

**THE INFLUENCE OF PROFITABILITY, SALES GROWTH, ASSET
STRUCTURE, AND LIQUIDITY ON CAPITAL STRUCTURE IN FOOD AND
BEVERAGE SUB-SECTOR COMPANIES LISTED ON THE INDONESIA STOCK
EXCHANGE 2021-2023**

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Abstract

This study examines the influence of profitability, sales growth, asset structure, and liquidity on capital structure in food and beverage sub-sector companies listed on the Indonesia Stock Exchange from 2021 to 2023. A quantitative research approach is employed using secondary data from financial reports obtained through documentation techniques. The sample selection follows purposive sampling criteria, ensuring data completeness and consistency. Capital structure, measured by the Debt to Equity Ratio (DER), serves as the dependent variable, while independent variables include profitability, sales growth, asset structure, and liquidity. The research methodology encompasses descriptive statistics, classical assumption tests (normality, multicollinearity, homoscedasticity), multiple linear regression analysis, and hypothesis testing. The results indicate that profitability and sales growth significantly influence capital structure, supporting H1 and H2. Conversely, asset structure does not exhibit a significant effect, leading to the rejection of H3. Liquidity significantly impacts capital structure, confirming H4.

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

INTRODUCTION

In the rapidly evolving business landscape of Indonesia, companies must continuously adapt to technological advancements and shifting market expectations. The fierce competition among businesses necessitates strategic measures to ensure operational sustainability (Zahiroh et al, 2023; Basuki & Abrohim, 2024). One industry that continues to experience rapid expansion is the food and beverage sector, driven by increasing consumer demand for essential goods (Hidayat, 2024). This sector plays a vital role in national economic growth, as it contributes significantly to real-sector development and attracts investor interest due to its stable demand and long-term profitability (Ambarwati et al., 2022; Devi et al., 2017, cited in Ambarwati et al., 2022). However, despite its promising potential, the food and beverage industry faces several financial challenges, including supply chain disruptions, fluctuating raw material prices, and labor costs, all of which influence capital structure decisions.

Capital structure, a fundamental aspect of financial strategy, determines a company's ability to maintain financial stability and optimize resource allocation (Munawaroh et al, 2023). Businesses must carefully assess funding sources, balancing internal financing from retained earnings with external financing from creditors and investors. A well-structured capital strategy ensures financial sustainability while mitigating risks associated with overleveraging (Deviani & Sudjarni, 2018; Rahmawati, 2018, cited in Gabriella, G., 2022). Investors closely examine a company's capital structure, as it directly affects financial stability and risk exposure, influencing investment decisions (Fung, 2019). Therefore, understanding the determinants of capital structure is crucial for both corporate financial managers and investors seeking to evaluate company performance.

Several factors influence capital structure decisions, including profitability, sales growth, asset structure, and liquidity. Profitability plays a key role, as highly profitable companies rely more on retained earnings and less on external debt. Sales growth contributes to retained earnings, further reducing the need for debt financing. Asset structure, particularly the proportion of fixed assets, affects a firm's ability to secure external funding, as tangible assets can serve as collateral (Riyanto, 2015, cited in Nurkhasanah & Ichsanuddin Nur, 2022). Meanwhile, liquidity, defined as a company's ability to meet short-term obligations,

impacts capital structure by influencing the preference for internal financing over debt. Firms with higher liquidity levels tend to minimize reliance on external borrowing, ensuring financial flexibility and stability.

This study builds upon previous research by Gabriella, G. (2022), which examined the impact of profitability, liquidity, and sales growth on capital structure in food and beverage companies listed on the Indonesia Stock Exchange (IDX). While that study found that profitability and liquidity influenced capital structure, it concluded that sales growth had no significant effect. Expanding upon this research, the present study incorporates asset structure as an additional variable and extends the observation period. By including a more comprehensive set of determinants, this study aims to provide deeper insights into the factors shaping capital structure decisions in publicly traded food and beverage companies in Indonesia.

REVIEW OF LITERATURE

Agency Theory

Agency theory elucidates the contractual relationship between the principal, comprising shareholders or company proprietors who entrust decision-making authority and the agent, such as executives or directors, who execute those decisions. Horne and Wachowicz (2007:482) in (Sansoethan & Suryono, 2016) assert that management functions as an agent for shareholders, who are the company's rightful owners. By delegating authority to agents, shareholders anticipate that managerial decisions will align with their best interests. However, agency problems arise when the interests of agents diverge from those of shareholders, leading to suboptimal financial decisions, including capital structure choices.

In the food and beverage sector, agency issues can manifest through managerial preference for low-risk financing strategies, such as avoiding excessive debt to reduce financial distress. Conversely, managers may engage in high-leverage strategies to maximize short-term growth incentives, especially if compensation is tied to revenue performance. Regulatory oversight and ownership concentration play crucial roles in mitigating agency conflicts, influencing the firm's debt-equity mix.

Signaling Theory

Signaling theory pertains to corporate actions that convey managerial assessments regarding the firm's future prospects to investors. Brigham and Houston (2006:39) in (Sansoethan & Suryono, 2016) suggest that enterprises with promising growth trajectories endeavor to avoid equity issuance, often opting for higher debt leverage to maintain control and value. Conversely, firms with uncertain prospects tend to resort to share offerings.

In the Indonesian food and beverage sector, companies may signal strong future performance by maintaining high retained earnings and minimizing external equity issuance. Frequent stock issuance might be perceived negatively, signaling financial distress or limited growth potential. Given the competitive nature of the industry, firms often use capital structure strategies to reinforce investor confidence, ensuring stable market positioning.

Capital Structure

Muna & Kartini (2023) define capital structure as an entity's long-term financial composition, evaluated through the proportion of long-term debt relative to available equity. Sudana (2011) further expounds that capital structure concerns a firm's strategic allocation of long-term financing sources, encompassing debt and equity. A well-structured capital composition is imperative as it seeks to optimize financial resources for corporate expansion. Many firms necessitate external financing, either through debt instruments or foreign capital, beyond their retained earnings.

In the food and beverage sector, capital structure decisions are influenced by industry-specific factors, including seasonality in sales, operational costs, and supply chain stability. Companies with high fixed asset investments may rely more on long-term debt, while firms with strong cash flow prefer equity financing to maintain financial flexibility.

Profitability

The fundamental objective of business operations is revenue maximization, which directly correlates with financial success. Profitability denotes a firm's ability to generate earnings over a specified period. Yanti & Oktari (2018) define profitability as the capacity of a company to produce profits by leveraging its available assets, including cash, capital, and sales activities.

Research indicates that higher profitability generally leads to lower debt reliance, as firms can reinvest earnings rather than seek external financing. However, in the food and beverage sector, capital-intensive businesses may still use debt strategically to fund expansion. A comparative analysis of previous studies suggests variations in profitability's effect on capital structure based on firm size, market conditions, and cost structures, indicating that a one-size-fits-all approach may not apply.

Sales Growth

Sales growth represents a firm's ability to achieve progressive revenue expansion over time. Companies exhibiting consistent sales growth are perceived as financially sound, demonstrating operational efficiency, competitiveness, and market strength. Strong sales performance enhances cash flow, leading to increased retained earnings, which serve as an internal financing source for expansion.

In the food and beverage sector, fluctuating demand due to consumer trends, regulatory policies, and supply chain disruptions impact sales growth. Firms with stable sales may leverage debt financing to support expansion, while those with volatile revenue streams may prioritize equity financing to mitigate financial risk. Prior literature indicates that sales growth influences capital structure differently across industries, highlighting the need for sector-specific analysis.

Asset Structure

Asset structure plays a pivotal role in shaping a firm's capital configuration, as it dictates how investments are classified on the company's balance sheet. Adhitya & Santioso (2020) highlight that asset structure involves the proportional allocation of financial resources across fixed and current assets. Kristina & Jumono (2022) state that assets serve as essential resources for revenue generation and, in certain cases, act as collateral when companies seek debt financing.

For food and beverage firms, asset liquidity and capital investment requirements influence debt-equity decisions. Companies with high tangible assets may access secured loans more easily, whereas firms relying on brand value or intellectual property may struggle to secure debt financing under favorable conditions. Existing literature offers mixed findings

on asset structure's impact on capital structure, emphasizing the need for further empirical validation in sectoral contexts.

Liquidity

Liquidity is a critical determinant of capital structuring, reflecting a company's ability to meet short-term financial obligations efficiently. It is commonly assessed by comparing a firm's current assets to its short-term liabilities. A high liquidity ratio signifies that a firm relies more on internal cash reserves rather than external financing to sustain operations.

In the food and beverage sector, liquidity plays a crucial role in managing seasonal fluctuations in revenue and inventory costs. Firms with high liquidity may avoid excessive debt reliance, ensuring operational stability during off-peak seasons. However, excessive liquidity could indicate underutilized financial resources, suggesting inefficiencies in capital allocation. Prior research highlights varying effects of liquidity on capital structure across industries, necessitating a deeper examination of sector-specific financial practices.

Overall, while the literature provides a strong theoretical foundation, there is a need for further empirical studies focused on the Indonesian food and beverage industry to validate these concepts and address contextual variations.

The Influence of Profitability on Capital Structure

Profitability reflects a company's efficiency in generating profits. Firms with high asset returns are perceived as self-sufficient, as they can generate earnings with ease. Consequently, they tend to finance their operations using retained earnings rather than external debt. Research by Iswanto et al. (2022), Nursyahbani & Sukarno (2023), and Pramudita & Fitriasuri (2024) confirms that profitability significantly impacts capital structure.

H₁: Profitability Influences Capital Structure.

The Influence of Sales Growth on Capital Structure

Sales growth is determined by comparing revenue from a specific period with that of the previous period. A company experiencing stable sales growth tends to achieve higher profits, leading to increased retained earnings. While studies by Hapsari & Widjaja (2021) and Y. E. Ningrum & Khairunnisa (2022) indicate that liquidity affects capital structure, Luthfita et al. (2022) found that sales growth does not significantly influence it.

H₂: Sales Growth Influences Capital Structure.

The Influence of Asset Structure on Capital Structure

Fixed assets are considered high-risk due to their lengthy turnover period. Companies with a substantial portion of risky assets typically prioritize internal financing while minimizing reliance on external capital. A firm with a large proportion of fixed assets is more likely to use equity financing, whereas a high level of current assets often leads to short-term debt financing. Research by Hapsari & Widjaja (2021), Aruan et al. (2022), and Sitingjak et al. (2021) confirms that asset structure affects capital structure.

H₃: Asset Structure Influences Capital Structure.

The Influence of Liquidity on Capital Structure

Liquidity represents a company's ability to meet its short-term financial obligations on time. Studies by Hapsari & Widjaja (2021) and Rahayu (2021) conclude that liquidity has a significant effect on capital structure.

H₄: Liquidity Influences Capital Structure

RESEARCH METHOD

This study employs a quantitative research approach by testing hypotheses using secondary data sourced from financial reports of food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2021-2023 period. This period was selected to capture recent financial trends and account for potential economic disruptions, including the lingering effects of the COVID-19 pandemic and post-pandemic recovery. The objective is to analyze the influence of profitability, sales growth, asset structure, and liquidity on capital structure.

The population comprises all food and beverage sub-sector firms listed on the IDX during this period, with samples selected through purposive sampling based on criteria such as reporting in Indonesian Rupiah, publishing annual financial reports consistently, and having complete data for the variables studied. While purposive sampling ensures data completeness, it may limit the generalizability of the findings.

The data utilized in this research is obtained through documentation techniques, specifically financial reports published on the IDX website or company websites. Although

these sources are generally reliable, variations in financial reporting practices across firms may introduce potential discrepancies.

The dependent variable, capital structure, is measured using the Debt to Equity Ratio (DER), which assesses a firm's ability to cover debts using its equity, where a lower ratio indicates a stronger financial position. Independent variables include profitability, sales growth, asset structure, and liquidity, each reflecting different financial aspects of the firms under study. Additional control variables, such as firm size and industry classification, are introduced to enhance model robustness and account for variations in capital structure beyond the primary independent variables.

Data analysis methods include descriptive statistics, classical assumption tests, multiple linear regression analysis, and hypothesis testing. Descriptive statistics summarize data distribution, mean, standard deviation, minimum, and maximum values. Classical assumption tests, including normality, multicollinearity, autocorrelation, and heteroscedasticity, are conducted to ensure the validity of the regression model. These tests are crucial in verifying that the assumptions of multiple linear regression are met, thereby preventing biased estimations.

Multiple linear regression analysis determines the effect of independent variables on the dependent variable. While this model assumes a linear relationship, potential nonlinearities will be examined through residual analysis. Hypothesis testing consists of the t-test, which assesses individual independent variable significance, and the F-test, which examines the simultaneous effect of independent variables. The coefficient of determination (R^2) evaluates the explanatory power of independent variables on the dependent variable, with higher values indicating stronger explanatory capability.

This study provides comprehensive insights into the financial determinants of capital structure in food and beverage sub-sector firms listed on the IDX, contributing to the understanding of corporate financial decision-making while acknowledging potential limitations in data scope and methodological choice.

RESULTS AND DISCUSSION

Overview of Research Results

This research aims to examine the determinants influencing capital structure, measured using profitability ratio (Return on Assets), sales growth ratio (Sales Growth), asset structure ratio (Fixed Asset Ratio), and liquidity ratio (Current Ratio) within food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. The study employs secondary data in the form of financial reports, which are accessible from the official IDX website (www.idx.co.id) and the respective companies' official websites. The population consists of all food and beverage sub-sector firms listed on the IDX during the specified period, with the sample selected through purposive sampling, ensuring that only companies meeting predetermined criteria are included. Based on these criteria, 66 companies were selected over three years, yielding a total of 198 observational data points. After excluding 14 outliers identified using SPSS statistical tools, the final dataset comprises 184 data points. The removal of outliers is intended to eliminate extreme values, thereby enhancing data reliability and ensuring the validity of the research findings. The sample selection process is outlined as follows:

Table 1.
Sample Selection Criteria

Sample Criteria	Total
Food and beverage sub-sector companies listed on IDX	72
Companies that do not publish financial statements in Indonesian Rupiah	-3
Companies that did not publish financial statements during the 2021-2023 period	-3
Eligible sample	66
Total sample over 3 years	198
Outlier data	-14
Final processed sample	184

Source: Processed Data, 2024

Descriptive Statistical Analysis

Table 2
Descriptive Statistics Results

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Profitability (X1)	184	-0,400	0,944	0,06231	0,115682
Sales Growth (X2)	184	-0,863	14,640	0,26093	1,144775
Asset Structure (X3)	184	0,010	6,939	0,57558	0,523520
Liquidity (X4)	184	0,202	20,113	2,54809	2,627241
Capital Structure (Y)	184	0,019	3,912	0,96305	0,714876
Valid N (listwise)	184				

Source: Processed data, 2024

Table 2 presents 184 data points analyzing five variables: Profitability (X1), Sales Growth (X2), Asset Structure (X3), Liquidity (X4), and Capital Structure (Y). Profitability (ROA) ranges from -0.400 (PT Sentra Food Indonesia Tbk, 2023) to 0.944 (PT Prasadha Aneka Niaga Tbk, 2023), with a mean of 0.06231 and a standard deviation of 0.115682. Sales Growth varies from -0.863 (PT Widodo Makmur Unggas Tbk, 2023) to 14.640 (PT Estika Tata Tiara Tbk, 2023), averaging 0.26093 with a standard deviation of 1.144775. Asset Structure (Fixed Asset Ratio) spans 0.010 (PT Garudafood Putra Putri Jaya Tbk, 2022) to 6.939 (PT FKS Food Sejahtera Tbk, 2022), with a mean of 0.57558 and a standard deviation of 0.523520. Liquidity (Current Ratio) ranges from 0.202 (PT Bumi Teknokultura Unggul Tbk, 2023) to 20.113 (PT Indo Pureco Pratama Tbk, 2021), with an average of 2.54809 and a standard deviation of 2.627241. Capital Structure (Debt-to-Equity Ratio) fluctuates between 0.019 (PT Indo Pureco Pratama Tbk, 2021) and 3.912 (PT Estika Tata Tiara Tbk, 2023), with a mean of 0.96305 and a standard deviation of 0.714876.

Classical Assumption Testing

Test of Normality

The normality test in this study aims to determine whether the data follow a normal distribution. The method employed for this assessment is the Central Limit Theorem (CLT), which is generally applicable to large samples ($N > 30$). Given that this study involves 184 samples ($N > 30$), it signifies that the data can be considered normally distributed and qualifies as a large sample.

Test of Multicollinearity

Table 3
Multicollinearity Test Results

Variable	Tolerance	VIF	Remarks
Profitability	0,978	1,022	Multicollinearity does not occur
Sales Growth	0,999	1,001	Multicollinearity does not occur
Active Structure	0,966	1,036	Multicollinearity does not occur
Liquidity	0,954	1,048	Multicollinearity does not occur

Source: Processed data, 2024

From Table 3 above, each variable profitability (Return on Assets), sales growth ratio (Sales Growth), fixed asset structure ratio (Fixed Asset Ratio), and liquidity ratio (Current Ratio) exhibits a tolerance value exceeding 0.10 and a VIF value below 10. Consequently, it can be inferred that multicollinearity is not present in the data.

Autocorrelation Test

Table 4
Autocorrelation Test Results

Durbin-Waston	Information
2,073	No Autocorrelation Occurs

Source: Processed data, 2024

From Table 4 above, it shows that there is no autocorrelation, the Durbin-Waston test results have a value of 2.073. The total sample is 184, and the number of independent variables is 4, it can be seen that the DL value is 1.7146, the DU value is 1.8033, and the 4-DU value is 2.1967. Where $DU < DW < 4-DU = 1.8033 < 2.073 < 2.1967$. So, it can be concluded that there is no autocorrelation.

Heteroscedasticity Test

Table 5
Heteroskedasticity Test Results

Variable	Sig.	Information
Profitability	0,780	Heteroscedasticity does not occur
Sales Growth	0,712	Heteroscedasticity does not occur
Asset Structure	0,893	Heteroscedasticity does not occur
Liquidity	0,157	Heteroscedasticity does not occur

Source: Processed data, 2024

From the results of the heteroscedasticity test via the Glejser test, the significance value of each variable is > 0.05 . So, it can be concluded that the variables above do not experience symptoms of heteroscedasticity or pass the heteroscedasticity test.

Multiple Linear Regression Analysis

Table 6.
Multiple Linear Regression Test Results

Model	Unstandardized B	T	Sig.
(Constant)	1,335	16,400	0,000
Profitability	-1,516	-4,198	0,000
Sales Growth	0,157	4,338	0,000
Asset Structure	0,035	0,432	0,666
Liquidity	-0,133	-8,253	0,000

Source: Processed data, 2024

Based on the data, the regression equation can be formulated as follows:

Capital Structure = 1.335 - 1.516 Profitability + 0.157 Sales Growth + 0.035 Asset Structure - 0.133 Liquidity + e

The regression equation can be interpreted as follows: The intercept (α) has a value of 1.335, indicating that if profitability, sales growth, asset structure, and liquidity remain unchanged or equal to zero, the capital structure will be 1.335. The coefficient β_1 is -1.516, meaning that a 1% increase in profitability leads to a decrease in capital structure by 1.516. The coefficient β_2 is 0.157, suggesting that a 1% rise in sales growth results in a 0.157 increase in capital structure. The coefficient β_3 is 0.035, implying that a 1% increase in asset structure raises the capital structure by 0.035. Lastly, the coefficient β_4 is -0.133, indicating that a 1% increase in liquidity causes a 0.133 reduction in capital structure.

The Asset Structure variable was found to be insignificant (p-value of 0.666). This finding is interesting because, theoretically, firms with more fixed assets are expected to have greater access to debt financing. This result suggests that within the food and beverage industry, asset structure may not play as significant a role as profitability or liquidity in determining capital structure. This aligns with the possibility that companies in this sector rely more on operational cash flow and profitability rather than asset-backed financing. Further exploration using agency and signaling theory could help explain this phenomenon.

Hypothesis Testing

T Test

Table 7
T Test Results

Model	Unstandardized B	T	Sig.	Information
(Constant)	1,335	16,400	0,000	
Profitability	-1,516	-4,198	0,000	H1 is accepted
Sales Growth	0,157	4,338	0,000	H2 is accepted
Asset Structure	0,035	0,432	0,666	H3 is rejected
Liquidity	-0,133	-8,253	0,000	H4 is accepted

Source: Processed data, 2024

Hypothesis Testing T-test Table 7 t test results Model Unstandardized B T Sig. Information (Constant) 1,335 16,400 0,000 Profitability -1,516 -4,198 0,000 H1 is accepted Sales Growth 0,157 4,338 0,000 H2 is accepted Asset Structure 0,035 0,432 0,666 H3 is rejected Liquidity -0,133 -8,253 0,000 H4 is accepted.

The t-test results in the table indicate the influence of each variable on capital structure. Profitability exhibits a significant value of $0.000 < 0.05$, signifying that H1 is accepted, implying that profitability significantly impacts capital structure. Similarly, sales growth also holds a significance value of $0.000 < 0.05$, confirming H2 is accepted, meaning sales growth affects capital structure. Conversely, asset structure has a significance value of $0.666 > 0.05$, leading to the rejection of H3, indicating that asset structure does not influence capital structure. Meanwhile, liquidity, with a significance value of $0.000 < 0.05$, supports the acceptance of H4, demonstrating that liquidity plays a role in shaping capital structure.

The sales growth variable shows a positive relationship with capital structure ($\beta = 0.157$), which suggests that higher sales growth leads to higher debt levels. This is somewhat counterintuitive, as companies with high sales growth typically rely more on internal financing. However, within the food and beverage sector, firms may still prefer to leverage debt to support expansion and operational needs despite having strong sales growth. This industry-specific factor warrants further investigation.

F Test

Table 8
F Test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	37,597	4	9,399	30,085	0,000
Residual	55,924	179	0,312		
Total	93,522	183			

Source: Processed data, 2024

Based on Table 8, the significance value of the F-test is 0.000, which is below the 0.05 threshold. This indicates that the variables of Profitability, Sales Growth, Asset Structure, and Liquidity collectively exert a substantial influence on Capital Structure. However, the relatively low Adjusted R-Square value (38.9%) suggests that while the model captures significant influences, other factors such as market conditions, company size, and macroeconomic variables may also play a role in determining capital structure. Future research should consider incorporating additional variables to enhance explanatory power.

Determination Coefficient Test (R²)

Table 9
Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,634	0,402	0,389	0,558951

Source: Processed data, 2024

Based on the results of the coefficient of determination test, the Adjusted R-Square value is 0.389 or 38.9%. This indicates that 38.9% of the variance in capital structure can be explained by the variables Profitability (X1), Sales Growth (X2), Asset Structure (X3), and Liquidity (X4) within food and beverage sub-sector companies listed on the Indonesia Stock Exchange from 2021 to 2023. Meanwhile, the remaining 61.1% (100% - 38.9%) is influenced by other variables beyond the scope of this study, such as market conditions, interest rates, corporate governance, and macroeconomic factors.

Given the industry-specific nature of the study, the findings may not be fully generalizable to other sectors or stock markets. Future research should explore capital structure determinants across different industries and regions to enhance applicability.

Influence of Profitability on Capital Structure

Profitability ratios assess a company's ability to generate earnings relative to its total assets. As shown in Table 7, the profitability variable has a significance value of 0.000, which is below the 0.05 threshold, indicating that H1 is accepted. This confirms that profitability significantly impacts the capital structure of food and beverage sub-sector firms listed on the Indonesia Stock Exchange from 2021 to 2023. Profitability reflects a company's capability to generate returns, and its relationship with capital structure is crucial, as it affects the return on invested equity. Highly profitable firms can mitigate agency conflicts regarding financing decisions, allowing management to align with corporate objectives without excessive external dependence. Consequently, lower leverage leads to higher retained earnings, enhancing overall profitability. Empirical findings affirm that profitability influences capital structure, aligning with research by Iswanto et al. (2022), Nursyahbani & Sukarno (2023), and Nursyahbani & Sukarno (2023).

Influence of Sales Growth on Capital Structure

Table 7 indicates that sales growth has a significance value of 0.00, below the 0.05 threshold, confirming that H2 is accepted. Thus, sales growth significantly affects the capital structure of food and beverage sub-sector firms listed on the Indonesia Stock Exchange from 2021 to 2023. Sales growth reflects a company's ability to expand revenue streams, which reduces dependence on external financing for operational or investment needs. Firms experiencing robust sales growth gain greater financial flexibility in funding decisions and enhance creditor confidence, aligning with signaling theory. Companies prioritize internal financing before seeking external funding. Empirical evidence supports the notion that sales growth influences capital structure, consistent with studies by Hapsari & Widjaja (2021) and Ningrum & Khairunnisa (2022).

Influence of Asset Structure on Capital Structure

Table 7 reveals that asset structure has a significance value of 0.666, exceeding the 0.05 threshold, leading to the rejection of H3. This indicates that asset structure does not significantly influence the capital structure of food and beverage sub-sector firms listed on the Indonesia Stock Exchange from 2021 to 2023. Firms with substantial fixed assets tend to secure debt financing using these assets as collateral. However, a lower asset structure,

represented by a reduced fixed asset-to-total asset ratio, correlates with lower leverage. The insignificance of asset structure suggests that firms maintain financial stability and autonomy in funding decisions, prioritizing strategic financial management over asset composition. This finding aligns with agency theory, indicating minimal asset-related financing conflicts, while signaling theory suggests that firms prioritize financial flexibility. These results align with studies by Pramudita & Fitriasuri (2024) and A. Yusza & Susetyo (2021), which confirm that asset structure does not impact capital structure.

Influence of Liquidity on Capital Structure

Table 7 illustrates that liquidity has a significance value of 0.00, below the 0.05 threshold, supporting the acceptance of H4. Therefore, liquidity significantly influences the capital structure of food and beverage sub-sector firms listed on the Indonesia Stock Exchange from 2021 to 2023. Liquidity represents a company's capacity to meet short-term obligations, where firms with strong liquidity prefer internal financing sources, such as cash reserves or liquid assets, before resorting to external debt. This finding aligns with both signaling and agency theories, indicating that firms with substantial liquidity prioritize internal funds to minimize leverage. Empirical evidence substantiates the impact of liquidity on capital structure, consistent with research by Hapsari & Widjaja (2021) and Rahayu (2021), affirming that liquidity plays a crucial role in shaping financial structuring decisions.

CONCLUSION

This study examines the impact of profitability, sales growth, asset structure, and liquidity on capital structure in food and beverage sub-sector companies listed on the Indonesia Stock Exchange. The findings indicate that profitability and sales growth significantly influence capital structure, while asset structure does not show a notable effect. Liquidity, on the other hand, plays a crucial role in shaping capital structure decisions. These results suggest that managers should focus on maintaining strong profitability and sales growth while ensuring sufficient liquidity to support financial flexibility and operational stability. The study is limited by its focus on a single sector and a relatively short observation period, which may not capture broader economic trends. Future research should explore additional influencing factors such as market conditions, company size, and macroeconomic

variables, extend the study period, and include firms from diverse industries to enhance generalizability. These findings contribute to capital structure theory by emphasizing the importance of liquidity and sales growth in financial decision-making.

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