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The Influence of Liquidity, Profitability, Firm Size, Tangibility and Growth on Capital Structure

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A B S T R A C T

This study examines the effects of liquidity, profitability, firm size, tangibility, and growth on the capital structure of consumer goods and industrial sector companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2022. Using the Generalized Method of Moments (GMM) in Eviews 12SV, 45 companies were analyzed based on purposive sampling. Results show tangibility and liquidity negatively influence capital structure, as firms with higher tangible assets and liquidity prefer internal financing. Conversely, firm size, profitability, and growth positively impact capital structure, with larger, more profitable firms adopting higher leverage due to increased access to external funding. This highlights the dynamic interplay of financial factors in shaping corporate capital structures.

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INTRODUCTION

The combination or mix of permanent finances used by a business to achieve long-term objectives is referred to as its capital structure. Since financing decisions can help management minimize capital expenditures experienced by the firm while enhancing the organization's financial worth, business executives must ensure that funding is provided quickly, precisely, and accurately. A company's capital structure can also be examined using financial ratios. Comparing a company's debt to equity is a popular technique (Mohammad Zaenal Fanani1, 2022). According to (Goshu M. E., 2022) A capital structure provides a variety of resources that can support operational activities and facilitate business growth. Short-term and long-term debt are part of the capital structure, which helps ensure a company's capital flow continues. The stronger the company's capital structure, the higher the risk the company faces. In research (Fahmi I. , 2018) notes that to evaluate long-term risks and assess future revenue prospects during operations, capital structure plays an important role. An effective capital structure involves balancing the use of internal capital with external borrowing, so it is important for companies to carefully plan their strategies and make informed decisions regarding their capital structure.

Businesses that operate in the consumer goods sector are included within the manufacturing sector. Food and drink, tobacco products, pharmaceuticals, cosmetics, home needs, and household appliances are the six primary subsectors that make up this industry. The consumer products industry changed annually between 2016 and 2022. A lower Debt to Equity Ratio (DER) indicates that a company is better able to fulfill its commitments. Conversely, a high DER denotes a high debt load, which makes it more challenging for businesses to fulfill their external commitments. Businesses must manage their financial structure as efficiently as possible.

Using the Debt to Equity Ratio (DER), which is derived by comparing a company's total liabilities with its total equity in the consumer goods sector, which was listed on the Indonesia Stock Exchange (IDX) between 2016 and 2022, the graph below shows the average capital structure.

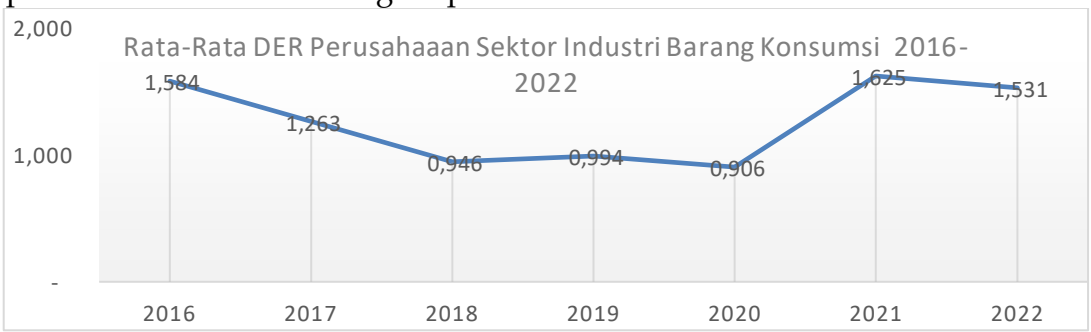

Figure 1. Average Debt to Equity Ratio (DER) in the Consumer Goods Sector from 2016 to 2022

As illustrated in Figure 1. the average Debt to Equity Ratio (DER) of companies in this sector fluctuates over the years. In 2016, the average DER was recorded at 1,584, before dropping to 1,263 in 2017. The downward trend continued in 2018, with the DER decreasing to 0.946. However, in 2019, the ratio increased to 0.994 and rose again in 2020 to reach 1.584. Over a seven-year period,

2023 was recorded as the best year with the lowest average DER of 1,531. A lower DER indicates a company's better ability to meet its obligations. Conversely, a high DER weakens a company's ability to pay its external obligations, which can ultimately affect the company's financial stability.

Stock prices can increase the value of a company, making it easier to obtain equity financing through the issuance of shares, thereby attracting investors and easing the financial burden. On the other hand, rising stock prices can also negatively impact the capital structure by increasing the cost of capital, as higher cost of equity can lead to an increase in the overall cost of capital of the company.

LITERATURE REVIEW

Pecking Order Theory

Pecking Order Theory expressed by (Husnan Suad, 2015) It is different from the previous theory of capital structure in explaining funding decisions. This theory states that:

1. Companies are more likely to utilize internal funds derived from their operating results.
2. The company seeks to maintain its desired dividend payout ratio without making major changes to the dividend payout.
3. Operating funds can exceed or fall short of investment demands because dividend policies are frequently difficult to modify due to variations in profitability and erratic investment opportunities. If operational funds are not enough to cover investment needs, the corporation might have to cut cash or sell assets.

If outside funding is required, the company prefers to issue securities that are considered the safest first, such as bonds, followed by securities with additional options, such as convertible bonds, and new shares will be issued as a last option if needed.

Modigliani Mille Theory

Modigliani Miller's theory (MM) as explained by (Husnan Suad, 2015), stating that the use of debt or capital itself does not make a significant difference to the welfare of the company owner in perfect capital market conditions and without taxes. In other words, in the context of an ideal capital market, there is no significant difference between the use of debt or own capital in terms of creating value for the owner of the company.

Trade of Theory

Trade of Theory, proposed by (Setia A. L., 2008) Trade-off Theory states that companies determine their capital structure based on the optimal level to be achieved. The purpose of this theory is to find the ideal debt ratio by considering the benefits and costs of using debt.

Signalling Theory

As expressed by (Mulyawan S. , 2015) Signalling Theory indicates that managers have more in-depth information compared to external investors. In this

situation of information asymmetry, the manager will take action based on an assessment of market conditions. The assessment of a company's prospects is carried out by management, and when the prospects are promising, managers usually look for additional capital through the issuance of new shares.

Capital Structure

Capital structure is a complex element in the financial decision-making process, and the difficulty stems from its interdependence with other financial variables (Sarianti, 2023). The capital structure can be explained through a ratio that compares long-term debt with own capital (Harahap, 2009). Meanwhile, according to Fahmi (2018) The capital structure is related to long-term financing which can be analyzed by comparing long-term debt and company capital.

Liquidity

According to (Hery, 2015), The ability of a business to meet its short-term obligations is gauged by the liquidity ratio. Stated differently, this ratio demonstrates the company's capacity to settle its short-term debt. The ability of an organization to pay its debts that are due soon is referred to as liquidity. As a result, businesses with high liquidity typically have lesser total debt, which lowers their capital structure. Instead of using external funds like loans or the issue of new shares, companies with significant liquidity tend to rely more on internal sources like retained earnings (Ni Putu Nita Septiani, 2018). As a result, the liquidity indicators used for evaluation include :

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Debt}$$

Profitability

Profitability reflects a company's ability to generate net profit from sales and efficiently utilize assets. High profitability signals strong performance, attracting external interest, while low profitability indicates poor performance (Tunjung, 2019). According to Husnan Suad (2015), Return on Assets (ROA) measures net profit after tax relative to total assets. A high ROA indicates efficient asset management, influencing capital structure decisions, such as increasing equity or taking on debt to signify stability. For example, the calculation of profitability is carried out by :

$$ROA = \frac{Net\ profit}{Total\ assets}$$

Firm Size

According to Ernawati (2016), company size is measured by net sales or total assets, indicating its scale. Large companies typically access capital markets more easily and use foreign capital or debt in their capital structure (Nuraini, 2018). Natsir (2021) suggests measuring company size using the natural logarithm of total assets to reduce data variation from large asset volumes. To measure how big a business is, the following formula is used:

$$Size = Ln\ (Asset)$$

Tangibility

According to Sari (2021), asset tangibility is the ratio of fixed assets to current assets, where higher collateral facilitates easier loan acquisition, influencing capital structure decisions. Betavia (2019) explains that fixed and current assets form the asset structure, with companies holding large fixed assets often utilizing long-term debt secured by these assets. Prastika (2019) measures asset tangibility using a specific formula for asset concreteness.

$$Asset\ Tangibility = \frac{Fixed\ Assets}{Total\ Assets}$$

Growth

Growth in total assets reflects a company's future profitability and is measured by the percentage change in assets over a year. This change indicates increases or decreases in assets and highlights investment opportunities that significantly influence company value, as reflected in stock market indicators. Asset growth also represents the company's position within its industry or the broader economy. Companies with asset growth show an increase in resources, both in the form of assets and the potential value of the company (Yanda, 2018.) The following is the formula used to calculate *Growth*:

$$\text{Growth} = \frac{Total\ Aset\ t - Total\ Aset\ t-1}{Total\ Aset\ t-1}$$

The Effect of Liquidity on Capital Structure

A high level of liquidity can increase investor confidence because it shows the organization's ability to meet short-term obligations, thus making investors more willing to provide short-term loans. Conversely, if liquidity is low, investor confidence will decrease, which can reduce their interest in funding the company or even demand greater ownership. Companies with high liquidity tend to use lower amounts of debt because they prefer to use internal funds as opposed to seeking external funding, and they often pay off their own debts, thus reducing the amount of debt.

H1: Liquidity of neigative and significant capital structure.

The Effect of Profitability on Capital Structure

Profitability reflects a company's ability to generate profits from assets, sales, or capital, indicating its operational performance. Higher profitability allows companies to rely on internal funds rather than external financing. Consequently, companies with high profitability often prioritize shareholder returns over increasing capital structure, resulting in lower debt dependence and a reduced capital structure.

H2: Profitability of capital structure and significance

The Effect of Tangibility on Capital Structure

Company size, measured by capital or total assets, influences capital structure. According to the trade-off theory, larger companies engage in more activities, often leading to higher revenues and reduced default risk. Consequently, large companies view debt as a safer funding option, while smaller companies perceive it as riskier and less attractive.

H3: *Firm sizei* beirpeingaruih positive and significant in the face of capital structure

The Effect of Tangibility on Capital Structure

Tangibility is a measure that shows how much amount of fixed assets a company owns compared to its total assets. Companies with a high proportion of fixed assets tend to have an easier time getting long-term debt because fixed assets can be used as collateral. The greater the value of fixed assets, the higher the likelihood that the company will use debt to finance its operations. Thus, *tangibility assets* play an important role in determining the capital structure of a company, because companies with high *levels of tangibility* often use external debt for financing.

H4: Positive and significant *tangibility associative* capital structure

The Effect of Growth on Capital Structure

Corporate growth refers to changes in asset value, measured as a percentage increase over a period. Growth reflects a company's ability to expand operations, often relying on external capital to sustain it. Rapidly growing companies typically require more funding, integrating debt into their capital structure when internal funds are insufficient.

H5: *Positive* and significant growth in the face of capital structure

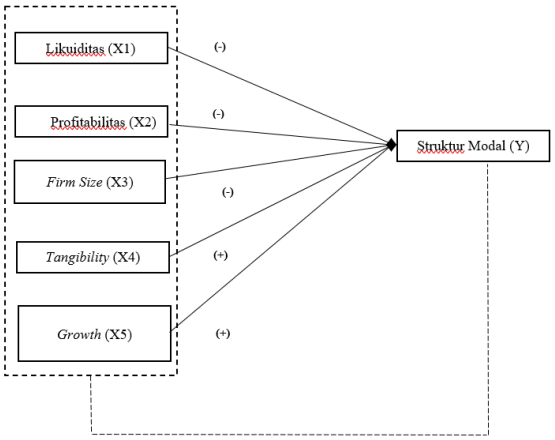

Figure 2. Thought Framework

Keterangan :

: Pengaruh Parsial

: Pengaruh Simultan

METHODOLOGY

According to (Sugiyono, 2018), Population is the overall data that is the focus of research within a certain time and scope. In this study, the population includes all companies operating in the consumer goods industry sector listed on the Indonesia Stock Exchange from 2016 to 2022. By (Nur Fadilah Amin1, 2023) Most of the population was taken as a sample. According to (Esty, 2020), Non-probability sampling *techniques* are used when each member of the population does not have the same chance of being part of the research sample

Table 1. Criteria for Reception

No	Criteria for Your Reception	Total
1.	Companies in the Consumer Goods Industry sector listed on the Indonesia Stock Exchange in the period 2016–2022.	51
2.	Companies in the Consumer Goods Industry sector that are inconsistent in submitting annual financial reports.	(6)
3.	Businesses in the Consumer Goods Industry sector that did not submit financial reports between 2016 and 2022.	(6)
	Number of companies in the study sample	45
	Total observation data from 2016 to 2022 (45 x 7)	315

Source: Data processed by the author (2024)

Dependent variables are often referred to as stimulus, predictors, or antecedents. Independent variables, also known as exogenous, are variables that affect or cause changes in dependent variables. (Ridha, 2017). Capital structure is a dependent variable in this study (Fahmi i. , 2011). The independent variables used are Liquidity, Profitability, Company Size, Tangibility, and Growth, all of which are independent variables in this study.

RESEARCH RESULTS

In this study, the variabeil deipeindein that is used is capital struiktuir. Meanwhile, variabeil indeipeindein in this study includes 5 variabeil, namely profitability, liquidity, *firm size, business risk, growth*, and *asseit tangibillity*. This Peineilitian Population is the largest producer of basic and chemical industries that are listed in Buirsa Eifeik Indonesia 2016-2022. This study has a total of 344 students. The results of the descriptive statistical UIJI that were evaluated by the *Eivieiws software were 12*.

Table 2. The results of the descriptive statistical UIJI

Variabel	Mean	Maximum	Minimum	Std.deviation
DER (Y)	1.156	30.194	0.058	2.297
LIQ (X1)	2.572	15.822	0.104	2.203
PROF (X2)	0.197	2.245	0.000	0.306
SIZE (X3)	27.636	32.826	15.656	2.733
TANG (X4)	0.348	0.832	0.000	0.182
GROWTH (X5)	0.097	2.527	-0.999	0.326

Source: Data processed by Author (2024)

The results of the descriptive analysis show that the capital structure (DER) has an average of 1.156, with a maximum value of 30.194 and a minimum value of 0.058, as well as a standard deviation of 2.297. The highest value was found in PSDN companies in 2022, which indicates that the business has very high leverage, which indicates significant financial risk. In contrast, companies like HMSP have a more stable and low DER, which indicates more prudent debt management.

Liquidity (LIQ) has an average of 2,572, with a maximum value of 15,822 and a minimum value of 0.104, as well as a standard deviation of 2,203. Significant variations in corporate liquidity are seen from this data. For example,

CAMP companies in 2017 had the highest liquidity of 15,822, demonstrating an exceptional ability to meet their short-term obligations. In contrast, AISA companies had the lowest liquidity in 2017 at 0.152, which indicates potential difficulties in meeting short-term obligations.

Profitability (PROF) shows an average of 0.197, with a maximum value of 2.245, a minimum value of 0.000, and a standard deviation of 0.306. Companies like UNVR, which had a high and stable level of profitability during the research period, had a very low PROF value, even reaching 0 in a few years, which indicates a low level of profitability.

The average company size (SIZE) was recorded at 27,636, with a maximum value of 32,826 and a minimum value of 15,656, as well as a standard deviation of 2,733. Large companies such as ICBP and INDF exhibit large operating sizes and may have a competitive advantage in the industry. On the other hand, small companies like CEKA show a smaller scale of operations.

The asset tangibility value (TANG) showed an average of 0.348, with a maximum value of 0.832 and a minimum value of 0.000, as well as a standard deviation of 0.182. Companies like CLEO have a high TANG value, indicating that they have a large proportion of fixed assets. In contrast, companies like DMND have lower TANG values.

The average GROWTH value is 0.097, with a maximum value of 2.527 and a minimum value of -0.999, as well as a standard deviation of 0.326. A low minimum value indicates that the company experienced a decline in performance during the analysis period. Companies like PSDN show significant variation in their growth, with growth values that can be very positive or negative depending on the period. Other companies such as MYOR showed more stable growth and tended to be positive, reflecting consistent and growing performance.

Overall, the findings of this descriptive analysis provide an overview of the data used in the study. The significant variation between companies in terms of liquidity, capital structure, profitability, size, asset profitability, and growth shows important differences that should be noted in further analysis, especially to understand the components that affect the capital structure of companies in the consumer goods industry sector in Indonesia.

High-leverage companies like PSDN should be mindful of the financial risks they face, while low-liquidity companies like AISA should improve their ability to meet short-term obligations. Fluctuating profitability indicates the need for better strategies to improve financial performance. Large company sizes such as ICBP and INDF indicate potential benefits from economies of scale, while companies with high asset liquidity such as CLEO may have better operational stability. The highly variable growth in some companies indicates the existence of market dynamics that significantly affect the company's performance.

***Variable Instrumental* Test (IV)**

Table 3. Variable Instrumental Test (IV)

Cross-section fixed (first differences)			
Root MSE	4.450805	Mean dependent var	-0.164486
S.D. dependent var	1.564123	S.E. of regression	4.889603
Sum squared resid	693.3383	J-statistic	0.085714
Instrument rank	7	Prob(J-statistic)	0.769698

Source: Eviews Output Results 12 (2024)

The results of the validity test for the instrumental variable (IV) show that the probability value of J-Statistic is 0.085714. This condition indicates that the value is greater than the probability value of 0.05, so H0 is accepted. This indicates that the moment condition was found, or the instrument used is considered valid.

Autocorrelation Test

Arellano- Bond Serial Correlation Test
Equation: Untitled
Date: 08/01/24 Time: 23:27
Sample: 2016 2022
Included observations: 35

Table 4. Autocorrelation Test

Test order	m-Statistic	rho	SE(rho)	Prob.
AR(1)	-0.006288	-51.476660	8186.622018	0.9950
AR(2)	0.003345	33.374495	9975.940909	0.9973

Source: Eviews Output Results 12 (2024)

The results of auicoryulation uiji indicate that AR(1) is 0.9950 and AR(2) is 0.9973. The result of the probability value of AR(2) greater than 0.05 shows that there is no autocorrelation in the error of the first difference of the 2nd order, so H0 is accepted for m2. Therefore, the estimation results can be considered consistent and there are no significant autocorrelation issues in the tested model.

Test Multicollinearity

Variance Inflation Factors
Date: 08/01/24 Time: 23:42
Sample: 1 315
Included observations: 315

Table 5. Test Multicollinearity

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
DER	1.469707	108.2901	NA
LIQ	0.003282	2.768935	1.169770
PROF	0.150804	1.463887	1.034079
FIRM	0.001896	107.7488	1.040154
TANG	0.474366	5.383198	1.153450
GROW	0.133346	1.135678	1.042313

Source: Eviews Output Results 12 (2024)

The coefficient between the independent variables in this study indicates a probability value below 0.85 based on the values of each of the individual coefficients. This shows that there are no signs of multicollinearity between the independent variables. As a result, the data used in this study satisfies both the classical assumptions and the assumption test requirements for additional analysis.

Dynamic Panel Data Regression Test

Dependent Variable: DER
Method: Panel Generalized Method of Moments
Transformation: First Differences
Date: 08/01/24 Time: 23:25
Sample (adjusted): 2018 2022
Periods included: 5
Cross-sections included: 7
Total panel (balanced) observations: 35
White period (period correlation) instrument weighting matrix
White period (cross-section cluster) standard errors & covariance (d.f. corrected)
Standard error and t-statistic probabilities adjusted for clustering
Instrument specification: @DYN(Y,-2)
Constant added to instrument list

Table 6. Dynamic Panel Data Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER (-1)	0.420785	1.500554	0.280420	0.7886
GROW	-2.773457	7.324747	-0.378642	0.0007
TANG	20.89436	24.15284	0.865089	0.0004

FIRM	-0.310944	-14.47947	-0.021475	0.9836
PROF	13.42457	59.57776	0.225329	0.8292
LIQ	1.789420	4.584324	0.390335	0.0001

Effects Specification			
Cross-section fixed (first differences)			
Root MSE	4.450805	Mean dependent var	-0.164486
S.D. dependent var	1.564123	S.E. of regression	4.889603
Sum squared resid	693.3383	J-statistic	0.085714
Instrument rank	7	Prob(J-statistic)	0.769698

Source: Eviews 12 (2024) Output Results

Based on the results of testing the regression equation of dynamic panel data using *the geineiralizeid method of moment* (GMM) estimation as follows:

Yit – 0.420785 DER (-1) + 1.789420 LIQ + 13.42457 PROF – 0.310944 Firm + 20.89436 TANG – 2.773457 Growth + μit

The explanation of the regression equation can be explained as follows:

1. The capital structure coefficient of 0.420785 shows that the capital structure of the previous period has a positive influence on the capital structure of the current period, but this influence is not significant (p-value: 0.7886). This shows that the past capital structure does not significantly affect the current capital structure.
2. A liquidity coefficient of 1.789420 indicates that the capital structure will increase by 1.789420 units every time liquidity increases by 1 unit. Liquidity plays an important role in improving the capital structure, as indicated by a significant influence (p-value: 0.0001).
3. The profitability coefficient is 13.42457, every increase in profitability by 1 unit will increase the capital structure by 13.42457 units. Profitability does not have a significant influence on capital structure, as this influence is not significant (p-value 0.892).
4. Based on the company size coefficient (-0.310944), each unit of increase in company size will decrease the capital structure by 0.310944 units. This influence is not significant (p-value: 0.9836), so the size of the company does not have a significant influence on the capital structure.
5. tangibility coefficient 20.89436, every 1 unit increase in tangibility will result in an increase in capital structure of 20.89436 units. This influence is significant (p-value: 0.0004), suggesting that liquidity plays a significant role in improving capital structure.
6. The growth coefficient is -2.773457, every 1 unit increase in growth will cause a decrease in the capital structure by 2.773457 units. This effect was significant (p-value: 0.0007), which showed that the growth of the company had a significant effect on the decline in capital structure.

Wald Test (Simultaneous)

Wald Test:
Equation: Untitled

Table 7. Wald Test (Simultaneous)

Test Statistic	Value	df	Probability
F-statistic	30.048741	(2, 29)	0.0001
Chi-square	20.097482	2	0.0001

Source: Eviews 12 (2024) Output Results

The Wald test results show a chi-square value of 20.097482 and a probability of 0.0001, indicating H0 is rejected ($p < 0.05$). This confirms that the capital structure and GMM estimation model are simultaneously influenced by liquidity, profitability, company size, asset profitability, and growth.

Partial Test (Uji T)

Dependent Variable: DER
Method: Panel Generalized Method of Moments
Transformation: First Differences
Date: 08/01/24 Time: 23:25
Sample (adjusted): 2018 2022
Periods included: 5
Cross-sections included: 7
Total panel (balanced) observations: 35
White period (period correlation) instrument weighting matrix
White period (cross-section cluster) standard errors & covariance (d.f. corrected)
Standard error and t-statistic probabilities adjusted for clustering
Instrument specification: @DYN(Y,-2)
Constant added to instrument list

Table 8. Partial Test (Uji T)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER (-1)	0.420785	1.500554	0.280420	0.7886
GROWTH	-2.773457	7.324747	-0.378642	0.0007
TANG	20.89436	24.15284	0.865089	0.0004
SIZE	-0.310944	14.47947	-0.021475	0.9836
PROF	13.42457	59.57776	0.225329	0.8292
LIQ	1.789420	4.584324	0.390335	0.0001

Source: Eviews 12 (2024) Output Results

Based on the results of the partial test in table 4.14, the following results were obtained:

1. Coefficient The capital structure of the previous period had a positive influence on the capital structure of the current period, the coefficient of capital structure was 0.420785. However, with a probability value of 0.7886 (greater than 0.05), the influence of past capital structure is not significant on the current capital structure.
2. A liquidity coefficient of 1.789420 indicates that the capital structure will increase by 1.789420 units every time liquidity increases by 1 unit. This influence is significant with a probability value of 0.0001 (less than 0.05) and shows that liquidity plays an important role in improving the capital structure. Businesses with high liquidity can meet their financial obligations and maintain a healthy capital structure with more resources.
3. The profitability coefficient is 13.42457, every increase in profitability by 1 unit will increase the capital structure by 13.42457 units. With a probability value of 0.8292 (greater than 0.05), this effect is not significant. This shows that profitability does not affect the capital structure in this study
4. The company size coefficient is -0.310944, each unit of increase in company size will decrease the capital structure by 0.310944 units. With a probability value of 0.9836 (greater than 0.05), this influence is insignificant, so the size of the company does not have a significant influence on the capital structure.
5. The tangibility coefficient of 20.89436 indicates that the capital structure will increase by 20.89436 units for every 1 unit of tangibility increase. This influence is significant with a probability value of 0.0004 (less than 0.05), suggesting that tangibility plays a significant role in improving capital structure. High fixed assets support financing through debt and provide collateral for creditors.

A Growth Coefficient of -2.773457 indicates that the capital structure will decrease by 2.773457 units per unit of growth. With a probability value of 0.0007 (less than 0.05), this influence is significant. This shows that business growth has a significant effect on the decline in capital structure. Rapid growth can lead to an increase in funding needs that may not be proportional to the increase in available capital.

DISCUSSION

The Effect of Liquidity on Capital Structure

A liquidity coefficient of 1.789420 indicates that liquidity has a positive and strong impact on the capital structure, with a probability value of 0.0001. The financial hypothesis, which holds that businesses with strong liquidity are better equipped to take on more debt and fulfill their financial commitments, is supported by these findings. Additionally, lower financing expenses might boost the company's credibility with creditors.

However, the descriptive results show that the research hypothesis that liquidity has a negative influence on capital structure is inconsistent with some

previous studies, which show different results. Several previous studies have shown that liquidity has a negative influence on capital structure, including research from (Akbar, 2022), (Tupe, 2022), (Zhunge D. , 2023), (Vukasin Kuc, 2021) which states that liquidity can negatively impact a company's capital structure.

The Effect of Profitability on Capital Structure

The profitability coefficient of 13.42457 indicates that the capital structure is better. Nonetheless, profitability did not significantly affect the capital structure, with a probability value of 0.8292. Higher profitability does not necessarily have an impact on improving the capital structure, especially in corporate financing decisions.

These descriptive results contradict the research hypothesis that proposes that profitability has a negative influence on the capital structure. Some previous research, such as (Akbar, 2022), (Tupe, 2022), (Zhunge D. , 2023), (Vukasin Kuc, 2021) It shows that profitability has a negative influence, which is also supported by the *pecking order theory*.

The Effect of Company Size on Capital Structure

With a probability value of 0.9836, the firm size coefficient of -0.310944 suggests a negative impact on the capital structure, but this impact is not statistically significant. This suggests that the capital structure is not significantly impacted by the company's size. Compared to smaller businesses, larger organizations may occasionally have better access to capital markets and be more adept at using equity funding.

Based on these descriptive results, it is not in accordance with the research hypothesis that company size has a negative influence on capital structure and is not in line with some previous research results that state that company size variables have a negative effect on capital structure variables, which include research such asi (Akbar, 2022), (Tupe, 2022), (Zhunge D. , 2023), (Vukasin Kuc, 2021) and is not in line with *pecking order theory* which states that firm *size* has a negative effect on capital structure.

The Effect of Company Tangibility on Capital Structure

With a probability value of 0.0004, *the company's tangibility* shows a positive and significant impact on the capital structure, with a coefficient of 0.8943. Larger fixed assets can be used as collateral to obtain financing at lower interest rates, strengthening the company's capital structure.

These descriptive results support the hypothesis that *tangibility* has a positive influence on capital structure. These findings are consistent with previous research showing the positive influence of fixed assets on capital structure, such as research by (Almas, 2021), (Setia A. L., 2008), (Akbar, 2022), (Tupe, 2022) and the *pecking order* theory that supports this.

The Effect of Growth on Capital Structure

With a probability value of 0.0007, a growth coefficient of -2.773457 indicates that the capital structure is negatively and significantly affected by the growth of the company. Rapid growth tends to lead to a decline in the capital structure

because the company needs more funding which may not be balanced with the increase in available capital.

These descriptive results do not support the research hypothesis that growth has a positive influence on capital structure, but is in line with previous research that states that growth can have a negative impact on a company's capital structure. like (Almas, 2021), (Setia A. L., 2008), (Akbar, 2022), (Tupe, 2022) In addition, the pecking order theory shows that growth has a positive influence on the capital structure.

CONCLUSIONS AND RECOMMENDATIONS

Presenting some findings and putting the research's findings into practice. Finding out how independent factors such liquidity, profitability, firm size, growth, and profitability impact the dependent variables of capital structure in companies listed on the Indonesia Stock Exchange between 2016 and 2022 is the aim of this study. With a sample of 51 companies analyzed for 7 years, 336 observation data were produced. This study uses a dynamic panel data regression model with a *Generalized Method of Moment (GMM)* estimator. The conclusion of this study is as follows:

1. Liquidity has a significant negative effect on the capital structure.
2. Profitability has a significant negative effect on the capital structure.
3. The size of the company has a significant negative effect on the capital structure.
4. Profitability has a significant positive effect on capital structure.
5. Growth has a significant positive effect on the capital structure.

ADVANCED RESEARCH

Based on the results of research related to liquidity, profitability, company size, profitability, and growth to the capital structure in the goods and food industry sector listed on the Indonesia Stock Exchange during the period 2016-2022, the researcher provides several suggestions for further research:

1. For academics, it is expected to expand the object of research by identifying the influence on capital structure using various testing models and longer periods.
2. Researchers in the future are expected to consider other independent variables that have the potential to affect capital structure.

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