Indonesian Journal of Business Analytics (IJBA)
Vol.2, No.2, 2022: 111-128

The Effect of Capital Structure, Institutional Ownership, Liquidity, and Diversification Strategy on Financial Performance

Astria Kurniawati[1*], Sri Wahyuni[2], Azmi Fitriati[3], Nur Isna Inayati[4]
Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto
Corresponding Author: Astria Kurniawati astriakurniawati@gmail.com

A R T I C L E I N F O

Keywords: Capital Structure, Institutional Ownership, Likuidity, Diversification Strategy, Financial Performance

Received : 05, October
Revised : 12, October
Accepted: 21, October

A B S T R A C T

Financial performance is one of the factors to measure the success of a company. This study aims to examine the effect of capital structure, institutional ownership, liquidity and diversification strategies on financial performance. The population in this study are industrial sector companies listed on the IDX for the 2019-2021 period. The sampling method was carried out by purposive sampling and obtained 59 research samples. Methode of data analysis using multiple linear regression analysis. The results of the analysis carried out by capital structure, institutional ownership, and liquidity have a significant negative effect on financial performance, while the diversification strategy has no effect on financial performance. The results of this study can provide a scientific contribution in the field of accounting regarding the factors that influence financial performance.

DOI: https://10.55927/ijba.v2i2.1602
ISSN-E: 2808-0718
https://journal.formosapublisher.org/index.php/ijba/index

INTRODUCTION

Indonesia's economic condition after the Covid-19 pandemic in 2020 the company sector declined, one of which is industry. Based on data from the Central bureau of Statistics (2021), Indonesia's economy was the worst in the second quarter after 2019 in 2020 with a percentage of -5.32% but in the following year in the same quarter, namely the second quarter of 2021, the Indonesian economy grew to 7.07% from IDR 4,175.8 trillion (Central bureau of Statistics, 2021). Due to the Covid-19 pandemic that occurred through out 2019-2021, it became a threat to the company to experience losses caused by declining financial performance.

With the covid-19, the company made an effort to improve the best quality in competing. With the hope that the company will not suffer losses, which results in a bad impact on financial performance. A case of loss has occurred in the industrial sector of the company PT Asahimas Flat Glass Tbk which suffered losses due to the Covid-19 pandemic. In 2019 PT Asahimas recorded a decrease of IDR 2.62 million in net revenue and IDR 2.53 million in the cost of goods sold on an annual basis. As a result of the decline in revenue, PT Asahimas gross profit in the third quarter of 2020 was only IDR 93.39 million per year. On the other hand, the company also received financial expenses, so PT Asahimas recorded a loss of IDR 653.16 million, down from the net loss for the same period in 2019. Admittedly, it fell drastically with the portion of revenue until the third quarter of 2020 at only 23%, whereas in the same period in 2019 it reached 35%. In the future, the company said it will continue to expand the market and innovate products (kontan.co.id).

The development of the business world today is very fast and there is a lot of competition. So the business must have a goal so that the business continues to run for a long time. In general, starting a business is to increase profits, welfare of shareholders, and increase business value (Selvi pratiwi, 2021). In achieving this goal, the company must improve financial performance which can be influenced by several factors, namely capital structure, institutional ownership, liquidity, and diversification strategies to improve financial performance.

Capital structure is a combination of loans and own capital in companies in operational funding (Martino, 2021). This analysis is backgrounded by differences in the results of previous studies where in the first variable regarding capital structure, (Selvi pratiwi, 2021), (Sudaryo & Pratiwi, 2016), (Romadhoni & Sunaryo, 2017) stated that the capital structure had a positive and significant impect on the company's financial performance. In contrast to the research of (Ritonga et al., 2021) and (Kamal, 2017) which stated that the capital structure did not have a significant effect on financial performance because the decline in company growth caused the financial performance to increase, but the decline affected the movement of financial performance. The inconsistent results of several studies on capital structure are based on management policy in finding sources of funds and managing company expenses which is one of the responsibilities of financial managers in carrying out the functions of financial managers (Romadhoni & Sunaryo, 2017).

Institutional ownership refers to ownership by an organization, in which case the company has established a company, not public shares as measured by the percentage of shares in distress (Wahyuni et al., 2022). (Monica & Dewi, 2019), (Putri, 2018), and (Hartati, 2020) stated that institutional ownership has a positive impact on financial performance because more ownership will help companies when they need funding in the company. In contrast to the research of (Huda et al., 2019) and (Aprianingsih, 2014) which state that institutional ownership does not affect the financial performance of companies. Institutional ownership supports increased management control. A high level of institutional ownership will lead to an increase in monitoring efforts by investors in the company, so that institutional ownership becomes a reliable system and can motivate managers to improve company performance (Hermiyetti & Katlanis, 2017).

Liquidity is key in efforts to support the business and means that businesses have enough money to pay bills as they come and reduce the need for unexpected cash flow (Yuliani, 2021). (Yuliani, 2021), (Diana & Osesoga, 2020), and (Utami & Pardanawati, 2016) proving that liquidity has a positive and significant influence on the company's financial performance. However, it differs from of (Fajaryani & Suryani, 2018) that liquidity has a significant negative effect on financial performance. From the inconsistency of the research results, then every increase in the Current Ratio will be followed by an increase in Return on Assets, and vice versa if the Current Ratio decreases it will be followed by a decrease in the value of Return on Assets (Yuliani, 2021).

The diversification strategy is the result of cross-functional companies that have many business aspects (Wisnuwardhana & Diyanty, 2015). (Safitri, 2021) and (Putranto, 2019) stated that the diversification strategy have a significant positive impect on financial work. However, it is differs from search results by (Rahman, 2019) and (Glasius & Purwanto, 2021) that the diversion strategy does not impect the company's financial performance. From the differences in the results of these studies, it can be said that a diversification strategy can increase strategic competition due to the implementation of a diversification strategy. In addition, by making a diversification strategy the company can develop its marketing strengths to increase revenue. However, the diversification strategy is also not necessarily effective if the strategies applied are not compatible.

An explanation of the disclosure of financial performance supported by differences in diverse research results and the lack of research on the company financial performance, this research is important to do. The object of the study is an industrial sector company listed on the Indonesia Stock Exchange for the 2019-2021 period. This study aims to test the disclosure of financial performance, including capital structure, institutional ownership, liquidity, and diversification strategies.

THEORETICAL REVIEW

Agency Theory

Agency theory explained by Jensen and Meckling (1976) shows that in agency theory is a theory based on the relationship between the agent and principal. Industrial dealing is defined as an agreement between one or more principals with the employer. the agent is expected to act on behalf of the principal. An agent is a person who has the power to manage and is entitled to make decisions about shareholders. The support and interests of management and shareholders must be included to achieve the objectives of the company. However, the supervisor acts for his interests at the expense of the owner's interests because the supervisor understands the situation of the company better than the owner. This can lead to agency problems so external supervision is needed (Wijaya, 2012).

Based on agency theory, financial management must be monitored to ensure that management is carried out by existing regulations. The relationship between agency theory and this analysis is that the manager moves as an agent of the company and has the responsibility of determining the strategy to provide good results for shareholders as the principal. The principal expects the best performance results from the agent. Getting a good performance result depends on the strategy implemented by the company. If the resulting performance is good, then the public will trust the company.

Financial performance is an analysis to see the company's development with good and correct financial implementation rules (Harto, 2005). In agency theory, good financial performance has something to do with managers, as managers make decisions to manage the company.

The optimization of capital structure is personal financial balance capital with long-term loans, so the amount of personal capital and long-term debt used becomes optimal. With a balanced capital structure, the company has a good rate of return on its financial performance. So that not only the company benefits, but also the shareholders because managers play a role in optimizing the best possible capital in the agency (Ritonga et al., 2021).

Institutional ownership is a shareholding in institutions and institutions. The influence of institutional ownership on financial performance based on supervision and monitoring by institutions can maximize the performance of managers in determining value and being able to manage agency costs so that expenses decrease and increase the value of the company which shows an increase in the prosperity of its shareholders (Bernandhi, 2013).

Liquidity is the company's ability to meet obligations that must be met. This obligation comes from short-term loans, such as savings, or time deposits of less than 1 year (Elis Listiana. M, 2017). Liquidity is needed in credit analysis or financial risk analysis. As (Thaib & Dewantoro, 2017) observed, the liquidity is said to have a good financial position if it settles its obligations on time, maintains sufficient working capital to carry out normal operations, pays interest on dividends necessary, and maintains a good credit level. The influence of liquidity on financial performance based on the agency theory of a manager who supervises the company's financial performance.

Diversification strategy is a strategy for business expansion and market share, diversification strategy is one of the leading ways to compete and develop its business by providing products that are more attractive than other competitors (Salindeho et al., 2018). The effect of diversification strategy on financial performance based on agency theory a manager makes a decision on a strategy to be implemented to improve the company's financial performance.

HYPOTHESIS DEVELOPMENT

The Effect of Structure Capital on Financial Performance

Kamal (2017) stated that the capital structure is used to determine the management's ability to manage the company's business in terms of cost-effectiveness. According to the theory, this shows that if the company uses a large capital structure, then there is liquidity that continuously has an impact on the profit received by the company. (Romadhoni & Sunaryo, 2017), (Azlina, 2009), and (Komara et al., 2016) stated that capital the structure has a significant positive effect on the financial performance of the company. Based on this explanation, it can be seen that the existence of a high capital structure can increase the company in funding. So the first hypothesis of this study is formulated as follows :

H1: Capital structure have a positive effect on financial performance.

The Effect of Institutional Ownership on Financial Performance

In general, the proportion of institutional shareholder ownership is high in the company. The greater the level of institutional ownership can cause outside supervision to be large, then the management of the company must carry out the maximum possible performance. With high stocks, institutional investors will make an effective business, because they can carry out behavioral control that is carried out (Ardianingsih & Ardiyani, 2010). Based on the theory of Jensen and Meckling said that agency problems can be solved by increasing shareholdings as the party overseeing the agent (Zabady et al., 2021). The research of (Hermiyetti & Katlanis, 2017), (Monica & Dewi, 2019), and (Antony holly, 2021) stated that ownership has a significant positive effect on financial performance. Depending on this explanation, it can be seen that the existence of institutional ownership can be a motivation for managers to achieve goals with other shareholders. So the first hypothesis of this study is formulated as follows :

H2: Institutional ownership have a positive effect on financial performance.

The Effect of Liquidity on Financial Performance

The amount of liquidity means that the company's current assets are also large, so the company does not make loans to creditors and will attract investors. So that the company can finance its own needs. The company high ability to pay its obligations in the short term, the company gained the trust of creditors and made it easier for the company to get its long-term debt Hartono (2018). Based on the agency theory, managers manage financial performance by making decisions on the allocation of funding to creditors using internal funds, so that a small loan from creditors will be profitable for the company (Elis istiana. M, 2017). There are studies conducted by (Utami & Pardanawati, 2016), (Diana & Osesoga, 2020), and (Wulandari, 2020) stating that liquidity has a significant positive influence on financial performance. Normal immunity can affect the company's funding. So the first hypothesis of this study is formulated as follows :

H3: Liquidity have a positive effect on financial performance

The Effect of Diversification Strategies on Financial Performance

Agency theory in the company obliges managers to take the decisions that are best for shareholders. One of them makes decisions in the implementation of strategies to face competition with other companies that are very broad. The diversification strategy is used to increase net profit in the long term, the amount of profit obtained will affect the improvement of financial performance. Based on this explanation, it can be concluded that the company needs a diversification strategy to develop its business and can improve its financial performance. The results of research by (Putu & Darmayanti, 2018), (Putranto, 2019), (Wisnuwardhana & Diyanty, 2015) stated that the diversification strategy has a positive and significant effect on financial performance. So the first hypothesis of this study is formulated as follows :

H4: Diversification strategy have a positive effect on financial performance

METHODOLOGY

Population and Samples

This study uses a type of quantitative research. The population in this study is industrial sector companies listed on the Indonesia Stock Exchange in 2019-2021. The sampling method uses purposive sampling, provided that industrial sector companies listed on the Indonesia Stock Exchange in 2019-2021 publish complete financial reports for the 2019-2021 period, companies must have the data needed for research in 2019-2021. Based on the criteria, 81 samples were obtained for the 2019-2021 period with secondary data in the form of financial reports of industrial sector companies listed on the Indonesia Stock Exchange.

Operational Definition and Measurement of Variables

1. **Capital Structure**
The formation of the company's capital structure is an important aspect of funding to meet the company's capital needs by providing debt or own capital issuance through share issuance (Sudaryo & Pratiwi, 2016). Both types of capital have different characteristics in terms of advantages and disadvantages. The company's capital structure is a combination of its capital with its debt (Salimah et al., 2019).

In this study, financial performance was considered through the Dept to Equity Ratio . Measured by the formula (Selvi pratiwi, 2021) :

$$\mathbf{DER} = \frac{\mathbf{Total\ dept}}{\mathbf{Equity}}$$

2. **Institutional Ownership**
Institutional ownership is a tool used to reduce problems in a business (Selvi pratiwi, 2021). The size of the ownership of companies such as foreign companies, governments, and corporations. The following is the formula used (Wahyuni et al., 2022):

$$\mathbf{Institutional\ Ownership} = \frac{\mathbf{Number\ of\ shares\ of\ institutional\ parties}}{\mathbf{Total\ shares\ outstanding}}\ \mathbf{x\ 100\%}$$

3. **Liquidity**
According to (Thaib & Dewantoro, 2017) liquidity is seen from the high calculation of the current ratio which shows the number of current assets owned by the company to meet obligations. Here's the formula used to calculate the current ratio (Selvi pratiwi, 2021):

$$\mathbf{Current\ Ratio} = \frac{\mathbf{Current\ asset}}{\mathbf{Current\ liabilities}}$$

4. **Diversification Strategy**
According to (Itung & Lasdi, 2018) the diversification strategy can be measured by the Herfindahl Index which takes into account the quadratic result of income on operations divided by the square of the company's total income. If the resulting index is near the number 1, it is said that the company is focused on one product, while the index result is close to the number 0, the company applies product diversification. The formula used to measure the diversification strategy (Sulastri, 2015) is the Herfindahl Index as follows:

$$\mathbf{HHI} = \frac{\sum_i^n = 1\ segsales^2}{\sum_i^n = 1\ (sales)^2}$$

Information:
Segsale : sales of each segment of the company
Sales : the total sales of the company.
The lower HHI value, the more diversified it is.

$$\text{Diversification Index} = \frac{1}{\text{HHI}}$$

5. **Financial Performance**

Financial performance is a picture of the company's success with efforts made for financial performance. Research is measured by Return On Assets. The formula is used to measure the overall ability of a company to make a profit and the total number of assets available in that company (Huda et al., 2019). Here's the formula for calculating the value of profitability:

$$\text{ROA} = \frac{\text{Net profit after tax}}{\text{Total asset}} \times 100\%$$

Data Analysis Techniques

This study used descriptive statistical data analysis, and classical assumption tests consisting of normality, multicollinearity, heteroskedasticity, and autocorrelation, besides that this study also used multiple regression analysis, coefficient of determination test, and test (Zabady et al., 2021). The Multiple Linear Regression Model is expressed in the following equation :

$$FP = \alpha + \beta_1 . CS + \beta_2 . IO + \beta_3 . L + \beta_4 . DS + \varepsilon$$

Information:
FP : Financial Performance
α : Constants
$\beta_1\ \beta_2\ \beta_3\ \beta_4$: Regression Coefficient
CS : Capital Structure
IO : Institutional Ownership
L : Liquidity
DS : Diversification Strategy
ε : Error

RESULTS
Descriptive Statistical Analysis

Table 1. Descriptive Statistical Test Results

Variable	Minimum	Maximum	Mean	Sd
CS	0.1186	6.9586	1.177558	1.1612855
IO	0.0599	2.1855	0.731170	0.2762834
L	0.1473	8.3004	1.930773	1.3386873
DS	0.2023	2.0521	0.893020	0.2529501
FP	-0.4014	3.8519	0.139336	0.6299005

The sample data in this study is 81 samples. Capital structure has the highest value of 6.9586 with an average value of 1.177558, the lowest value is 0.1186 and a standard deviation of 1.1612855. Institutional ownership (IO) has the highest value of 2.1855 with an average value of 0.731170, the lowest value is 0.0599, and a standard deviation of 0.2762834. liquidity (L) has the highest value of 8.3004 with an average of 1.930773, the lowest value is 0.1493, and the standard deviation is 1.3386873. The diversification strategy (DS) has the highest value of 2.0521 with an average of 0.893020, the lowest value is 0.2023, and the standard deviation is 0.2529501. And Financial Performance (FP) has the highest value of 3.8519 with an average of 0.139336, the lowest value is -0.4014 and a standard deviation of 0.6299005.

Test of Classical Assumptions

a. Normality Test

Table 2. Klomogorov-Smirnov Normality Test Results

Variable	Significant	Conclusion
N	59	
Unstandardized Residual	0.200	Normally Distributed

Based on the table above, shows that the value of Klomogorov Smirnov is 0.200, so if the value is greater than 0.05 then it can be concluded that the data is declared normal.

b. Multicollinearity Test

Table 3. Multicollinearity Test Results

Variable	Tolerance	VIF	Conclusion
CS	0.886	1.129	Multicollinearity-Free
IO	0.933	1.072	Multicollinearity-Free
CR	0.907	1.102	Multicollinearity-Free
DS	0.946	1.058	Multicollinearity-Free

The results of the multicollinearity test obtained each free variable has a tolerance value smaller than 0.10 and a VIF greater than 0.10. From the table above, it can be concluded that the regression model used is free from symptoms of multicollinearity.

c. Heterochemedasticity Test

Table 4. Heterokedasity Test Results

Variable	t	Significant	Conclusion
CS	1.210	0.232	Heteroskedasticity-Free
IO	-1.295	0.201	Heteroskedasticity-Free
CR	0.018	0.986	Heteroskedasticity-Free
DS	0.419	0.677	Heteroskedasticity-Free

Based on the analysis of the significant value of each variable greater than or above the significant level of 0.05. So this study shows that the data is free of symptoms of heteroscedasticity.

d. Autocorrelation Test

Table 5. Autocorrelation Test Results

Durbin-Watson	Conclusion
2.264	dU<DW<4-dU then 1.7266 < 2.264 < 2.2734 (No autocorrelation occurs)

The calculated results from Durbin-Watson are 2.264, while the value of table k=4 n=59 with the results of the values dL= 1.4385, dU= 1.731, and 4-dU= 2.2734. So from these calculations it can be concluded that in accordance with the criteria for making good decisions, namely dU<DW<4-dU then 1.7266 < 2.264 < 2.2734. So it is concluded that there is no autocorrelations in the study.

Multiple Linear Regression Analysis

Table 6. Multiple Linear Regression Analysis Results

Type	Coefficient B	t	Sig.
1(*Constant*)	0.110	5.100	0.000
CS	-0.014	-2.778	0.008
IO	-0.050	-3.601	0.001
L	-0.008	-2.609	0.012
DS	0.11	-0.058	0.608

Based on the formula of this study, the multiple linear regression equation is as follows:

$$FP = 0.110 - 0.014\ CS - 0.050\ IO - 0.008\ L + 0.11\ DS + \varepsilon$$

Coefficient of Determination

Table 7. Coefficient of Determination Test Results

Type	Results
R	0.603[a]
R Square	0.364
Adjusted R Square	0.317
Std. Error of the Estimate	0.0309125

Based on the hypothesis test, the coefficient of determination obtained an adjusted R-Square value of 0.317 or 31.7%. These results mean that the ability of the independent variables in this study affects the dependent variable by 31.7%, while the remaining 68.3% is explained by variables other than the independent variables in the study.

Overall Model Fit Test (Statistical F)

Table 8. Statistical Test Results F

Type	Df	F	Significant
Regression	4	7.731	0.000
Residual	54		
Total	58		

It concluded that the value of F count was 7.731, and F tabel was 2.26. Thus the final result of the calculation is greater than the fable of 7.731 > 2.26 and the significant value of 0.000 which is below the significant level of 0.05. These calculations show that capital structure, institutional ownership, liquidity, and diversification strategies together influence the company's financial performance. So that it can proceed to the t-test.

Statistical Test t

Table 9. Statistical Test Results t

Type	Coefficient B	t	Sig.	Conclusion
1(*Constant*)	0.110	5.100	0.000	
CS	-0.014	-2.778	0.008 ***	Influential
IO	-0.050	-3.601	0.001 ***	Influential
L	-0.008	-2.609	0.012 **	Influential
DS	0.11	-0.058	0.608	Not Influential
Description : * Significant 1% ** Significant 5%**				

Obtained the value of t count the variable Capital Structure of -2.778, Institutional Ownership of -3.601, Liquidity of -2.609, and Diversification strategy of -0.058. The number of samples is 59 then the degree of freedom df = n-k-1 = 54 of n-k with a significant value of 1% (0.01) and 5% (0.05) is obtained so that the table t value of 2.397 and 2.004 obtained.

DISCUSSION

The Effect of Capital Structure on Financial Performance

The first hypothesis on the capital structure (SC) has a SC regression coefficient of -0.014 at a significant rate of 1%. The calculated value of -2,078 is greater than the t table value of 2.397. With a significance value of 0.008 less than 0.01. Then H0 is rejected and H1 is accepted which indicates CS have a significant negative impact on financial performance.

From this statement, during the Covid-19 pandemic many companies were bound by large debts which had an impact on the decline in the company's financial performance and the interest expenses that would be borne would be even higher. This can lead to a reduction profit which affects the company's performance (Selvi pratiwi, 2021). The results of this study are supported by (Taqwa, 2016), (Martino, 2021), and (Selvi pratiwi, 2021) who stated that the capital structure has a significant negative effect on financial performance because the company has a higher funding balance compared to other sectors. This analysis consistent with agency theory, the higher agent fee, the higher the interest cost, and has an impact on the low performance of the company for shareholders or debt issuers (Komara et al., 2016). Therefore, it is very necessary for the role of managers to optimize financial performance so as not to endanger the sustainability of the company. However, this research is not in line with (Romadhoni & Sunaryo, 2017) because the capital structure have a positive impact on financial performance due to the increase in a good capital structure.

The Effect of Institutional Ownership on Financial Performance

The second hypothesis on institutional ownership (IO) has a IO regression coefficient of -0.050 at a significant rate of 1%. With a calculated value of -3.601 greater than the t table value of 2.397. With a significant value of 0.001 smaller than 0.01. So that H0 is rejected and H2 is accepted which indicates institutional ownership have a significant negative impact on financial performance.

From the results of the analysis, it is during the Covid-19 pandemic concluded that institutional ownership has a negative and significant effect on financial performance. Then high institutional ownership can reduce financial performance. Actually, in agency theory, the existence of institutional ownership can increase the professionalism *of* the work. However, if the results of the analysis have a negative effect, then they do not provide a role in advancing the company. They only rely on management in managing the company without providing direction or input to make the best decisions for the company (Andika & Wijayanti, 2015). The results of this analysis are supported by (Aprianingsih, 2014), (Fadillah, 2017), (Elisetiawati & Artinah, 2016) who determined that financial performance had a significant negative impect on financial performance. This analysis shows that institutional ownership is a Corporate Governance mechanism that can affect financial performance. With a negative influence, the higher the institution's share ownership, the lower the performance in the financial statements (Elisetiawati & Artinah, 2016). This research is in accordance with research (Huda et al., 2019) which reveals institutional ownership does not affect financial performance.

The Effect of Liquidity on Financial Performance

The third hypothesis of liquidity analysis has a (L) has a liquidity regression confidence of -0.008 at a significant rate of 5%. Liquidity has a calculated value of -2.609 greater than the table value of 2.004. With a significant value of 0.012 smaller than 0.05. So that H0 is rejected and H3 is accepted which shows liquidity have a significant negative impact on financial performance. From the results of the analysis during the Covid-19 pandemic, liquidity had a significant negative effect on financial performance. Based on descriptive tests on Standard Deviation the largest value is experienced by the Current Ratio variable 1.3386873 which means that the high level of risk will change compared to other variables. High liquidity will have an impact on declining the company's financial performance. This research is does not match the company’s opinion with agency theory because of agency costs. In this study, liquidity was higher, causing agency costs to arise. Sawir (2005) states that a high current ratio can reduce a company's profit because a lot of money is abandoned. If there are uncollectible receivables and unsold inventory, it can result from a high Current Ratio. So that the company is in a liquid state (Wijaya, 2012). This research is also supported by (Hartono, 2018), Indra (2019), and (Antara et al., 2014) romance because its operating income does not cover the increasingly bloated costs. And this research is contrary to (Diana & Osesoga, 2020) which shows that liquidity has a positive impect on financial performance.

The Effect of Diversification Strategies on Financial Performance

The fourth hypothesis regarding diversification strategy (DS) has an DS regression confidence value of 0.011 with a significant rate of 5%. DS has a calculated value of -0.058 smaller t table value of 2.004. With a significance value of 0.608 greater than 0.05. So that H0 is accepted and H4 is rejected which shows that the diversification strategy has no effect on financial performance.

From the research analysis it can be concluded that the diversification strategy during the Covid-19 period had no effect on financial performance. The results of this study are that the diversification strategy has no effect on financial performance, with high or low levels of diversification not affecting the level of company financial performance. This study proves that companies that are more diversified do not necessarily have greater total revenue, because the measurement of the different levels of diversification looks more at the distribution of each segment in one company, the more evenly distributed the income from each segment shows the more diversified. However, the HHI calculation does not distinguish between large income and small business income so that companies with high diversification do not necessarily have more adequate total income and financial performance (Sulastri, 2015). Hitt et, al. (2001) cited by (Sulastri, 2015) that many companies are implementing diversification strategies only to increase strategic competition from other companies. When a diversification strategy increases competitiveness, then the total performance of the company increases and can dominate the market more broadly than competitors. This research is in line with (Sulastri, 2015), (Satoto shinta, 2009), (Glasius & Purwanto, 2021) which reveals that the diversification strategy has no effect on financial performance and not produced an optimal strategy for the company. The results of the analysis are not in accordance with agency theory because managers have not fully implemented their strategies properly. States that the strategy implemented by the company does not provide the best results for the company's performance, therefore it can be concluded that the diversification strategy process implemented by the company is not effective and efficient, so that the impact on the company's business cannot increase efficiency. However, this research departs from (Putu & Darmayanti, 2018), (Wisnuwardhana & Diyanty, 2015), and (Iskandar et al., 2017) who prove that the diversification strategy has a positive impect on financial performance.

CONCLUSIONS

This study aims to analyze the effect of capital structure, institutional ownership, liquidity, and diversification strategies on company financial performance during the Covid-19 pandemic.

The analysis was performed using multiple linear regression to see the differences in the effect of each of these conditions. Based on the results of the analysis, capital structure, institutional ownership, and liquidity, have a significant negative effect on financial performance during Covid-19, and the diversification strategy has no effect on financial performance during covid-19. Conclusion from the test results is that capital structure, institutional ownership, and liquidity, have a significant negative effect on financial performance, and the diversification strategy has no effect on financial performance. The results of this study can make a scientific contribution in the field of accounting regarding the factors that influence financial performance.

RECOMMENDATIONS

The limitation of this study is that the companies sampled are limited because the companies only represent part of other industrial sectors. The results of this study use only variables of capital structure, institutional ownership, liquidity, and diversification strategies. Based on the results of the R test, there are 31,7% of variables outside the study can affect financial performance. Suggestions for further research, to increase the sample not only for companies in various industrial sectors, but also include other industrial sectors and take other variables that can affect financial performance, so that the results are more valid as a whole.

REFERENCES

Andika, M., & Wijayanti, R. (2015). Pengaruh Leverage, Struktur Modal Dan Kepemilikan Institusional Terhadap Kinerja Keuangan Perusahaan. Studi Pada Perusahaan Rokok Yang Tedaftar Di Bei Periode 2001-2015

Antara, S., Sepang, J., & Saerang, I. S. (2014). Analisis Rasio Likuiditas, Aktivitas, Dan Profitabilitas Terhadap Return Sahamperusahaan Wholesale Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Emba*, *2*(3), 902–911.

Antony Holly, L. (2021). *P*engaruh Kepemilikan Manajerial, Kepemilikan Institusional, Dan Manajemen Laba Terhadap Kinerja Keuangan Title. 04(01), 64–86.

Aprianingsih, A. (2014). Pengaruh Penerapan Good Corporate Governance , Struktur Kepemilikan , Dan Ukuran Perusahaan Effect Good Corporate Governance Implementation , Ownership. 5, 1–16.

Ardianingsih, A., & Ardiyani, K. (2010). Analisis Pengaruh Struktur Kepemlikan Terhadap Kinerja Perusahaan. *Jurnal Pena*, *19*(2), 97–109.

Azlina. (2009). Pengaruh Tingkat Perputaran Modal Kerja, Struktur Modal Dan Skala Perusahaan Terhadap Profitabilitas. 1(2), 107–114.

Bernandhi, R. (2013). Pengaruh Kepemilikan Manajerial, Kepemilikan Institusional, Kebijakan Dividen,.

Bps.go.id/pressrelease/2021/08/05/1813/Ekonomi-Indonesia-triwulan-II-2021

Diana, L., & Osesoga, M. S. (2020). Pengaruh Likuiditas, Solvabilitas, Manajemen Aset, Dan Ukuran Perusahaan Terhadap Kinerja Keuangan. Jurnal Akuntansi Kontemporer, 12(1), 20–34.

Elis Listiana. M, B. (2017). Analisis Pengaruh Kualitas Aset, Likuiditas, Solvabilitas, Aktivitas Dan Non Performing Loan Terhadap Kinerja Keuangan (Pada Perbankan Yang Tercatat Di Bursa Efek Indonesia). Jurnal Ekonomi Manajemen, 3(1), 11–17.

Elisetiawati, E., & Artinah, B. (2016). Pengaruh Pelaksanaan Good Corporate Governance, Kepemilikan Institutional Dan Laverage Terhadap Kinerja Keuangan (Studi Pada Industri Perbankan Di Bursa Efek Indonesia). Manajemen Dan Akuntansi, 17(1), 17–28.

Fadillah, A. R. (2017). Analisis Pengaruh Dewan Komisaris Independen, Kepemilikan Manajerial Dan Kepemilikan Institusional Terhadap Kinerja Perusahaan Yang Terdaftar Di *Lq45*. *12*(1), 1–16.

Fajaryani, N. L. G. S., & Suryani, E. (2018). Struktur Modal, Likuiditas, Dan Ukuran Perusahaan Terhadap Kinerja Keuangan Perusahaan. *Jurnal Riset Akuntansi Kontemporer*, *10*(2), 74–79.

Glasius, V. B. D., & Purwanto, M. (2021). Pengaruh Strategi Diversifikasi Dan Kepemilikan Institusional Terhadap Kinerja Keuangan. 20(1), 116–127.

Hartati, N. (2020). Pengaruh Ukuran Dewan Komisaris , Komite Audit , Dan Kepemilikan Institusional Terhadap Kinerja Keuangan Perusahaan. 01(02), 175–184.

Harto, P. (2005). Kebijakan Diversifikasi Perusahaan Dan Pengaruhnya Terhadap Kinerja: Studi Empiris Pada Perusahaan Publik Di Indonesia. September, 297–307.

Hartono. (2018). Pengaruh Ukuran Perushaan, Likuiditas Dan Profitabilitas Terhadap Struktur Modal Pada Perusahaan Sektor Industri Dasar Dan Kimia Di Bursa Efek Indonesia. *Jurnal Finacc*, *3*(1), 13–24.

Hermiyetti, & Katlanis, E. (2017). Analisis Pengaruh Kepemilikan Manajerial, Kepemilikan Institusional, Kepemilikan Asing, Dan Komite Audit Terhadap Kinerja Keuangan Perusahaan. *Media Riset Akuntansi*, *4*(2), 93–114.

Huda, S. D., Akuntansi, P., & Ekonomi, F. (2019). Pengaruh Kepemilikan Institusional Dan Dewan Komisaris Independen Terhadap Kinerja Keuangan Perusahaan. 577–580.

Indra, L. (2019). Analisis Likuiditas Dan Struktur Keuangan Terhadap Kinerja Keuangan Pada Perusahaan Telekomunikasi Yang Terdaftar Di Bursa Efek Indonesia. 4(C), 1–17.

Iskandar, A., Nurdin, & Azib. (2017). Pengaruh Strategi Diversifikasi Terhadap Kinerja Perusahaan (Studi Empiris Pada Properti Dan Real Estate Sektor Emiten Di Bursa Efek Indonesia). *Prosiding Manajemen*, *3*(2), 195–199.

Itung, S., & Lasdi, L. (2018). Pengaruh Strategi Diversifikasi Dan Kepemilikan Manajerial Terhadap Kinerja Perusahaan Yang Dimoderasi Oleh Struktur Modal. *Jurnal Akuntansi Kontemporer*, *10*(2), 69–80.

Kamal, M. B. (2017). Pengaruh Receivable Turn Over Dan Debt To Asset Ratio (Dar) Terhadap Return On Asset (Roa) Pada Perusahaan Pertanian Yang Terdaftar Di Bursa Efek Indonesia (Bei). *Jurnal Ilmiah Manajemen Dan Bisnis*, *17*(2), 68–81.

Kontan.co.id. Pandemi Covid-19 Menggerus Perolehan Pendapatan Amfg Hingga 165 Di Kuartal Iii 2020. 27 November 2020

Komara, A., Hartoyo, S., & Andati, T. (2016). Analisis Pengaruh Struktur Modal Terhadap Kinerja Perusahaan Pada Perusahaan Otomotif. *Jurnal Keuangan Dan Perbankan*, *20*(1), 10–21.

Martino, A. (2021). Pengaruh Struktur Modal Terhadap Kinerja Keuangan (Studi Empiris Pada Perusahaan Subsektor Perbankan Yang Terdaftar Di Bursa Efek Indonesia Periode 2008-2018). *Jurnal Akuntanika*, *7*(1), 65–72.

Monica, S., & Dewi, A. S. (2019). Pengaruh Kepemilikan Institusional Dan Dewan Komisaris Independen Terhadap Kinerja Keuangan Di Bursa Efek Indonesia. *Jurnal Akuntansi*, 1–15.

Putranto, P. (2019). Pengaruh Strategi Diversifikasi , Leverage , Dan Inflasi Terhadap Profitabilitas Perusahaan Food & Beverage. 4(2), 185–198.

Putri, A. R. (2018). Pengaruh Ukuran Perusahaan, Umur Perusahaan, Kepemilikan Institusional, Dan Kepemilikan Manajerial Terhadap Kinerja Keuangan Perusahaan. *Pakistan Research Journal Of Management Sciences*, *7*(5), 1–2.

Putu, N., & Darmayanti, A. (2018). Pengaruh Diversifikasi Dan Risiko Bisnis Terhadap Kinerja Keuangan Perusahaan Sektor Aneka Industri Di Bei. 7(1), 251–280.

Rahman, H. A. (2019). Dampak Strategi Diversifikasi Dan Leverage Terhadap Kinerja Keuangan Klub-Klub Sepak Bola Di Liga Inggris. 4(1), 29–42.

Ritonga, S. A., Effendi, I., & Prayudi, A. (2021). Jurnal Ilmiah Manajemen Dan Bisnis (Jimbi) Pengaruh Struktur Modal Terhadap Kinerja Keuangan Perusahaan Consumer Goods Di Bei The Effect Of Capital Structure On The Financial Performance Of Consumer Goods Companies On The Bei. 2(2), 86–95.

Romadhoni, & Sunaryo, H. (2017). Pengaruh Struktur Modal Terhadap Kinerja Keuangan Perusahaan Manufaktur Sektor Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia 2013-2016, *6*(6), 219–232.

Safitri, R. C. (2021). Dampak Diversifikasi Perusahaan Dan Struktur Modal Terhadap Kinerja Keuangan Perusahaan Manufaktur. *2*(2), 214–222.

Salimah, Wijayanti, A., & Masitoh, E. (2019). Pengaruh Struktur Modal, Likuiditas, Komisaris Independen Dan Struktur Aset Terhadap Kinerja Keuangan Perusahaan Sektor Konstruksi Bangunan Di Bursa Efek Indonesia. *Jurnal Akuntansi Dan Sistem Teknologi Informasi*, *15*(1), 139–146.

Salindeho, A. O., Saerang, I. S., & Maramis, J. B. (2018). Effect Of Business Diversification Of Financial Performance And Return Stock Case Stock In Automotive And Component Manufacturing Company Listed In Bei. *Jurnal Emba*, *6*(3), 1078–1087. Issn: 2303-1174

Satoto Shinta. (2009). Strategi Diversifikasi Terhadap Kinerja Perusahaan. *Jurnal Keuangan Dan Perbankan*, *13*(2), 280–287.

Selvi Pratiwi, H. (2021). Pengaruh Struktur Modal, Likuiditas Dan Kepemilikian Institusional Terhadap Kinerja Keuangan. 1–10.

Sudaryo, Y., & Pratiwi, I. Y. (2016). Pengaruh Struktur Modal Dan Likuiditas Terhadap Kinerja Keuangan. Jurnal Indonesia Membangun Vol. 15, No. 2., 15(2), 1–20.

Sulastri. (2015). Pengaruh Strategi Diversifikasi Terhadap Kinerja Keuangan Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening. Jurnal Akuntansi Unesa, 3(2), 29.

Taqwa, S. (2016). Pengaruh Struktur Modal Terhadap Kinerja Perusahaan Pada Perusahaan Manufaktur. *Jurnal Wra*, *4*(1), 745–754.

Thaib, I., & Dewantoro, A. (2017). Pengaruh Profitabilitas Dan Likuiditas Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening. *Jurnal Riset Perbankan, Manajemen, Dan Akuntansi*, *1*(1), 25.

Utami, W. B., & Pardanawati, S. L. (2016). Pengaruh Likuiditas, Solvabilitas, Dan Manajemen Aset Terhadap Kinerja Keuangan Pada Perusahaan Go Publik Yang Terdaftar Dalam Kompas 100 Di Indonesia. *Jurnal Akuntansi Dan Pajak*, *17*(01), 63–72.

Wahyuni, S., Tursinawati, A. D., Dirgantari, N., & Hapsari, I. (2022). Determinant Factors Analysis Of Company Value : (Empirical Study On Health Industry Sector During The Covid 19 Pandemic). 24(4), 36–42.

Wijaya, K. (2012). *P*engaruh Likuiditas Dan Kepemilikan Institusional Terhadap Nilai Perusahaan Dimoderasi Oleh Kebijakan Dividen. 1, 3768–3780.

Wisnuwardhana, A., & Diyanty, V. (2015). Pengaruh Strategi Diversifikasi Terhadap Kinerja Perusahaan Dengan Moderasi Efektivitas Pengawasan Dewan Komisaris. *Sna Xviii Medan 16-19 September 2015*, *September*.

Wulandari, B. (2020). Pengaruh Likuiditas , Manajemen Aset , Perputaran Kas Dan Struktur Modal Terhadap Kinerja Keuangan Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. 4.

Yuliani, E. (2021). Pengaruh Struktur Modal, Likuiditas Dan Pertumbuhan Penjualan Terhadap Kinerja Keuangan. *Jurnal Ilmu Manajemen*, *10*(2), 111.

Zabady, F., Abidin, Z., Weningtyas, N., & Oktaviani, A. (2021). Pengaruh Kepemilikan Institusional Dan Struktur Modal Terhadap Kinerja Keuangan. *11*(2), 85–95.