of the company has no effect on the rental rate of Sukuk Ijarah.

Based on the data analyzed in this study, it shows that the Company Size and Rental Rates of Sukuk Ijarah have data that are almost the same as each other or have relatively small data differences so that they both have non-variative characteristics. Based on the data observed in the companies that were used as research samples during the period of 6 (six) years of observation. It is known as in 2 (two) companies, namely PT Perusahaan Listrik Negara and PT Summarecon Agung.

PT Perusahaan Listrik Negara has an average total asset value of 34.5676 which is greater than the average value of total assets at PT Summarecon Agung which has a smaller total asset of 23.6463, but PT Perusahaan Listrik Negara provides a rental rate Sukuk Ijarah is lower by 9.38% compared to PT Summarecon Agung, which has a smaller asset value, which actually provides a higher Sukuk Ijarah Rental Rate of 10.61%. This shows that the size of the company size as a proxy for total assets is not a benchmark in determining the rental rate of Sukuk Ijarah. So, it can be concluded that the size of the company has no effect on the rental rate of Sukuk Ijarah

The results of this study are consistent with research conducted by Surya (2011) and Laeli (2015) which state that company size has no effect on the rental rate of Sukuk Ijarah. However, this study is inconsistent with research conducted by Melati (2013) which states that company size affects the rental rate of Sukuk Ijarah.

The Effect of Debt to Equity Ratio on the Rental Rate of Sukuk Ijarah

The results of this study indicate that the Debt to Equity Ratio (DER) has no effect on the Rental Rate of Sukuk Ijarah. The results obtained a significant level of 0.978. The significant level is greater than the specified significant value of 0.05. That is, the second hypothesis (H2) which states that the Debt to Equity Ratio (DER) has no effect on the Ijarah Sukuk Rental Rate.

Based on the data analyzed in this study, it shows that the Debt to Equity Ratio (DER) and the Sukuk Ijarah Rental Rate have data that are almost the same as each other or have relatively small data differences so that they both have non-variative characteristics. Based on the data observed in the companies that were used as research samples during the period of 6 (six) years of observation. It is known as in 2 (two) companies, namely PT Sumberdaya Sewatama and PT Aneka Gas Industri.

PT Sumberdaya Sewatama has an average Debt to Equity Ratio (DER) of 4.0532, which is greater than the average Debt to Equity Ratio (DER) at PT Aneka Gas Industri which has a Debt to Equity Ratio (DER). smaller, namely 1.5162, but PT Sumberdaya Sewatama provides a higher Sukuk Ijarah Rental

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Rate of 9.64% compared to PT Aneka Gas Industri which has a smaller Debt to Equity Ratio (DER) value which can actually provide a Sukuk Rental Rate The lower Ijarah is 3.61%. This shows that the size of the Debt to Equity Ratio (DER) is not a benchmark in determining the Rental Rate of Sukuk Ijarah. Thus, it can be concluded that the Debt to Equity Ratio (DER) has no effect on the Sukuk Ijarah Rental Rate.

The results of this study are consistent with research conducted by Melati (2013) and Pratiwi (2014) which state that the Debt to Equity Ratio (DER) has no effect on the Rental Rate of Sukuk Ijarah. However, this study is inconsistent with research conducted by Noviana (2018) which states that the Debt to Equity Ratio (DER) has an effect on the Sukuk Ijarah Rental Rate.

Table 8
Coefficient of Determination Test Results R2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,038a	.001	-,061	,75964

Source: Processed secondary data, 2019

Based on table 4.12 shows that the value of Adjust R Square is -0.061. Related to this, it shows that the variation of changes in the Sukuk Ijarah Rental Rate cannot be explained by Company Size and Debt to Equity Ratio (DER). This is because the value of the coefficient of determination Adjust R Square is negative.

CONCLUSIONS

Based on the results obtained from data management and analysis, the following conclusions can be drawn:

1. Company size has no effect on the rental rate of Sukuk Ijarah. This means that the size of the company size which is proxied by total assets is not a benchmark in determining the rental rate of Sukuk Ijarah.
2. *Debt to Equity Ratio*(DER) has no effect on the Sukuk Ijarah Rental Rate. This means that the size of the Debt to Equity Ratio (DER) is not a benchmark in determining the Rental Rate of Sukuk Ijarah.

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