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The impact of capital structure, investment growth, and liquidity on financial performance of automotive companies and its components on the Indonesia Stock Exchange (2018-2022)

Riska Mandasari[1], Brady Rikumahu[2]
Study Program Corporate Finance, Telkom University, Indonesia[1&2]
Riskamanda@ymail.com[1], bradyrikumahu@telkomuniversity.ac.id[2]

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Abstract
Purpose: This study analyzes the influence of capital, investment, and liquidity structures on the financial performance of automotive companies and their components listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022.
Research methodology: Multiple regression analysis was used and data were obtained from the company's annual financial statements from 2018 to 2022. The findings of this study are expected to provide important insights for financial managers and stakeholders in managing company finances, and serve as a reference for investors and creditors in evaluating the financial performance of a company.
Results: The results show that capital structure has a significantly positive effect on financial performance, while investment and liquidity do not significantly affect financial performance.
Limitation: The study's limitation is that it focuses solely on automotive companies listed on the Indonesia Stock Exchange during the specified timeframe.
Contribution: The study's contribution is that it provides empirical evidence regarding the impact of capital structure, investment growth, and liquidity on financial performance in the Indonesian automotive industry, which can inform future research and practical applications in this context.
Implementation: Capital structure refers to the combination of debt and equity used to finance a company's operations, whereas investment refers to the use of funds or fixed assets to increase the value of the company's products. Liquidity refers to the ability of a company to meet its financial obligations in a timely manner. Multiple linear regression analysis was used in this study, and a sample of 15 companies was selected using purposive sampling.
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1. Introduction

Indonesia has potential for high economic growth in Asia. Economic growth in Indonesia is positive for the progress of all existing sectors. The automotive sector is strongly influenced by economic progress. The automotive sector is one of the main sectors of the national economy and can make a significant contribution to the Indonesian economy. The existence of government support in this sector will provide very positive results for the progress of the automotive sector because progress in this sector has a broad impact on society.

In line with the decline in the Indonesian economy from 2020 to 2021, the automotive sector experienced a significant decline in sales. Under these conditions, the automotive sector is experiencing difficult conditions. Based on data from the Ministry of Trade and Industry of the Republic of Indonesia, in 2020, wholesale sales were only able to reach 530,000 units, down by 50% from normal. This is due to the limited mobility of the automotive industry. The continuity of the company is, of course, highly dependent on buyers or customers to obtain revenue and new capital owners so that the company can continue to run as it should. In this case, the automotive industry depends on technological innovation.

According to Brigham and Houston (2019), funding can improve a company's financial performance, as reflected in its profit. The optimal composition of capital structure has an impact on positive financial performance. This is in line with previous research conducted by Turyahebwa et al. (2022) that the capital structure with the proxy debt-to-equity ratio (DER) has a significant effect on financial performance as measured by return on assets (ROA). In addition, research by Anozie, Muritala, Ininm, and Yisau (2023) shows that there is a positive influence between capital structure and the proxy debt-to-equity ratio (DER) on financial performance with the proxy return on assets (ROA). In several previous studies, researchers used DER as a proxy for capital structure and ROA as a proxy for financial performance variables.

In automotive companies, financial managers must be able to carefully manage funds, and funds obtained from capital owners must always be able to increase profits in the form of gains or dividends. Financial managers' funding decisions certainly affect changes in investment from capital ownership. Research has also been conducted on investment changes using asset structures. One of them is research conducted by Pramono and Susilo (2022); Sherine, Wiyanto, and Budiono (2022) states that investment affects financial performance. In addition, research on investment by Niar (2019) shows that investment decisions have a significant positive effect on financial performance.

The variable used to examine the effect of liquidity on financial performance is the Current Asset Ratio. Current assets are a financial ratio that compares the total current assets (current assets) used for company operations with the total equity (Current Liabilities) of the company. Research on capital structure, investment, and liquidity in financial performance is important. By understanding the capital structure, investment, and liquidity of a company's liquidity level, management can determine whether the company has enough liquid assets to fund investment projects, pay dividends to shareholders, or buy new assets (Pramono & Susilo, 2022).

This study provides a new perspective on the effects of Capital Structure, Investment Changes, and Liquidity on the financial performance of automotive companies during the Covid 19 pandemic and provides information on how far the variables of Capital Structure, Investment Changes, and Liquidity in mediating independent variables on a company's financial performance. The number of automotive companies and their components on the Indonesia Stock Exchange to be studied is 16 companies. Based on this exposure, the researcher considers the importance of further analysis of the effects of Capital Structure, Investment Changes, and Liquidity on the financial performance of automotive companies and their components listed on the Indonesia Stock Exchange (IDX) for the period 2018-2022.

2. Literature Review

2.1 Company Financial Performance

Financial performance is an analysis carried out to determine the extent to which a company has implemented its rules properly and correctly. In addition, financial performance can be interpreted as an achievement achieved by a company in a certain period that reflects the health level of the company. There are several views of experts regarding financial performance theory. Brigham and Houston (2019) define financial performance as a company's ability to generate substantial profits for shareholders. Gitman and Zutter (2012) state that financial performance is a company's ability to achieve desired financial goals, such as profitability, growth, liquidity, and solvency. From the above understanding, it can be concluded that a company's financial performance is an analysis carried out by

the company through financial reports by assessing the extent to which the company has carried out in accordance with the rules in achieving good financial performance, which is reflected in the company's health level for a certain period.

Return on Assets (ROA) is a financial ratio used to measure the efficiency and profitability of a company by utilizing its assets to generate profits (Brigham & Houston, 2019). ROA measures the percentage of net income generated by a company relative to the total assets used. ROA provides an overview of how efficiently a company uses its assets to generate profits. The higher the ROA, the more efficient is the company in generating profits from its assets. ROA also provides information about the management's ability to manage a company's assets and maximize its use.

2.2 Capital Structure

The capital structure of a business organization is very important. It is said to be important because to maximize profits in a company, funding decisions are needed that make the company able to compete competitively in the business environment. In addition, funding decisions made by the manager affect the company's ability to pay obligations and risks borne by shareholders. Modigliani and Miller first defined capital structure as a combination of debt and equity used by a company to run its business operations.

In addition to the impact on the value of the company, a good and correct capital structure will also enable a company to survive in the midst of intense competition. According to Kesuma (2009), the size of the capital structure ratio shows the amount of long-term loans rather than the capital invested in fixed assets used to obtain the operating profit. The greater the capital structure ratio, the greater the number of long-term loans, so that a greater part of operating profit is used to pay fixed interest expenses, and more cash flow is used to pay loan installments; as a result, the company will receive less net profit after tax.

2.3 Investment Growth

Investment is the most important decision of all in relation to increasing firm value. Investment growth refers to an increase in the investment value over time. Investment growth can be measured in terms of percentage or nominal value, and reflects how the value of an entity's investment (such as a company or investment portfolio) grows over time. Investment growth can arise from several factors. Among them are increases in asset value, dividends or investment income, reinvestment of income, new contributions to the portfolio, positive performance in trading, capital gains policies, effective investment management, and improved earnings and financial performance (Yanti, Komalasari, & Andi, 2022).

Investment growth can also be affected by external factors, such as financial market conditions, economic conditions, and monetary policy. Risk is also an important part of investment growth, and there must be a balance between efforts for growth and protection against risks that may arise. Thus, investment decisions involve the use of long-term funds. Investment decisions refer to the process of selecting assets that the company will invest in, either in the form of physical assets such as property and equipment, or in the form of financial assets such as stocks and bonds (Brigham & Houston, 2019).

2.4 Liquidity

Liquidity is the effectiveness or ease with which an asset can be converted into money without affecting its market price (Hizazi & Safelia, 2020). The more liquid an asset is, the easier it is to cash out whenever needed. Liquidity is closely related to a company’s financial performance. A healthy level of liquidity can have a positive impact on financial performance, whereas low or inadequate liquidity can be a source of problems. Ability to pay liabilities: Good liquidity allows a company to pay its maturing obligations in a timely manner. If the company has sufficient liquid assets or cash available, it can meet its obligations and avoid financial problems, such as default or reputational losses (Sutarni & Maharati, 2023). Good liquidity reflects a company's operational efficiency. For example, if a company is able to

manage its cash cycle well, it can collect receivables quickly and manage inventory efficiently. This can accelerate cash flow and improve liquidity. Sufficient liquidity can support a company's ability to invest and grow. If companies have sufficient cash reserves, they can use them to finance expansion projects, research and development, acquisitions, or other investments (Aditia, Dharma, & Nur, 2022; Wulandari, 2023).

2.5. Relationship between Capital Structure and Financial Performance

The relationship between capital structure and corporate financial performance is an important topic for discussion in the field of corporate finance. Capital structure refers to the composition and proportion of debt and equity firms use to finance their operational and investment activities. Financial performance includes various metrics that measure a firm's efficiency, profitability, stability, and value. Several theories and approaches have addressed the relationship between capital structure and financial performance.

Empirical studies examining the relationship between capital structure and financial performance have produced mixed findings. Some studies show a positive relationship between debt use and financial performance. One of them is the research conducted by Niar (2019), who found a positive influence between capital structure and financial performance. The relationship between capital structure and financial performance is complex and can differ between companies and situations. Decisions regarding capital structure should be based on a careful analysis of the specific characteristics and needs of the company as well as external factors affecting the industry and market in which the company operates. The literature review above provides the background for the following hypotheses to be tested:

H1: There is a significant relationship between capital structure and financial performance in automotive companies and components listed on the Indonesia Stock Exchange (IDX).

2.6 Investment Relationship with Financial Performance

The right investment can have a significant impact on a company's financial performance. Investment decisions involve the allocation of company funds to investment projects that are expected to generate cash flow in the future. Smart investment decisions can drive a company's revenue growth (Darmawan & Roba'in, 2022). Investments in projects that produce new products or services, expand production capacity, and enter new markets can increase a company's revenue. In the long term, sustained revenue growth has a positive impact on a company's financial performance. Additionally, good investment decisions can increase profitability. Investments that generate positive cash flows sufficient to overcome investment costs and the cost of capital required will increase the company's profits. This can be seen from the increase in gross profit margin, net profit margin, and other profitability ratios. Investments aimed at updating, improving, or automating operational processes can improve a company's efficiency. For example, investments in better information technology or more efficient machinery can reduce production costs and increase profit margins. Companies can achieve better financial performance by improving operational efficiency. Thus, good investment decisions can increase firm value. Investments that generate sustainable cash flow and have a positive net present value (NPV) increase company value. This is certainly in line with the research conducted by Lestari and Asyik (2023), where there is a significant positive influence between investment decisions and financial performance.

H2: There is a significant relationship between investment growth and financial performance in automotive companies and components listed on the Indonesia Stock Exchange (IDX).

2.7 Liquidity Relationship with Financial Performance

The liquidity ratio shows the capability of using current assets to pay in full any maturing debt owned by a company. High liquidity shows the percentage of current assets that the company has when compared to its current debt, so that the company is considered capable of fulfilling operational activities (Astuti & Yadnya, 2019). Good liquidity ensures that the company has sufficient cash and other liquid assets to meet its short-term obligations. This is important for the continuity of company operations and the maintenance of financial stability.

When a company meets its short-term obligations on time, it affects its overall financial performance. Liquidity can also affect a company's profitability. For example, a company with low liquidity may have to pay more to obtain additional financing, which may affect the net profit generated. On the other hand, good liquidity can help a company capitalize on profitable investment opportunities and generate higher profits. Efficient utilization of free cash flow is a good sign of the company's capability to utilize free cash flow to obtain profits. Previous findings conducted by Akbar and Fahmi (2020) stated that the liquidity variable has a significant and positive influence on the firm value variable.
H3: There is a significant relationship between liquidity and financial performance in automotive companies and components listed on the Indonesia Stock Exchange (IDX).

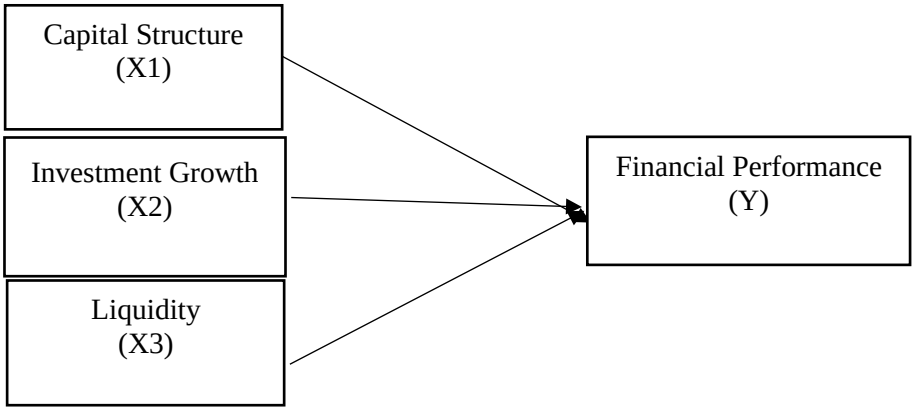

Figure 1. Research Paradigm

3. Methodology

3.1 Population and sample

The population in this study was an automotive company and its components listed on the Indonesia Stock Exchange in 2018, 2019, 2020, 2021, and 2022. The criteria for the population in this study were as follows:

1. Automotive companies that publish complete annual reports, both Annual Report and Financial statements for 2018-2022.
2. Companies listed on the Indonesia Stock Exchange are issuers.

Research samples can be defined as a part or subset of the population chosen as the subject of research (Pramono & Indriyani, 2019; Pramono & Pratama, 2020; White & McBurney, 2012). Samples in research are very important because they must represent the characteristics of the population in general, so that the research results are reliable and valid. Sample determination can be performed using various methods, such as simple random sampling, stratified random sampling, cluster sampling, purposive sampling, and saturated sampling. Saturated sampling was conducted in this study. Saturated sampling is a sampling technique in which all members of the population are used as samples (Putra & Herawati, 2017; Putra & Suprapti, 2019). Thus, 16 companies in the automotive subsector and its components were obtained as research samples.

3.2 Operational Variables

In this study, the independent variables are the capital structure variables and investment decisions. The dependent variable in this study was financial performance. Capital structure can be measured by the debt-to-equity ratio (DER) dimension, and investment decisions can be measured by Asset Structure. Financial performance was measured using the Return on Equity (ROE) ratio.

3.2.1 Financial Performance (Variable Y)

Profitability Ratio: Return on Assets (ROA) is a financial ratio that measures how effectively a company uses its assets to generate profits. ROA illustrates a company’s efficiency in generating profits from its total assets. (Susianti, 2018).

$$\text{ROA} = \frac{Net\ Profit}{Total\ Assets}\ X\ 100\%$$

3.2.2 Capital Structure (Variable X1)

Leverage Ratio: This ratio measures the ratio between total debt and own capital (equity). It is important for a company to measure this ratio because it relates to the issue of trading on equity, which can have a positive or negative effect on the profitability of the company's personal capital (Susianti, 2018).

3.2.3 Investment (Variable X2)

This formula is used to calculate the difference or change in the investment amount from the initial time to the final time. Initial Investment refers to the amount of investment at the beginning of a specified period. Final Investment refers to the amount of investment at the end of the same period as the Initial Investment. (Brigham & Houston, 2019).

$$\text{Investment Change} = \frac{\text{Investment Change}}{Initial\ Investment}\ X\ 100\%$$

3.2.4 Liquidity (X3)

Liquidity is the ability of an asset or financial instrument to be sold or converted into cash quickly without significant loss in value. In the context of financial markets, liquidity refers to the extent to which an asset can be traded easily in the market without significantly disrupting market prices.

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

3.3 Descriptive Statistics

3.3.1 Classical Assumption Test

The classic assumption test must be met so that the regression results are valid and reliable. Several classic assumption tests are commonly carried out, namely, a discussion of the assumptions that exist in regression analysis is as follows:

1. Normality Test
   The normality test is a statistical procedure used to test whether the data provided are normally distributed. According to Ghozali (2018), the normality test aims to test whether the dependent variable (bound) and independent variable (free) contribute to the regression model. One method that is widely used to test normality is the Kolmogorov-Smirnov test. Data were considered normal if the significance value was above 5% (0.05).
2. Multicollinearity Test
   The multicollinearity test is a statistical procedure used to test whether there is a strong linear relationship between two or more independent variables in regression analysis. Multicollinearity occurs when there is a high correlation between the independent variables in the regression model, which can interfere with the interpretation of the regression results and cause problems in the analysis. According to Ghozali (2016), a multicollinearity test is conducted to test whether a correlation exists between the independent variables in a regression model. Multicollinearity testing can be observed from the variance inflation factor (VIF) and tolerance. Tolerance measures the other independent variables. Therefore, the low tolerance value is the same as the VIF =1/tolerance value. The cut-off value commonly used to indicate the presence of multicollinearity is tolerance < 0.10, or equal to VIF > 10, with the following criteria:
   a. If the tolerance value > 0.10 or VIF value < 10, then the data is not identified as multicollinearity.
   b. If the tolerance value is < 0.10, or VIF value > 10, then the data are identified as multicollinearity.
3. Heteroscedasticity Test
   A heteroscedasticity test is conducted to test whether an inequality of variance exists in the regression model from the residuals of one observation to another (Ghozali, 2016). A good regression model is one that has variance from the residuals of one observation to another. Decision basis for heteroscedasticity test

a. The graphical method usually involves examining the plot graph between the predicted value of the dependent variable and its residual value.
b. The statistical method used in this study was the Glejser test. If the significance probability value is above the confidence level of 5% (0.05), it can be concluded that the regression model does not contain heteroscedasticity. Conversely, if the significance probability value is below the confidence level, namely 5% (0.05), it can be concluded that the regression model contains heteroscedasticity.

4. Uji Autokorelasi

The autocorrelation test is a statistical procedure used to test whether there is a correlation between the errors (residuals) in a regression model. Autocorrelation occurs when there is a systematic correlation pattern in the regression model errors, violating the assumption of error independence. According to Ghozali (2018) the autocorrelation test aims to test whether in a linear regression model there is a correlation between confounding errors in period t and confounding errors in period t-1 (previous). The autocorrelation test can be performed with Durbin-Watson (DW) to determine whether there is autocorrelation, as follows:

a. If dU < DW < (4-dU), the correlation coefficient is equal to zero, and there is no autocorrelation.
b. If DW < dL, the correlation coefficient is greater than zero, and there is a positive autocorrelation.
c. If DW > (4-dL), the correlation coefficient is less than zero, and negative autocorrelation occurs.
d. If (4-dU) < DW < (4-dL), no conclusion can be drawn regarding the presence or absence of autocorrelation.

3.3.2 Multiple Linear Regression Analysis

The data analysis technique used in this study was multiple linear regression analysis. Multiple linear regression analysis was used to test the effects of two or more independent variables on one dependent variable (Ghozali, 2018). The multiple linear regression model used in this study is as follows:

$$\mathbf{Y= a + b1X1 + b2X2 + b3X3 + b4X4+ e}$$

Table 1. Description Multiple Regression Variables

Variable	Description
Y	dependent variable (financial performance)
X1	independent variable one (capital structure)
X2	independent variable two (investment)
X3	independent variable three (liquidity)
A	constant value
b1	regression coefficient value X1
b2	regression coefficient X2
b3	regression coefficient value X3
E	Standard error

Source: Author's Process (2023)

3.4 Hypothesis Testing

1. Simultaneous Hypothesis Test (F Test)

The F-test is used to test the significance level of the effect of the independent variables simultaneously on the dependent variable (Ghozali, 2016). The F test was performed by comparing the steps of the F count and F table. The calculated F value can be observed from the results of the ANOVA section data processing. The basis for the F statistical test was as follows:

If F count < F table, then Ha is rejected and Ho is accepted, meaning that there is a simultaneous influence and insignificance between the independent variables on the dependent variable.

a. If F count> F table, then Ha is accepted and Ho is rejected, meaning that there is a simultaneous influence and significance between the independent variables on the dependent variable. Effect of the independent variables simultaneously on the dependent variable.

2. Partial Effect Significance Test (T Test)
According to Ghozali (2016), a t-test is used to show the influence of one explanatory variable or independent variable individually in explaining the variance of the dependent variable. The hypotheses tested were as follows.
Ha: b1 ≠ 0, meaning that the independent variable influences the dependent variable.
Ha: b1 = 0, meaning that the independent variable had no influence on the dependent variable.

To test the hypothesis partially, it can be done based on the comparison of the calculated t-value with the t-table value with a significance level of 5% (0.05). The criteria used to determine whether the hypothesis is accepted are as follows:

a. t count> t table or probability < significance level (0.05), Ha is accepted and Ho is not accepted, and the independent variable has an effect on the dependent variable.
b. t count < t table or probability > significance level (0.05): Ha is not accepted, Ho is accepted, and the independent variable has no effect on the dependent variable.

3. Coefficient of Determination (R^2)
The coefficient of determination shows the proportion of variance that can be explained by the regression equation to the total variance (Ghozali, 2016). The magnitude of the coefficient of determination is formulated as follows: The R^2 value will range from 0 to l. The value of R^2 = 1 indicates that 100% of the total variation is explained by the variance of the regression equation or the independent variables, both X1, X2, and X3 are able to explain variable Y by 100%. Conversely, if R^2 = 0 indicates that there is no total variance explained by the independent variables of the regression equation, both X1, X2, and X3.

The classic assumption test is a series of statistical tests used to test the basic assumptions in a regression analysis (Ghozali, 2016). This classic assumption must be met for the regression results to be valid and reliable. Several classic assumption tests are commonly carried out, namely, a discussion of the assumptions that exist in regression analysis is as follows:

3.5 Normality Test
A normality test is a statistical procedure used to test whether the given data are normally distributed. The normal distribution, also known as the Gaussian distribution or Gaussian normal distribution, is a bell-shaped symmetrical probability distribution. The purpose of a normality test is to determine whether the data follows a normal distribution pattern or whether there are deviations from that pattern. Normality tests are important because many statistical and inferential methods rely on the assumption that data are normally distributed.

4. Results and discussions
4.1 Classical Assumption Test
4.1.1 Normality Test
The normality test is a statistical procedure used to test whether the data provided are normally distributed. According to Ghozali (2016), the normality test aims to test whether the dependent variable (bound) and independent variable (free) contribute to the regression model. One method that is widely used to test normality is the Kolmogorov-Smirnov test. Data were considered normal if the significance value was above 5% (0.05). A probability value of α = 5% is used. The basis for decision-making is probability, namely:

a. If Probability ≥ 0.05, then the data are normally distributed.
b. If Probability <0.05, then the data are not normally distributed.

This test showed normal results, and the results were as follows:

Table 2. Normality Test Results One-Sample Kolmogorov-Smirnov Test

N		66
Normal Parameters	Mean	0,0000000
	Std. Deviation	3,87639153
Asymp. Sig.		0,74

Source: Author's processed data, (2023)

1. Multicollinearity Test

The Multicollinearity test aims to test whether the regression model found a correlation between the independent variables (Independent). If the independent variables are correlated, these variables are not orthogonal. Orthogonal variables are independent variables whose correlation value between fellow independent variables is zero (Ghozali (2016). To find out whether multicollinearity occurs, it can be seen from the VIF value contained in each variable as shown in Table 3 below:

Table 3. Multicollinearity Test Results

Unstandardized Coefficients			**Standardized Coefficients Beta**	**T**	**Sig.**	**Tollerance**	**VIF**
Model	**B**	**Std. Error**					
(Constant)	6,095	2,267		2,689	0,009		
Capital Structure	0,319	0,105	0,422	3,056	0,003	0,649	1,540
Invests		0,019	0,050	0,444	0,658	0,986	1,014
Liquidity	0,591	0,950	0,086	0,623	0,536	0,642	1,557

Source: author's processed data, 2023

From Table 3, it can be seen that all the independent variables have a tolerance value below 1 and a VIF value far below 10. Thus, it can be concluded that there were no multicollinearity symptoms in the regression model.

2. Autocorrelation Test

The autocorrelation test can be performed with Durbin-Watson (DW) to decide whether there is autocorrelation, as follows:

a. If dU < DW < (4-dU), the correlation coefficient is equal to zero, and there is no autocorrelation.
b. If DW < dL, the correlation coefficient is greater than zero, and there is a positive autocorrelation.
c. If DW > (4-dL), the correlation coefficient is less than zero, and there is a negative autocorrelation.
d. If (4-dU) < DW < (4-dL), no conclusion can be drawn regarding the presence or absence of autocorrelation.

Table 4. Autocorrelation Test Results

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
0,483	0,233	0,196	3,96907	1,720

Source: author's processed data, 2023

From the output of the data processing results in Table 4, we know that

DW= 1,720
dL = 1,5079
dU= 1,6974
(4-dL) = 2,4921
(4-dU) = 2,3026

Based on the processing results, the Durbin-Watson statistical value was 1,720 (DW = 1,720). Furthermore, the DW value was compared with the dL and dU table values in the Durbin Watson table with a level of error α = 0.05, k = 3, and n = 66. The dL table value was 1.5079, and dU = 1.6974. It can be concluded that there were no autocorrelation symptoms in the regression model because the DW value was between the values of dU = 1.6974 and 4-dU = 2.3026. Where (dU<DW<4-dU) or (1.6974 < 1.720< 2.326).

3. Heteroscedasticity Assumption Test

The heteroscedasticity test is carried out to test whether in the regression model used there is an inequality of variance from the residuals of one observation to another (Pamungkas, Ghozali, Achmad, Khaddafi, & Hidayah, 2018). A good regression model is one that has variance from the residuals of one observation to another. Decision basis for heteroscedasticity test.

a. Graphical methods are typically based on the plot graph between the predicted value of the dependent variable and its residual value. The statistical method used in this study was the Glejser test. If the probability value of significance is above the confidence level of 5% (0.05), it can be concluded that the regression model does not contain heteroscedasticity.
b. Conversely, if the significance probability value is below the confidence level of 5% (0.05), it can be concluded that the regression model contains heteroscedasticity.

Table 5. Glejser Test Results

Variable Independent	Unstandardized Corfficients		Standaridized Coefficients	t	Sig.
Model	B	Std. Error	Beta		
Constant	2.023	.868		2,332	0,023
Capital Structure	0,061	0,011	0,120	0,960	0,341
Investment	0,011	0,121	0,212	1,461	0,149
Current Ratio	0,177	0,060	0,148	1,024	0,310

Dependent Variabel: Abs_res

Source: author's processed data, 2023

Based on the results of the Glejser test in Table 5, it can be concluded that there are no symptoms of heteroscedasticity in the regression analysis. This is indicated by the significant value (p-value) of Capital Structure of 0.341, investment of 0.149, and Current Ratio (CR) of 0.310. These results clearly show that the three dependent variables do not experience symptoms of heteroscedasticity because the significance value is above the confidence level of 5% (0.05).

Furthermore, after testing the four assumptions, we test the effect of the debt-to-equity ratio (DER), investment change, and current asset ratio on return on assets (ROA).

4.1 Multiple Linear Regression Analysis

Multiple linear regression analysis was used to test the effects of two or more independent variables on one dependent variable (Pamungkas et al., 2018). The multiple linear regression model used in this study is as follows:

Table 6. Multiple Linear Regression Analysis Results

Unstandardized Coefficients			**Standardized Coefficients Beta**
Model	**B**	**Std. Error**	
(Constant)	6,095	2,267	
Capital Structure	0,319	0,105	0,422
Investment Growth	0,008	0,019	0,050

Liquidity	0,591	0,950	0,086

From the above table, a linear regression equation is formulated as follows:

Y= 6,095+ 0,319 X1 + 0,008 X2 + 0,591 X3

Where:
Y = *Return on Asset* (ROA)
X1 = *Debt to Equity Ratio* (DER)
X2 = *Investment Growth*
X3 = *Current Asset Ratio* (CR)

4.2 Research Results (Hypothesis Test)

1. Coefficient of Determination

The coefficient of determination measures the model's ability to explain variations in the dependent variable. An R2 value close to one means that the independent variables provide almost all the information needed to predict variations in the dependent variable (Ghozali, 2013). The results of the calculation of the coefficient of determination are listed in Table 7.

Table 7. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,483	0,233	0,196	3,96907

Based on Table 7, the coefficient of determination/square is 0.233 or equal to 23.3%. This figure indicates that the Capital Structure (X1), Investment Growth (X2), and Current Ratio (X3) variables simultaneously (together) affect Financial Performance (Y) by 23.3%. The rest (100%–23.3% = 76.7%) are influenced by other variables outside this regression equation or variables that have not been studied.

2. F test

The criterion for testing the hypothesis using the F statistic is that if the significant value of F <0.05, then hypothesis 0 is rejected, which states that all independent variables simultaneously significantly affect the dependent variable (Ghozali, 2016:96).

Table 8. F Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	297,048	3	99,016	6,285	0,001

Dependent Variable: ROA
Source: author's processed data, 2023

Based on the results of the F test in Table 8, the calculated F value was 6,285, and the sig value was 0.001. F table at α = 0.05, df 1 = (the number of independent variables is three) and df 2 (n-k-1 = 66-3-1 = 62), and the F table is 2.753. This means that F-count> F-table (6.285> 2.753) and sig value <0.05 (0.001 <0.005). Based on these results, it can be concluded that simultaneously the variables of capital structure, investment, and liquidity (CR) have a significant effect on financial performance variables.

3. The t-test

The data on the annual financial statements of automotive industry companies and their components are then analyzed by the regression method and calculated using the SPSS program. Table 9 shows the partial effect of the three variables, namely DER, Investment Change, and Current Ratio (CR) on return on assets (ROA).

4.2.1 Effect of Capital Structure on Financial Performance

The first hypothesis posits that a significant relationship exists between Capital Structure and Financial Performance, as measured by return on assets (ROA), and the results indicate that this hypothesis can be accepted. Specifically, the Debt-to-Equity Ratio (DER) has a regression coefficient value of 0.319 and a significance level of 0.003, both of which are less than 0.05, indicating that the Capital Structure variable has a significant impact on ROA.

DER is a ratio that assesses the proportion of total debt to capital (Susianti, 2018) and is a crucial metric for companies as it relates to trading on equity, which can either positively or negatively impact personal capital profitability within the company. A higher DER indicates that the company relies more heavily on debt as a financing source, which can pose a significant risk if it is unable to fulfill its obligations at maturity. Consequently, a company may need to utilize some of its capital to pay off debt, reducing its profitability and overall financial performance.

The findings of this study align with the research conducted by Ningsih (2022), who demonstrated that capital structure has a significant positive impact on financial performance, but are not consistent with the findings of (Putri & Puspitasari, 2022), who suggest that capital structure has no significant impact on financial performance.

4.2.2 Effect of Investment Growth on Financial Performance

The second hypothesis postulates a significant relationship between investment growth and Financial Performance. However, the regression coefficient value of 0.008 and a significance value of 0.658> 0.05 indicate that the investment growth variable has no discernible impact on financial performance. Therefore, the second hypothesis could not be accepted or rejected. This outcome can be attributed to a significant decline in the fixed assets of automotive companies and their components. The Covid-19 pandemic in Indonesia has forced many companies to cease production, leading to suboptimal contributions from fixed assets to increased financial performance. Although companies invest in expanding production facilities, purchasing new equipment, or adopting more sophisticated technology to increase fixed assets, these assets tend to depreciate over time because of factors such as age and usage, leading to impairment in financial statements. Moreover, the return from fixed assets owned by the company cannot be realized immediately, but it takes a long time to be seen.

4.2.3 Effect of Liquidity on Financial Performance

The third hypothesis posits that liquidity, as measured by the Current Ratio (CR) proxy, exerts a significant impact on financial performance, proxies by the return on assets (ROA) proxy. The regression coefficient of liquidity is 0.008, with a significance value of 0.658> 0.591, indicating that the liquidity variable has no discernible effect on financial performance. Consequently, H3, which asserts that liquidity significantly influences financial performance, cannot be accepted or rejected. The Current Ratio is a financial ratio used to assess a company's capacity to settle short-term liabilities using current assets that can be readily converted into cash. This ratio calculates the ratio between current assets, comprising assets anticipated to be converted into cash within one year, and current liabilities, which are obligations within the same timeframe (Hizazi & Safelia, 2020). A higher Current Ratio for a company suggests a reduced likelihood of defaulting on short-term obligations, which consequently diminishes the risk borne by shareholders. A higher Current Ratio value in a company mitigates uncertainty for investors but signals the presence of idle cash, thereby reducing company profitability. A markedly high Current Ratio indicates excess cash or other current assets beyond what is immediately required.

5. Conclusions

5.1. Conclusion

The following conclusions can be drawn based on the research and discussion:

1. Capital structure has a significant positive impact on financial performance. This suggests that the DER plays a role in determining fluctuations in return on assets (ROA). The effect of DER on ROA

in this study indicates that companies in the automotive sector and their components have been effective and efficient in managing their capital structures to achieve profitability and deliver good financial performance.
2. Investment does not have a significant effect on financial performance. This finding implies that investment growth does not contribute to determining the value of stock returns. Therefore, the investment growth in this study cannot be used as a benchmark for companies with high fixed assets to generate high returns.
3. Liquidity has no significant effect on financial performance. This means that the Current Ratio (CR) does not contribute to determining the value of stock returns. Hence, CR in this study cannot be used as a benchmark for companies with high current ratios to produce high returns.

5.2 Implications

Based on the conclusions, the implications of this study are as follows.

1. The debt-to-equity ratio (DER) has a significant influence on Asset (ROA). This means that if the company wants to increase its ROA value, it can pay attention to the Debt-to-Equity Ratio (DER). In addition, if investors want to learn about the automotive industry, they are expected to pay attention to their capital structure by looking at the debt-to-equity ratio (DER).
2. In this study, the investment growth ratio does not have a significant effect on Asset (ROA). This means that in the automotive industry and its components, the investment growth ratio does not have an important influence on the increase in Return on Asset (ROA).
3. Current Ratio (CR) in this study did not have a significant effect on Asset (ROA). This means that the automotive industry and its components' Current Ratio do not have an important influence on the increase in return on assets (ROA).

5.3 Suggestion

Based on the conclusions and implications, the suggestions formulated in this study are as follows:

1. Maintaining the composition of the capital structure is crucial for automotive companies and their components, as evidenced by the significant effect of the Debt-to-Equity Ratio (DER) on return on assets (ROA) in the 2018-2022 period for companies listed on the Indonesia Stock Exchange. While an increase in the use of debt can help the automotive industry recover slowly, the debt owned by the company can positively impact return on assets (ROA); thus, the company must maintain a normal debt-to-equity ratio. For future research, this study estimates and forecasts the impact of DER, investment changes, and Current Ratio (CR) and suggests adding variables such as Return on Equity (ROE), Debt to Asset Ratio (DAR), Investment Opportunity Set (IOS), or Quick Ratio to further explore the relationship between these variables.

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