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Analysis Of Profitability, Funding Decisions, Company Size And Capital Structure On The Financial Performance Of p Companies Listed On The Indonesian Stock Exchange

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Abstract

This research aims to analyze and test profitability, funding decisions, company size and capital structure on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange from 2020 to 2022. The methodology in this research is to use relevant data. This research was conducted using secondary data and data collection techniques with financial report analysis, in the form of annual reports published via the internet via the site www.idx.co.id. Using SPSS to assess the financial performance of manufacturing companies. The research results show that partially company size has a significant effect on 0.025 ≤ 0.05 financial performance, profitability has no significant effect on financial performance, funding decisions and capital structure have no significant effect on financial performance. This research is very important to achieve good financial management in increasing profitability, funding decisions, company size, and capital structure in its financial strategy to achieve optimal financial performance.

Keywords: Profitability, Funding Decisions, Company Size, Capital Structure, Financial Performance

INTRODUCTION

Industrial financial performance may be measured using a variety of financial indicators and ratios (E. A. B. P. L. H. M. Nasib, 2023). The subsequent measures are

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universally employed to assess the financial success of an industry, categorized into two distinct groups: The gross profit margin Quantifying the proportion of gross profit derived from revenue Profit after deducting all expenses and taxes (Pasaribu, 2024).The Net Profit Margin is a financial metric that calculates the percentage of net profit derived from income after subtracting all liquidity payments (A. S. A. D. Nasib, 2019). It is sometimes referred to as the liquidity ratio or current ratio.The Quick Ratio assesses the industry's ability to fulfill short-term obligations without relying on inventories (Hirzi, 2023). The fast ratio assesses the capacity of the sector to settle immediate financial commitments without depending on inventories (Zulkheiri, 2023). The leverage, also known as the debt-to-equity ratio, quantifies the extent to which the industry relies on debt relative to its equity (Kanzari et al., 2022) (Rinanda, 2021).

Interest Coverage Ratio (Interest Coverage Ratio), measures the industry's ability to pay interest on its debt. Efficiency, Asset Turnover, shows the extent to which the company uses its assets to generate income, Accounts Receivable Turnover, measures how quickly the company collects its receivables, Revenue Growth, measures the percentage increase in income from period to period (Notteboom et al., 2023).

Percentage increase in net profit from period to period. Market Value, Return on Equity (ROE), Measures the level of return on investment for shareholders. Share Price to Earnings (Price-to-Earnings Ratio), Shows how expensive the share price is compared to earnings per share. Cash Flow, Net Operating Cash Flow: Measures the amount of cash flow resulting from core industry operations. Financial performance assessments must consider industry factors, business cycles, and industry strategy. This mix of metrics provides a more comprehensive reflection of the situation. Finance and industrial operations Successful industries generally have a good balance between all these aspects, while considering long-term goals and the risks involved Industry profitability, funding decisions, industry dimensions and capital structure are factors that are interrelated and can have a significant impact on the financial performance of an industry (German et al., 2023).

Financial performance is the result of what has been done by industry management in one accounting period. Therefore, in carrying out operational activities, industry needs accuracy in making appropriate decisions regarding industrial funding Industries that are more profitable tend to have better financial performance because they have more energy sources to reinvest, pay debts, or distribute dividends to shareholders (Chen, 2023). The case of profitability can have a significant impact on industry performance. The following are some universal cases related to profitability and how they

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can influence industry performance. Shrinking Profit Margins Consequences on Performance. If the industry's net profit margin shrinks this can reduce overall profitability. This shrinkage can be caused by increasing production costs. increased competition or reduced selling prices (Hong et al., 2023).

Large Inventory Levels Impact on Performance Large inventories can indicate supply chain management problems or difficulties in selling products. This can undermine profitability due to storage costs and the risk of inventory depreciation. Inability to Identify or Respond to Market Changes, Consequences on Performance Industries that are unable to identify or respond to changes in market needs or preferences can face shrinking sales and profitability (Adalessossi, 2023). Large Debt Levels Impact on Performance Too much debt can increase interest payments and lead to financial stress, reducing profitability and the company's ability to invest or pay off debt. Inefficient Levels of Marketing Expenditures Impact on Performance If marketing expenditures do not provide the expected results, this can reduce profitability without supporting increased sales. Lack of Innovation, Consequences on Performance. Industries that fail to innovate may run out of competitive energy and market share long-term profitability. Operational and Financial Risks, Impact on Performance Operational or financial risks that are not managed well can cause significant losses, reducing profitability (Mansikkamäki, 2023).

It is important for the industry to continuously monitor and evaluate the factors that influence profitability so that it can recognize problems quickly and take corrective action as needed. Profitability is related to profit, this profit is included in the distribution of dividends. This profitability is needed by the industry if the industry wants to make dividend payments. The profitability continues to increase until the dividends distributed continue to increase (Rutkowska-Ziarko, 2023). Profitability is one aspect that theoretically determines the value of an industry. Industries that are capable of generating large and normal profits will attract investors, because they will automatically benefit investors. High profitability shows good industry prospects so that investors will respond positively to this signal and the value of the industry will increase Funding Decisions, Influence on Financial Performance Funding decisions include sources of funds used by the industry such as debt and equity (Arumugam, 2023).

The right capital structure can influence the cost of industrial capital and influence profitability. Wise funding decisions can help a company maximize its capital structure, reduce capital costs, and improve financial performance. Funding decisions are one of the important aspects in managing an industry and can have a significant impact on industry performance. The following are some universal cases related to funding

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decisions and their methods that can influence industry performance. Capital Structure is Not Maximum Consequences on Performance If the capital structure is not optimal (Liu et al., 2024). For example, if you rely heavily on debt or equity, this can affect the cost of capital and profitability of the industry Large Interest Expenses Impact on Performance Large debts with large interest rates can cause significant interest expenses, reduce net profits and industry capabilities for investing. Excessive Short-Term Financing Consequences on Performance Too much reliance on short-term financing can increase liquidity risk and financial pressure, especially if the duration of the financing does not match with the investment project, the impact on performance If the duration of the financing does not match the duration of the investment project, this can increase risks and inappropriate interest charges, resulting in interest rate fluctuations or problems with lenders (Wang et al., 2024).

Research results show that share prices and industrial financial performance have been affected by the Covid-19 pandemic. The manufacturing industry was one of the largest contributors to Indonesia's gross domestic product (GDP) in 2019. Last year, the manufacturing industry zone contributed 19.62% to GDP. Overall, Indonesia's economic performance face significant consequences due to declining performance in this zone. The decline in financial performance and the decline in industrial share prices will certainly have far-reaching consequences for the Indonesian economy. The results of a McKinsey survey in early April 2020 showed that dramatically, life in Indonesia had stalled and during the Covid-19 pandemic crisis, as many as 83% of Indonesians were more inclined to save their money (The Jakarta post, 2020). With the reflection of stock movements and declining financial performance as well as sluggish industrial activity in Indonesia, researchers are interested in analyzing the financial reports of manufacturing industries listed on the Indonesian Impact Exchange before and after the formation of the Covid-19 pandemic. After that, we will look at the trend in the results of the analysis to draw conclusions about whether the Covid-19 pandemic has or has not had an impact on the industry's financial performance.

RESEARCH METHOD

According to the type of data, the data used in this research is secondary data. Secondary data is data provided by a data collection agency that can be used by the public (Ratna Wijayanti Daniar Paramita and Noviansyah Rizal, 2019). The data used in this research is quantitative data or in the form of numbers, because the data obtained comes from company data. This research uses external data sources, namely data that

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is not directly obtained from the source or from outside the company (Ratna Wijayanti Daniar Paramita & Noviansyah Rizal, 2019). The data used in this research was issued by the company which was then published by the data collection institution, in this case the Indonesian Stock Exchange (BEI). namely data that the author obtains from sources that are related to the problem being researched, where the data has been identified in tables and can be directly explained or analyzed descriptively. Population is a combination of all elements in the form of events, things or people who have similar characteristics which are the center of attention of a researcher because it is seen as a research universe (Ratna Wijayanti and Noviansyah Rizal, 2019). The population in this research is manufacturing companies listed on the Indonesia Stock Exchange (BEI), namely 178 manufacturing companies listed on the BEI. The sample is a part that can represent the population, meaning that not all of the population data that will be used will be taken using certain methods and also have characteristics that have been determined by the researcher (Ratna Wijayanti Daniar Paramita & Noviansyah Rizal, 2019). The companies that can be taken for the population are 30 manufacturing companies registered on the IDX which consist of different sub-sectors which submitted complete financial reports from 2020 to 2022.

RESULT

The t test in multiple regression is used to determine whether the partial independent variable regression model has a significant effect on the dependent variable.

Table 1. T Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.410	37.680		.329	.745
	X1	-.017	.093	-.034	-.181	.858
	X2	.870	.806	.210	1.079	.291
	X3	.208	.087	.449	2.392	.025
	X4	.001	.115	.002	.009	.993

From the table above, it can be seen whether there is a partial influence or not by looking at the significant value. If the significance value is ≥ 0.05 then the hypothesis is rejected, meaning it has no effect. Conversely, if the significance value is ≤ 0.05 then the

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hypothesis is accepted, meaning that the independent variable partially has an influence on the dependent variable. The F test is used to determine whether the independent variables together have a significant effect on the dependent variable. The f test is carried out to determine whether all independent variables have an influence together on the dependent variable.

Table 2. F Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	136522.149	4	34130.537	2.182	.100[b]
	Residual	391026.753	25	15641.070		
	Total	527548.902	29			

Table 3. Determinant Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.509[a]	.259	.140	125.06426	2.190

Table 3 of the results of the coefficient of determination test shows a value (adjusted (R2) of 0.140. This value is between 0-1, meaning that the independent variable research can explain the dependent variable well. The coefficient of determination ($R2$) essentially measures how far the model's ability is to explain variations in the dependent variable (Ghazali, 2013). The coefficient of determination value is between zero and one. A small value of $R2$ means that the ability of the independent variable to explain variations in the dependent variable is very limited. Values close to one independent variable provide almost all the information needed to predict variations in the dependent variable. The size of the number determines the strength or weakness of the variable relationship.

Based on the results of hypothesis testing with partial statistical tests (t test), profitability has a significant value of 0.858 ≥ 0.05. Ho is accepted and H1 is rejected, meaning that profitability has no effect on financial performance and is not supported by previous research. This shows that profitability cannot be used as a reference for

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investors in making investment decisions. Based on the results of hypothesis testing with partial statistical tests (t test), funding decisions have a significant value of 0.291 ≥ 0.05. Ho is accepted and H2 is rejected, meaning that funding decisions have no significant effect on financial performance. This shows that funding decisions cannot be used as a reference for investors in making investment decisions. Based on the results of hypothesis testing with partial statistical tests (t test), company size has a significant value of 0.025 ≤ 0.05. Ho is rejected and H3 is accepted, meaning that company size has an effect on financial performance. Company size can be used as a reference for investors in making investment decisions. Based on the results of hypothesis testing with partial statistical tests (t test), capital structure has a significant value of 0.993 ≥ 0.05. Ho is accepted and H4 is rejected, meaning that capital structure has no effect on financial performance. Capital structure cannot be used as a reference for investors in making investment decisions. Based on the results of hypothesis testing with partial statistical tests (t test), Profitability and Funding Decisions do not have a significant effect on financial performance, Company Size has a significant effect on financial performance, and capital structure has no effect on financial performance.

Initial study indicates a substantial correlation between profitability and the independent factors (Purwanti, 2020). Financial performance is favorably associated with both the size of a company and its funding decisions, but adversely associated with leverage. This suggests that bigger organizations that make prudent funding decisions likely to have higher profitability. Nevertheless, the correlation between profitability and capital structure may be intricate, necessitating more examination. These findings suggest that firms listed on the BEI may enhance their financial performance by prioritizing variables such as optimizing their capital structure, making good funding decisions, and using their scale advantages. Nevertheless, it is crucial to acknowledge that industry-specific variables and market circumstances might impact this correlation in varying manners (Ningrum, 2023). Thus, a more intricate and customized approach that aligns with the specific circumstances of the organization is required. Investors may utilize knowledge of these elements to inform their investing selections, enabling them to discover firms that exhibit consistent and enduring financial performance. Policymakers may utilize these observations to develop policies that promote robust capital markets and foster economic expansion. The findings from this research may be utilized by company management to optimize strategy and enhance financial performance (Sholeha, 2023).

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CONCLUSION

Profitability has no effect on the financial performance of Manufacturing companies listed on the IDX in 2020-2022. Companies with high levels of profit have greater internal funding sources and have the need to carry out investment financing. Based on the results of hypothesis testing with partial statistical tests (t test), profitability has a significant value of 0.858 ≥ 0.05. Ho is accepted and H1 is rejected, meaning that profitability has no effect on financial performance and is not supported by previous research. Funding decisions have no effect on the financial performance of manufacturing companies listed on the IDX in 2020-2022. Increasing funding decisions can increase financial performance significantly. Based on the results of hypothesis testing with partial statistical tests (t test), funding decisions have a significant value of 0.291 ≥ 0.05. Ho is accepted and H2 is rejected, meaning that funding decisions have no significant effect on financial performance.

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