

Research Article

The Influence of Profitability, Asset Structure, Firm Size, and Solvency on Capital Structure in Food and Beverage Companies

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Abstract: Food and beverage companies must maintain a robust capital structure to compete effectively amidst the intense pressures of globalization and achieve their strategic objectives. This study aims to examine the impact of profitability, asset structure, company size, and solvency on the capital structure of food and beverage firms listed on the Indonesia Stock Exchange (IDX) and included in the LQ45 index. This study uses an explanatory method with purposive sampling technique, where samples are determined based on companies that have completed financial reports during the research period and are indexed in LQ45. Data analysis was performed using t-tests and F-tests. The results show that profitability (ROA), asset structure, and company size (Ln Total Assets) do not have a significant partial effect on capital structure (DER), meaning that these three factors do not directly influence companies' decisions on the use of debt for financing. However, solvency (DAR) was found to have a significant effect on capital structure, indicating that a company's ability to meet its long-term obligations plays an important role in determining the level of debt used for operational financing. Simultaneously, the four independent variables had a significant effect on capital structure, meaning that all variables together contributed to influencing food and beverage companies' decisions in determining their financing strategies.

Keywords: Asset Structure; Capital Structure; Firm Size; Profitability; Solvability.

1. Introduction

The era of globalization has intensified business competition across all sectors, particularly in the food and beverage (F&B) industry. Therefore, companies, both large and small, are required to have robust financial management systems to maintain business sustainability and competitiveness. Rapid technological developments and demographic changes have also driven a shift in consumer behavior toward more practical, efficient, and integrated digital technologies. In Indonesia, this transformation is reflected in the increasing use of online food delivery platforms such as GoFood, GrabFood, and ShopeeFood, which are predominantly used by Generation Z (43%) and millennials (39%) (Kusumawardhani, 2022). Furthermore, the food and beverage sector also faces challenges such as fluctuating raw material prices, economic uncertainty, and increasingly complex regulations (Salimah et al., 2025). Facing these conditions, corporate financial management is crucial for ensuring business sustainability and growth.

In Indonesia, the food and beverage subsector is one of the subsectors that makes a significant contribution to the national economy. This subsector contributes to economic growth by creating jobs and increasing GDP in addition to meeting society's basic food needs. Based on data from BPS team (2026), the food and beverage subsector shows a growth trend in supporting post-pandemic economic recovery, with growth increasing from 1.58 percent in 2020 to 5.90 percent in 2024. This subsector accounted for 6.55% of Indonesia's overall GDP in 2023 and 39.10% of GDP in the non-oil and gas sector, according to (Waluyo, 2024).

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In line with this, the Ministry of Industry, stated that in the second quarter of 2024, the food and beverage subsector provide 40.33 percent to the non-oil and gas industry GDP (Yudha & Islamy, 2024) In addition, Bank Permata's Chief Economist, Josua Pardede, stated that direct domestic investment in the food and beverage subsector reached IDR 19.8 trillion, with year-on-year growth of 19.4 percent (Anggraeni, 2024).

However, behind this positive performance lies the strategic challenge of efficiently managing capital structure to maintain competitiveness and operational sustainability amid fluctuating raw material prices, economic uncertainty, and regulatory complexity (Salimah et al., 2025). Generally, company funding comes from two sources: internal and external capital (Sutawan et al., 2025). Initially, some companies use their own capital, but as they expand or develop their businesses, they often consider external capital to meet their larger capital needs. Therefore, financial managers must carefully consider the cost of capital when determining their capital structure, to determine whether funding needs require internal or external capital.

Prior studies have explored elements affecting capital structure in food and beverage firms. Nabila & Rahmawati (2023) indicate that capital structure displays a negative correlation with profitability and asset structure but remains unaffected significantly by firm size. According to Iriani et al. (2022) companies with higher asset structure tend to utilize more debt, whereas profitability does not significantly affect debt utilization. The study by Raisa et al. (2024) adds that company size affects capital structure, while asset structure has no direct effect. Zahro et al. (2022) confirms that profitability, company size, and asset structure influence companies' funding decisions. Meanwhile, Andika & Sedana (2019) show that profitability is not significant for capital structure, but asset proportion and company size tend to be related to increased debt usage. Enggarwati (2023) exhibits that profitability exerts a negative impact on capital structure, while solvency influences funding source decisions. Based on these findings, it's clear that elements like profitability, asset structure, firm size, and solvency contribute to shaping capital structure, even though prior studies display varying results and ambiguities in their individual and combined influences. This constitutes a research gap that needs to be further explored, particularly in companies in the food and beverage sub-sector in Indonesia.

Based on previous research, it is known that profitability, asset structure, company size, and solvency are factors that influence capital structure. Within corporate financial management, capital structure plays an important role as it influences a firm's financial stability and long-term viability. Balance in the use of funds sourced from internal and external sources. Therefore, author is interested in continuing a similar research topic entitled "*The Effect of Profitability, Asset Structure, Company Size, and Solvency on Capital Structure in Food and Beverage Companies*".

2. Literature Review

Pecking Order Theory

Donaldson first presented this theory in 1961, the theory was subsequently refined and formally developed by Stewart C. Myers and Nicolas Majluf in 1984. It explains that companies typically prioritize internal equity financing over external equity financing. Based on this theory, companies with low debt levels will demonstrate higher profitability (Budiarti et al., 2024).

Myer (1984) explains the main characteristics of Pecking Order Theory, including:

1. Companies generally prefer internally sourced funding, such as retained earnings, because it does not incur significant costs due to information asymmetry and is more economically efficient because it eliminates the need to issue new financing instruments.
2. Companies set their dividend payout ratios according to the availability of investment opportunities. Although dividend policies are generally rigid, adjustments to the target ratio are made gradually as investment opportunities become more profitable.
3. Dividend policies tend to be inflexible, compounded by unpredictable fluctuations in profit levels and investment opportunities. This indicates that internally generated cash flow will be less or more than investment expenditures. If cash flow is insufficient, the company will first reduce its securities portfolio.
4. In cases where firms seek funding from outside sources, secured instruments are typically offered first. This financing order usually begins with debt, followed by hybrid securities like convertible bonds, and lastly equity financing.

Capital Structure

The mix of long-term debt and equity that a business uses to pay its operating expenses is known as its capital structure (Hapsari & Widjaja, 2020). Businesses must have a precise and

suitable arrangement in their capital structure. Capital structure financing comes from both external sources (loans) and internal ones (retained profits, equity, and share sales) (Andika & Sedana, 2019). Additionally, as a company's funding mix reflects its overall financial performance, capital structure is a crucial component in evaluating its financial standing (Yanti & Darmayanti, 2019).

One of the solvency ratios is the Debt-to-Equity Ratio (DER), which is a crucial tool in capital structure analysis. Based on Sjahrial's research, DER assesses how much debt and equity a business uses to support its operations. This measure provides additional insight into the company's ability to pay its debts with internal funds (Ariyanto, 2020). A higher DER level indicates a greater reliance on debt, which could increase interest costs and potentially hurt the company's profitability (Daniel, 2025).

Profitability

Profitability reflects a company's ability to generate earnings by effectively utilizing its resources and operational capabilities, such as sales flow, cash flow, capital structure, and various other supporting factors (Iriani et al., 2022). High profitability indicates a company relying more on internal funds. Under these conditions, the company can reduce the proportion of debt or external funding sources by using earned revenue as the company's funding source (Budiarti et al., 2024). Return on Assets (ROA) is applied in this study as a measure of profitability, showing the company's effectiveness in generating profits using its assets.

Asset Structure

The balance between a company's fixed and liquid assets is referred to as its asset structure, and it may be assessed in both absolute and relative terms (Iriani et al., 2022). This factor is linked to the company's funding sources that support production processes, with the ultimate goal of improving profitability. According to Brigham Ariyanto (2020), Firms that possess a larger percentage of long-term tangible assets in their asset structure are more likely to use long-term debt as a source of financing. Large quantities of material assets can be backed up as security for capital businesses loans (Raisa et al., 2024).

Company Size

Company size reflects the scale of a firm's operations and is commonly measured by assets, revenue, sales, and number of employees (Ariyanto, 2020; Nabila & Rahmawati, 2023). Large companies will require significant funds to meet their obligations, one alternative funding is debt (Zahro et al., 2022). Large enterprises generally encounter fewer obstacles in obtaining loans than smaller firms, which often struggle to reach adequate levels of profitability (Nabila & Rahmawati, 2023). Large companies are generally seen as having sufficient capacity to meet financial obligations and can provide dividends in line with investor expectations (Raisa et al., 2024).

Solvency

The solvency ratio is a financial indicator used to assess a company or organization's ability to meet long-term obligations, particularly long-term debt. This ratio describes the proportion of debt a food and beverage company owes to creditors compared to its total assets. A corporation is more likely to rely on internal finances to support its operations when its assets exceed its debt. A higher solvency ratio, on the other hand, suggests that the business depends more on outside funding, which could raise future financial risk (Enggarwati, 2023).

Hypothesis Development

Profitability dan Capital Structure

The pecking order idea states that increasing profit levels typically depend on self-funding rather than loan financing. From the research by (Sutawan et al., 2025), profit levels have a positive impact financing decision. Similar result was also reported by Meisyta et al. (2021). However, research by Budiarti et al. (2024) found that profit levels do not impact financing decision. The first hypothesis that may be developed based on the statements is:

H₁: The effect profitability on capital structure.

Asset Structure dan Capital Structure

A company's asset typically increases as it grows. An increased asset structure will benefit the company because it can be used as collateral for debt. A high asset structure does not always indicate an increase in capital structure because external funding carries a high risk of debt repayment (Laily et al., 2022). According to Budiarti et al. (2024) research, shows that asset structure affects capital structure. Meanwhile, research by Laily et al. (2022) reveals that asset composition has no partial effect on funding composition. The second hypothesis that may be developed based on the statements is:

H₂: The effect asset structure on capital structure.

Company Size and Capital Structure

The results of previous studies by researchers such as Andika & Sedana (2019), Budiarti et al. (2024), and Zahro et al. (2022) state that the larger the scale of a company, the more likely it is to increase debt in its capital structure. Conversely, if a company is small in scale, it tends to use internal funds for its capital structure. The research by Nabila & Rahmawati (2023) states that large companies tend to reduce the use of external funds for company operational funding. The third hypothesis that may be developed based on the statements is:

H₃: The effect company size on capital structure

Solvency and Capital Structure

Enggarwati (2023) research indicates that a company's solvency exerts a notable positive impact on its capital structure. As a result, rising levels of assets funded through debt lead to increase debt-to-equity ratio within the firm's financing mix. The fourth hypothesis that may be developed based on the statements is:

H₄: The effect solvency on capital structure.

Profitability, Struktur Aktiva, Ukuran Perusahaan, Solvabilitas and Capital Structure

Through this approach, researchers seek to understand whether these four factors, when considered together, can influence how companies make financing decisions. Therefore, the fifth hypothesis was developed to assess the extent to which these variables collectively contribute to the capital management strategies adopted by companies. The fifth hypothesis that may be developed based on the statements is:

H₅: The effect profitability, asset structure, company size and solvency on capital structure.

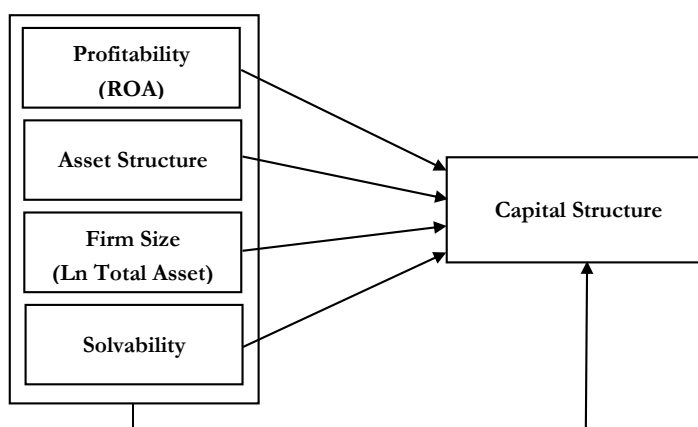


Figure 1. Framework of thought.

3. Method

The impact of profitability, asset structure, company size, and solvency on the capital structure of food and beverage companies included in the LQ45 index and listed on the Indonesian Stock Exchange (IDX) between 2018 and 2024 is examined in this paper. The research draws on secondary data derived from annual financial reports, collected through documentary methods. Employing purposive sampling, the study selected a sample comprising 49 observations across 7 firms that fulfilled the specified inclusion criteria.

SPSS software was used for the statistical analysis. First, the validity of the regression model was checked against classical assumptions. Subsequently, the interactions between independent and dependent variables were examined using multiple linear regression. The t-test, the F-test, and the adjusted R² were used to test the hypotheses. Significance and effect size of the independent factors on the dependent variable were calculated at the 5% significance level.

4. Results and Discussion

Result

Table 1. Descriptive Statistic.

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ROA	49	0.03	0.47	0.1422	0.10874
Asset_Structure	49	0.12	0.58	0.3698	0.12781
Size	49	28.84	32.94	31.0314	1.21675
DAR	49	0.13	0.87	0.4133	0.21403
DER	49	0.13	6.47	1.0778	1.23123
Valid N (listwise)	49				

The study findings indicate that the sample used in this analysis consisted of 49 observations. The results are summarized as follows:

1. Profitability (ROA)

The standard deviation is 0.10874 (10.874%), average ROA is 0.1422 (14.22%), and the lowest and maximum values are 0.03 and 0.47, respectively. The minimum value indicates that a company in the sample generated a profit equal to 3% of total assets, while the maximum value shows that a company was able to generate a net profit of 47% of total assets.

2. Asset Structure

The minimum and maximum values are 0.12 (12%) and 0.58 (58%) of total assets, respectively. The average asset structure of companies in the sample is 0.3698 (36.98%) with a standard deviation of 0.12781 (12.781%).

3. Company Size

The minimum and maximum values are 28.84 and 32.94, with a mean of 31.0314 and a standard deviation of 1.121675. Total assets were converted to natural logarithms to normalize the scale and address potential distributional deviations caused by differences in company size.

4. Solvency (DAR)

The minimum and maximum values are 0.13 (13%) and 0.87 (87%) of total assets financed by debt. The mean DAR is 0.4133 (41.33%) with a standard deviation of 0.21403 (21.403%).

Capital Structure (DER)

This calculates the ratio of total debt to equity; the minimum and maximum values are 0.13 and 6.47, respectively, and the mean DER is 1.0778 with a comparatively high standard deviation of 1.23123, indicating significant variations in financing policies among businesses.

Classical Assumption Test

Table 2. Normality Test.

	Unstandardized Residual
N	49
Test Statistic	.185
Asymp. Sig. (2-tailed) ^d	<.001

Based on Table 2, the Asymp. Significance (2-tailed) value is < 0.001 , which is below the set threshold. This indicates that the data are not normally distributed, as the low significance leads to the rejection of the null hypothesis (H_0) that assumes normality. Therefore, the data do not meet the normality assumption, which is an important requirement for parametric tests, including multiple linear regression.

According to Ghozali (2021) data that deviate from normality can be transformed to approximate a normal distribution. The purpose of data transformation is to reduce skewness, minimize outliers, and stabilize variance, so that the data better meet the statistical assumptions

required for subsequent analyses. The choice of the transformation method is based on the shape of the data distribution as observed in the histogram (Ghozali, 2021).

In this study, the histogram revealed a deviation from normality, indicated by a substantial positive skewness, meaning the data are skewed to the left with a long tail extending to the right. Therefore, the transformation applied is $LG(X)$, base-10 logarithm or LN , as recommended by (Ghozali, 2021).

Table 3. Normality Test (after variable transformation).

	Unstandardized Residual
N	49
Test Statistic	.119
Asymp. Sig. (2-tailed) ^d	.079

After performing data transformation using $LN(X)$ on the independent variables, the results in the table above show an Asymp. Significance (2-tailed) value of 0.79, which is greater than the predetermined decision threshold. Therefore, the null hypothesis (H_0) is accepted. This result indicates that the research data doesn't deviate from normality. The Variance Inflation Factor (VIF) results show that profitability (ROA) is 2.317, asset structure 1.833, company size 4.595, and debt (DAR) 1.966, all below 10. Tolerance values range from 0.218 to 0.546, all above 0.1. These results indicate that the data are free from multicollinearity.

Table 4. Multicollinearity Test.

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
TF_ROA	0.432	2.317
TF_Asset Structure	0.546	1.833
TF_Size	0.218	4.595
TF_DAR	0.509	1.966

Based on Tabel 4. the Variance Inflation Factor (VIF) results show that profitability (ROA) is 2.317, asset structure 1.833, company size 4.595, and debt (DAR) 1.966, all below 10. Tolerance values range from 0.218 to 0.546, all above 0.1. These results indicate that the data are free from multicollinearity.

Table 5. Heteroscedasticity Test.

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1 (Constant)		1.282	2.662		0.482	0.632
	TF_ROA	0.047	0.029	0.327	1.619	0.112
	TF_Asset Structure	0.032	0.044	0.313	0.730	0.469
	TF_Size	-0.299	0.788	0.108	-0.379	0.706
	TF_DAR	0.023	0.032	0.137	0.735	0.466

Based on Table 5. reveal that profitability (ROA), asset structure, company size (Size), and debt ratio (DAR) do not exhibit heteroskedasticity. The significance values for each variable are all higher than the maximum threshold for decision-making, indicating that H_0 is accepted.

Table 6. Autocorrelation Test.

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.991 ^a	0.982	0.980	0.14466	0.791

Based on Table 6. the Durbin-Watson (DW) value obtained is 0.791. Compared with the critical values ($dL = 1.3701$, $dU = 0.791$, $4-dU = 3.209$, and $4-dL = 2.6299$) for $n = 49$, $k = 4$, and a 5% significance level, the result $0 < DW 0.791 < dL$ indicates that H_0 is rejected, meaning there is autocorrelation in the regression model. To address this, the researcher applies first-order differencing (difference 1) to the dependent variable, which transforms the time series data into stationer data. Difference 1 is calculated as $(Y_t - Y_{t-1})$ or $(Y_t - \text{lag } Y_t)$ (Ghozali, 2021).

Table 7. Autocorrelation Test.

Model	R	Model Summary			
		R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.473 ^a	0.224	0.152	0.47075	1.927

Table 7. shows a Durbin-Watson (DW) value of 1.927, with $n = 48$ and $k = 4$ independent variables. The upper critical value (dU) is 1.726, so $4-dU$ is 2.2794. Since $1.726 < 1.927 < 2.2794$, H_0 is accepted, indicating no autocorrelation in the regression test. Therefore, the regression in this study meets the classical assumption for autocorrelation, and the results can be considered statistically valid.

Data Analysis Method

Table 8. Multiple Linear Regression Test

Model		Coefficients			T	Sig.
		Unstandardized Coefficients		Standardized Coefficient		
		B	Std. Error	Beta		
1	(Constant)	-1.919	13531		-0.142	0,888
	TF_ROA	0.261	0.152	0.358	1.723	0.092
	TF_Asset_Structure	0.001	0.224	0.001	0.004	0.997
	TF_Size	0.843	4.008	0.061	0.210	0.834
	TF_DAR	0.338	0.160	0.397	2.107	0.041

The constant value of -1.919 shows that the expected value of DER is negative when all independent variables equal zero. This suggests that, in the absence of the independent variables, the composition of debt capital (DER) decreases by 1.919 units.

Profitability (ROA) coefficient is 0.261, suggesting that each one-unit rise in profitability raises the capital structure (DER) by 0.261 units, all other factors fixed.

With a coefficient of 0.001 for the asset structure variable, a one-unit rise in asset structure lifts the capital structure (DER) by 0.001 units, other things being equal.

For firm size, the coefficient of 0.843 suggests a one-unit expansion in firm size boosts the capital structure (DER) by 0.843 units, holding other variables fixed.

The capital structure (DER) increases by 0.338 units for every unit increase in the debt ratio (DAR), which has a coefficient of 0.338.

Based on Table 9. reveal that the Adjusted R Square value is 0.152, which indicates that 15.2% of the diversity in capital structure among food and beverage companies can be explained by independent variable. The remaining 84.8% of the variation can be attributed to non-model sources.

Table 9. Coefficient of Determination Test

Model	Model Summary		
	R	R Square	Adjusted R Square
1	0.473	0.224	0.152

Tabel 10. F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.747	3	0.687	3.098	0.25
	Residual	9.529	43	0.222		
	Total	12.276	47			

Based on Table 10. reveal an F-statistic value of 3.098, below the 0.05 threshold at a significance level of 0.025. This suggests that the dependent variable is significantly impacted by the independent variables concurrently. Thus, it can be inferred that the capital structure as determined by the Debt-to-Equity Ratio (DER) is influenced by all four independent factors.

Tabel 11. t Test

Model		Unstandardized Coefficients		Standardized Coefficient	T	Sig.
		B	Beta	Beta		
1	(Constant)	-1.919	13531		-0.142	0,888
	TF_ROA	0.261	0.152	0.358	1.723	0.092
	TF_Asset_Structure	0.001	0.224	0.001	0.004	0.997
	TF_Size	0.843	4.008	0.061	0.210	0.834
	TF_DAR	0.338	0.160	0.397	2.107	0.041

A p-value above the predefined threshold in Table 10 indicates that profitability (ROA) has no meaningful impact on capital structure. The first hypothesis is thus disproved, suggesting that enterprises' debt financing decisions are not substantially influenced by profitability.

The p-value in Table 10 is greater than the significance level, suggesting that asset structure has no discernible impact on capital structure. As a result, the second hypothesis is disproved, indicating that the company's decisions about the use of debt are unaffected by asset structure.

Referring to Table 10, the analysis demonstrates that the significance obtained is above the required threshold. This suggests that the third hypothesis is disproved, which means that a company's financing decisions are not much influenced by firm size.

Based on Table 10's analytical findings. The capital structure is significantly impacted by solvency as determined by the Debt to Asset Ratio (DAR). A significant value below the determination threshold suggests this. As a result, the fourth hypothesis that the quantity of corporate debt has a large impact on the company's decision about the percentage of debt financing is accepted.

Tabel 12. Summary of Hypothesis Testing Results.

Hypothesis	Result
H ₁ Profitability (ROA) has a significant effect on capital structure (DER).	rejected
H ₂ Asset structure has a significant effect on capital structure (DER).	rejected
H ₃ Company size has a significant effect on capital structure (DER).	rejected
H ₄ Solvency has a significant effect on capital structure (DER).	accepted

Discussion

The effect of profitability on capital structure

Profitability gauges how well a company turns its resources and skills into earnings, covering areas like sales, cash flow handling, and financing setup (Iriani et al., 2022). According to the study's findings, more profitable food and beverage companies typically rely less on debt financing since they can finance their operations internally without taking on more debt, which lowers their Debt-to-Equity Ratio (DER).

The pecking order theory, which holds that businesses favour internal funding over external loans or equity, is consistent with these findings. According to this theory, higher profitability is typically associated with lower external financing needs. Similar findings were reported by Nabila & Rahmawati (2023) who found that high profitability in food and beverage companies does not significantly influence debt financing decisions. Additionally, Budiarti et al. (2024) support these findings, demonstrating that profitability does not have a significant effect on capital structure.

The effect of asset structure on capital structure

Asset structure is the proportionate comparison of a company's highly liquid and fixed (long-term) assets (Iriani et al., 2022). The results of this study show that the percentage of debt financing, as determined by the Debt-to-Equity Ratio (DER), decreases with the size of the asset structure in food and beverage industries. This indicates that when the proportion of corporate assets is relatively small, the amount of tangible long-term assets available as collateral for debt becomes more limited.

The pecking order theory, which contends that businesses favor internal funding over external loans, is supported by these findings. External financing typically carries higher risks than internal sources. This is consistent with Laily et al. (2022) who found that asset size does not increase debt usage. Similarly, Pebriyanti et al. (2020) confirmed that asset structure has no significant impact on capital structure.

The effect of company size on capital structure

Firm size represents the overall scale of an enterprise, evaluated based on indicators such as total assets, average sales turnover, headcount, or average total assets (Ariyanto, 2020). The findings of this study indicate that larger food and beverage companies tend to use less debt financing. This suggests that large-scale companies do not primarily use debt as the main form of capital in their capital structure decisions. Larger firms are generally associated with greater financial stability and better access to internal funds through more consistent profit generation. Therefore, these companies tend to prefer internal financing over external funding, which would increase debt burdens and potentially create financial pressure in the future. Similar findings were reported by Nabila & Rahmawati (2023) whose results align with the present study.

The effect of solvency on capital structure

The findings of this study reveal that greater debt levels (DAR) in food and beverage industries are aligned with an increase in the portion of debt-based capital (DER). This reveals a positive correlation that supports the fourth hypothesis. This suggests that organizations with greater debt ratios are likely to increase their use of debt in their capital structure (DER). An increase in solvability (DAR) reflects that companies are more aggressive in using debt for growth if the cost of debt remains within acceptable limits and the company can meet its financial obligations. Similar findings were reported by Enggarwati (2023) whose research results align with the present study.

The effect profitability, asset structure, company size and solvency on capital structure

The findings of this study support the fifth hypothesis, indicating that the four variables collectively influence the extent to which companies use debt financing compared to non-debt financing. This can be explained by companies' desire to exploit tax shields from interest deductions to fund expansion, or by their strong asset bases that facilitate loan approval due to perceived stability and creditworthiness. Furthermore, monitoring the debt ratio (DAR) helps companies assess their debt capacity and manage leverage more effectively. Thus, the fifth hypothesis confirms that various considerations drive debt financing decisions.

5. Conclusion

This can be explained by companies' desire to exploit tax shields from interest deductions to fund expansion, or by their strong asset bases that facilitate loan approval due to perceived stability and creditworthiness. Furthermore, monitoring the debt ratio (DAR) helps companies assess their debt capacity and manage leverage more effectively. Thus, the fifth hypothesis confirms that various considerations drive debt financing decisions.

1. A firm's profit margins do not directly affect the decision by food and beverage enterprises to utilize debt as a funding mechanism. This shows that the amount of profit earned is not a major factor in the formation of companies' capital. This means that food

and beverage companies choose to use internal capital to maintain the confidentiality of information within the company, because using external capital is considered risky in terms of exposing sensitive data or information.

2. In food and beverage firms, the mix of fixed versus current assets does not affect choices regarding debt financing. This means that food and beverage firm choose to use internal capital to maintain the confidentiality of information within the company, because generally food and beverage companies have fast cash turnover and relatively stable demand, so that funding needs can take from internal sources without having the needs to pledge assets for debt.
3. The size of the company's total asset doesn't determine amount of debt used in financing the company.
4. The percentage of debt in the capital structure of food and beverage companies increases with their ability to handle debt in relation to their assets. In other words, there is direct relationship between debt burden relative to assets and debt in financing.
5. Overall, the four factors are interrelated and collectively contribute to influencing the financing strategy decision of food and beverage companies, such as choosing between using internal fund or seeking loans.

Research Limitation

The factors restricting this research's extent consist of:

1. This research targets LQ45-indexed firms within the IDX-listed food and beverage sub-sector, examining their financial statements during a 7-year term from 2018 to 2024.
2. This study only considers 4 independent variables, including profitability (ROA), asset structure, company size, solvency (DAR) with capital structure as the dependent variable (DER).

Recommendations

Further studies are anticipated to carry out the following assessments in light of the author's several limitations:

1. The study's limitations include the fact that it only includes companies in the food and beverage subsector listed on the Indonesia Stock Exchange that are indexed in the LQ45 and have a financial statement observation period of seven (seven) years, specifically from 2018 to 2024. In order to generalize the research findings to other sub-sectors, it is advised that future studies broaden the scope by incorporating additional businesses and sub-sectors covered in the LQ45 index.
2. Only profitability (ROA), firm size, asset structure, and solvency (DAR) are considered independent variables in this analysis. To get a more complete picture of the impact on capital structure (DER), it is advised that future research includes or swap out one of the independent variables with another.

Research Implication

Among the factors that confine this research's boundaries are:

1. Theoretical Implications

The findings of this study reveal that the four independent variables collectively contribute to the dependent variable. However, individually, only the solvency variable (DAR) has been proven to influence capital structure. These findings contribute to the development of capital structure theory and support the *pecking order theory* approach in explaining corporate financing decisions.

2. Managerial Implications

This study provides an overview for managers that in making decisions related to financing, company management needs to give more consideration to the company's ability to manage and bear debt because high debt usage without careful calculation can pose a risk to the company's sustainability. Although profits, assets, and asset size do not directly influence debt usage decisions, this does not mean that these factors are ignored, but rather that they need to be considered together with market conditions and the company's strategic needs. Management is advised not to rely solely on one source of funding, but to develop strategies and be able to grow in the long term.

3. Methodological Implications

The study method used multiple linear regression analysis as a test tool to identify the simultaneous and partial effects of several independent and dependent variables. The variables examined consisted of profitability (ROA), company size, asset structure, and solvency (DAR) as independent variables, and capital structure (DER) as the dependent variable. This methodology provides a relevant quantitative approach in analyzing the

relationship between company financial variables and can be used as a reference for further research.

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