IAPJ
INTERNATIONAL ACTIVA-PASSIVA JOURNAL
MAGISTER MANAJEMEN-UNISSULA

Capital Structure Policy in Consumer Goods Industry Companies on The Indonesian Stock Exchange

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Abstract. *This study aims to analyze the influence of Return on Assets, company size, and growth on capital structure, both directly and indirectly through the Dividend Payout Ratio. The population used in this study is all consumer goods industry companies listed on the Indonesia Stock Exchange. The sampling technique used purposive sampling, through various criteria used to obtain a sample size or observation data of 134 company financial reports. The data used is secondary data, obtained through documentation. Data analysis for discussion purposes will be processed and presented using descriptive statistics, while for hypothesis testing, the data analysis used is Partial Least Square (PLS). The results of the analysis show that Return on Assets have a significant effect on Dividend Payout Ratio, company size does not have a significant effect on Dividend Payout Ratio, and growth does not have a significant effect on Dividend Payout Ratio. Return on Assets have a significant effect on capital structure, company size has a significant effect on capital structure, growth has no significant effect on capital structure, and Dividend Payout Ratio has a significant effect on capital structure. The results of the mediation test show that the Dividend Payout Ratio can mediate the effect of Return on Assets on capital structure, and the Dividend Payout Ratio cannot mediate the effect of company size and growth on capital structure.*

Keywords: *Company Size; Capital Structure; Dividend Payout Ratio; Growth; Return on Assets.*

1. Introduction

Indonesia's rapid economic growth is driving increased competition among companies, thus requiring every business entity to increase company value and enrich shareholders through various effective strategies. One crucial strategy in this regard is making the right funding decisions, considering that a company's success is highly dependent on the funding/capital provided, especially in determining the composition between the use of debt and equity to finance business activities. Optimal funding decisions will help companies maintain

operational continuity, improve financial performance, and support business expansion amidst competitive market dynamics. Because funding sourced solely from internal capital is often insufficient, companies are required to access external funding sources to ensure sufficient capital availability for long-term operations and business development (Kurniawan & Nendya, 2022).

A manager has a crucial responsibility in running a company's operations, including financial management. Therefore, financial managers are required to be meticulous in budget planning, allocating funds for investment activities, and establishing financing policies, including the use of debt as an alternative funding source. In this context, a company's financing decisions are closely related to the selection of its capital structure. Every company needs to determine the appropriate amount of capital to finance its business activities, enabling it to produce high-quality goods or services and compete in the market. Determining the proportion between equity and long-term debt is crucial in determining the optimal capital structure.(Ekinanda et al., 2021).

Capital structure is the combination of debt and equity funds owned by a company. It is an important part of a company's financial structure to determine the proportion of debt that will be used to finance its assets. (Nurwulandari et al., 2021). The use of funding sources in a company's operational activities will affect the cost of capital, which plays a crucial role in capital structure decisions. Optimal capital structure is achieved through a long-term balance between debt and equity that maximizes the company's value or stock price while minimizing the cost of capital. As part of strategic financial decisions, financial managers are required to balance risk and return to achieve the most efficient capital structure. The right capital structure not only impacts the company's financial stability but also determines the company's competitiveness in facing ever-changing market challenges (Putri & Miswanto, 2023).

Capital structure is a key element in corporate financial management, referring to the combination of debt and equity used to finance a company's operations. Decisions regarding this structure also influence a company's risk level, as high debt usage can increase financial risk and reduce investor interest due to the associated interest burden.Wahyuni & Kristanti, 2024)Capital structure reflects a company's overall financial structure, particularly in terms of the ratio between long-term debt and internally generated capital through investment. Therefore, managing this ratio in a balanced manner is crucial for maintaining a company's financial stability and increasing investor confidence.(Fahmi, 2018).

Capital structure is one of the central issues in corporate financial management because it has direct implications for the level of risk and return that must be faced by owners or shareholders.(Mujiatun et al., 2021)An imbalance in the funding structure can increase financial burdens and reduce investor confidence in a company's performance. Therefore, a sound and proportional capital structure is crucial for maintaining business stability and sustainability. One way to evaluate a company's capital structure is through the debt-to-equity ratio (DER), which is a ratio that describes the comparison between a company's total debt and total equity (Putri & Miswanto, 2023).

Debt to Equity Ratio(DER) can be interpreted as a measure used to evaluate the relationship between the level of debt and the level of equity of a company. (Kasmir, 2019)DER can be an important indicator for assessing a company's financial health, as it shows the extent to which the company relies on external financing to run its operations. The higher the DER, the greater the financial risk faced, as the company is obligated to meet interest and principal payments. Conversely, a DER that is too low may indicate that the company has not maximized its leverage potential for business growth. Several factors can influence capital structure, as measured by DER, namely Return on Assets, company size, and growth (Putri & Miswanto, 2023).

Data from the Indonesia Stock Exchange (IDX) shows that the consumer goods sector index fluctuated during this period. In early 2019, the index hovered around 2,500, then experienced a sharp decline, hitting a low of around 1,200 in March 2020 due to the impact of the pandemic. However, the sector demonstrated strong resilience with a relatively rapid recovery, reaching 2,000 again by the end of 2020 and continuing its upward trend, reaching 3,000 in mid-2023 (IDX, 2023). During the 2019-2023 period, there was significant variation in the Debt-to-Equity Ratio (DER) of companies in this sector. The following is the average DER value for consumer goods companies listed on the IDX from 2018 to 2023:

The graph shows the fluctuating Debt-to-Equity Ratio (DER) of consumer goods companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023. In 2018, the average DER was 0.837, indicating a fairly balanced funding structure between debt and equity. However, in 2019, the DER decreased to 0.779, reflecting a tendency for companies to reduce their reliance on debt and rely more on equity. In 2020, the DER increased slightly to 0.813, likely in response to economic pressures caused by the COVID-19 pandemic, which required additional capital through external financing to maintain business activities.

2021 saw a significant jump in the DER to 0.877, which could be interpreted as a corporate strategy for post-pandemic recovery and expansion. In 2022, the DER decreased slightly to 0.846, indicating a readjustment of the company's capital structure, possibly to reduce its debt burden. However, in 2023, the DER increased again, reaching a six-year high of 0.881. This fluctuation indicates that the capital structure of consumer goods companies remains inconsistent and continues to experience significant changes from year to year. The increase in the DER in the past two years could signal that these companies are tending to be more aggressive in using debt to support their expansion or operations.

This situation also requires careful attention because a high DER can increase financial risk if not balanced with sound financial management. Therefore, this dynamic serves as an important basis for a deeper study of the factors influencing a company's capital structure and the strategies used by companies to manage funding proportions to maintain optimal and sustainable levels. This phenomenon raises questions about the factors that influence companies' decisions in determining their capital structure. Several variables suspected of having a significant influence on DPR and the focus of this study are stock price, Return on Assets (ROA), company size, and growth.

The inconsistency of these research results indicates a significant research gap that warrants further investigation. This opens up opportunities for new research to delve deeper into the influence of these variables on capital structure, particularly in the context of consumer goods companies in Indonesia. Therefore, this study will use the Dividend Payout Ratio (DPR) as a mediating variable to determine whether dividend distribution decisions can clarify the relationship between Return on Assets, company size, and growth on capital structure.

Dividend Payout Ratio(DPR) is one of the crucial aspects in a company's financial policy which reflects the proportion of net profit distributed to shareholders in the form of dividends.(Brigham & Houston, 2019). The DPR reflects financial policies that can influence a company's financing preferences, which ultimately impacts its capital structure. Companies with high ROA, large size, and rapid growth tend to have flexibility in setting dividend policies. This policy serves as an important signal to investors regarding the company's prospects and influences the need for external funding. Therefore, the DPR has the potential to bridge the indirect influence between ROA, company size, and growth on capital structure, particularly in the context of how companies balance distributed profits and retained earnings as internal funding sources.

The novelty of this study lies in the use of the Dividend Payout Ratio (DPR) as a mediating variable that bridges the relationship between Return on Assets (ROA), company size, and growth on capital structure, particularly in consumer goods companies listed on the Indonesia Stock Exchange. To date, most previous studies have only examined the direct influence of these three variables on capital structure without considering the role of dividend policy as a mechanism for channeling this indirect influence. However, the DPR is a crucial indicator in a company's financial strategy, reflecting managerial decisions regarding profit distribution and funding preferences. The use of the DPR as a mediator provides a more comprehensive and contextual approach to explaining capital structure dynamics, particularly amidst intense competition and high funding needs in the consumer goods industry. Therefore, this approach is expected to provide richer theoretical and practical contributions to the corporate finance literature and assist companies in developing more strategic and integrated financial policies.

The selection of consumer goods companies as research objects is based on the industry's relatively stable and defensive characteristics, as it produces basic necessities. This allows it to survive even during the Covid-19 pandemic, which covers the 2019-2023 research period. Furthermore, this sector is known for its strong track record in capital structure. The 2019-

2023 timeframe was chosen to examine companies' dividend policies before, during, and after the pandemic, providing a more comprehensive picture of the factors influencing capital structure under various economic conditions.

2. Research Methods

This study applies a quantitative method, utilizing numerical data processed using statistical methods. The primary focus of this approach is the use of inferential techniques to test hypotheses, taking into account the possibility of error when rejecting the null hypothesis.(Azwar, 2016)The quantitative method chosen aligns with the positivist paradigm, where research is directed at a specific population or sample group. Data collection is carried out using measurable research instruments, then analyzed statistically to evaluate pre-established hypotheses.(Sugiyono, 2019).

3. Results and Discussion

3.1. Determining the Number of Research Samples

The sample in this study consists of companies operating in the consumer goods industry sector and listed on the Indonesia Stock Exchange (IDX) for the period 2019 to 2023. The sample was determined based on several criteria, including companies from the consumer goods sector whose data was obtained from the Indonesia Stock Exchange and had complete financial reports for the years 2019 to 2023, as well as companies that provided complete data according to the variables used in this study. Based on these criteria, the number of samples used in this study is shown below:

Research Data Selection

No	Sample Criteria	2019	2020	2021	2022	2023	Amount
1	Companies in the consumer goods industry sector listed on the Indonesia Stock Exchange	49	54	58	58	58	277
2	Companies in the consumer goods industry sector that do not publish complete financial reports	(2)	(7)	(11)	(10)	(10)	(40)
3	Companies in the consumer goods industry sector that experienced losses	(11)	(11)	(11)	(11)	(10)	(54)
4	Companies in the consumer goods industry sector that do not distribute dividends	(7)	(12)	(8)	(9)	(13)	(49)
	Total Observations	**29**	**24**	**28**	**28**	**25**	**134**

Source: Developed for research, 2025.

Table presents the research data selection process conducted on consumer goods companies listed on the Indonesia Stock Exchange from 2019 to 2022. Initially, 277 companies met the basic criteria over four years. Subsequently, screening was conducted based on several exclusion criteria: 40 companies that did not publish complete financial reports, 54 companies that experienced losses, and 49 companies that did not distribute dividends. After going through this selection process, a final total of 134 observations were

obtained that were suitable for use as research samples. This selection process aims to ensure that only companies with relevant financial performance align with the research variables being analyzed.

3.2.1. Descriptive Analysis of Variables

Descriptive variable analysis in this study aims to provide an overview of the characteristics of each variable studied. This analysis process is carried out by outlining information related to the sample size, minimum and maximum values, average values, and standard deviations of variables including Return on Assets, company size, growth, dividend payout ratio, and capital structure. The results of the descriptive analysis for each variable are presented in the following table:

Descriptive Analysis of Variables

	N	Minimum	Maximum	Mean	Standard Deviation
Return on Assets	134	0.053	41,632	10.76957	8,166155
Company Size	134	25,974	32,860	29,36984	1,555813
Growth	134	-28,664	167,606	8.08333	18,868561
Dividend Payout Ratio	134	0.010	50,624	25.43479	14.238177
Capital Structure	134	0.109	3,928	0.84925	0.729033

Source: Processed secondary data, 2025.

Based on table, the descriptive characteristics of each variable, Return on Assets, company size, growth, dividend payout ratio, and capital structure, can be explained as follows:

3.2.2. Return on Assets Variable

The Return on Assets (ROA) variable in this study has a minimum value of 0.053 and a maximum value of 41.632. This minimum value indicates that there are companies that generate almost no profit from their assets, reflecting low efficiency in managing company resources. This can be caused by various factors, such as ineffective business strategies, high operational costs, or competitive pressures in the consumer goods industry. Meanwhile, the maximum value of 41.632 indicates a company that is highly efficient in utilizing its assets to generate profit, which demonstrates management's ability to optimize operations and marketing strategies to achieve a high Return on Assets.

The mean Return on Assets value of 10.76957 indicates that, in general, companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2019–2023 period are able to generate profits from their assets. With a standard deviation of 8.166155, it can be seen that the distribution of Return on Assets values between companies is not too far from the average. This means that the differences in Return on Asset levels among companies in the sample are not too extreme. A smaller standard deviation compared to the average value indicates that most companies have Return on Asset levels close to the average, so that the variation in Return on Assets in this group is moderate. Therefore, the data deviation in the Return on Asset variable is classified as moderate, and this variable can be said to be relatively homogeneous because the data distribution is not too varied.

3.2.3. Company Size Variable

The company size variable in this study has a minimum value of 25.974 and a maximum value of 32.860. Company size is measured using the natural logarithm of total assets, so these figures reflect the scale of the company's assets in log form. This minimum value indicates that there are companies with relatively small asset scales compared to other companies in the sample. This could reflect limited operational capacity and resources. Conversely, the maximum value of 32.860 reflects the presence of companies with very large total assets, indicating the dominance of large companies in the consumer goods industry that are able to manage resources extensively and have significant influence in the market.

The mean firm size of 29.36984 indicates that, in general, the firms in the sample have relatively large total assets when measured using its natural logarithm. With a standard deviation of 1.555813, it appears that firm sizes are not too far from the mean, indicating that differences in firm size across the sample are not extreme. This relatively small standard deviation indicates that most firms in the sample have asset sizes close to the mean, thus moderate variation in firm size within this group. Therefore, the data deviation in the firm size variable is relatively low, and this variable can be considered relatively homogeneous because the data distribution is not very varied.

3.2.4. Q-Square

The Q-Square test is used to assess the extent to which a model and its parameter estimates accurately predict observed values. If the Q-Square value is greater than 0, this indicates that the model has relevant predictive ability. The results of the Q-Square test are presented as follows:

Q-Square Results

	SSO	SSE	Q^2 (=1-SSE/SSO)
Dividend Payout Ratio	134,000	120,325	0.102
Growth	134,000	134,000	
Return on Assets	134,000	134,000	
Capital Structure	134,000	117,823	0.121
Company Size	134,000	134,000	

Source: Processed secondary data, 2025.

Table explains that the Q-square value of the dividend payout ratio is 0.102, and the Q-Square value is greater than 0. This result can be concluded that the variables Return On Asset, company size, and growth have predictive relevance for the dividend payout ratio variable.

The Q-square value of the capital structure is 0.121, and the Q-Square value is greater than 0. This result can be concluded if the variables Return on Asset, company size, growth, and dividend payout ratio have predictive relevance for the capital structure variable.

3.2.5. Hypothesis Testing

Hypothesis testing is conducted to determine the extent of the partial influence of the independent variable on the dependent variable. This process is carried out by comparing the t-statistic value to 1.96 and the p-value to the significance limit of 0.05. If the calculated t-value is greater than 1.96 and the p-value is less than 0.05, then the alternative hypothesis (Ha) is accepted. Conversely, if the calculated t-value is less than 1.96 and the p-value is greater than 0.05, then the null hypothesis (Ho) is accepted. Based on the analysis using the Structural Equation Model with the Partial Least Square (SEM-PLS) approach, the results of the influence between variables are presented in the following table:

Hypothesis Test Results – Direct Effect

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Decision-making
Return on Assets-> Dividend Payout Ratio	0.284	3,858	0,000	H1 accepted
Company Size -> Dividend Payout Ratio	0.012	0.153	0.879	H2 is rejected
Growth -> Dividend Payout Ratio	-0.064	0.908	0.364	H3 is rejected
Return on Assets-> Capital Structure	-0.235	4,040	0.002	H4 accepted
Company Size -> Capital Structure	0.296	5,979	0,000	H5 is accepted
Growth -> Capital Structure	-0.046	0.866	0.387	H6 is rejected
Dividend Payout Ratio -> Capital Structure	-0.203	3,014	0.003	H7 accepted

Source: Processed secondary data, 2025.

Table shows that, based on the output results, the influence of Return on Assets, company size, and growth on the dividend payout ratio, as well as the influence of Return on Assets, company size, growth, and dividend payout ratio on the capital structure are explained as follows:

1. The Effect of Return on Assets on Dividend Payout Ratio

The t-statistic value for the effect of Return on Assets on the dividend payout ratio is 3.858 with a P-value of 0.000. These results indicate that the t-statistic value is greater than 1.96 (3.858 > 1.96) and the P-value of 0.000 is less than 0.05. The decision is to accept the alternative hypothesis, which means Return on Assets has a significant effect on the dividend payout ratio. These results can be concluded that the first hypothesis (H1) which states that Return on Assets has a positive effect on the dividend payout ratio is statistically acceptable.

2. The Effect of Company Size on Dividend Payout Ratio

The t-statistic value for the effect of company size on the dividend payout ratio is 0.153 with a P-value of 0.879. These results indicate that the t-statistic value is less than 1.96 (0.153 < 1.96) and the P-value of 0.879 is greater than 0.05. The decision is to accept the null hypothesis, which means company size has no significant effect on the dividend payout ratio. These results can be concluded that the second hypothesis (H2), which states that company size has a positive effect on the dividend payout ratio, is statistically rejected.

3. The Effect of Growth on Dividend Payout Ratio

The t-statistic for the effect of growth on the dividend payout ratio is 0.908 with a P-value of 0.364. These results indicate that the t-statistic is less than 1.96 (0.908 < 1.96) and the P-value of 0.364 is greater than 0.05. The decision is to accept the null hypothesis, meaning that growth has no significant effect on the dividend payout ratio. These results indicate that the third hypothesis (H3), which states that growth has a positive effect on the dividend payout ratio, is statistically rejected.

3.2.6. Mediation Test

The mediation test aims to determine the extent to which Return on Assets, company size, and growth variables influence capital structure through the dividend payout ratio as a mediating variable. This test is conducted by comparing the t-statistic value with 1.96 and the p-value with a significance level of 0.05. If the calculated t-value exceeds 1.96 and the p-value is less than 0.05, then the alternative hypothesis (Ha) is declared accepted. Conversely, if the calculated t-value is less than 1.96 and the p-value is greater than 0.05, then the null hypothesis (Ho) is accepted. This mediation test refers to the t-statistic value contained in the Specific Indirect Effects table and is analyzed using Smart Partial Least Square (SmartPLS). The results of the mediation test are presented in the following table:

Mediation Test Results – Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Return on Assets-> Dividend Payout Ratio -> Capital Structure	-0.172	-0.015	0.020	2,368	0.019
Company Size -> Dividend Payout Ratio -> Capital Structure	0.024	0.003	0.016	0.148	0.882
Growth -> Dividend Payout Ratio -> Capital Structure	0.013	0.015	0.016	0.803	0.423

Source: Processed secondary data, 2025.

The t-statistic value for the effect of Return on Assets on capital structure through the dividend payout ratio is 2.368 with a P-value of 0.019. This result reflects that the t-statistic value is greater than 1.96 (2.368 > 1.96) and the P-value of 0.019 is less than 0.05. Based on these results, the alternative hypothesis is accepted, which means that Return on Assets has a significant effect on capital structure through the dividend payout ratio. These results can be concluded that the dividend payout ratio can mediate the effect of Return on Assets on capital structure.

The t-statistic value for the effect of company size on capital structure through the dividend payout ratio is 0.148 with a P-value of 0.882. This result reflects that the t-statistic value is smaller than 1.96 (0.148 < 1.96) and the P-value of 0.882 is greater than 0.05. Based on these results, the alternative hypothesis is rejected, which means that company size does not significantly influence capital structure through the dividend payout ratio. These results can be concluded that the dividend payout ratio cannot mediate the effect of company size on capital structure.

The t-statistic value for the effect of growth on capital structure through the dividend payout ratio is 0.803 with a P-value of 0.423. This result reflects that the t-statistic value is smaller than 1.96 (0.803 < 1.96) and the P-value of 0.423 is greater than 0.05. Based on these results, the alternative hypothesis is rejected, which means that growth does not significantly influence capital structure through the dividend payout ratio. These results can be concluded that the dividend payout ratio cannot mediate the effect of growth on capital structure.

3.2. The Effect of Return on Assets on the Dividend Payout Ratio of Consumer Goods Industry Companies

The statistical analysis results confirm that hypothesis one is accepted, concluding that Return on Assets has a positive and significant effect on the dividend payout ratio. These results indicate that the higher a consumer goods company's profit-generating ability, the greater the company's likelihood of distributing dividends to shareholders.

This indicates that companies with a high Return on Assets tend to have greater financial flexibility in determining profit distribution policies, thereby increasing investor confidence through consistent dividend distribution. The study's findings, which demonstrate a positive and significant effect of Return on Assets on the dividend payout ratio, align with agency and signaling theory, suggesting that companies capable of generating high profits tend to provide positive signals to investors through dividend distribution.

For consumer goods companies, high profits reflect good financial performance and business stability, allowing the company to distribute a portion of its profits as dividends without disrupting internal capital requirements. Furthermore, consistent dividend distribution from profitable companies can also strengthen investor confidence, maintain competitive stock prices, and demonstrate management's commitment to shareholder interests. Therefore, these findings support the view that Return on Assets is a key factor in determining a company's dividend policy. These results support the findings of other research.Anggraeny et al., (2020);Septiani et al., (2020);Shabrina & Hadian (2021);Widodo et al., (2021);Sari (2022);Hutabarat et al., (2023)which states that Return on Assets has a significant positive effect on the dividend payout ratio.

3.2.1. The Effect of Company Size on the Dividend Payout Ratio of Consumer Goods Industry Companies

The statistical analysis results indicate that hypothesis two is rejected, concluding that company size has a positive but insignificant effect on the dividend payout ratio. These results indicate that although larger consumer goods companies tend to have greater financial resources and capacity, this does not directly influence dividend distribution policy.

These results indicate that the size of a company's total assets or scale of operations are not the primary determinants of a company's decision to distribute dividends to shareholders. The study's positive but insignificant effect on the dividend payout ratio indicates that the size of total assets or the company's scale are not the primary determinants of dividend distribution policy. This finding aligns with the residual dividend theory, which states that a company will distribute dividends only after all profitable investment needs have been met,

regardless of its size. Although larger companies generally have broader access to funding and greater financial stability, dividend distribution decisions still depend on internal policies, growth strategies, and management's preference for internal or external funding.

In the consumer goods industry, some large companies may choose to retain earnings for business expansion or to maintain financial flexibility, so company size does not always correlate significantly with the amount of dividends distributed. Therefore, these results reinforce the view that other factors, such as return on assets or cash flow, are more dominant in influencing the dividend payout ratio than company size itself. These results do not support the research findings.Septiani et al., (2020);Candy & Cahyani (2021);Mazengo & Mwaifyusi (2021);Widyakto et al., (2022)which states that company size influences the Dividend Payout Ratio.

3.2.2. The Effect of Growth on the Dividend Payout Ratio of Consumer Goods Companies

The statistical analysis results indicate that hypothesis three is rejected, concluding that growth has an insignificant negative effect on the dividend payout ratio. These results indicate that a company's growth rate is not a significant factor in determining the amount of dividends distributed, even for companies in the consumer goods industry with high growth rates.

These results suggest that consumer goods companies tend to be more cautious in distributing profits, preferring to retain funds for business expansion. The research indicates that growth rate is not yet a significant factor in determining dividend distribution policy. This finding aligns with trade-off theory, which states that companies with high growth rates tend to retain profits to fund prospective investment projects, making dividend distribution a less important priority.

Although there are companies in the consumer goods industry with high asset growth, this is not necessarily accompanied by an increase in the dividend payout ratio, because funds generated from profits are allocated more to business expansion, product innovation, or strengthening operational structures. Therefore, these results reinforce the view that companies with high growth opportunities tend to focus more on reinvestment than on distributing profits to shareholders, thus making the effect of growth on dividends insignificant. These results do not support the research findings.Pratiwi & Saitri (2020);Bramaputra et al., (2022); AndMukarromah & Triyonowati (2024)which states that growth has an effect on the dividend payout ratio.

3.2.3. The Influence of Return on Assets on the Capital Structure of Consumer Goods Industry Companies

The statistical analysis results confirm that hypothesis four is accepted, concluding that Return on Assets has a negative and significant effect on capital structure. These results indicate that the higher the Return on Assets of a consumer goods company, the lower the company's reliance on debt financing in its capital structure.

This indicates that companies capable of generating high profits tend to use internal funding sources to finance their operational and investment activities, thereby reducing the need for external financing through debt. Companies with high profitability tend to have a lower

dependence on debt financing. This finding aligns with the Pecking Order Theory, which states that companies prefer to use internal funding sources, such as retained earnings, before seeking external financing such as debt.

Consumer goods companies that generate a high Return on Assets (ROA) have greater financial flexibility to finance operations and expansion without increasing debt. This reflects a conservative and efficient financial management strategy in managing financial risk. Therefore, the higher a company's ROA, the healthier its capital structure tends to be due to its lower debt proportion. These findings support research findings.Sari & Sedana (2020);Tantra et al., (2020);Nurwulandari et al., (2021);Lie & Dewi (2023);Putri & Miswanto (2023);Susanti et al., (2023)which states that ROA has a negative effect on capital structure.

4. Conclusion

Based on the results of the analysis in the previous chapter regarding the influence Return on Assets, company size, and growth towards dividend payout ratio, and influence Return on Assetscompany size, growth, and dividend payout ratio of consumer goods industry companies listed on the Indonesia Stock Exchange in 2019 – 2023, the following conclusions were obtained: 1. Return on Assetshas a positive and significant effect on the dividend payout ratio. These results indicate that the higher a company's profit-generating ability, the greater its opportunity to distribute dividends to shareholders. This suggests that companies with a high Return on Assets tend to have greater financial flexibility in determining profit distribution policies, thereby increasing investor confidence through consistent dividend distribution. 2. Company size has a positive but insignificant effect on the dividend payout ratio. These results indicate that although larger companies tend to have greater financial resources and capacity, this does not directly influence dividend distribution policy. This means that the size of a company's total assets or scale of operations are not primary determinants in a company's decision to distribute dividends to shareholders. 3. Growthhas an insignificant negative effect on the dividend payout ratio. These results indicate that a company's growth rate is not a significant factor in determining the amount of dividends distributed. Although companies with high growth rates tend to be more cautious in distributing profits, preferring to retain funds for business expansion, in the context of this study, this tendency does not show a significant relationship with dividend policy. 4. Return on Assetshas a negative and significant effect on capital structure. These results indicate that the higher a company's Return on Assets, the lower its dependence on debt financing in its capital structure. This suggests that companies capable of generating substantial profits tend to use internal funding sources to finance their operational and investment activities, thereby reducing the need for external financing through debt. 5. Company size has a positive and significant effect on capital structure. These results indicate that the larger the company, the greater the tendency to use debt financing in its capital structure. This reflects that large companies generally have easier access to external funding sources and are perceived by creditors as more capable of meeting their financial obligations, thus encouraging increased debt use to finance operational and investment activities.

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