International Journal of Application on Economics and Business (IJAEB)
Volume 3, Issue 3, 2025. ISSN: 2987-1972

THE EFFECT OF PROFITABILITY, LIQUIDITY, COMPANY SIZE, AND SALES GROWTH ON CAPITAL STRUCTURE IN CONSUMER NON-CYCLICALS COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE 2021-2023 PERIOD

Selvia Putri Patricia[1], Sofia Prima Dewi[2*]

[1] Faculty of Economics and Business, Universitas Tarumanagara, Jakarta, Indonesia
Email: selvia.125210036@stu.untar.ac.id
[2] Faculty of Economics and Business, Universitas Tarumanagara, Jakarta, Indonesia*
Email: sofiad@fe.untar.ac.id

*Corresponding Author

Submitted: 25-06-2025, Revised: 11-07-2025, Accepted: 28-07-2025

ABSTRACT

The optimal capital structure configuration becomes a crucial determinant in ensuring the survival and long-term growth of a business entity. The study endeavors to furnish empirical substantiation concering the effect of profitability, liquidity, company size, and sales growth on capital structure. The research employs a quantitative approach with a purposive sampling technique, using sample of 34 companies listed on the Indonesia Stock Exchange during the periods of 2021, 2022, and 2023. Data were processed using E-Views version 12 to test the hypotheses. The findings of this study suggest that profitability does not negatively influence the capital structure. Company size and sales growth do not positively influence the capital structure, while liquidity has a negatively influence the capital structure. The implications of this research for companies indicate that they must carefully consider the factors identified in this research when formulating an optimal capital structure, in order to support sustainable growth and effectively manage financial risks. For investors, the findings provide valuable insights into analyzing a company's capital structure as a foundation for more informed investment decision-making. Furthermore, future research could broaden its scope by exploring other external factors that may influence capital structure decisions.

Keywords: *Capital Structure, Profitability, Liquidity, Company Size, Sales Growth*

1. INTRODUCTION

In the competitive business world, companies face numerous challenges in managing financial resources. Each organization must develop strategies that balance risk and return, one of which involves managing capital structure effectively. This decision becomes even more crucial in the era of digital capitalism, where businesses must swiftly adapt to rapidly changing market dynamics. As a company grows and evolves, its funding requirements become increasingly complex. Organizations must decide whether to rely on internal capital, such as retained earnings, or seek external funding through debt or equity issuance. Consequently, funding decisions cannot be taken lightly, considering its central role in formulating the company's sustainable financial strategy. When a company successfully minimizes its capital costs while maintaining adequate financial flexibility, it becomes better positioned to attract investments, manage risks, and ultimately enhance shareholder value.

PT Global Mediacom Tbk (BMTR) exemplifies a company that strategically manages its capital structure. Recently, the company issued 1,533,451,128 new shares, each with a nominal value of IDR 100, representing 10% of its total issued capital. This decision is a deliberate effort to reinforce its capital structure and enhance its financial position, while also improving the liquidity of its shares. By increasing the number of shares in circulation,

BMTR not only fortifies its equity base but also aims to achieve a more balanced and resilient financial structure, which is crucial for sustaining growth and managing financial risks in a dynamic market environment (Rosalina and Desti, 2023).

A company capital structure refers to stable sources of funding, including long-term debt, equity, and preferred stock (Monica and Wi, 2022). An optimal capital structure is attained when a company can efficiently balance the advantages and drawbacks of utilizing both debt and equity. The more cost-efficient a company is, the better it can minimize its cost of capital, ultimately reaching an optimal capital structure (Kosali, 2022). This research centers on non-cyclical consumer company's during the 2021-2023 period. Non-cyclical consumer companies are those that sell goods and services that are always in demand, such as food, beverages, and household products. Due to the stable demand for products in this sector, these companies often generate consistent revenue, providing a solid foundation for capital structure analysis. This creates a condition that allows companies in this sector to maintain stable profitability and more predictable cash flow, which is crucial in analyzing liquidity. Furthermore, companies in this sector often have large sizes, with broad market reach, enabling them to more easily access financing and improve operational efficiency. Sales growth in this sector is generally more stable as consumers continue to purchase products deemed essential. Therefore, the consumer non-cyclicals sector provides an ideal context for exploring how profitability, liquidity, company size, and sales growth interact in creating a solid and sustainable financial structure.

Pecking Order Theory

The Pecking Order Theory is founded on the assumption that there is no predetermined optimal debt-to-equity ratio. Instead, the theory emphasizes a hierarchy of financing preferences within companies. This hierarchy prioritizes internal sources of funding, including retained earnings, over external ones like equity and debt. According to this theory, companies are more inclined to rely on internal financing rather than seeking external funds. The phenomenon is consistent with the theory that profitable companies typically prioritize internal funding for expansion and investment, thereby reducing dependence on debt. On the other hand, companies with lower profitability are more likely to use higher levels of debt. This can be attributed to two key reasons: 1) The company's internal funds are insufficient to meet its needs. 2) Debt is the preferred option among external funding sources (Myers, 1984).

Profitability

Profitability refers to a company's potential to assess its capacity to yield profits, reflecting the level of managerial effectiveness in achieving earnings derived from sales or investment revenues over a specific period (Kasmir, 2021). When a company achieves high profitability, it demonstrates a strong capacity to generate earnings, leading to a preference for utilizing internal funding sources rather than relying on external financing. This approach is primarily due to the sufficiency of internal funds. Prioritizing internal funding not only reduces reliance on external sources but also mitigates the financial risks associated with debt (Pramana and Darmayanti, 2020). This outcome also corroborates with the Pecking Order Theory, which suggests that companies prioritize internal sources of funding, such as retained earnings, before resorting to debt or issuing new equity. High profitability result in a more conservative capital structure, reflecting a negative correlation between profitability and capital structure. This conclusion is corroborated by prior research conducted by Pramana and Damayanti (2020), Tamara, Muslih, and Isynuwardhana (2020), Dewi and Fachurrozie (2021),

Kurniasari and Listiawati (2021), as well as Putri, Cheserio, Katherine, Celine, and Jesline (2021), which found that profitability negatively influences capital structure.
H1: Profitability has a negative effect on capital structure.

Liquidity
A company's liquidity depends on its ability to convert assets into cash quickly to cover short-term liabilities. High liquidity signifies that the companies possesses substantial current assets, enabling it to meet its short-term liabilities effectively. A strong level of liquidity reduces the company's dependence on external debt. This outcome also corroborates with the Pecking Order Theory, which asserts that companies with high liquidity are less likely to rely on debt, given the sufficiency of their internal resources. This relationship suggests that as liquidity increases, the tendency to rely on debt decreases. This finding is in agreement with prior research conducted by Dewi and Fachurrozie (2021), Suhardjo et al. (2022), Firanti and Suryandani (2023), Iskandar and Zaki (2023), and Saragih and Hariani (2023) all of which concluded that liquidity negatively impacts capital structure.
H2: Liquidity has a negative effect on capital structure.

Company Size
Company size reflects the extent of a company's operations, which is able to be assessed based on the total assets it possesses. Additionally, large companies are often better positioned to secure external financing, as they are perceived as more stable and possess significant assets that provide additional assurance to investors. This outcome also corroborates with the Pecking Order Theory, this suggests that larger enterprises are more inclined to depend on external funding, such as debt or issuing new equity, to meet their capital needs. Large firms tend to rely more heavily on foreign capital or debt within their capital structure. Therefore, it can be concluded that as company size increases, so does the level of its capital structure. This conclusion is consistent with studies by Pramana and Darmayanti (2020) and Melananda and Sari (2024), which found that company size positively influences capital structure.
H3: Company size has a positive effect on capital structure.

Sales Growth
Sales growth refers to the year-over-year increase in sales, which can be observed through the total sales conducted by the company or the revenue generated. When a company experiences sales growth, it directly impacts the profits or earnings it achieves. Companies with high sales growth typically generate significant profits, leading to a larger internal cash flow. These earnings are then utilized to fund operational activities, as the company demonstrates the capability to meet its capital needs without relying on external debt. This outcome also corroborates with the Pecking Order Theory, this suggests that companies prefer to use internal funding before resorting to external financing. This concept is backed by studies carried out by Saragih and Hariani (2023), which concluded that sales growth negatively affects capital structure.
H4: Sales growth has a negative effect on capital structure.

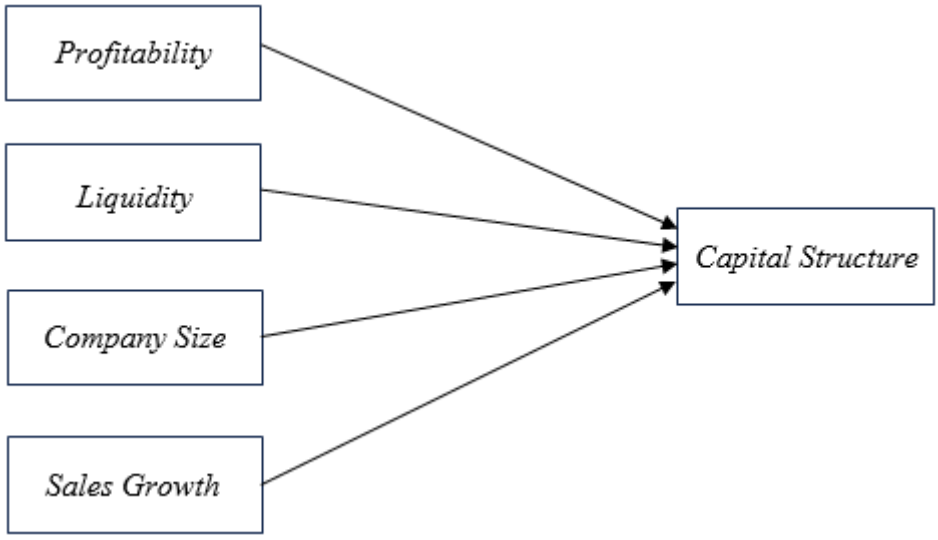

Figure 1. Conceptual Framework

2. RESEARCH METHOD

This study employs a descriptive quantitative methodology. A total of 34 companies were observed. Data was processed using EViews version 12 software. In this study, the sampling method employed is non-probability sampling, specifically purposive sampling. Purposive sampling is a technique used in sample selection based on specific considerations (Sugiyono, 2023). The chosen sampling technique is used purposive sampling, considering the following criteria: 1) Consumer non-cyclicals companies that were not delisted or suspended during 2021–2023. 2) Consumer non-cyclicals companies that did not conduct an Initial Public Offering (IPO) during 2021–2023. 3) Consumer non-cyclicals companies that present financial statements in Indonesian Rupiah. 4) Consumer non-cyclicals companies that publish financial statements ending on December 31.

Table 1. Operationalization of Research Variables
Source: Processed by the Authors

Variable	Proxy	Scale	Source
Capital Structure	DER= $\frac{Total\ Liabilities}{Total\ Equity}$	Ratio	Suhardjo et al. (2020)
Profitability	ROA = $\frac{Net\ Income}{Total\ Assets}$ x 100%	Ratio	Suhardjo et al. (2020)
Liquidity	CR = $\frac{Current\ Assets}{Current\ Debt}$ x 100%	Ratio	Suhardjo et al. (2020)
Company Size	SIZE= Ln Total Asset	Ratio	Suhardjo et al. (2020)
Sales Growth	SG = $\frac{Sales\ t-Sales\ t-1}{Sales\ t-1}$ x 100%	Ratio	Melananda dan Sari (2024)

3. RESULTS AND DISCUSSIONS

Table 2. Partial Test (t-Test)
Source: Processed by the Authors

Variable	Coefficient	Prob.	Hypotheses Results
C	-1,698094	0,4600	
ROA	-0,286801	0,2787	H1 Rejected
CR	-0,050742	0,0000	H2 Accepted
SIZE	0,084535	0,2940	H3 Rejected
SG	0,077459	0,0927	H4 Rejected

The Effect of Profitabilty on Capital Structure

According to the findings of the t-test, the profitability variable acquired a probability worth of 0.2787, that is greater than 0.05. The profitability coefficient in this test is -0.286801, indicating a negative influence. Thus, it can be concluded that profitability does not negatively influence the capital structure, and H1 is rejected. This means that changes in a company's potential to yield profits do not affect how it manaes its funding sources, specifically between debt and equity. In this context, the company tends not to rely on external funds but prefers to utilize internally generated funds. Consequently, the company is more inclined to use internal funding rather than depend on external financing, such as debt or issuing shares, to meet its operational needs. This occurs because not all companies with high profitability levels have access to substantial external funding. This research supports Suhardjo et al. (2022), and Iskandar and Zaki (2023) who found that profitability had no negative effect on capital structure.

The Effect of Liquidity on Capital Structure

According to the findings of the t-test, the liquidity variable acquired a probability worth of 0.0000, that is less than 0.05. The liquidity coefficient in this test is -0.050742, indicating a negative influence. Thus, it can be inferred that liquidity negatively affects capital structure, and H2 is accepted. High liquidity means that a company can fulfill its obligations using its current assets before turning to external funding through debt. Companies can prioritize using their internal funds to cover operational expenses, repay debts, and sustain business operations without resorting to additional borrowing, which could increase financial risk. A company with high liquidity is able to efficiently meet its short-term liabilities, reducing the need for external funding. Consequently, the reliance on debt decreases because the available current assets are sufficient to meet the company's funding requirements. This research supports Dewi and Fachrurrozie (2021), Suhardjo et al. (2022), Firanti and Suryandani (2023), Iskandar and Zaki (2023), and Saragih and Hariani (2023) who revealed that liquidity had a negative effect on capital structure.

The Effect of Company Size on Capital Structure

According to the findings of the t-test, the company size variable obtained a probability worth of 0.2940, exceeds 0.05. The company size coefficient in this test is 0.084535, indicating a positive influence. Thus, it can be inferred that company size does not positively influence the capital structure, and H3 is rejected. Both large and small companies have equal opportunities to access external funding sources. Company size does not act as a significant differentiating factor because both large and small companies have relatively equal access to external funding in the capital market. Large companies do not necessarily utilize more debt, as they must also consider financial risks and the need to maintain financial flexibility. Additionally, large firms often have sufficient internal funding sources, especially in the case of consumer non-cyclical companies, as observed in this study. This research supports Firanti

and Suryandani (2023) who found that company size had no positive effect on capital structure.

The Effect of Sales Growth on Capital Structure

According to the findings of the t-test, the sales growth variable obtained a probability worth of 0.0927, exceeds 0.05. The sales growth coefficient in this test is 0.077459, indicating a positive influence. Thus, it can be inferred that sales growth has no positive influence the capital structure, and H4 is rejected. Sales growth, whether high or low, does not always affect a company's capital structure. This largely depends on how efficiently the company manages its capital. Decisions regarding capital structure are more influenced by management policies and financing strategies rather than sales levels alone. For instance, companies with high sales growth may choose to utilize internal funds for investments without increasing debt, aiming to maintain a stable debt-to-equity ratio. This research supports Putri et al. (2021), Iskandar and Zaki (2023) and Tanuraharja and Wi (2023) who found that sales growth had no positive effect on capital structure.

4. CONCLUSIONS AND SUGGESTIONS

Based on the outcomes of this research, the following conclusions can be inferred: 1) Profitability does not negatively influence the capital structure. 2) Liquidity have a negatively effect the capital structure. 3) Company Size does not positively influence the capital structure. 4) Sales Growth does not positively effect the capital structure.

This research was subject to various limitations: 1) The sample is confined to companies within the consumer non-cyclicals sector. 2) The research period is limited to three years, 2021, 2022, and 2023, so the study can only provide an overview of the companies' conditions during those three years. 3) This study is restricted to four independent variables: profitability, liquidity, company size, and sales growth.

Suggestions for further research are: 1) Expanding the research object by including other sectors, such as the industrial, real estate, financial sectors, and others. 2) Extending the research period to obtain a different sample and observe longer and more consistent trends regarding the company’s capital structure. 3) Including other independent variables that may affect capital structure and incorporating factors that could strengthen or weaken capital structure, such as business risk and asset structure.

REFERENCES

Dewi, C. R., & Fachrurrozie, F. (2021). The Effect of Profitability, Liquidity, and Asset Structure on Capital Structure with Firm Size As Moderating Variable. *Accounting Analysis Journal*, *10*(1), 32-38.

Firanti, S. D., & Suryandani, W. (2023). The Effect of Liquidity, Sales Growth, and Company Size on Capital Structure (Case Study on Transportation Companies Listed on The Indonesian Stock Exchange). JPIM (*Jurnal Penelitian Ilmu Manajemen*), *8*(1), 116-124.

Iskandar, Y., & Zaki, A. (2023). The Effect of Profitability, Size, Sales Growth, Asset Structure and Liquidity on Capital Structure. *GREENOMIKA*, *5*(2), 191-197.

Kasmir. (2021). *Analisis Laporan Keuangan. Edisi Revisi*. Depok: PT. Raja Grafindo Persada.

Kosali, A. Y. (2022). Pengaruh Pertumbuhan Penjualan, Profitabilitas dan Struktur Aktiva Terhadap Struktur Modal Pada Perusahaan Real Estate and Property di Bursa Efek Indonesia. *Kinerja: Jurnal Ekonomi dan Manajemen*, *19*(1), 131-141.

Kurniasari, E., & Listiawati. (2021). Pengaruh Likuiditas, Profitabilitas, dan Struktur Aset Terhadap Struktur Modal Perusahaan. *Jurnal Cafetaria*, *2*(2), 1-14.

Melananda, W., & Sari, W. O. I. (2024). The Influence of Company Size, Profitability, and Sales Growth on Capital Structure. *Journal of Social Research*, *3*(2), 539-551.

Monica & Wi, P. (2022). Pengaruh Profitabilitas, Struktur Aset, Likuiditas, dan Solvabilitas Terhadap Struktur Modal Pada Perusahaan Sub Sektor Property dan Real Estate Yang Terdaftar di Bursa Efek Indonesia Tahun 2018-2020. *Prosiding: Ekonomi dan Bisnis*, *2*(2), 1009-1021.

Myers, S.C. (1984). Capital Structure Puzzle. *Journal of Finance*, 1-33.

Pramana, I. W., & Darmayanti, N. P. (2020). Profitabilitas, Struktur Aktiva, dan Ukuran Perusahaan Berpengaruh Terhadap Struktur Modal Perusahaan Otomotif. *E-Jurnal Manajemen*, *9*(6), 2127-2146.

Putri, A. P., Cheserio, J., Katherine, K., Celine, C., & Jeslin, J. (2021). Pengaruh Pertumbuhan Penjualan, Likuiditas, Risiko Bisnis, Profitabilitas & Struktur Aset Terhadap Struktur Modal Pada Perusahaan Sektor Properti yang terdaftar di Bursa Efek Indonesia. *Owner: Riset dan Jurnal Akuntansi*, *5*(1), 60-71.

Rosalina, D., & Desti, Y. (2023). The Effect Of Growth Opportunity, Profitability, And Liquidity On Capital Structure With Firm Size As A Moderating Variable In Manufacturing Companies Listed On The Indonesia Stock Exchange In 2015-2019. Jurnal Multidisiplin Dehasen (MUDE), 2(3), 473-486.

Saragih, S. N., & Hariani, S. (2023). Pengaruh Likuiditas, Ukuran Perusahaan, dan Pertumbuhan Penjualan Terhadap Struktur Modal Pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi di BEI 2017-2020. *Jurnal Economina*, *2*(1), 28-39.

Suhardjo, Y., Karim, A., & Taruna, M. S. (2022). Effect of Profitability, Liquidity, and Company Size on Capital Structure: Evidence From Indonesia Manufacturing Companies. *Diponegoro International Journal of Business*, *5*(1), 70-78.

Sugiyono. (2023). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta.

Tamara, A. G., Isynuwardhana, D., & Muslih, M. (2020). Pengaruh Profitabilitas, Struktur Aset, dan Ukuran Perusahaan Terhadap Struktur Modal (Studi Pada Perusahaan Manufaktur Sub Sektor Makanan dan Minuman Yang Terdaftar di Bursa Efek Indonesia Periode 2013-2017). *eProceedings of Management*, *7*(1), 955-962.

Tanuraharja, C. D., & Wi, P. (2023). The Effect of Profitability, Liquidity, Asset Structure, Sales Growth, and Business Risk on Capital Structure (Empirical Study of Food and Beverage Sub-Sector Manufacturing Companies Listed on the Indonesia Stock Exchange 2018-2021). *Global Accounting*, *2*(2), 1-15.