

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

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Abstract

This study aims to examine the effect of profitability, asset growth, and sales growth on capital structure in Cosmetics and Household sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. The capital structure in this study is proxied by the Debt to Asset Ratio (DAR), profitability is proxied by Return on Assets (ROA), asset growth is proxied by asset growth (AG) and sales growth is proxied by sales growth (SG). The data collection technique uses secondary data in the form of financial reports accessed from the official website www.idx.co.id and also from the website of each company. The sample used in this study is a cosmetics and household company listed on the Indonesia Stock Exchange for the 2019-2023 period. The sample selection used a purposive sampling technique with a population of 7 companies and a sample of 6 companies according to the established criteria. Then the data that has been collected is then processed using eviews, the data analysis method used in this study is panel data regression analysis. The results of the study indicate that profitability has a negative and significant effect on capital structure, asset growth has a negative and significant effect on capital structure, while sales growth has a positive but insignificant effect on capital structure in cosmetics and household companies listed on the Indonesia Stock Exchange for the period 2019-2023. Further research can consider the influence of these variables and expand the scope of research to other industrial sectors. The results of this study not only provide new insights into the financial management situation in companies, but can also be a basis for further refining and developing existing theories.

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

INTRODUCTION

The development of cosmetic and household products in Indonesia presents a significant domestic market potential for the millennial generation. Furthermore, cosmetics are a vital human need, playing a crucial role in enhancing one's appearance, and they are an essential part of everyday life. Public consumption has driven cosmetic and household brands to become leading consumer goods (Hana & Bambang, 2022). The existence of manufacturing in the cosmetics and household goods sectors is a crucial factor for businesses, especially in the economic sector. A company's goal in running a business is to increase profits so that investors continue to invest. Companies require important factors to support good productivity in marketing activities and in developing strategies. Capital structure is a company's permanent expenditures, reflecting the ratio between the company's long-term debt and its equity, which consists of retained earnings and stock issuance (Deviani, 2018). A company's capital structure is part of a company's financial structure, detailing how the company funds its activities (Susan & Azzahro, 2019). If a company's funding or capital structure is not managed optimally, it can lead to financial difficulties. Current economic conditions are highly dependent on capital or funding issues. One of the important decisions managers must make regarding a company's sustainability and expansion is the funding decision or capital structure decision. The issue of capital structure is interesting to study because the company's capital structure significantly influences the company's activities. The company owner's oversight of management also

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

Arsya Ardana et al

influences the company's capital structure decisions. Capital structure is a crucial issue for every company, as the quality of the capital structure will have a direct impact on the company's financial position. Capital structure indicates the proportion of debt used to finance its investments. Therefore, by simply looking at a company's capital structure, investors can determine the balance between risk and return (Deviani, 2018). The cosmetics and household needs industry sub-sector is an industry with a very high level of competition in Indonesia and is the most resilient stock to the economic crisis when compared to other sub-sectors, although most of its products are not basic necessities, but usually Every consumer uses cosmetic products and household needs every day and has a stock of products that suit their habits and tastes. In addition, it is also estimated that manufacturing companies are companies that are needed for daily living needs so that there is little chance of loss.

However, in fact, manufacturing companies in the *Cosmetics and Households sub-sector* listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period found that the companies preferred to use internal funds, thus reducing their reliance on short-term or long-term debt for capital. The companies' total assets were greater than their total debt, and they tended to increase assets as capital for company development. Companies believed that using their own funds would distance them from dependence on external parties and minimize the risks they would face. However, as a company grows, funding requirements will continue to increase. When internal funds are insufficient, the company has no other option but to use external funds. To achieve an optimal capital structure, sound funding decisions are necessary, as the sustainability of activities and the risks they face depend on this factor. The following is data on the growth of the capital structure of manufacturing companies in the *Cosmetics and Household sub-sector* listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

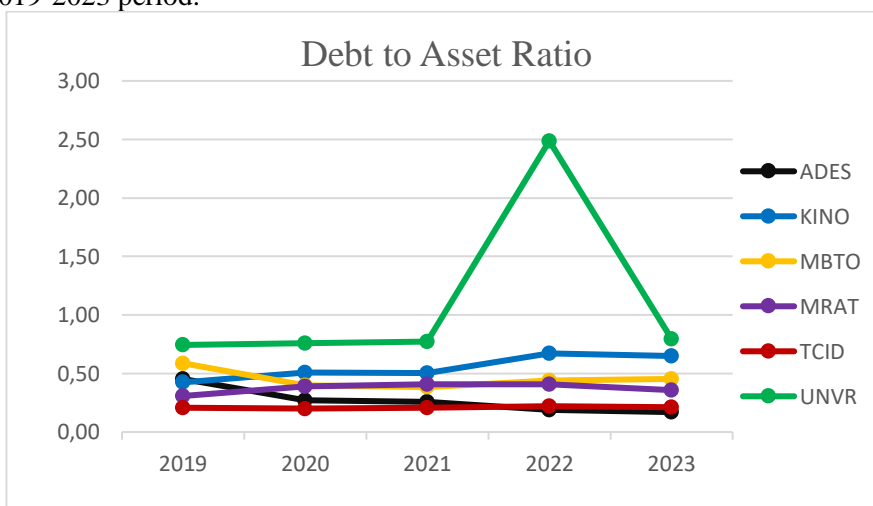


Figure 1. 1 Capital Structure (*Debt to Asset Ratio*)

Source: www.idx.co.id (processed data)

Figure 1.1 shows the fluctuating *Debt to Asset Ratio* . The highest capital structure growth occurred in PT. UNVR in 2022, with a DAR of 2.49. This indicates that the company uses more debt for funding. PT. KINO experienced an annual increase, and PT. MRAT also experienced an annual increase but decreased in 2023 with a value of 0.36. Meanwhile, PT. ADES, MBTO, and TCID experienced fluctuating conditions. A low DAR indicates a small amount of debt. Conversely, a high DAR indicates a greater debt and risk for the company (Anjarwati et al., 2022) . A declining capital structure can be influenced by several factors, both internal and external. Internal factors include high profitability, increased fixed assets, and conservative management policies. External factors include unfavorable market conditions and government policies. Capital structure policy is influenced by profitability where companies tend to prefer to use funding sources originating from within the company in the form of retained earnings, this is because companies with high profitability illustrate that companies have high internal funds, therefore companies can use their abundant internal funds rather than having to borrow. Kasmir, (2019) states that profitability is a ratio used to calculate a company's potential to generate profits during a certain period, Companies with strong profitability prefer to use funds from internal sources because the impact on the capital structure will be relatively less, namely creating an ideal capital structure state.

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

Arsya Ardana et al

Return on Assets (ROA) is used in this study as a metric to calculate profitability. Sukamulja (2019) claims that *return on assets* (ROA) is a measure used to evaluate an entity's capacity to generate profits from its assets. Chan et al. (2010) state that a positive ROA indicates a company's performance is good, while a negative ROA indicates poor business performance. The following data shows profitability growth (*return on assets*) in manufacturing companies in *the Cosmetics and Household sub-sector* listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

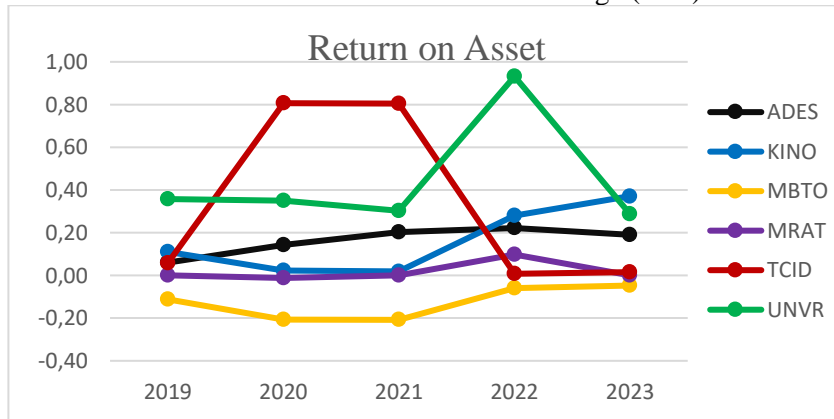


Figure 1.2 2 (Return on Assets)
Source: www.idx.co.id (processed data)

Figure 1.2 above shows that ROA growth in manufacturing companies in *the Cosmetics and Household sub-sector* listed on the Indonesia Stock Exchange (IDX) fluctuated between 2019 and 2023. The highest ROA growth was achieved by PT. UNVR in 2022, at 0.93. The lowest ROA growth occurred in 2020-2021 at PT. MBTO, with growth only around -0.21. The slowdown in ROA growth is thought to be influenced by two factors: internal and external. External factors include macroeconomics, markets, inflation, government regulations, natural disasters, the Covid-19 pandemic, and others. Previous research conducted by Ida Ayu & Sutrisna Dewi (2020) found that profitability had a positive and significant effect on capital structure. However, this contradicts the findings of research conducted by Fathiya et al. (2022), which found that profitability had no effect on capital structure. Besides profitability, another factor influencing capital structure is asset growth. Asset growth refers to the increase in the quantity of a company's assets, including current assets and fixed assets. Higher asset growth leads to higher company loans, resulting in a larger capital structure in the form of loans compared to equity. Companies rely more on external capital. Good growth reflects good company development. Therefore, companies with high growth will attract investors to their shares (Olii et al., 2021) . The following data shows asset growth in manufacturing companies in *the cosmetics and household subsectors* listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

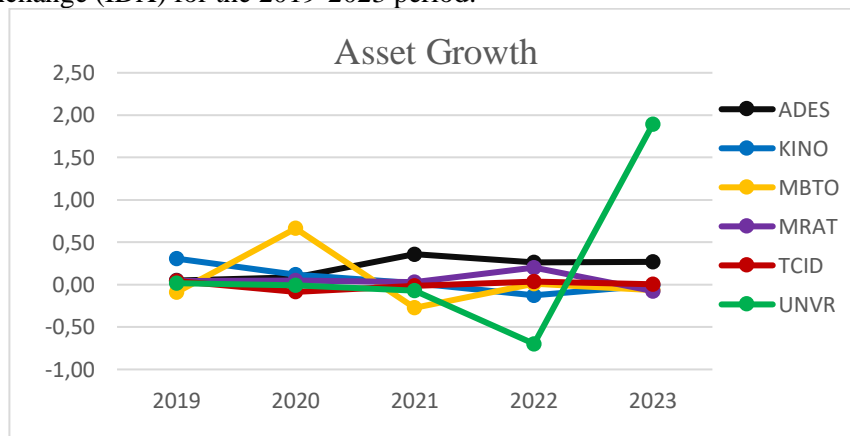


Figure 3 Asset Growth
Source: www.idx.co.id (processed data)

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

Arsya Ardana et al

Figure 1.3 above explains that asset growth in manufacturing companies in the *Cosmetics and Household sub-sector* listed on the Indonesia Stock Exchange (IDX) experienced both increases and decreases from 2019 to 2023. A decline in asset growth occurred in 2021-2022 for PT. UNVR, which was only around -0.70 due to sales still experiencing a decline during the pandemic situation. It experienced a quite drastic increase in 2023 with a value of 1.89. If the total amount of assets increases compared to the previous year, it can be said that the company is experiencing positive growth. Conversely, if total assets decrease, the company is in poor condition (Silalahi & Sihotang, 2021). Declining asset growth can be caused by poor financial performance such as low *return on assets* and high operating costs, as well as inappropriate asset management such as ineffective investments and poor risk management.

This is evidenced by research conducted by Adiyana & Ardiana (2014), which states that asset growth influences capital structure. However, this contradicts research conducted by Siti Nurlela & Safitri (2017), which states that asset growth has no effect on capital structure. Another factor influencing capital structure is sales growth. Sales growth is the result of comparing the difference between current year's sales and the previous year's sales. Companies with relatively constant sales are more likely to obtain more loans. Furthermore, they are also more likely to cover fixed expenses than those with lower sales. Higher sales growth means higher debt usage or higher capital structure. The following is data on sales growth for manufacturing companies in the *Cosmetics and Household sub-sector* listed on the Indonesia Stock Exchange (IDX) for the period 2019-2023.

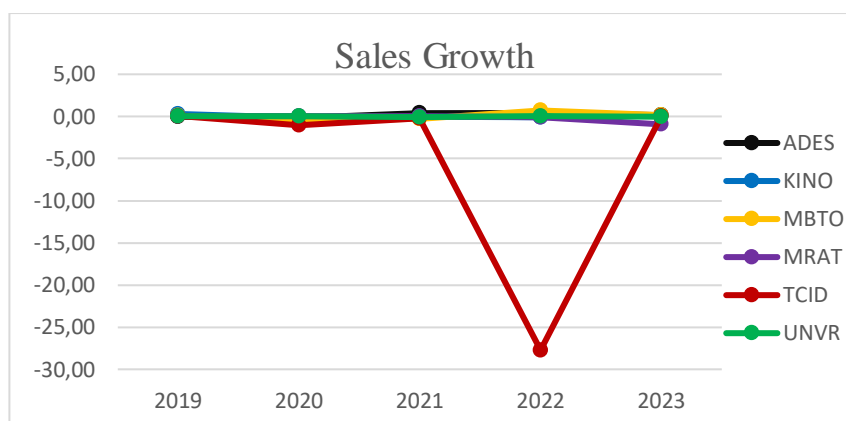


Figure 4 Sales Growth

Source: www.idx.co.id (processed data)

Figure 1.4 above explains the fluctuating sales growth of manufacturing companies in the *Cosmetics and Household sub-sector* from 2019 to 2023. PT. TCID experienced a drastic decline in sales growth of only -27.73% in 2021-2022. This decline in sales growth was due to the ongoing pandemic and could also be caused by several factors, both internal and external. Internal factors include declining product or service quality, ineffective marketing strategies, operational issues, and price changes. External factors include changes in consumer preferences, intense competition, and unfavorable macroeconomic conditions. Research conducted by Miswanto et al. (2022) stated that sales growth had a positive and significant effect on capital structure. This finding is supported by research by Dzikriyah & Sulistyawati (2020), which showed that sales growth had a positive effect on capital structure. However, research conducted by Monica & Elvira (2020) stated that sales growth had no effect on capital structure.

LITERATURE REVIEW

Relationship between Profitability and Capital Structure

Profitability is a company's ability to generate profits in a period. Companies that have a high level of profitability have relatively small debts or loans, because smaller loans can make it easier for companies to obtain most of their funding from retained earnings. According to Myers (1984), in the *Pecking Order Theory*, companies with large profit levels have larger internal funding sources and have a smaller need to finance investments through external funding, resulting in a smaller capital structure. Companies prefer internal funding sources in the form of retained earnings because

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

Arsya Ardana et al

the use of retained earnings is cheaper and external financing is considered more expensive because there are additional issuance costs for issuing debt or bonds. (Septiani & Suaryana, 2018). Harahap (2009) states that profitability is a company's ability to generate profits from its assets. A company with a high rate of return on its managed assets illustrates the company's ability to generate high profits. Higher profitability indicates that the company's profits are also high, this allows the company to tend to use its own funds or retained earnings obtained from its operations to continue the company's operations, because funding with internally generated funds has a low risk and the company will be considered capable of financing its business through retained earnings, and does not require debt. Therefore, companies with high profits prioritize using internal capital rather than external capital, resulting in a smaller capital structure (*debt to asset ratio*). Based on the results of research by Farah & Rahayu (2022), profitability has a negative effect on capital structure. The results of this study are supported by Dewi et al. (2024) that profitability has a negative effect on capital structure. A high level of profitability will prefer funding from internal financing, so the capital structure will be low .

H1: Profitability has a negative and significant effect on capital structure.

Relationship between Asset Growth and Capital Structure

Asset growth is defined as the annual change in total assets. A high asset growth rate will require a company to increase its external funding sources because internal funding sources cannot support the company's growth rate. Asiah et al., (2022) state that asset growth is the increase or change in the number of assets held by a company over time. Asset growth is measured by comparing total assets in the current year with the previous period. Companies with high asset growth demonstrate business expansion and the ability to raise capital through new assets. This is often associated with greater use of external debt to finance the expansion. Continuously growing assets are also attractive to investors because they reflect stability and long-term profit potential. The higher the asset growth value, the stronger the company's capital structure.

Khoiriyah & Rasyid (2020) stated that high asset growth indicates a company's development, both internally and externally. A high asset growth rate indicates a company's greater reliance on external capital sources due to reduced debt issuance costs. External parties will be interested in providing capital to a company if the company has a good asset growth rate, indicating a sound financial condition. This can guarantee external parties that the company will be able to meet its return on capital. A higher asset growth rate can guarantee the company's debt, allowing the company to obtain high debt. Therefore, there is a positive influence between asset growth and capital structure. From the results of previous research conducted by Miswanto et al, (2022) and supported by Solihatun et al, (2020), it was stated that asset growth has a positive and significant influence on capital structure.

H2: Asset growth has a positive and significant effect on capital structure.

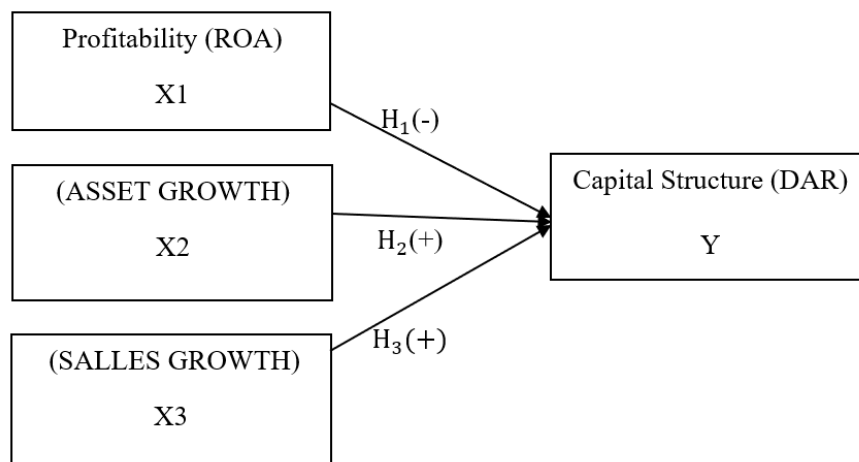
Relationship between Sales Growth and Capital Structure

Based on pecking order theory, companies with high sales growth tend to require additional funding to carry out their operations. A high sales growth rate demonstrates a company's ability to generate stable profits. According to Brigham & Houston (2019), the stability of a company's sales can impact the amount of loans it can obtain. The better a company's sales, the greater the loan amount it can obtain, thus improving its capital structure. According to Wulandari & Artini (2019), companies use external capital, meaning that companies with high sales growth will require additional external funding if the company is no longer able to fund its investment activities from internal capital. Therefore, high sales growth will affect its debt level. This is supported by research by Paramitha & Putra (2020), which states that sales growth has a significant positive effect on capital structure. This is in line with the results of research conducted by Wulandari & Artini (2019) and Nurhayadi et al. (2021), which states that sales growth has a significant positive effect on capital structure.

H3: Sales growth has a positive and significant effect on capital structure.

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

Arsya Ardana et al



Hypothesis

Based on the conceptual framework, the hypothesis in this study is:

- H₁ : Profitability has a negative and significant effect on the capital structure of manufacturing companies in the sub-sector (Cosmetics and Household) listed on the Indonesia Stock Exchange (IDX) 2019-2023.
- H₂ : Asset growth has a positive and significant effect on the capital structure of manufacturing companies in the sub-sector (Cosmetics and Household) listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.
- H₃ : Sales growth has a positive and significant effect on capital structure in manufacturing companies in the sub-sector (Cosmetics and Household) listed on the Indonesia Stock Exchange (IDX) 2019-2023.

METHOD

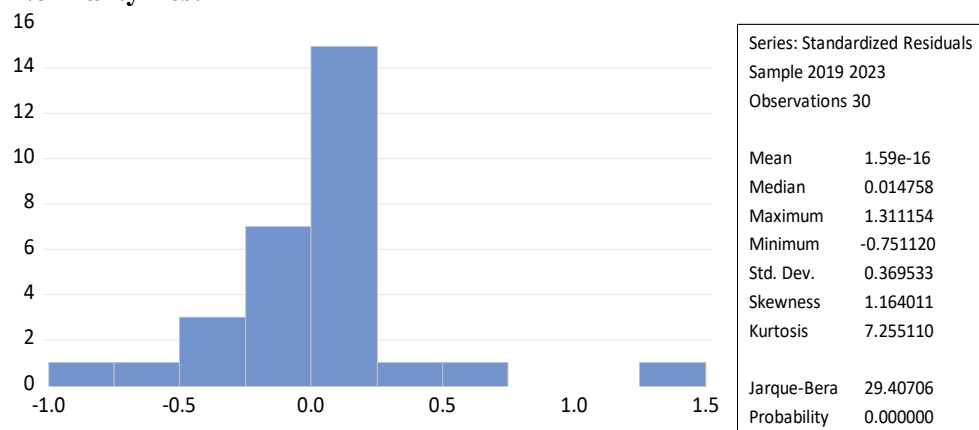
This research was conducted at a Cosmetics and Household sub-sector manufacturing company listed on the Indonesia Stock Exchange through the official website www.idx.co.id. The research objects observed in this study were profitability, asset growth, sales growth, and capital structure. According to Sugiyono (2019), a sample is a subset of the total characteristics possessed by the population. The sampling technique used in this study was purposive sampling. According to Sugiyono (2019), *purposive sampling* is a sampling technique with certain considerations. The researcher's considerations in selecting the sample were *Cosmetics and Household* companies listed on the Indonesia Stock Exchange and the availability of complete financial reports. This type of research is quantitative research, namely research that collects large amounts of data. It could be tens, hundreds, or even thousands. This is because the population of quantitative research respondents is very broad. In this study, data was obtained from the Indonesia *Stock Exchange* (IDX). The data used in this study is secondary data, namely data obtained indirectly by researchers through intermediary media (Sugiyono, 2018). The data collection technique used in this study is documentation. Documentation is daily historical data obtained from the Indonesian Stock Exchange (www.idx.co.id) with research tools using EViews.

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

Arsya Ardana et al

RESULTS AND DISCUSSION

Normality Test



Based on the image above, the value that must be considered is the probability value in the *Jarque-Bera test*, which is 0.000000, or smaller than the standard tolerance value of 0.05. Therefore, the results of the normality test in this study indicate that the data is not normally distributed. Although the data is not normally distributed, the data can be used for further research. As stated by M. Clave et al., (2011) who said that the observation data (n) 30, then the data is considered to be normally distributed.

Multicollinearity Test

Table 1
Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.016313	1.185931	NA
ROA	0.061659	1.303421	1.179428
AG	0.016939	1.104642	1.092716
SG	0.000123	1.093444	1.085186

Data processed by researchers, 2024

Based on the table above, it shows that all VIF values of the variables are smaller than the specified critical value (VIF < 10.00), which means that there are no symptoms of multicollinearity between the independent variables.

Autocorrelation Test

Table 2
Autocorrelation Test

R-squared	0.346424	Mean dependent var	0.205593
Adjusted R-squared	0.271011	S.D. dependent var	0.319127
S.E. of regression	0.272473	Sum squared resid	1.930280
F-statistic	4.593705	Durbin-Watson stat	1.450199
Prob(F-statistic)	0.010402		

Data processed by researchers, 2024

Based on the table above, the results of the autocorrelation test using the *Durbin-Watson test*, by looking at the DW value of 1.450199, which means the value is below 2. So it can be concluded that the data used in this study does not show symptoms of autocorrelation.

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

Arsya Ardana et al

Panel Data Regression

Chow Test

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	6.421895	(5,21)	0.0009
Cross-section Chi-square	27.834987	5	0.0000

Data processed by researchers, 2024

Based on the table above, the value that must be considered is the probability value of the Chi-square cross-section, which is 0.000, which is below the standard tolerance value of 0.05. Therefore, based on the results of the Chow test, the best model is *the Fixed Effect Model*, so another Hausman test is needed to choose between *the Fixed Effect Model* and *the Random Effect Model*.

Hausman test

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	4.078237	3	0.2531

Data processed by researchers, 2024

Based on the table above, the results of the Hausman test show that the probability value is 0.2531, which is where the value is above 0.05 (>0.05). It can be concluded that the best model to use in this study is *the Random Effect Model*. If the best model selected in the panel data analysis is *the Random Effect Model*, the heteroscedasticity test does not need to be carried out again. This is because the *Random Effect Model* has used *the generalized least squares* (GLS0) method, so the homoscedasticity assumption is considered fulfilled because it can automatically overcome the problem of heteroscedasticity (Widarjono, 2018).

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

Arsya Ardana et al

Panel Data Regression Estimation

Table 5
Panel data regression

Dependent Variable: DAR
 Method: Panel EGLS (Cross-section random effects)
 Date: 01/13/25 Time: 10:29
 Sample: 2019 2023
 Periods included: 5
 Cross-sections included: 6
 Total panel (balanced) observations: 30
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.405632	0.127723	3.175876	0.0038
ROA	-0.643232	0.248313	-2.590410	0.0155
AG	-0.245346	0.130148	-1.885125	0.0406
SG	0.006446	0.011094	0.580988	0.5663

Effects Specification		S.D.	Rho
Cross-section random		0.261298	0.4892
Idiosyncratic random		0.266993	0.5108

Weighted Statistics			
R-squared	0.346424	Mean dependent var	0.205593
Adjusted R-squared	0.271011	S.D. dependent var	0.319127
S.E. of regression	0.272473	Sum squared resid	1.930280
F-statistic	4.593705	Durbin-Watson stat	1.450199
Prob(F-statistic)	0.010402		

Unweighted Statistics			
R-squared	0.232648	Mean dependent var	0.494661
Sum squared resid	3.960083	Durbin-Watson stat	0.706877

Data processed by researchers, 2024

Based on the table above, the equations in this study can be formulated as follows:

$$DAR = 0.405632 - 0.643232AG - 0.245346AG + 0.006446SG$$

From the results of the equation above, it can be interpreted as follows:

1. The constant value in the regression model is 0.405632. This means that if the independent variables in this study have a value of 0, then the Profitability (ROA) value in this study will remain constant at 0.405632.
2. In this study, profitability (ROA) had a negative effect on capital structure, with a coefficient value of -0.643232. This indicates that a 1% increase in profitability (ROA) will decrease the capital structure (DAR) by -0.643232%.
3. Asset growth (AG) in this study has a negative effect on capital structure with a coefficient value of -0.245346. This value indicates that a 1% increase in asset growth (AG) will decrease the capital structure (DAR) value by -0.245346%.
4. Sales growth (SG) In this study, it has a positive influence on capital structure with a coefficient value of -0.006446. This value indicates that if Sales Growth (SG) increases by 1%, it will increase the capital structure value (DAR) by -0.006446%.

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

Arsya Ardana et al

Hypothesis Testing

Partial Significance Test (T-Test)

Table 6
t-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.405632	0.127723	3.175876	0.0038
ROA	-0.643232	0.248313	-2.590410	0.0155
AG	-0.245346	0.130148	-1.885125	0.0406
SG	0.006446	0.011094	0.580988	0.5663

Data processed by researchers, 2024

Judging from the table above, the t-value of profitability (ROA) is -2.590410, which is greater than the t-table value of 1.70562, which means that profitability (ROA) has a negative relationship direction and influences capital structure. And if seen from the probability value of 0.0155 < 0.05, which is smaller than the significance level of 0.05, which means significant. then it can be concluded that profitability has a positive and significant effect on capital structure. The next data value is asset growth, namely the t-value of -1.885125 is smaller than the t-table value of 1.70562. This means that asset growth has a negative relationship direction and does not affect capital structure. however, if seen from the probability value of 0.0406 < 0.05, which is smaller than the significance level of 0.05, which means significant. then it can be concluded that asset growth has a negative and significant effect on capital structure. Next is sales growth, namely the calculated t-value of 0.580989 is smaller than the t-table of 1.70562, which means that sales growth has a positive relationship and does not affect capital structure. And if seen from the probability value of 0.5663 > 0.05, which is greater than the significance level of 0.05, which means it is not significant. It can be concluded that sales growth has a positive and insignificant effect or does not affect capital structure.

Simultaneous Significance Test (F Test)

The F-test is used to understand whether the variables of profitability, asset growth, and sales growth simultaneously or jointly influence the dependent variable, namely capital structure, by estimating the F-statistic. If the F-statistic > F-table with the opportunity, then they jointly influence the capital structure. F-table (k-1) (nk) = (4-1) (30-4) = (3) (26) the result is 2.9751. The following are the results of the simultaneous test (F-test) in this study, including:

Table 7
F test

F-statistic	F-table	Alpha	Probability	Information
4.5937	2.9751	0.05	0.0104	Significant

Data processed by researchers, 2024

Judging from the table above, it shows a value of 4.5975 > 2.9751, which means that the calculated F-value is greater than the F-table value with a probability value of 0.0104 < 0.05. It can be concluded that simultaneously, profitability, asset growth, and sales growth in 6 cosmetic and household companies simultaneously or jointly have a positive and significant effect on capital structure.

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

Arsya Ardana et al

Coefficient of Determination Test (Adjusted R2)

**Table 8
R2 Test**

R-squared	0.346424	Mean dependent var	0.205593
Adjusted R-squared	0.271011	S.D. dependent var	0.319127
S.E. of regression	0.272473	Sum squared resid	1.930280
F-statistic	4.593705	Durbin-Watson stat	1.450199
Prob(F-statistic)	0.010402		

Data processed by researchers, 2024

The table above shows that the coefficient of determination R-squared is 0.271011, or 27%. This indicates that the regression model cannot fully capture the complexity of the relationship between the independent and dependent variables. It is possible that the DAR variable is more influenced by other, more statistically significant factors not included in the research model, which could increase the R-squared value.

The effect of profitability on capital structure

The results of this study indicate that profitability (ROA) has a negative and significant relationship with the capital structure of manufacturing companies in *the cosmetics and household subsector* listed on the IDX in 2019-2023. Which meaning hypothesis First accepted, matter That means every increase profitability on company *cosmetics and household* so will lower structure capital in the company. Likewise on the other hand if Profitability If the company experiences a decline, it will improve the capital structure. Companies with high profitability are more likely to reduce the company's need for funding from party outside (debt), Because Company can depend on profit detained to finance activity its operations so that can minimize to risks that will be faced. The results of this study are in accordance with Sherly & Fitria, (2019) who stated that the use of debt increases the risk for managers because managers must think about debt payments in the form of principal and interest expenses to creditors, while on the other hand managers must consider the interests of shareholders. The results of this study are in line with several previous studies conducted by Setiawan & Santoso (2020), Prastika & Chandradewi (2019) and Liang & Natsir (2019) which found that profitability has a negative and significant to structure capital. However depart behind with research that done by Luthfita et al (2022), Gunadhi & Son (2019), Umdiana et al. (2022), Annisa et al. (2023) Which state profitability influential positive and significant to capital structure.

The Effect of Asset Growth on Capital Structure

In this study, asset growth (AG) in manufacturing sub-sector companies *cosmetics and household* Which registered in IDX year The 2019-2023 period has a significant effect at the 5% level, meaning the second hypothesis is accepted, but the relationship is negative. Asset growth negatively impacts capital structure. This indicates that any increase in asset growth (AG) will decrease the company's capital structure. Vice versa. This is because *cosmetics and household companies* tend to use their assets as assets. source funding internal For increase capital And assessed have sufficient funds to meet operational and investment needs originating from from asset from the must add debt so that the capital structure of the Company will decrease.

In accordance with the opinion of Dewa Ayu & Mirah Indrayani, (2017) who stated that asset growth has a negative effect on capital structure, meaning that the higher the asset growth, the lower the capital structure will be. The results of this study have a negative effect. And significant shows The greater it is improvement growth asset so will can lower structure capital. The more fast growth asset Which reflected from asset company, so will the more big also profit Which obtained by Good company That originate from activity investment Which done by investors and comes from the operational profits obtained so that the company will use income the compared to must add level its debt. This condition shows that companies with high assets tend to utilize asset the For do operational Company. Matter supported by research conducted by Aurelia & Setijaningsih (2020) which states growth asset influential negative And significant to capital structure . However depart behind And No in line with study Which done by Miswanto et al (2022), Wahyuni & Ardini (2017), Solihatun et al. (2020) which shows that Growth asset influential positive And significant to capital structure.

THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

Arsya Ardana et al

Sales Growth Against Capital Structure

Based on the test results, it was found that sales growth (SG) had no effect on the capital structure of *cosmetic and household companies* listed on the Indonesia Stock Exchange in 2019-2023. Therefore, the third hypothesis (H3) which states that asset growth has a positive effect on capital structure was rejected. Therefore, it can be concluded that if sales growth increases or decreases, it does not affect the level of capital structure in the company. According to Ernawati & Roy (2020), an increase in company sales is not necessarily followed by an increase in profits. This is because the increase in sales is not supported by an increase in company capital, so it is not necessarily taken into consideration in determining the capital structure. Profit stability in the company is caused by stable sales, but sales stability does not guarantee that the company has sufficient cash flow to pay interest and debt expenses, resulting in retained earnings not increasing and debt not changing, resulting in an unchanged capital structure. The results of this study align with those conducted by Putri et al. (2021), Ekinanda et al. (2021), Himawan (2019), Ashry and Halkadri (2019), Sari & Budyastuti (2022), and Setiawati & Veronica (2020), which stated that sales growth had no effect on capital structure. However, this contradicts the research conducted by Permatasari & Mustikowati (2019), Saenah & Rijanto (2021), Labibah & Andayani (2019), and Choliawati & Amanah (2020), which stated that sales growth did affect capital structure.

CONCLUSION

Based on the results of research on the influence of profitability, asset growth and sales growth on the capital structure of listed manufacturing companies in the sub-sector (*cosmetics and household*). on the Indonesian Stock Exchange (BEI), the conclusions are as follows:

1. Profitability has a negative and significant effect on the capital structure of *cosmetics and household companies* on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.
2. Asset growth has a negative and significant effect on the capital structure of *cosmetics and household companies* on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.
3. Sales growth has a positive and insignificant effect on the capital structure of *cosmetics and household companies* on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

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THE EFFECT OF PROFITABILITY, ASSET GROWTH AND SALES GROWTH ON CAPITAL STRUCTURE IN MANUFACTURING COMPANIES IN THE SUB-SECTOR *COSMETICS AND HOUSEHOLD* LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2019-2023

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