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THE EFFECT OF CAPITAL STRUCTURE AND ASSET STRUCTURE ON THE FINANCIAL PERFORMANCE OF MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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ABSTRACT

This study aims to determine and analyze: (1) Does the Debt Equity Ratio and Fixed Asset Ratio affect Return On Assets in the Food and Beverage sub-sector manufacturing companies on the Indonesia Stock Exchange. (2) Does the Debt Equity Ratio affect the Return On Assets in the Food and Beverage sub-sector manufacturing companies on the Indonesia Stock Exchange. (3) Does the Fixed Asset Ratio affect the Return On Assets in the Food and Beverage sub-sector manufacturing companies on the Indonesia Stock Exchange.

This study uses historical data taken during the 2016-2020 period. The type of data used in this research is secondary data. The population of this research is all manufacturing companies in the food and beverage sub-sector which are listed on the Indonesia Stock Exchange. The research sample is 20 companies which are determined based on purposive sampling. Data analysis using panel data regression analysis.

The results of this study indicate that: (1) Simultaneously the Debt Equity Ratio and Fixed Asset Ratio variables have a positive and significant effect on Return On Assets in the Food and Beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange. (2) Partially, the Debt Equity Ratio has a negative and insignificant effect on the Return On Assets in the Food and Beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange. (3) Partially the Fixed Asset Ratio has a positive and significant effect on the Return On Assets in the Food and Beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

Keywords: ***Debt Equity Ratio; Fixed Asset Ratio; Return On Assets***

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Introduction

The financial performance of a company can be interpreted as a prospect or future, the growth potential for good development for the company. According to Jumingan (2006: 239), financial performance is a description of the achievements achieved by a company seen from operational aspects, financial aspects, marketing aspects, and aspects of raising and distributing funds, technology, and human resources. Financial performance information is needed to assess how potential changes in economic resources may be controlled in the future and to predict the productive capacity of existing resources.

For companies that go public are required to make annual financial reports. Financial statements are information that describes the condition of a company, which will then become information that describes the company's financial performance, besides that financial reports are very important information and mechanisms for managers who are expected to be able to assist users to make financial and economic decisions. The better the quality of the financial reports submitted, the more convincing the company's financial performance will be.

To measure the profit level of a company, profitability ratios are used. The use of this profitability ratio can be done by using a comparison between the various components in the financial statements, the goal is to see the company's development within a certain period, either decreasing or increasing (Kasmir, 2014: 155). Profitability ratios can be measured by ROA, namely the ratio that shows the company's ability to generate profits from the assets used.

According to Hanafi and Halim (2016), ROA is a company's financial ratio related to profitability measuring a company's ability to make a profit or profit at a certain level of income, assets, and share capital. The greater this ratio, the better and this means that assets can get returns faster and earn profits. Measurement with ROA shows that the higher the ROA value, the better it is in providing returns to investors, this will affect investors' decisions in investing.

Company management is always faced with decisions to determine the composition of the capital structure between internal and external capital. Internal capital, namely funds, can be obtained by entering new capital from the owner of the company, while external capital, namely funds, can be obtained by making loans to parties outside the company. If the company makes loans to parties outside the company, debt will arise as a result of the loan and this means that the company has implemented financial leverage. The greater the debt, the greater the financial leverage. This means that the risks faced by the company will also be even greater because of the debt. Financial leverage is considered detrimental if the profit earned is less than the fixed costs incurred as a result of using debt.

Capital Structure is measured using the Leverage ratio or Solvency ratio. According to Kasmir (2014: 155), the types of leverage ratios include debt-to-total asset ratio, debt-to-equity ratio, equity-to-asset ratio, long term debt to equity ratio, tangible assets debt conversion, current liabilities to net worth, times interest earned, fixed charge coverage. To measure the capital structure of researchers using Debt to equity ratio (DER).

Pradnyanita and Triaryati, (2019) Hastuti and Farida (2017) GAP Research regarding DER, namely research conducted by Kristianti et al., (2018) on finance companies listed on the Indonesia Stock Exchange state that DER has a significant positive effect on the value of ROA, as well as the research conducted by Hastuti and Farida (2017) in textile and garment companies listed on the Indonesian stock exchange stated that there is a significant influence between capital structure and financial performance. While research conducted by Meiriasari et al. (2021), (Pradnyanita and Triaryati, 2019) shows that capital structure (DER) does not affect on financial performance in this case profitability as measured by the Return on Assets (ROA) indicator. This indicates that the level of capital structure does not effect on ROA.

Rukmana and Hasmi (2018), Mudjijah and Hikmanto (2018) Research related to the structure of assets as measured by indicators (FAR) conducted by Mudjijah and Hikmanto (2018) in his research entitled The effect of liquidity, asset structure and sales growth on profitability mediated by capital structure in plantation subsector companies listed on the Indonesian stock exchange shows that asset structure does not effect on financial performance, in this case, Return On Assets (ROA). While the results of research conducted

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by Rukmana and Hasmi (2018) entitled Effect of capital structure, asset structure and company size on profitability (a case study of a manufacturing company listed on the IDX) shows that asset structure has a significant positive effect on financial performance (ROA).

The manufacturing sector is expected to have bright prospects, due to the rapid population growth and economic development in Indonesia which has made the manufacturing sector the most strategic industry to gain large returns on investment. Growth in the economic sector can provide a smooth flow of economic activity, especially the consumption sector in Indonesia is interesting to observe. The consumption sector, one of which is the food and beverage sub-sector, is important in the national economy and produces basic human needs products so this industry is an important sector and lasts a long time against crises compared to other sectors.

Table 1
Financial Performance of Manufacturing Industry Companies in the Food and Beverage Subsector for the 2016-2020 Period

Number	Company's Code	Company's Name	ROA (%)					Rata-Rata (%)
			2016	2017	2018	2019	2020	
1	ADES	Akasha Wira International, Tbk	7,00	5,00	6,00	10,00	14,00	8,40
2	AISA	Tiga Pilar Sejahtera Food, Tbk	7,77	-264,10	-6,80	60,72	59,90	-28,50
3	ALTO	Tri Banyan Tirta, Tbk	-2,24	-5,67	-2,90	-0,58	-0,70	-2,42
4	BTEK	Bumi Teknokultura Unggul, Tbk	-13,62	-5,83	12,84	-16,90	-43,41	-13,38
5	BUDI	Budi Starch & Sweetener, Tbk	1,30	1,60	1,50	2,10	2,30	1,76
6	CEKA	Wilmar Cahaya Indonesia, Tbk	17,51	7,71	7,93	15,47	11,61	12,05
7	DLTA	Delta Djakarta, Tbk	21,18	20,86	22,19	22,29	10,10	19,32
8	ICBP	Indofood CBP Sukses Makmur, Tbk	13,10	11,70	14,10	14,70	10,40	12,80
9	IIKP	Inti Agri Resources, Tbk	-8,00	-4,00	-5,00	22,00	-12,00	-1,40
10	INDF	Indofood Sukses Makmur, Tbk	6,10	6,00	5,40	6,10	6,70	6,06
11	MGNA	Magna Investama Mandiri, Tbk	-25,85	-7,34	-17,96	-136,93	828,90	128,16
12	MLBI	Multi Bintang Indonesia, Tbk	43,00	53,00	42,00	42,00	10,00	38,00
13	MYOR	Mayora Indah, Tbk	11,00	11,00	10,00	11,00	11,00	10,80
14	PSDN	Prasidha Aneka Niaga, Tbk	-6,00	5,00	7,00	3,00	7,00	3,20
15	ROTI	Nippon Indosari Corpindo, Tbk	9,58	3,00	2,90	5,10	4,83	5,08
16	SKBM	Sekar Bumi, Tbk	2,25	1,59	0,90	0,05	0,05	0,97
17	SKLT	Sekar Laut, Tbk	3,60	3,60	4,30	5,70	5,50	4,54
18	STTP	Siantar Top, Tbk	7,45	9,22	9,69	16,75	18,23	12,27
19	TBLA	Tunas Baru Lampung, Tbk	4,80	6,80	4,70	3,80	3,50	4,72
20	ULTJ	Ultra Jaya Milk Industry, Tbk	16,74	13,72	12,63	15,67	12,68	14,29

Source: Publication Report of PT. Indonesia stock exchange (www.idx.co.id)

According to Home and Wachowicz (2009), ROA is a measuring tool to assess the effectiveness of a company in generating net income through available assets. ROA is useful for company managers, investors, and analysts to provide an overview of the efficiency of company management in using assets to generate income (profitability). A high ROA indicates that the company has high profitability. In addition, a high ROA also

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indicates the company is more efficient. Good or bad company management performance can be measured using external or internal comparisons. External comparison, namely comparing different companies but carrying out their business activities in the same sub-sector. As for the internal comparison, namely by comparing the performance of a company with the previous year.

LITERATURE REVIEW

Capital Structure

In a company, the capital structure is very fundamental. This shows the proportion of the company's funding, namely the proportion of equity and the proportion of debt in the company's overall capital. Capital structure is a comparison or balance of a company's long-term funding shown by a comparison of long-term debt to equity, Martono and Harjito (2012). Foreign capital is defined in this case as both long-term and short-term debt. While own capital can be divided into retained earnings and it can also be company ownership.

According to Irham Fahmi (2017: 179), what is meant by capital structure is a description of the form of the company's financial proportions, namely between owned capital originating from long-term debt (long-term liabilities)and own capital (shareholders equity) which is a source of financing for a company. Meanwhile, I Made Sudana (2015: 164) states that the capital structure (Capital structure) is related to the long-term expenditure of a company as measured by the ratio of long-term debt to its capital. In addition, Ali and Rodoni (2010), explained that capital structure is the proportion in determining the fulfillment of company spending needs where funds are obtained using a combination or blend of sources originating from long-term funds consisting of two main sources, namely those originating from within and outside the company.

Asset Structure

According to Kasmir (2014: 39), asset structure is the property or wealth owned by the company, either at a certain time or during a certain period. Subramanyam and Wild (2014: 271) define assets as assets, assets are resources controlled by a company to generate profits.

According to Riyanto (2013: 22) asset structure is also called asset structure or wealth structure. Asset structure is a balance or comparison both in absolute terms and in relative terms between current assets and fixed assets. What is meant by absolute is a comparison in nominal form, while relative meaning is a comparison in the form of a percentage.

Asset structure is a comparison between fixed assets and total assets owned by the company which can determine the amount of fund allocation for each asset component. Asset structure can describe some of the total assets that can be used as collateral (collateral value of assets).

According to Brigham and Houston (2011: 188) companies whose assets are sufficient to be used as collateral tend to use quite a lot of debt. In general, assets are common things that can be used by many companies as collateral if the company cannot carry out its obligations to creditors.

Financial performance

The definition of performance according to Indra Bastian (2006: 274) is a description of the achievement of implementation/programs/policies in realizing the goals, objectives, mission, and vision of an organization. According to Hery (2018: 25) Measurement of financial performance is a formal attempt to evaluate the efficiency and effectiveness of a company in generating certain profits and cash positions. With this financial performance measurement, it can be seen the prospects for growth and financial development of the company from relying on the resources it has. Meanwhile, according to Fahmi (2018: 142), financial performance is an analysis carried out to see how far a company has carried out using the rules of financial implementation properly and correctly.

Based on the above understanding, it can be concluded that financial performance is a description of the financial condition of a company that is analyzed with financial analysis tools so that it can be known about the good and bad financial condition of a company that reflects work performance in a certain period. This is very important so that resources are used optimally in dealing with environmental changes. Financial

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performance appraisal is one way that can be done by management to fulfill its obligations to funders and also to achieve the goals set by the company.

Financial Performance Measurement

Performance measurement is used by companies to make improvements to their operational activities to compete with other companies. Financial performance analysis is a process of critically assessing data review, calculating, measuring, interpreting, and providing solutions to a company's finances for a certain period.

Financial Performance can be assessed by several analytical tools. Based on the technique, financial analysis can be divided into 8 types, namely according to Jumingan (2006: 242):

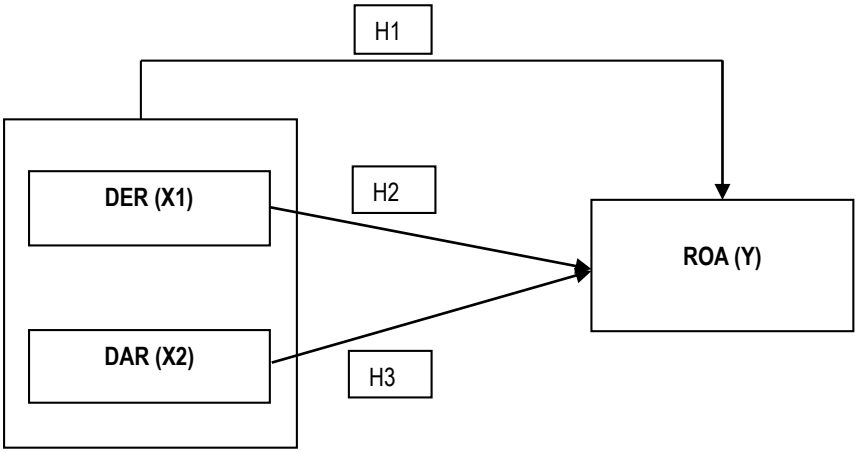
1. Comparative analysis of financial statements is an analytical technique by comparing the financial statements of two or more periods by showing changes, both in total (absolute) and in percentage (relative).
2. Trend analysis (positional tendency), is an analysis technique to find out the tendency of financial conditions to show an increase or decrease.
3. Percentage analysis per component (common size), is an analytical technique to determine the percentage of investment in each asset to the total or total assets and debt.
4. Analysis of Sources and Use of Working Capital is an analytical technique to determine the number of sources and use of working capital through two compared periods.
5. Analysis of the Sources and Uses of Cash is an analytical technique to find out the condition of cash along with the reasons for changes in cash over a certain period.
6. Financial Ratio Analysis is a financial analysis technique to determine the relationship between certain items in the balance sheet and income statement both individually and simultaneously.
7. Analysis of Changes in Gross Profit is an analytical technique to find out the position of profits and the causes of changes in profits.
8. Break Even Analysis, is an analytical technique to determine the level of sales that must be achieved so that the company does not experience losses.

Conceptual Framework

The conceptual framework will link theoretically between the research variables, namely between the independent variables and the dependent variable. Based on the background and formulation of the problems that have been raised (Sugiyono. 2014: 128).

Based on the framework described above, a research paradigm can be formed. The research paradigm can be used as a guide in formulating research hypotheses. The conceptual framework model to be used is as follows:

Figure 1. Conceptual Framework



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Hypothesis

The hypothesis is a temporary answer to the research problem formulation, where the research problem formulation has been stated in the form of a question sentence. It is said temporarily because the new answers given are based on relevant theory, not yet based on empirical facts obtained through data collection. So the hypothesis is also stated as a theoretical answer to the research problem formulation, not yet an empirical answer (Sugiyono, 2019, p. 99).

Based on the framework that has been described previously, the research hypothesis can be formulated as follows:

1. **H1**: Capital structure as measured by indicatorsDebt Equity Ratio (DER) and Asset Structure as measured by the Fixed Asset Ratio (FAR) indicator simultaneously have a positive and significant effect on financial performance as measured by the Return On Assets (ROA) indicator in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange
2. **H2**: Capital structure as measured by indicatorsDebt Equity Ratio (DER) has a negative and significant effect on financial performance as measured by the Return On Assets (ROA) indicator in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange
3. **H3**: Asset structure as measured by indicatorsFixed Asset Ratio (FAR) has a positive and significant effect on financial performance as measured by the Return On Assets (ROA) indicator in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

RESEARCH METHODS

Object of Research

The object of this study is the capital structure variable as measured by the Debt to Equity Ratio (DER) indicator and asset structure as measured by the Fixed Asset Ratio (FAR) indicator as an independent variable, while the dependent variable is using Financial Performance as measured by Return on Assets (ROA) in the food and beverage sub-sector manufacturing industry companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

Data Types and Sources

The type of data in this study is quantitative data, namely data in the form of numbers contained in the financial reports of manufacturing industry companies and then processed based on the analytical techniques used in this study.

The source of data used in this research is secondary data, secondary data is data obtained indirectly, but through intermediary media. The research data was obtained from the results of the publication of the annual report which is available on the official website of the Indonesia Stock Exchange, namely www.idx.co.id and also through the official website of each company in the food and beverage sub-sector manufacturing industry

Population and Sample

Sugiyono (2016: 80), the population is a generalized area consisting of objects/subjects that have certain qualities and characteristics set by researchers to study and then draw conclusions. The population in this study were all companies in the food and beverage sub-sector manufacturing industry that were listed on the Indonesia Stock Exchange for the 2016-2020 period. The sampling technique used was the purposive sampling technique. The criteria for determining the sample of this study are as follows:

1. Manufacturing industry company in the food and beverage sub-sector listed on the Indonesia Stock Exchange.
2. Manufacturing industry company in the food and beverage sub-sector listed on the Indonesia Stock Exchange which presents complete financial report data for the 2016-2020 period.
3. Manufacturing industry companies in the food and beverage sub-sector that are listed under IPO in 2016.

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The 20 companies that were sampled in this study are as follows:

Table 2.
List of companies in the food and beverage sub-sector manufacturing industry on the Indonesia Stock Exchange

NO	Company's Code	Company's Name
1	ADES	Akasha Wira International, Tbk
2	AISA	Tiga Pilar Sejahtera Food, Tbk
3	ALTO	Tri Banyan Tirta, Tbk
4	BTEK	Bumi Teknokultura Unggul, Tbk
5	BUDI	Budi Starch & Sweetener, Tbk
6	CEKA	Wilmar Cahaya Indonesia, Tbk
7	DLTA	Delta Djakarta, Tbk
8	ICBP	Indofood CBP Sukses Makmur, Tbk
9	IIKP	Inti Agri Resources, Tbk
10	INDF	Indofood Sukses Makmur, Tbk
11	MGNA	Magna Investama Mandiri, Tbk
12	MLBI	Multi Bintang Indonesia, Tbk
13	MYOR	Mayora Indah, Tbk
14	PSDN	Prasidha Aneka Niaga, Tbk
15	ROTI	Nippon Indosari Corpindo, Tbk
16	SKBM	Sekar Bumi, Tbk
17	SKLT	Sekar Laut, Tbk
18	STTP	Siantar Top, Tbk
19	TBLA	Tunas Baru Lampung, Tbk
20	ULTJ	Ultra Jaya Milk Industry, Tbk

Data Analysis Technique

This research was conducted by panel data regression analysis with the help of software (software) Eviews 11. The use of variable processing using the panel data regression model in this study, because the data used by researchers included time series data and cross-section data. Time series data, namely the research period of five years from 2016 to 2020. Meanwhile, cross-section data in this study are food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX), where there are 20 companies. Before selecting the appropriate panel data regression model estimates, it is necessary to carry out three approaches, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM).

Panel Data Estimation Selection

The selection of the estimated panel data regression model is a consideration based on statistics through testing, to obtain accurate and efficient estimates. In selecting the most appropriate estimation model for processing panel data regression, there are three methods used, including the following:

1. Chow's test (Common Effects vs Fixed Effects)
   The Chow-Test test aims to test or also compare and choose which model is the best, whether the Common Effect or Fixed Effect model to be used to perform panel data regression. This test is carried

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out by paying attention to the probability value for the cross-section F. If the value is > 0.05 (specified at the beginning as the level of significance or alpha) then the selected model is CEM, but if <0.05 then the selected model is FEM.

2. Test Hausman (Fixed Effects vs Random Effects)
   The Hausman Test was carried out to compare or also choose which model is the best between Fixed effects and Random effects to be used to perform panel data regression. The Hausman test is seen using the probability value of the cross-section random effect model. If the probability value in the Hausman test is less than 5% then Ho is rejected, which means that the model that is suitable for use in the regression analysis equation is the Fixed Effect model. And vice versa.
3. Test Lagrange Multiplier (Common Effects vs Random Effects)
   The Lagrange Multiplier (LM) test has the objective of comparing the common effects method with the random effects method. If the probability value obtained in the Lagrange Multiplier Test is less than 5% then Ho is rejected and indicates that the suitable model is Random Effect. Vice versa if the probability value is greater than 5% then Ho is accepted and the model used is the Common Effect.

RESULTS AND DISCUSSION

Chow Test

The Chow test is used to determine whether the Common Effect or Fixed Effect model is more appropriate. The chow test is carried out with the following hypothesis:

H0: Common Effect Model

Ha: Fixed Effects Model

1. If the probability for Cross-Section F <0.05 then H0 is rejected and Ha is accepted so that the correct model is the Fixed Effect, and then proceed with the Hausman test to choose whether to use Fixed Effects or Random Effects.
2. If the probability for Cross-Section F > 0.05, then H0 is accepted, so the Common Effect model is used.

Table 3. Chow test results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.303348	(19,78)	0.0000
Cross-section Chi-square	82.935555	19	0.0000

Source: Data processed with Eviews 11

The test results with the Chow test above can be seen that the probability value of Cross-Section F is 0.0000 <0.05, meaning that H0 is rejected. Thus Ha in this case the Fixed Effect Model is accepted and will be continued with the Hausman Test to choose whether to use the Fixed Effect Model or the Random Effect.

Hausman Test

The Hausman test is carried out to compare or also choose which is the best between the Fixed effect and the Random effect which will be used to perform panel data regression. The Hausman test is carried out with the following hypothesis:

H0: Random Effects Model

Ha: Fixed Effects Model

If the Cross-Section probability value F <0.05 then H0 is rejected and Ha is accepted, which means

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that the model that is suitable for use in the regression analysis equation is the Fixed Effect Model.

Table 4. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.703186	2	0.0001

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
X1	-0.922638	-1.624234	0.082925	0.0148
X2	27.745682	2.960082	35.905944	0.0000

Source: Data processed with Eviews 11

The test results using the Hausman Test can be seen that the probability value of Cross Section Random is 0.0001 <0.05 meaning that H0 is rejected and Ha is accepted. Thus, based on the results of the Hausman test, the model that is suitable for use in the regression analysis equation is the Fixed Effect Model.

Panel Data Regression Analysis

Based on the selection of the estimation model above, the Fixed Effect Model is the most suitable model used in this study. The following is the output data processing for panel data regression for manufacturing companies in the Food and Beverage subsector listed on the Indonesia Stock Exchange for the 2016-2020 period.

Table 5. Panel Data Regression Results

Dependent Variable: Y
Method: Panel Least Squares
Date: 05/26/22 Time: 11:43
Sample: 2016 2020
Periods included: 5
Cross-sections included: 20
Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.495973	5.242849	-1.239016	0.2191
X1	-0.922638	0.887450	-1.039651	0.3017
X2	27.74568	9.298015	2.984044	0.0038

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	9.216007	R-squared	0.616603
Mean dependent var	7.406100	Adjusted R-squared	0.513381
S.D. dependent var	14.95894	S.E. of regression	10.43507
Akaike info criterion	7.719761	Sum squared resid	8493.478
Schwarz criterion	8.292898	Log likelihood	-363.9880
Hannan-Quinn criter.	7.951720	F-statistic	5.973543
Durbin-Watson stat	1.514082	Prob(F-statistic)	0.000000

Source: Data processed with Eviews 11

Based on table 5, the panel data regression equation is obtained as follows:

Y=-6.495973–0.922638X1 + 27.74568X2

The equation above shows that the value of the regression coefficient for the Debt Equity Ratio variable is -0.922638. A negative value indicates a negative relationship between the Debt Equity Ratio and Return on Assets. This can be interpreted that if the DER variable increases by 1 percent and the other

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independent variables are assumed to be constant, the dependent variable Return On Assets will decrease by 0.922638. The lower the value of the Debt Equity Ratio (X1), the better for ROA (Y). DER is a comparison between debt and capital, the smaller the value of the Debt Equity Ratio, the better the company's performance because it results in a higher rate of return. The greater the company's debt, the greater the risk that will be borne.

The regression coefficient for the Fixed Asset Ratio variable is 27.74568. a positive value identifies a positive relationship between the Fixed Asset Ratio and Return On Assets. This can be interpreted if there is an increase of 1 percent and the other independent variables are assumed to be constant, then the dependent variable Return On Assets will increase by 27.74568.

Hypothesis Test Results

F Test (Simultaneous Testing)

Table 6. F-test results

Root MSE	9.216007	R-squared	0.616603
Mean dependent var	7.406100	Adjusted R-squared	0.513381
S.D. dependent var	14.95894	S.E. of regression	10.43507
Akaike info criterion	7.719761	Sum squared resid	8493.478
Schwarz criterion	8.292898	Log likelihood	-363.9880
Hannan-Quinn criter.	7.951720	F-statistic	5.973543
Durbin-Watson stat	1.514082	Prob(F-statistic)	0.000000

Source: Data processed with Eviews 11

Based on the results of multiple linear regression analysis in the analysis results table above, it can be seen that the p value of the F test = 0.000 <0.05. If the p value is less than the critical limit of 0.05 then accept H1 or which means that DER and FAR simultaneously or together have a significant influence on Return On Assets in manufacturing companies in the Food and Beverage sub-sector on the Indonesia Stock Exchange.

t test (Partial Testing)

Partial test results (t test) are carried out by comparing the probability value (P value) with the alpha value (α = 0.05) 95% confidence level. The results of testing this hypothesis can be seen in table 7 below:

Table 7. t-Test Results

Dependent Variable: Y
Method: Panel Least Squares
Date: 05/26/22 Time: 11:43
Sample: 2016 2020
Periods included: 5
Cross-sections included: 20
Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.495973	5.242849	-1.239016	0.2191
X1	-0.922638	0.887450	-1.039651	0.3017
X2	27.74568	9.298015	2.984044	0.0038

Source: Data processed with Eviews 11

Based on the table above, it can be described the results of hypothesis testing that tests the effect of the DER (X1) and FAR (X2) variables partially on the Return On Assets (Y) variable of food and beverage manufacturing companies in the Indonesian Stock Exchange are as follows:

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1. Capital structure as measured by the Debt Equity Ratio (DER) indicator has a negative and insignificant effect on financial performance as measured by the Return On Assets (ROA) indicator as indicated by the regression coefficient value of -0.922638, which is negative and a significance value of 0.30 > 0.05, this indicates that partially the independent variable capital structure as measured by the Debt Equity Ratio (X1) indicator has a negative and insignificant effect on financial performance as measured by the Return On Assets (ROA) indicator.
   The regression coefficient value for the Debt Equity Ratio variable is -0.922638. A negative value indicates a negative relationship between the Debt Equity Ratio and Return on Assets. This can be interpreted that if the DER variable increases by 1 percent and the other independent variables are assumed to be constant, the dependent variable Return On Assets will decrease by 0.922638.
2. Asset structure as measured by the Fixed Asset Ratio (FAR) indicator has a positive and significant effect on financial performance as measured by Return On Assets (ROA) as indicated by the regression coefficient value of 27.74568 which is a positive and significant value of 0.0038 <0.05, it can be concluded that partially the independent variable Fixed Asset Ratio (X2) has a positive and significant influence on Return On Assets.
   The regression coefficient for the Fixed Asset Ratio variable is 27.74568. a positive value identifies a positive relationship between the Fixed Asset Ratio and Return On Assets. This can be interpreted if there is an increase of 1 percent and the other independent variables are assumed to be constant, then the dependent variable Return On Assets will increase by 27.74568.

Based on the results of the t-test analysis above, it can be concluded that partially each independent variable, namely capital structure as measured by the Debt Equity Ratio (DER) indicator and Asset Structure as measured by Fixed Asset Ratio (FAR) have different effects on performance financial as measured by Return On Assets (ROA), where DER has a negative and insignificant effect on ROA while FAR has a positive and significant effect on ROA.

Coefficient of Determination (R^2)

The magnitude of the relationship between the Debt Equity Ratio and Fixed Asset Ratio to Return On Assets in manufacturing companies in the Food and Beverage subsector on the Indonesia Stock Exchange for the 2016-2020 period can be shown by the coefficient of determination. The results of testing the coefficient of determination (R^2) can be seen in the following table:

Table 8. Coefficient of Determination (R^2)

Root MSE	9.216007	R-squared	0.616603
Mean dependent var	7.406100	Adjusted R-squared	0.513381
S.D. dependent var	14.95894	S.E. of regression	10.43507
Akaike info criterion	7.719761	Sum squared resid	8493.478
Schwarz criterion	8.292898	Log likelihood	-363.9880
Hannan-Quinn criter.	7.951720	F-statistic	5.973543
Durbin-Watson stat	1.514082	Prob(F-statistic)	0.000000

Source: Data processed with Eviews 11

Based on table 8 above, the coefficient of determination can be seen in the R-Square value, which is equal to 0.616603 or 61.66%, meaning that the independent variables Debt Equity Ratio and Fixed Asset Ratio can explain the variable Return on Assets of 61.66%. While the remaining 38.34% is influenced by other variables not included in this study.

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DISCUSSION

Effect of Debt Equity Ratio (DER) on Return On Assets (ROA)

Based on the research results, the Debt Equity Ratio has a negative but not significant effect on Return On Assets in manufacturing industry companies listed on the Indonesia Stock Exchange. This means that an increase in the Debt Equity Ratio decreases the Return on Assets but the decrease is relatively small. This is because the increase in DER reflects an increase in the amount of debt that is getting bigger compared to own capital (equity). A large increase in debt will become a burden for the company so the ability to earn profits decreases.

Empirical facts show that the Debt Equity Ratio in manufacturing companies in the food and beverage sub-sector fluctuates every year, where it sometimes decreases and increases. In 2017 there was a decrease in DER of 9.65 percent. Furthermore, in 2018 there was an increase of 26.98 percent. In 2019 there was a decrease in DER of 7.39 percent and in 2020 it decreased significantly by 16.82 percent. Thus there was a decrease in DER growth of 36.64 percent.

The results of this study strengthen the theory put forward by Irham Fahmi (2017: 179), namely, the capital structure is a description of the form of a company's financial proportions, namely between capital originating from debt and own capital which is a source of financing for a company. The higher the debt owned by the company for funding activities, will affect the position of profit or profit earned because the profit earned is used to pay interest and debt so this condition will also affect the position of capital owned by the company. Likewise, the theory put forward by Kasmir (2014: 157) states that the Debt to Equity Ratio is the ratio used to assess debt to equity, and the theory stated by Hanafi (2016) states that capital structure influences the value of a company. The capital structure can be varied to obtain optimal company value.

The results of this study also support research conducted by Wulandari et.al., (2020) and Putri (2021) which shows that capital structure as measured by the Debt to Equity Ratio indicator has a negative and insignificant effect on Return On Assets. The negative relationship explains that any increase in the value of the Debt Equity Ratio will cause a decrease in the value of Return On Assets. However, looking at the significance value of 0.30 > 0.05 explains that the effect is not significant, so even though the higher the value of the Debt to Equity Ratio it does not have a big influence or does not become an overall benchmark for industrial companies in the food and beverage sub-sector in assessing performance financial in terms of measuring the level of profitability.

Effect of Asset Structure as Measured by Fixed Asset Ratio (FAR) on Financial Performance as Measured by Return On Assets (ROA) Indicator

Based on the research results, the asset structure as measured by the Fixed Asset Ratio (FAR) indicator has a positive and significant effect on financial performance as measured by the Return On Assets (ROA) indicator in manufacturing industry companies listed on the Indonesia Stock Exchange. This means that an increase in the Fixed Asset Ratio will increase the Return On Assets. This is because an increase in FAR reflects the greater value of fixed assets owned by the company, so this asset structure can be used to support the company's operational activities with good and effective management, so the asset structure can help increase company profits.

Empirical facts show that the Fixed Asset Ratio of 20 manufacturing companies in the Food and Beverage sub-sector fluctuates every year. In 2017 it grew by 7.86 percent, in 2018 it increased by 1.29 then in 2019 it was 1.91 percent but in 2020 it decreased by 5.18 percent. Thus the average Fixed Asset Ratio growth value as a whole is 1.13 percent.

Asset structure as measured by the Fixed Asset Ratio is a comparison between fixed assets and total assets in a company. By looking at the data above, shows that the ownership of fixed assets of the total assets owned by each company is quite large. The greater the fixed asset ratio, the better for the company, this is because the asset structure (FAR) which is a tangible asset linked to long-term goals can provide benefits to the company for years to be used for the company's operational activities and not intended for sale.

The results of this study are in line with the theory put forward by Subramanyam and Wild (2014: 271)

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which states that asset structure is a resource controlled by a company to generate profits. In most industrial companies, their capital is embedded in fixed assets because fixed assets are the earning assets (assets that generate income for the company). Companies like this use more fixed assets than the number of workers, which are referred to as "capital-intensive" companies. That is, the greater the ratio of fixed assets to total assets, the more capital-intensive the condition of a company. Likewise, the theory put forward by Munawir ((2013:139) Fixed Asset Ratio (FAR) are tangible assets that have a relatively permanent life providing benefits to the company for many years that are owned and used for daily operations within the framework of normal activities and are not intended for resale (not merchandise) and have a relatively material value.

The results of this study also support the research of Rukmana and Hasmi (2018) and Putri (2021) which shows that asset structure as measured by the Fixed Asset Ratio (FAR) indicator has a positive and significant effect on financial performance as measured by the Return On Assets (ROA) indicator. A positive relationship explains that every increase in the Fixed Asset Ratio will be followed by an increase in Return on Assets (ROA). A high FAR value reflects that the company has high fixed assets, this is certainly good for the company, but the company must be able to properly manage these fixed assets so that they can support the company's operations can improve company performance in this case profitability.

Based on this discussion, it can be seen that an increase in the Fixed Asset ratio can trigger an increase in Return On Assets, but what needs to be considered is that the company must utilize and manage fixed assets properly and effectively so that the value of the company's asset profitability can be maintained.

Research Limitations

This research has several limitations, including the following:

1. This research only takes a period of 5 years, namely from 2016-2020, so the data taken may not reflect the long-term condition of the company.
2. The companies sampled in this study were only 20 companies in the Food and Beverage sub-sector which published financial reports in 2016-2020 so the capital structure assessment was measured by the Debt to Equity Ratio (DER) indicator, the asset structure was measured by the Fixed Asset Ratio indicator (FAR) and Financial Performance as measured by the Return On Assets indicator cannot yet assess the entire Food and Beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX).

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of research analysis and discussion of the Debt Equity Ratio and Fixed Asset Ratio variables that affect Return On Assets in manufacturing companies in the Food and Beverage subsector listed on the Indonesia Stock Exchange for the 2016-2020 period, the following conclusions can be drawn:

1. Simultaneously the variables Debt Equity Ratio and Fixed Asset Ratio have a positive and significant effect on Return On Assets in manufacturing companies in the Food and Beverage subsector which are listed on the Indonesia Stock Exchange for the period 2016-2020.
2. Partially, the Debt Equity Ratio has a negative and insignificant effect on the Return On Assets in the Food and Beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2016-2020.
3. Partially, the Fixed Asset Ratio has a positive and significant effect on the Return On Assets in the Food and Beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

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Suggestion

Based on the conclusions and results of the research, the following suggestions are proposed:

1. For Companies
   a. The results of this study are expected to provide input for company management to assess the Debt Equity Ratio and Fixed Asset Ratio in influencing the company's Return On Assets in a period.
   b. Companies need to pay attention to DER conditions and maintain stability in managing their capital so as not to add too many large funds from creditors and to increase profitability.
2. For Investors
   It is recommended that investors, before investing in a company, are expected to see how the condition of the company is by evaluating the company's financial performance. Companies with declining profits will make the company use a lot of debt to increase their value of the company.
3. For further researches
   Further researchers are advised to add other variables as independent variables that can affect financial performance as measured by Return On Assets, because in this study the value R^2 only reached 61.66 percent, meaning that there are still other variables that can affect Return On Assets that are not included in this study (such as company size and sales growth).

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