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## THE EFFECT OF PROFITABILITY, GROWTH OPPORTUNITY, ASSET STRUCTURE AND LIQUIDITY ON CAPITAL STRUCTURE

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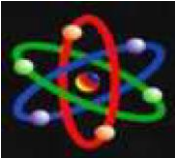
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### Abstract

The purpose of this study was to examine the effect of profitability, growth opportunity, asset structure and liquidity on the capital structure of companies in the consumer industry sector listed on the Indonesia Stock Exchange. 2018-2021 years. The analytical method used in this research is multiple linear regression with SPSS. Observations in this study used purposive sampling and obtained a sample of 34 companies by testing the classical assumptions, multiple linear regression, hypothesis testing and the coefficient of determination. The conclusions from the results of this study indicate that partially profitability, asset structure and liquidity have a significant effect on capital structure while growth opportunities do not have a significant effect on capital structure. Simultaneously the four factors namely profitability, growth opportunity, asset structure and liquidity have a significant influence on capital structure.

Keywords: Profitability, Growth Opportunity, Asset Structure, Liquidity, Capital Structure

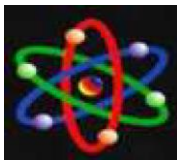


## INTRODUCTION

Economic developments cause competition faced by companies to become more competitive so companies must make the right strategies and innovations so that companies can survive and achieve goals. This is experienced by various sectors in the economy, especially in the consumer goods sector which makes a significant contribution to economic growth due to the level of consumption of basic human needs. The phenomenon of the entry of Covid-19 into Indonesia has an impact on the consumption industry sector where there are social restrictions set by the government and rising raw material prices affect the level of stability of companies in supporting company capital or funding. The capital structure reflects the comparison between the amount of long-term debt and own capital in carrying out company activities. Determination of the capital structure is an important issue that must be considered because it will affect the company's financial position and determine the right source of funds for the company in carrying out its operational activities. Management of the capital structure is expected to be in optimal conditions, which minimize risk and maximize returns. Optimal capital structure is a combination of debt and equity that can maximize the value of the company. The optimal structure is managed by taking into account the company's ability in terms of profitability, growth opportunity, asset structure and company liquidity. Profitability shows the company's ability to generate profits during one period. Companies that have high profitability generate high profits so that the rate of return within the company is relatively

high and internal funds are available in large quantities to make the use of debt low. The higher the profitability generated, the use of debt is also relatively small because companies tend to use sufficient retained earnings to fund most of their funding needs so that the capital structure becomes low. Growth opportunity reflects the company's growth opportunities in the future to develop the company. Companies that have rapid growth and good prospects in the future will need large funds to increase their fixed assets to produce optimal performance. Companies with high growth opportunities indicate that the company is experiencing expansion by using external funds in the form of debt in the hope of developing market share so that it will have an impact on the company's capital structure decisions. The asset structure shows the allocation of each asset component, both current assets and fixed assets within the company. Companies with a good asset structure will provide benefits and convenience for companies in obtaining long-term debt guarantees so that the tendency to use debt is higher. Thus, the higher the company's asset structure, the higher the company's ability to be able to guarantee the long-term debt it borrows so that it will improve the company's capital structure. Liquidity provides an illustration of the ability to meet short-term obligations. High liquidity indicates that the company has high current assets than its current liabilities, so the company will use its current assets to pay its obligations compared to using debt. Companies that have high liquidity tend to reduce the use of external funding because the company's internal funding sources are sufficient to fund its operational activities





with the aim of reducing costs arising from external funding.

N a m e	Y e a r	Net profit	Total assets	Fixed assets	Current asset	Total Amou n of debt
<hr/>						
	2018	52,958,000,00	881,275,000,00	517,130,000,00	364,138,000,00	399,360,000,00
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A D S	2020	83,885,000,00	822,375,000,00	471,250,000,00	351,120,000,00	254,430,000,00
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	2022	135,789,000,00	958,791,000,00	413,550,000,00	545,239,000,00	258,283,000,00
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	2022	265,758,000,00	1,304,108,000,00	630,710,000,00	673,394,000,00	334,291,000,00
<hr/>						
	2018	50,467,000,00	3,392,980,000,00	1,920,840,000,00	1,472,140,000,00	2,166,496,000,00
<hr/>						
B U D I	2020	64,021,000,00	2,999,767,000,00	1,858,700,000,00	1,141,009,000,00	1,714,449,000,00
<hr/>						
	2022	67,093,000,00	2,963,007,000,00	1,721,400,000,00	1,241,567,000,00	1,640,851,000,00
<hr/>						
	2022	91,723,000,00	2,993,218,000,00	1,672,941,000,00	1,320,277,000,00	1,605,521,000,00
<hr/>						
	2018	2,497,261,964,757	18,146,206,145,369	7,497,917,758,643	10,648,288,386,726	2,851,611,349,015
<hr/>						
K L B F	2020	2,537,601,823,645	20,264,726,862,584	9,042,235,884,163	11,222,490,978,401	3,559,144,386,553
<hr/>						
	2022	2,799,622,515,814	22,564,300,317,374	9,488,968,436,659	13,075,331,880,715	4,288,218,173,294
<hr/>						
	2022	3,232,007,683,1281	25,666,635,156,271	9,954,425,648,633	15,712,209,507,638	4,400,757,363,148
<hr/>						
S T T P	2020	255,088,886,019	2,631,189,810,030	1,380,382,987,112	1,250,806,822,918	984,801,863,078
<hr/>						
	2022	482,590,522,840	2,881,563,083,954	1,716,156,782,268	1,165,406,301,686	733,556,075,974

9					
2					
0	628,62	3,448,9	1,943,1	1,505,8	775,69
2	8,879,5	95,059,	22,237,	72,822,	6,860,7
0	49	882	404	478	38
<hr/>					
2					
0	617,57	3,919,2	1,939,3	1,979,8	618,39
2	3,766,8	43,683,	88,679,	55,004,	5,061,2
1	63	748	436	312	19

Table 1. Financial Report, Data Processed 2022

**METHODS**

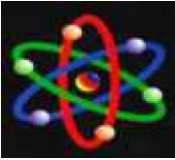
The population used in this research is the consumer goods industry sector companies which are listed on the IDX for 2018-2021 as many as 66 companies. The sampling technique in this study was based on purposive sampling . The criteria for selecting the sample are as follows:

1. Companies in the consumer industry sector listed on the IDX during the 2018-2021 period.
2. Companies in the consumer industry sector that publish complete financial reports consecutively during the 2018-2021 period.
3. Companies in the consumer industry sector which earned consecutive profits during the 2018-2021 period.

No	Information	Amount
1.	Consumer industry companies listed on the IDX in 2018-2021	66
2.	Consumer industry company those not listed on the IDX during the 2018-2021 period	(15)
3.	Consumer industry company which did not publish complete financial statements consecutively during the 2018-2021 period	(4)
4.	Consumer industry company who experienced losses during the 2018-2021 period	(13)
<b>Number of samples</b>		<b>34</b>
<b>Number of Observations = 34 x 4 years</b>		<b>136</b>

Table 2 . Election Sample





## RESULTS

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas	136	,00	2,10	,2055	,37882
Growth_Opportunity	136	-,29	2,53	,1317	,29502
Struktur_Aktiva	136	,04	2,53	,4739	,40575
Likuiditas	136	,61	13,31	3,3521	2,88140
Struktur_Modal	136	,01	3,41	,8001	,64701
Valid N (listwise)	136				

Table 1 . Descriptive Statistics

- Profitability has a minimum value of 0.00 obtained by PT Kimia Farma Tbk and a maximum value of 2.1 obtained by PT Sekar Bumi Tbk, an average value of 0.2055 and a standard deviation of 0.37882.
- The growth opportunity has a minimum value of -0.29 which was obtained by PT Merck Tbk and a maximum value of 2.53 obtained by PT Pyridam Farma Tbk, with an average value of 0.1317 and a standard deviation of 0.29502.
- asset structure has a minimum value of 0.04 obtained by PT Hartadinata Abadi Tbk and a maximum value of 2.53 obtained by PT Unilever Indonesia Tbk, an average value of 0.4739 and a standard deviation of 0.40575.
- Liquidity has a minimum value of 0.61 obtained by PT Unilever Indonesia Tbk and a maximum value of 13.31 obtained by PT Campina Ice Cream Industry Tbk, the average value of 3.3521 and a standard deviation of 2.88140.
- The capital structure has a minimum value of 0.01 obtained by PT Kalbe Farma Tbk, a maximum value of 3.41

obtained by PT Unilever Indonesia Tbk, an average value of 0.8001 and a standard deviation of 0.64701.

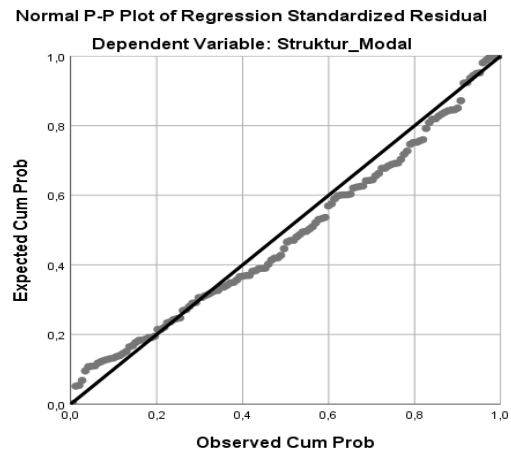


Figure 1 . P-Plot Graph

It can be concluded that the data is normally distributed. This is indicated by the presence of data points that follow and approach the axis lines.

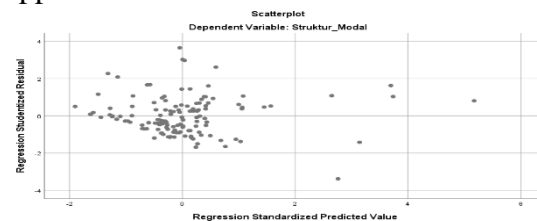


Figure 2 . Scatter plots

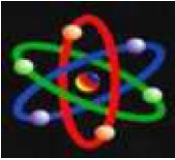
it can be concluded that the regression model does not have heteroscedasticity. This can be seen from the spread of data points that do not form a certain pattern.

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,719	,077		9,309	,000
	Profitabilitas	,573	,121	,335	4,715	,000
	Growth_Opportunity	,145	,142	,066	1,018	,311
	Struktur_Aktiva	,668	,117	,419	5,700	,000
	Likuiditas	-,111	,015	-,495	-7,291	,000

a. Dependent Variable: Struktur\_Modal

Table 3. Regression Equation





$$\text{Capital Structure} = 0.719 + 0.573 \text{ Profitability} + 0.145 \text{ Growth\_Opportunity} + 0.668 \text{ Asset\_Structure} - 0.111 \text{ Liquidity}$$

- A constant value of 0.719 means that profitability, growth opportunity, asset structure and liquidity considered constant, then capital structure of 0.719.
- Regression coefficient value a positive value of 0.573 means that if each increase in profitability by 1 unit in the condition of other variables is considered constant then the capital structure will increase by 0.573.
- Regression coefficient value a positive value of 0.145 means that if each increase in growth opportunity is 1 unit in the condition that other variables are held constant, then the capital structure will increase by 0.145.
- Regression coefficient value a positive value of 0.668 means that every increase in asset structure by 1 unit when other variables are considered constant, the capital structure will increase by 0.668.
- Regression coefficient value a negative value of 0.111 means that every increase in liquidity by 1 unit when other variables are considered constant, the capital structure will decrease by 0.111.

partial test results in this study obtained:

- Profitability variable produces a  $t_{\text{count}}$  value of 4.715,  $t_{\text{table}}$  1.97824 with a significance of 0.000. Then the comparison results on this variable are  $4.715 > 1.97824$  and  $0.000 < 0.05$  with the conclusion that profitability has a positive and significant effect on capital structure.
- growth opportunity variable produces a  $t_{\text{count}}$  value of 1.018,  $t_{\text{table}}$  1.97824 with a significance of 0.311. So the comparison results on this variable are  $1.018 < 1.97824$  and  $0.311 > 0.05$  with the conclusion that growth opportunity has no significant effect on capital structure.
- The asset structure variable produces a  $t_{\text{count}}$  value of 5.700,  $t_{\text{table}}$  1.97824 with a significance of 0.000. Then the comparison results on this variable are  $5.700 > 1.97824$  and  $0.000 < 0.05$  with the conclusion that asset structure has a positive and significant effect on capital structure

The liquidity variable produces a  $t$ -value of -7.291, a  $t_{\text{table}}$  of 1.97824 with a significance of 0.000. Then the comparison results on this variable are  $-7.291 < 1.97824$  and  $0.000 < 0.05$  with the conclusion that liquidity has a negative and significant effect on capital structure.

## CONCLUSION

From the results of research that has been done, it can be concluded, among others:

- Partially, profitability, asset structure has a significant effect on capital structure, while growth opportunities and liquidity do not have a significant effect on capital structure in consumer industry sector

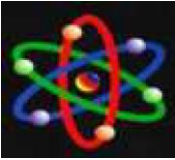
Coefficients<sup>a</sup>

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a. Dependent Variable: Struktur\_Modal

Table 4. T Test





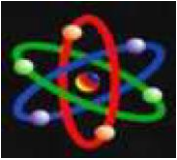
companies listed on the Indonesia Stock Exchange 2018-2021 years.

2. Simultaneously profitability, growth opportunity, asset structure and liquidity have a significant effect on the capital structure of companies in the consumer industry sector listed on the Indonesia Stock Exchange 2018-2021 years.

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