

# The Effect of Capital Structure, Ownership Structure on Profitability in Manufacturing Companies Listed on the Indonesia Stock Exchange (Study on LQ45 Company Period 2017-2019)

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## ABSTRACT

Profitability is the company's ability in making a profit with all the capital working in it. This study aims to analyze the effect of capital structure and ownership structure on profitability. The population in this study are LQ45 companies listed on the Indonesia Stock Exchange for the 2017-2019 period. The sampling technique was purposive sampling and obtained 20 manufacturing companies. Multiple regression analysis method was used to analyze the effect of the independent variable on the dependent variable. The results showed that partially the capital structure (DER) had a significant negative effect on profitability (ROA) and ownership structure (INST) had a significant effect on profitability (ROA). Simultaneously capital structure and ownership structure have a significant effect on profitability (ROA).

**KEYWORDS:** *Capital structure, Ownership Structure, Profitability*

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## INTRODUCTION

The financial performance of a company is reflected in its financial statements, which consist of a balance sheet, income statement, change in capital report, cash flow statement and notes to financial statements. Good and bad financial performance of a company can be seen in various ways and methods. One way that can be used is to analyze financial ratios, including the ratio of liquidity, solvency, activity, profitability and market value (Kasmir, 2014). The independent variable in this study uses the capital structure variable in the company that is in the solvency ratio, namely the Debt Equity Ratio (DER).

The initial data required are in the form of total debt, total assets and total capital published by manufacturing companies listed in LQ45. Capital structure is the result or result of a financing decision. This study also uses independent variables; ownership structure is the ratio of the number of shares owned

by insiders to the number of shares owned by investors. In this study, ownership structure is proxied by institutional ownership. Meanwhile, the dependent variable in this study is profitability.

The profitability of a company shows the comparison between profit and assets or capital that generates the profit. According to Prasetyorini (2013 : 194), increased profitability will increase earnings per share in the capital market. Based on the description, the authors are interested research on "The Effect of Capital Structure and Ownership Structure on Profitability in Manufacturing Companies listed on the Indonesia Stock Exchange (Study on LQ45 Companies) for the 2017-2019".

## Research purposes

The purposes of this research was to determine the effect of:

1. Capital structure on profitability in manufacturing companies listed in LQ45
2. Ownership structure on profitability in manufacturing companies listed in LQ45
3. Capital structure and ownership structure together on profitability in manufacturing companies listed in LQ45

## Literature Review

### Profitability

Munawir (2014:33), profitability is the company's ability to generate profits during a last period. The profitability of a company is measured by the company's success and the ability to use its assets. The profitability of a company can be known by comparing the profit earned in a period with the total assets or the total capital of the company.

### Framework of thinking

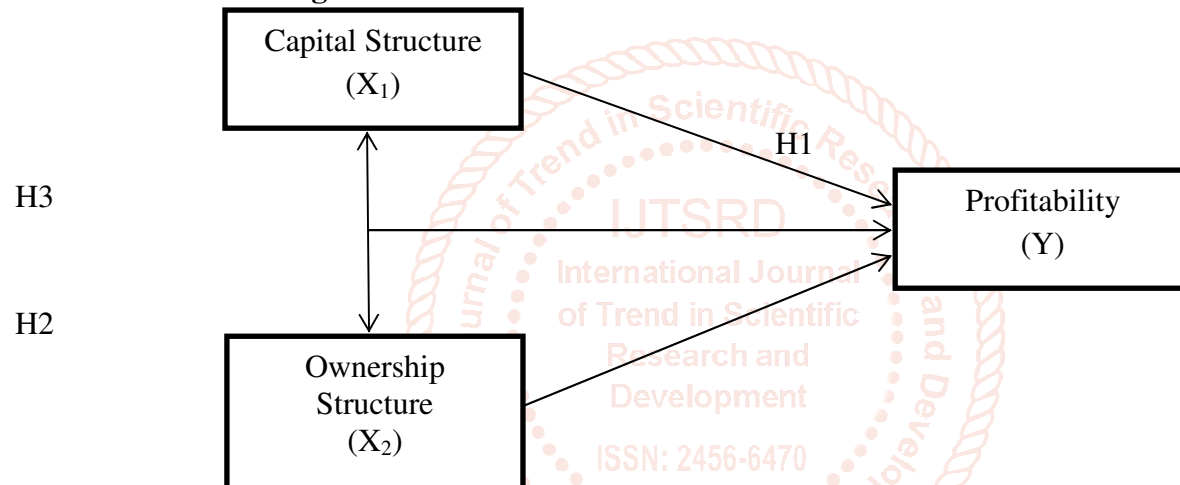


Figure 1 Framework of thinking

### Research hypothesis

H<sub>1</sub>:Capital structure is suspected to have an effect on profitability in manufacturing companies listed in LQ45

H<sub>2</sub>:Ownership structure is suspected to have an effect on profitability in manufacturing companies listed in LQ45

H<sub>3</sub>:The capital structure and ownership structure together are thought to have an effect on the profitability of manufacturing companies listed in LQ45

## RESEARCH METHOD

### Data Types and Sources

The type of data used in this research is quantitative data which is data obtained in the form of numbers or numeric and can be calculated and measured. In this research, type of data used is secondary data. Sources of data for this study were obtained from companies listed on the Indonesia Stock Exchange (IDX) which can be accessed through the internet site [www.idx.co.id](http://www.idx.co.id).

### Place and Time of research

The place of research is the position where the location of a research is carried out, to make it easier for researchers to take data as a reference. The object of this research is the manufacturing company listed in LQ45. The length of time used to conduct the research is 1 month.

### Population, Sample and Sampling Technique

Sugiyono (2019) states that the population is a generalization area consisting of objects that have certain qualities and characteristics that are determined by researchers to be studied and then conclusions are drawn. The population in this study are all manufacturing companies listed in LQ45. The sample in this study is a

### Capital Structure

This form of permanent spending reflects the balance between long-term debt and own capital, so it is often referred to as the capital structure. Capital structure is a financial measure between short-term debt, long-term debt and own capital in carrying out company activities.

### Ownership Structure

Hery (2016:172) reveals that the ownership and control structure is the root cause of agency problems, so that in this case a more active role is required from company owners. In a dispersed ownership structure, resulting in weak monitoring of the decisions made by managers. A more concentrated ownership structure will minimize agency problems due to a stronger link between the interests of shareholders and managers.

manufacturing company registered in LQ45 in 2017-2019 that meets the required data criteria including capital structure, ownership structure and profitability. The sampling technique used in this study uses non-probability sampling, namely purposive sampling technique.

## RESEARCH RESULTS AND DISCUSSION

**Table 1 Percentage of LQ45 Manufacturing Company Capital Structure which listed on the IDX in 2017-2019**

No	Company Name	Period		
		2017	2018	2019
1	Adaro Energy Tbk	0.67	0.64	0.81
2	AKR Corporindo Tbk	0.86	1.01	1.13
3	Astra Internasional Tbk	0.89	0.98	0.88
4	Bank Negara Indonesia Tbk	5.79	6.08	5.51
5	Bank Tabungan Negara (Persero) Tbk	5.73	5.92	11.3
6	Bank Rakyat Indonesia (Persero) Tbk	10.34	11.06	5.67
7	Bank Mandiri (Persero) Tbk	5.22	5.09	4.91
8	Bumi Serpong Damai Tbk	0.57	0.72	0.62
9	Gudang Garam Tbk	0.58	0.53	0.54
10	Indofood Sukses Makmur Tbk	0.88	0.93	0.77
11	Indocement Tunggul Prakarsa Tbk	0.18	0.16	0.2
12	Jasa Marga Tbk	3.31	3.08	3.3
13	Media Nusantara Citra Tbk	0.54	0.54	0.42
14	Perusahaan Gas Negara (Persero) Tbk	0.97	1.48	1.28
15	Tambang Batubara Bukit Asam Tbk	0.59	0.49	0.42
16	Surya Media Citra Tbk	0.22	0.2	0.22
17	Semen Indonesia (Persero) Tbk	0.61	0.56	1.35
18	Telekomunikasi Indonesia (Persero) Tbk	0.77	0.76	0.89
19	Unilever Indonesia Tbk	2.65	1.58	2.91
20	Wijaya Karya Tbk	2.12	2.44	2.23
<b>Total</b>		<b>43.49</b>	<b>44.25</b>	<b>45.36</b>
<b>Average</b>		<b>2.1745</b>	<b>2.2125</b>	<b>2.268</b>

Source: Data Processing Results, 2022

Based on Table 1, it can be seen that the average capital structure increased in 2017-2019, where the average capital structure in 2017 was 2.1745%, the average capital structure in 2018 was 2.2125% and the average The average capital structure in 2019 was 2.268%. This shows that the capital structure from 2017-2019 is above 40%.

**Table 2 Percentage of Ownership Structure of LQ45 Manufacturing Companies which listed on IDX in 2017-2019**

No	Company Name	Period		
		2017	2018	2019
1	Adaro Energy Tbk	43.91	40.89	43.91
2	AKR Corporindo Tbk	58.37	59.01	59.01
3	Astra Internasional Tbk	50.11	50.11	76.9
4	Bank Negara Indonesia Tbk	60.61	60.61	60.61
5	Bank Tabungan Negara (Persero) Tbk	57.32	57.32	57.32
6	Bank Rakyat Indonesia (Persero) Tbk	60.61	60.61	59.61
7	Bank Mandiri (Persero) Tbk	60.61	60.61	57.8
8	Bumi Serpong Damai Tbk	51.58	51.58	47.32

9	Gudang Garam Tbk	75.55	75.55	72.76
10	Indofood Sukses Makmur Tbk	50.07	50.07	49.56
11	Indocement Tunggak Prakarsa Tbk	51.00	51.00	51.00
12	Jasa Marga (Persero) Tbk	70.00	70.00	70.00
13	Media Nusantara Citra Tbk	56.32	61.24	61.24
14	Perusahaan Gas Negara (Persero) Tbk	56.96	56.96	56.96
15	Tambang Batubara Bukit Asam Tbk	73.53	73.53	73.53
16	Surya Media Citra Tbk	60.67	60.67	60.67
17	Semen Indonesia (Persero) Tbk	51.01	51.01	51.01
18	Telekomunikasi Indonesia (Persero) Tbk	51.19	52.09	52.09
19	Unilever Indonesia Tbk	84.99	84.99	84.99
20	Wijaya Karya (Persero) Tbk	65.05	65.05	65.05
<b>Total</b>		<b>1189.46</b>	<b>1192.9</b>	<b>1211.34</b>
<b>Average</b>		<b>59.473</b>	<b>59.645</b>	<b>60.567</b>

Source: Data Processing Results, 2022

Based on Table 2, the average value of ownership structure has increased in 2017-2019. This can be seen from the ownership structure which is above 50%, meaning that the ownership structure of the LQ45 manufacturing company is still dominated by institutional ownership.

**Table 3. Percentage of Profitability of LQ45 Manufacturing Companies listed on IDX in 2017-2019**

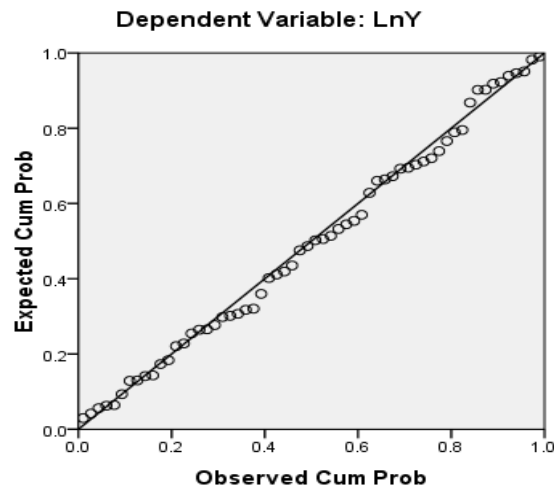
No	Company Name	Period		
		2017	2018	2019
1	Adaro Energy Tbk	7.87	6.76	7.98
2	AKR Corporindo Tbk	7.75	8.01	8.11
3	Astra Internasional Tbk	7.84	7.94	8.04
4	Bank Negara Indonesia Tbk	1.94	1.87	1.94
5	Bank Tabungan Negara (Persero) Tbk	2.58	2.5	2.68
6	Bank Rakyat Indonesia (Persero) Tbk	1.16	0.92	1.18
7	Bank Mandiri (Persero) Tbk	1.91	2.15	2.23
8	Bumi Serpong Damai Tbk	11.24	3.27	8.24
9	Gudang Garam Tbk	11.62	11.58	11.62
10	Indofood Sukses Makmur Tbk	5.85	5.14	5.17
11	Indocement Tunggak Prakarsa Tbk	6.44	4.12	4.18
12	Jasa Marga (Persero) Tbk	2.64	2.47	2.56
13	Media Nusantara Citra Tbk	10.41	9.83	9.94
14	Perusahaan Gas Negara Tbk	2.35	4.59	4.62
15	Tambang Batubara Bukit Asam Tbk	20.08	21.19	21.22
16	Surya Media Citra Tbk	22.47	24.03	24.35
17	Semen Indonesia (Persero) Tbk	4.17	6.03	6.14
18	Telekomunikasi Indonesia (Persero) Tbk	16.48	13.08	14.13
19	Unilever Indonesia Tbk	37.05	46.66	45.67
20	Wijaya Karya (Persero) Tbk	2.97	3.5	3.8
<b>Total</b>		<b>181.85</b>	<b>185.64</b>	<b>190</b>
<b>Average</b>		<b>9.241</b>	<b>9.282</b>	<b>9.69</b>

Source: Data Processing Results, 2022

Based on table 3, it can be seen that the average profitability from 2017-2019 has increased where in 2017 the average profitability is 9.241. In 2018 the average profitability was 9.282 and in 2019 the average profitability was 9.69.

**Classic Assumption Test Results**  
**Normality test**

**Normal P-P Plot of Regression Standardized Residual**



**Source: SPSS Output 16, 2022**

Based on Figure 2 shows that the data is normally distributed

**Table 4. Multicollinearity Test Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	.223	.473		.470	.640		
	X1	-.240	.030		-8.052	.000	.988	1.012
	x2	.035	.008		4.526	.000	.988	1.012

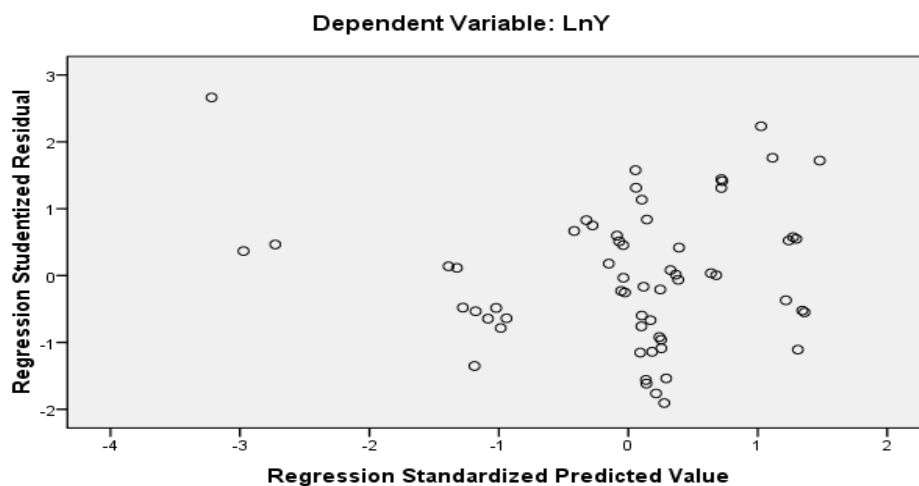
a. Dependent Variable: LnY

**Source: SPSS Output 16, 2022**

Based on Table 4 above, tolerance value > 0.10 and VIF < 10, so it can be concluded that the independent variable has no multicollinearity relationship and can be used to predict debt to equity ratio, institutional ownership on ROA.

**Heteroscedasticity Test**

**Scatterplot**



**Figure 3. Scatterplot Graph**

Based on Figure 3 above, it can be seen that there is no clear pattern and the points spread above and below the number 0 on the Y axis. This indicates that in this study there was no heteroscedasticity.

**Multiple Linear Regression Analysis****Table 5. Multiple Linear Regression Test**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.223	.473		.470	.640
	X1	-.240	.030	-.696	-8.052	.000
	x2	.035	.008	.391	4.526	.000

a. Dependent Variable: LnY

**Source: SPSS Output 16, 2022**

Table 5 shows the results of the multiple regression test above, the regression equation is obtained as follows:  $Y = 0.223 - 0.240X_1 + 0.035X_2 + e$

It can be interpreted as follows:

1. The constant of the multiple linear regression equation is 0.223. This explains that if the debt to equity ratio, institutional ownership is 0 (zero), then Profitability is 0.223.
2. The regression coefficient for the debt to equity ratio variable is 0.240 and has a negative sign, this explains that every change of one unit in the debt to equity ratio while institutional ownership is assumed to be constant, the amount of profitability proxied by ROA will experience a change, namely a decrease of 0.240.
3. The regression coefficient for the institutional ownership variable is 0.035 and has a positive sign, this explains that every one percent change in institutional ownership while the debt to equity ratio is assumed to be constant, the amount of profitability proxied by ROA will increase by 0.035.

**HYPOTHESIS TESTING****Coefficient of Determination (R<sup>2</sup>)****Table 6. Coefficient of Determination Test**

Model Summary <sup>b</sup>						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.761 <sup>a</sup>	.579	.564	.61247	2.145	

a. Predictors: (Constant), x2, X1

b. Dependent Variable: LnY

**Source: SPSS Output 16, 2022**

Based on table 6, it can be seen that the resulting R<sup>2</sup> value is 0.579 or 57.9%. This figure explains that profitability as proxied by ROA in manufacturing companies is influenced by the variable debt to equity ratio (X1), institutional ownership (X2) is 57.9%, while the remaining 42.1% is influenced by other factors or variables not examined in this study.

**F Test (Simultaneous)****Table 7. F test**

ANOVA <sup>b</sup>						
Model		Sum of squares	df	Mean Square	F	Sig
1	Regression	29.384	2	14.692	39.166	.000 <sup>a</sup>
	Residual	21.382	57	.375		
	Total	50.766	59			

a. Predictors: (Constant), x2, X1

b. Dependent Variable: LnY

**Source: SPSS Output 16, 2022**

The results of the F test simultaneously show the calculated F value of 39,166. While the value of F table with degree of freedom (Df) = n - k - 1 = 60 - 2 - 1 = 57 is 2.78. Because the Fcount is 39.166 > Ftable is 2.78 and also has a significant level of p-value = 0.000 < 0.05, then H<sub>a</sub> is accepted and H<sub>0</sub> is rejected. This means that the

hypothesis which states that the capital structure and ownership structure simultaneously have a significant effect on profitability as proxied by ROA can be accepted or proven.

**Table 8. Partial Test (t Test)**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.223	.473		.470	.640
	X1	-.240	.030	-.696	-8.052	.000
	X2	.035	.008	.391	4.526	.000

a. Dependent Variable: LnY

Source: SPSS Output 16, 2022

The results of the analysis showed that the partial test (t test) with the capital structure variable (X1) has a significance level of  $p\text{-value} = 0.000 < 0.05$ , then  $H_a$  is accepted and  $H_o$  is rejected. This means that H1 which states that the capital structure partially has no significant effect on profitability as proxied by ROA. The ownership structure variable (X2) has a significance level of  $p\text{-value} 0.000 < 0.05$ , so  $H_a$  is accepted and  $H_o$  is rejected. This means that H2 which states ownership structure partially has a positive and significant effect on profitability as proxied by ROA.

## DISCUSSION

### The Effect of Capital Structure on Profitability

Based on the results of SPSS analysis, it shows that the capital structure has no significant effect on profitability. This means that the capital structure proxied by the debt to equity ratio (DER) has an effect on profitability. This analysis shows that a high DER will lead to a decrease in profitability.

### The Effect of Ownership Structure on Profitability

Based on the results of SPSS analysis, it shows that ownership structure has a significant effect on profitability, meaning that the composition of institutional share ownership affects LQ45 manufacturing companies in increasing company profits. This is in line with the results of research from Apriada and Suardhika (2016), which found that ownership structure has a positive and significant effect on firm value.

### The Effect of capital and ownership structure on profitability

Based on the results of SPSS analysis, it shows that the capital structure and ownership structure simultaneously affect profitability as proxied by ROA.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

The conclusions of this research are :

1. Simultaneously the capital structure (DER) and ownership structure (Inst) have a significant effect on profitability (ROA). The results of the F test showed that the significant number was less than 0.05;  $0.00 < 0.05$ . This means that the debt to equity ratio variable, institutional ownership together has a significant effect on the ROA

variable, so it can be seen that the resulting  $R^2$  value is 0.579 or 57.9%. This figure explains that ROA in manufacturing companies is influenced by the variable debt to equity ratio (X1), institutional ownership (X2), while the remaining 42.1% is influenced by other variables.

2. Partially, the results of research on the Capital Structure Variable (DER) have a significant negative effect on profitability (ROA).
3. Partially the results of research on the Ownership Structure Variable (Inst) have a positive and significant effect on profitability (ROA).

### Recommendations

Suggestions that can be given:

1. Company managers must be able to properly consider the funding decisions that will be taken, be it funding with own capital or funding with loans or debt.
2. LQ45 manufacturing companies must maintain the composition of share ownership in terms of institutional ownership because it will determine how well the company implements a good ownership structure.
3. The company is expected to be able to better manage the company it owns so that the resulting profitability increases.

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