

CAPITAL STRUCTURE MODEL (Empirical Study on IDX 2020-2022)

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Abstract

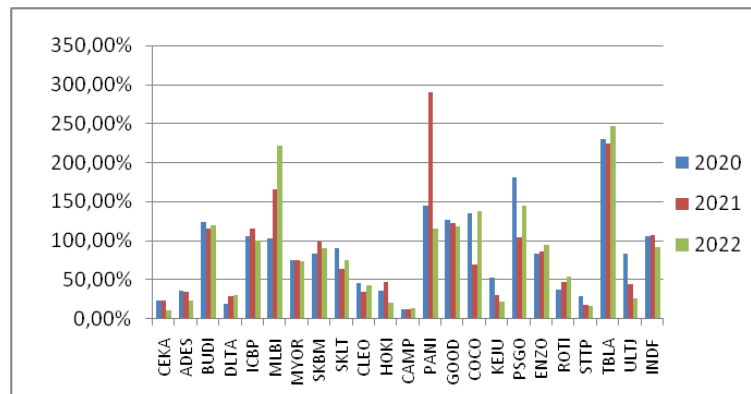
The food and beverage industry are constantly evolving and shaped by consumer preferences, making it crucial for companies to consider the various factors that impact their revenue streams. Analyzing the structure of a company's assets and the rate of its sales growth are crucial factors to consider, as they greatly influence the financial management practices of the company. Asset structure means what a company owns, and sales growth shows if the company is making more or less money. The aim of this research is to examine how the capital structure is influenced by asset structure, sales growth, and the role of profitability in mediating this connection. The study utilized a quantitative research methodology. The research population consisted of companies in the food and beverage subsector on the IDX from 2020 to 2022. A total of 23 companies were selected as the sample over a 3-year period, resulting in 69 data points using purposive sampling technique. The data analysis involved multiple linear regression analysis with the assistance of SPSS version 17. The study's results show that both the composition of assets and the growth in sales have a favorable and noteworthy influence on the structure of capital. Additionally, profitability plays a role in connecting the asset structure with the capital structure, as well as linking sales growth with the capital structure.

Keywords: Asset Structure, Sales Growth, Profitability, Capital Structure

1. INTRODUCTION

Capital is an important factor to improve the performance of company activities (Setiyanti et al., 2019). Capital is also very important for a company to start operating. The company is one of the economic bases specifically intended to optimize profits for owners and employees. In order to generate maximum profits, the company must develop the right strategy so that it can continue to survive and excel in terms of products in order to compete in the business world. When a company develops its business, of course, the company will need funds to further develop its business. Company funding can come from internal or external funding (Proença et al., 2014).

Lack of funds or capital is a prevalent issue in the business world (Lianto et al., 2020). Consequently, funding decisions become crucial. These decisions hold immense significance for leaders and managers involved in business development. It is not just about funding, but also about determining the optimal capital structure for the company's benefit (Putri & Fadhlia, 2014). Capital structure is the outcome of a company's strategic choices in managing its funding (Rao et al., 2019). Brigham & Houston (2019:4), Yanti & Rahmawati (2020), and Mointi et al. (2022) emphasize that capital structure involves a blend of debt, preferred stock, common stock, and retained earnings to finance the company's assets or secure capital.



Source: Processed secondary data

**Figure 1. Debt to Equity Ratio of Manufacturing Companies
Food and Beverage Subsector on the IDX in 2020-2022**

The capital structure of food and beverage manufacturing companies listed on the IDX between 2020 and 2022 has shown significant fluctuations. Interestingly, some companies in this sector have a capital structure that exceeds 100% based on the Debt to Equity Ratio (DER). This indicates that these companies have more debt than their own capital. Such a situation can be quite unfavorable for a company as it becomes heavily burdened by the high level of debt. The higher the debt ratio, the greater the financial risk faced by the company. Financial risk refers to the potential problems that arise when a company is unable to meet its debt payments, especially during a worsening economic situation. Therefore, it is crucial to conduct in-depth research to analyze the various factors that can impact the capital structure of these food and beverage manufacturing companies.

The composition of assets and the rate of sales growth are two factors that can have an impact on a company's capital, as stated by Brigham & Houston (2019:36). Kepakisan (2015) and Jayanty et al. (2021) define the asset structure as the amount of wealth that a company can utilize as collateral. When a company possesses a higher amount of fixed assets, it instills greater confidence in external parties who are willing to extend substantial credit to the company. This notion is supported by the research conducted by Aulia et al. (2019), Setiyanti et al. (2019), Mas & Dewi (2020), Paramitha & Putra (2020), Ekinanda et al. (2021), Meilani & Wahyudin (2021), Syafril & Fahmi (2021), and Miswanto et al. (2022), which all demonstrate that asset structure has a positive influence on capital structure. However, the research conducted by Hakim & Apriliani (2020), Dewi & Fachrurrozie (2021), Feni et al. (2021), and Afiezan et al. (2022) presents a contrasting finding, indicating a significant negative impact on capital structure. These findings contradict the previous studies conducted by Lianto et al. (2020), Trinita et al. (2022), Anrizal et al. (2023), Hermayanti et al. (2023), Rindiasih & Wulandari (2023), Sunandar & Sugiarti (2023), and Susanti et al. (2023).

According to Kurniati & Yuliana (2022) when there is an increase in a company's sales, it will provide a favorable sign for the company, because management is seen as having a good opportunity that can affect the company's capital structure. Companies that undergo sales with stability tend to be able to utilize debt on a larger scale and have the

capacity to incur greater fixed costs than companies that experience fluctuations. This is because the cash flow remains stable compared to companies whose sales fluctuate unstable. This is supported by research by Awaluddin et al. (2019); Setiyanti et al. (2019); Hakim & Apriliani (2020); Mas & Dewi (2020); Paramitha & Putra (2020); Afiezan et al. (2022); Miswanto et al. (2022); Hermayanti et al. (2023); and Susanti et al. (2023) found that sales growth has a positive and significant impact on capital structure. But not with the studies (Chandra et al., 2019); (Purba et al., 2020); (Puspita & Juliarsa, 2020); (Ekinanda et al., 2021); (Meilani & Wahyudin, 2021); and (Rindiasih & Wulandari, 2023).

Moreover, the variable of profitability plays a vital role in shaping a company's capital structure. When a company generates substantial profits from its fixed assets, it becomes more inclined to rely on its own capital rather than taking on debt. Consequently, this shift in the company's capital structure reduces the risk associated with debt and minimizes the interest costs that the company has to bear. This notion is supported by the research conducted by Tiara et al. (2018), Susantika & Mahfud (2019), and Lestari & Arinta (2021), which highlight the mediating effect of profitability on the relationship between asset structure and capital structure. However, the findings of Jayanty et al. (2021) do not align with this perspective. According to Kurniati & Yuliana (2022), when profitability is high and sales continue to grow, it directly impacts the company's capital structure by reducing the need for external capital and increasing reliance on internal capital. In essence, the company prioritizes utilizing its own profits rather than relying on debt to finance its operations.

The impact of asset structure and sales growth on capital structure in food and beverage subsector manufacturing companies on the IDX between 2020-2022 has not been thoroughly investigated in previous studies. However, this research aims to fill that gap by introducing profitability variables as a mediator to better understand their role in this relationship. It is evident from this description that the findings of the aforementioned research are inconclusive. Therefore, this study seeks to determine the influence of asset structure and sales growth on capital structure in food and beverage subsector manufacturing companies on the IDX in 2020-2022, while also examining how profitability acts as a mediator in this context.

2. LITERATURE REVIEW

2.1. Pecking Order Theory

According to Maryanti (2016) pecking order theory is that companies have the option to choose between using retained earnings or using loans in making funding-related decisions. The concept of pecking order theory emphasizes that company managers always prioritize the company's main goal or increase shareholder wealth. This theory suggests that companies prioritize internal funding sources rather than relying on external funding. This approach is considered to reduce company risk because companies use internal funds such as retained earnings and do not need to pay debt bills or pay dividends to shareholders (Hartati & Mukhibad, 2018). According to this theory, companies tend to finance their operations through internal sources whenever possible before considering external funding. If internal funding sources are insufficient, the last

step is to seek external funding. The order of financing priority in this theory is retained earnings, debt, preferred stock, and common stock (Kurniati & Yuliana, 2022).

2.2. Capital Structure

The company's capital structure is determined by how it manages its funding sources, which include debt and equity (Rao et al., 2019). Capital structure is the mix of debt and equity that a company utilizes to finance its operations (Tailab, 2014). Brigham & Houston (2019:4) and Mointi et al. (2022) define capital structure as the blend of debt, preferred stock, common stock, and retained earnings used for asset funding or capital acquisition. The total leverage ratio (debt to equity ratio) is used to calculate the capital structure, with a lower ratio indicating a better position. Sartono (2014:121) and Haninun & Angelina (2016) provide the formula for calculating the total debt to equity ratio (DER):

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

2.3. Asset Structure

According to Prihadi (2019) assets are basically resources owned by a business, including cash, inventory, or fixed assets. The main principle behind these resources is that they have value that can be utilized in the future. Other terms that can be used to describe assets involve words like treasure, wealth, or assets. The ratio of fixed assets to total assets is referred to as asset structure. This shows the share of costs for each type of asset, such as current and fixed assets (Syafri & Fahmi, 2021). Asset structure is the alignment or comparison of current and fixed assets (Riyanto, 2013). The company's operational activities can be supported by the fixed assets owned by the company (Santoso & Willim, 2022). The formula in this study uses the fixed asset ratio according to Riyanto (2013), which is as follows:

$$\text{Fixed Asset Ratio} = \frac{\text{Fixed Assets}}{\text{Total Assets}} \times 100\%$$

2.4. Sales Growth

Sales involve enticing customers to make purchases by exchanging goods or services for payment, whether in cash or through credit transactions. Sales growth, on the other hand, refers to a company's capacity to enhance its sales performance in order to achieve organizational objectives. Maryanti (2016) explains that sales growth encompasses variations in sales volume from one period to another, which can be monitored through the company's income statement. The level of sales growth is typically calculated using a specific formula as outlined by Lestari & Arinta (2021).

$$\text{Sales Growth Ratio} = \frac{\text{Net Sales } t - \text{Net Sales } t-1}{\text{Net Sales } t-1} \times 100\%$$

2.5. Profitability

Profitability, as defined by Sartono (2014:122) and Riswan & Saputri (2015), refers to a company's capacity to generate profits in relation to its sales revenue, total assets, and invested capital. A higher profitability signifies better financial performance for the company. High profitability not only sets positive expectations for future growth and sustainability, but also serves as a strong guarantee for the company's future success (Haryanto, 2016). This study focuses on the use of return on assets (ROA) as a profitability indicator, calculated as explained by Sartono (2014:123).

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$$

2.6. Research Model & Hypothesis Development

The research can be characterized as follows, taking into account the background information and problem statement.

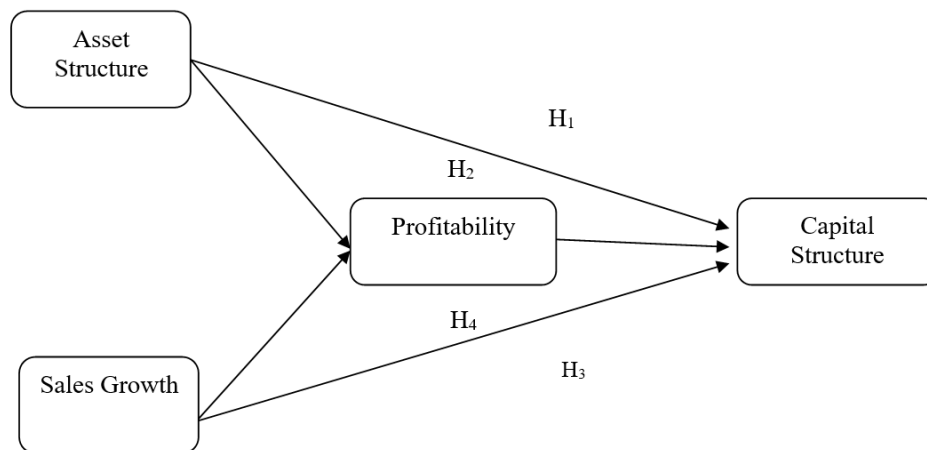


Figure 2. Research Framework

2.7. Effect of Asset Structure on Capital Structure

Companies that most of their assets come from fixed assets tend to rely on debt to meet their financial needs. When a company has a large amount of fixed assets, it will utilize a lot of long-term debt with the thought that these assets can be used as collateral to pay off financial obligations (Zahro et al., 2022). This aims to increase investor confidence who will then be more confident to invest when able to assess the value of the company's assets. This is supported by the research of Setiyanti et al. (2019); Mas & Dewi (2020); Paramitha & Putra (2020); Ekinanda et al. (2021); Meilani & Wahyudin (2021); Syafril & Fahmi (2021); and Miswanto et al. (2022) that capital structure is positively influenced by asset structure. With reference to the explanation above, the hypothesis to be taken is:

H₁ = Asset structure has a positive effect on capital structure.

2.8. The Role of Profitability in Mediating Asset Structure on Capital Structure

If a company earns a high profit from its fixed assets, it can encourage the company to rely more on its own capital than on debt. As a result, the company's capital structure can change which ultimately reduces the risk of debt and the interest costs that the company must pay on the debt. Research that has been conducted by Tiara et al. (2018); Susantika & Mahfud (2019); and Lestari & Arinta (2021) show the results of profitability being able to mediate the impact of asset structure on capital structure. With reference to this explanation, the hypothesis drawn is:

H₂ = Profitability is able to mediate asset structure on capital structure

2.9. Effect of Sales Growth on Capital Structure

According to Kurniati & Yuliana (2022) when there is an increase in a company's sales, it will provide a favorable sign for the company, because management is seen as having good opportunities that can affect the company's capital structure. Therefore, companies with relatively stable sales can take on more debt and maintain higher fixed costs than companies with inconsistent sales. This is because the cash flow remains stable compared to companies whose sales are volatile and unstable. Research by Awaluddin et al. (2019); Setiyanti et al. (2019); Hakim & Apriliani (2020); Mas & Dewi (2020); Paramitha & Putra (2020); Afiezan et al. (2022); Miswanto et al. (2022); and Hermayanti et al. (2023) support the view that sales growth has a positive impact on capital structure. Based on this information, the hypothesis used is:

H₃ = Sales growth rate has a positive effect on capital structure.

2.10. The Role of Profitability in Mediating Sales Growth on Capital Structure

Increased sales and high profitability of a company will reduce the company's dependence on the use of external capital. When sales increase this can increase profitability which can then reduce the need to use capital from external sources in the company's operations. As a result, the company is more likely to rely on profits generated by the company itself rather than relying on outside capital, resulting in a decrease in the ratio of the use of external capital and increasing the use of capital from internal sources internal (Kurniati & Yuliana, 2022). Referring to the description above, the hypothesis is obtained, namely:

H₄ = Profitability is able to mediate sales growth on capital structure

3. RESEARCH METHODS

The research method used in this research is quantitative because data analysis can be quantitative or statistical in nature with the aim of providing an overview and testing the truth of the hypothesis that has been formulated previously. Food and beverage sub-sector manufacturing companies listed on the IDX between 2020 and 2022 are the target research population because based on the phenomena obtained in this study and motivated by the encouragement of the growing needs of society. The high demand for food and beverages as basic needs encourages these companies to continue to innovate to meet the market. However, to improve operations, companies require significant additional capital, which then has an impact on shaping their capital structure. Secondary data from IDX

financial reports for 2020-2022 which can be accessed through the website <https://www.idx.co.id> were used in this study. The documentation strategy was used in the data collection process. The sample selection in this study was carried out in a sample purposive sampling method that applied certain criteria. The criteria set in the sample selection are as follows:

- Companies included in manufacturing companies in the food and beverage subsector listed on the IDX from 2020-2022;
- Publish financial reports during 2020-2022 at <https://www.idx.co.id>;
- Financial reports have complete data for research purposes;
- Companies that do not experience losses and use rupiah currency

3.1. Data Analysis Method

To ensure accurate results, it is important to perform a classical assumption test before proceeding with regression testing. This test covers various aspects such as normality, multicollinearity, heteroscedasticity, and autocorrelation. Once this is done, hypothesis testing can be carried out using multiple linear regression analysis, with the assistance of SPSS version 17. The resulting equation from this analysis will provide valuable insights into the hypothesis being tested.

$$\hat{Y}_1 = \alpha + b_1x_1 + b_2x_2 + \varepsilon$$

$$\hat{Y}_2 = \alpha + b_1x_1 + b_2x_2 + b_3Y_1 + \varepsilon$$

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistics Test

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Asset Structure	69	0,00	0,76	0,3184	0,16923
Sales Growth	69	-0,56	2,08	0,1524	0,05411
Profitability	69	0,00	0,27	0,0806	0,06300
Capital Structure	69	0,11	2,90	0,8452	0,61897

Source: Data processed SPSS v 17 (2023)

Based on the three-year descriptive statistical test in Table 1, which includes 69 samples in total from 23 different companies. The capital structure has a minimum value of 0.11 which is obtained in the CEKA company in 2020 because the company uses more equity (own capital) than using external capital or debt for the company's operational needs. The maximum value of 2.90 falls on the PANI company in 2021 because this company tends to use debt rather than equity for its operational needs. The average value of 0.8452 on the capital structure means that many companies will have a relatively high dependence on debt in operating their companies. The minimum value of asset structure is obtained in the PANI company in 2022 of 0.00 because the amount of fixed assets owned by the PANI company is smaller than the total amount of assets. The maximum value is obtained in CLEO company worth 0.76 in 2020 because the total amount of

overall assets is greater than the total fixed assets. The average value of asset structure is 0.3184 which indicates that the total assets owned by the sample companies are more than their fixed assets. The minimum value of sales growth is obtained in the ENZO company in 2022 amounting to -0.56 because it experienced a significant decline in sales from 2021 to 2022. The maximum value is obtained in the PANI company worth 2.08 in 2022 due to a significant increase in the number of sales in 2021-2022. Sales growth has an average value of 0.1524 which reflects that it is prone to an increase in company sales. Profitability has a minimum value of 0.00 in the SKBM company in 2020, HOKI in 2022, PANI 2020, and ENZO in 2020 due to the small profit income earned in the company. The maximum value of 0.27 is obtained in the MLBI 2022 company because the company earns high profits from the amount of assets it has. Profitability with an average value of 0.0806 means that companies often experience little profit income from the amount of total assets owned.

4.2. Classical Assumption Test

The results from the classical assumption show that this study follows a normal distribution. In the probability plot image, the points are scattered around the diagonal line, which goes in the same direction as the line itself. This research model is not affected by autocorrelation, as indicated by the Durbin Watson (DW) test values. In model 1, the DW value is 1.810, and in model 2, it is 1.912, which falls within the range of $DU < DW < 4-DU$. The scatterplot image reveals irregular patterns that spread both above and below zero on the y-axis. This suggests that the scatterplot image displays an unpredictable pattern. Consequently, there are no signs of heteroscedasticity in the regression model used for this study. Additionally, this study does not exhibit symptoms of multicollinearity, as the tolerance value is greater than 0.10 and the VIF value is less than 10.

4.3. Coefficient of Determination Test

According to the model summary table, Model 1 shows an Adjusted R square value of 0.209, which is equivalent to 20.9%. This indicates that the independent variable can clarify 20.9% of the dependent variable, leaving the remaining 79.1% to be explained by other variables not included in the study. On the other hand, Model 2 has an Adjusted R square value of 0.212, or 21.2%. This means that the independent variables contribute to 21.2% of the dependent variable, while the remaining 78.8% is influenced by factors not considered in the research.

4.4. Multiple Regression Analysis

Table 2. Multiple Regression Test Result Model 1 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	sig.
	B	Std.Error	Beta		
(Constant)	-2,995	0,411		-7,285	0,000
Asset Structure	0,178	0,071	0,068	2,507	0,019
Sales Growth	0,163	0,027	0,191	6,037	0,000

a. Dependent Variable: Profitability

Source: Data processed SPSS v 17 (2023)

Table 3. Multiple Regression Test Result Model 2 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	sig.
	B	Std. Error	Beta		
(Constant)	-1,247	0,448		-2,780	0,008
Asset Structure	0,297	0,128	0,102	2,320	0,015
Sales Growth	0,193	0,081	0,131	2,383	0,015
Profitability	0,399	0,109	0,476	3,661	0,001

a. Dependent Variable: Capital Structure

Source: Data processed SPSS v 17 (2023)

4.5. T Test (Partial Test)

The calculation of t table model 1 in table 2 above is obtained with an amount of 1.99656, so t value in model 1 is greater than t table. In addition, the significant value in model 1 shows the result <0.05 . So it shows that there is a significant impact of asset structure variables and sales growth on profitability. In table 3, the t table of model 2 is obtained with an amount of 1.9971, so the t value in model 2 is greater than the t table. Model 2 has a significant value that shows results <0.05 , meaning there is a significant impact of asset structure variables and sales growth on capital structure.

4.6. F Test (Simultaneous Test)

Table 4. F Test Results ANOVA

Model	F	Sig.
12	6,023	0,000 ^a
	5,392	0,003 ^a

Source: Data processed SPSS v 17 (2023)

Based on the results of table 4, model 1 shows an F value of 6.023 with a sig value of 0.000 <0.05 . Model 2 obtained an F value of 5.392 with a sig value of 0.003 which means that the sig is <0.05 , meaning that the independent variables of models 1 and 2 simultaneously and significantly affect the dependent variable.

4.7. Path Analysis Test

Path analysis is used to explain whether or not there is an indirect effect of variable x on y through intervening variables. In the path analysis used is the Beta value in tables 2 and 3.

Direct effect of $X1 \rightarrow Y2 = 0.102$

Indirect and total effect of $X1 \rightarrow Y1 \rightarrow Y2 = (0.068 \times 0.476) + (0.102) = 0.134$

Direct effect $X2 \rightarrow Y2 = 0.131$

Indirect and total effect $X2 \rightarrow Y1 \rightarrow Y2 = (0.191 \times 0.476) + (0.131) = 0.221$

4.8. Discussion

4.8.1. Effect of Asset Structure on Capital Structure

Table 3 reveal the variable asset structure, with a t value of 2.320 and a t table value of 1.99714. This indicates that the t value is greater than the t table value, and the significant value of 0.015 is less than 0.05. Therefore, we can conclude that asset structure has a positive and significant impact on capital structure, confirming the acceptance of hypothesis H1. Companies with a higher proportion of fixed assets tend to rely on debt to fulfill their financial requirements. When a company possesses a substantial amount of fixed assets, it seeks to utilize long-term debt, using these assets as collateral to meet financial obligations. These findings align with the research conducted by Setiyanti et al. (2019), Afiezan et al. (2022), Mas & Dewi (2020), Paramitha & Putra (2020), Ekinanda et al. (2021), Meilani & Wahyudin (2021), Syafril & Fahmi (2021), and Miswanto et al. (2022), which all demonstrate the impact of asset structure on capital structure.

4.8.2. The Role of Profitability in Mediating Asset Structure on Capital Structure

In the realm of asset structure and capital structure, there exists an additional factor that serves as a mediator, strengthening their relationship. This is evident from the path analysis calculations, which reveal that the total effect outweighs the direct effect, with a value of $0.134 > 0.102$. Essentially, this means that the profitability variable plays a crucial role in mediating the relationship between asset structure and capital structure. Consequently, we can confidently accept H2.

When a company generates substantial profits from its fixed assets, it tends to rely more on its own capital rather than taking on debt. This shift in capital structure can ultimately lead to a reduction in debt risk and interest costs that the company would otherwise have to bear. This aligns perfectly with the pecking order theory.

Interestingly, our study's findings align with those of previous research conducted by Tiara et al. (2018), Susantika & Mahfud (2019), and Lestari & Arinta (2021). However, they do not align with the findings of Jayanty et al. (2021).

4.8.3. Effect of Sales Growth on Capital Structure

In Table 3 above, the sales growth variable obtained a t value of 2.383, exceeding the t table value of 1.99714. This indicates that the t value is greater than the t table value, with a significant value of 0.015, meaning that the significance is less than 0.05. Consequently, it can be concluded that sales growth has a positive and significant impact on the capital structure, confirming the acceptance of H3. When a company experiences an increase in sales, it is seen as a positive sign because it presents favorable opportunities for the company. This, in turn, affects the company's capital structure and ensures a reliable cash flow. On the other hand, companies with variable and unpredictable sales face challenges in taking on debt and maintaining fixed costs. In contrast, companies with consistent revenues can manage their debts and cover fixed costs more effectively (Kurniati & Yuliana, 2022). These findings align with previous research conducted by Awaluddin et al. (2019), Setiyanti et al. (2019), Hakim & Apriliani (2020), Mas & Dewi (2020), Paramitha & Putra (2020), Afiezan et al. (2022), Miswanto et al. (2022), Hermayanti et al. (2023), and Susanti et al. (2023).

4.8.4. The Role of Profitability in Mediating Sales Growth on Capital Structure

The relationship between sales growth and capital structure is influenced by the profitability variable, which acts as a mediator to strengthen this relationship. This is evident from the path analysis calculation, which reveals that the total effect is greater than the direct effect ($0.221 > 0.131$). Therefore, the profitability variable effectively mediates the impact of sales growth on capital structure. Consequently, H4 is accepted.

According to the pecking order theory, when a company experiences an increase in sales and high profitability, it becomes less reliant on external capital. As sales increase, profitability also rises, reducing the need for external sources of funding in the company's operations. Consequently, the company becomes more inclined to rely on its own generated profits rather than external capital. This leads to a decrease in the ratio of external capital usage and an increase in the utilization of internal sources of capital (Kurniati & Yuliana, 2022). Interestingly, these findings contradict the research results of (Zulkifli et al., 2020); (Jayanty et al., 2021); and (Umdiana et al., 2022).

5. CONCLUSION

The findings of this study reveal some interesting insights about the relationship between asset structure, sales growth, profitability, and capital structure in the food and beverage subsector. From 2020 to 2022, it was observed that companies heavily reliant on fixed assets often turn to long-term debt to meet their financial needs. They do so with the hope that the value of these assets can serve as collateral to repay their financial obligations. This reliance on debt is influenced by the positive impact of the asset structure variable on the capital structure.

Furthermore, the study highlights the significance of sales growth on the capital structure. An increase in sales is seen as favorable for companies as it indicates promising opportunities for management. This, in turn, can affect the company's capital structure and the reliability of its cash flow. On the other hand, companies with variable and unpredictable sales tend to be more cautious, limiting their debt and reducing fixed costs. This stands in contrast to companies with stable revenues.

Profitability also plays a crucial role in mediating the relationship between asset structure and capital structure. If a company earns high profits from its fixed assets, it is more likely to rely on its own capital rather than debt. This can lead to changes in the company's capital structure, reducing the risk of debt and interest costs that need to be paid.

Similarly, profitability acts as a mediator for the impact of sales growth on capital structure. According to the pecking order theory, companies experiencing high sales growth and profitability are less dependent on external capital. This implies that such companies have a reduced need for external financing.

Moving forward, future researchers should consider incorporating additional variables as intervening factors. It is also recommended to explore other sector companies that have not been extensively studied or have rarely been examined. This would provide a more comprehensive understanding of the dynamics between asset structure, sales growth, profitability, and capital structure in different industries.

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