The effect of capital structure and liquidity on financial performance of automotive and component industry sub-sector companies listed on the Indonesia Stock Exchange in the 2021-2024 period

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ABSTRACT

This study aims to determine the effect of capital structure and liquidity on financial performance in automotive and component sub-sector companies listed on the Indonesia Stock Exchange for the 2021-2024 period. The analysis method used is a quantitative method using panel data regression analysis. The sampling technique in this study was purposive sampling. The results of the analysis in this study indicate that capital structure has a partial negative effect, while liquidity has no effect on financial performance. Simultaneously, capital structure and liquidity influence financial performance in automotive and component sub-sector companies listed on the Indonesia Stock Exchange for the 2021-2024 period. The coefficient of determination (R2) value of the percentage contribution of capital structure and liquidity to financial performance is 30.6%, while the remaining 69.4% is influenced by other variables not examined.

Keywords: *Capital Structure; Liquidity; Financial Performance*

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INTRODUCTION

The manufacturing industry is an industry that produces consumer goods or capital goods through the processing of raw materials and finished goods using machinery, technology, and labor. Currently, the global industrial sector is growing rapidly, producing a wide variety of products, including companies in the automotive and component sub-sector. Companies in the automotive and component sub-sector are companies that produce motor vehicles, such as cars, trucks, and motorcycles, as well as components and accessories related to motor vehicles. In many countries, the automotive industry also has a major impact on the environment and human health, so automotive companies continue to strive to reduce negative impacts, through technological innovation and better environmental policies (Gaikindo, 2025).

According to the Organization of International Constructors of Automobiles (OICA), automotive and component companies in Indonesia are ranked 14th globally among the world's largest automotive producing countries in 2024. In 2021-2024, global motor vehicle production experienced a consistent increase from 80 million units to 92,5 million units, or an increase of 14% during the observation year(OICA, 2025).This is due to economic growth that drives purchasing power, urbanization that increases the need for mobility, technological innovation including electric vehicles and strong export markets in developing countries, which indicates that the development of automotive and component companies globally is progressing well, considering that global motor vehicle production is increasing. The detailed results of vehicle sales data in Indonesia are presented in Table 1.

Table 1
Motor Vehicle Sales Data in Indonesia

No	Vehicle Sales Data (Units)	
	Years	Number of Vehicle Sales
1	2021	887.202
2	2022	1.048.040
3	2023	1.005.802
4	2024	865.723

Source: GAIKINDO, 2025

Based on data taken from the Association of Indonesian Automotive Industries (GAIKINDO) from 2021 to 2022, motor vehicle sales increased from 887,202 units to 1,048,040 units. In 2024, motor vehicle sales decreased to 865,723 units, or decreased by 17% compared to vehicle sales in 2022, this occurred due to weak public purchasing power due to inflation and economic uncertainty, rising credit interest rates that make installments more expensive, tightening credit policies by financing institutions, and regional tax policies such as the implementation of opsen (GAIKINDO, 2025). The crisis of declining motor vehicle sales in Indonesia has a direct impact on the company's financial performance.

Financial performance is the result of the work of various departments, the results of which can be seen in the company's financial condition over a specific period. One indicator that can be used to measure a company's financial performance is Return on Assets (ROA). Return on Assets (ROA) is a ratio used to measure a company's effectiveness in generating profits. A higher ROA indicates a company's better financial performance and is also a benchmark for investors (Jessica & Triyanti, 2022).

Return on Assets (ROA) is influenced by several factors, including capital structure and liquidity (Rahman, 2020). According to Rahman (2020), capital structure is the

balance or comparison between long-term debt and equity. One indicator that can be used to measure capital structure is the Debt to Equity Ratio (DER). In theory, the Debt to Equity Ratio (DER) is the ratio of total debt to a company's total equity. This ratio illustrates the extent of debt a company uses to finance its operations, compared to the funds invested by shareholders (Rahman, 2020).

Another factor is liquidity, which is a company's ability to meet its short-term financial obligations without disrupting its daily operations (Widnyana et al., 2025). One indicator that can be used to measure liquidity is the Current Ratio (CR). The Current Ratio (CR) is the ratio between current assets and current liabilities. This ratio illustrates a company's ability to pay short-term debt using its current assets. The higher a company's CR, the greater its ability to pay short-term debt using its current assets (Widnyana et al., 2025). The detailed results of annual report are presented in Table 2.

Table2
Annual Report of Debt to Equity Ratio, Current Ratio, dan Return on Assets of Companies in the Automotive and Component Industry Sub-Sector Listed on the Indonesia Stock Exchange for the 2021-2024 periode

No	Company Name	Years	Variable (%)		
			Capital Structure (DER)	Liquidity (CR)	Financial Performance (ROA)
1	PT Astra Otoparts Tbk	2021	43,1	153,3	3,7
		2022	41,9	168,2	8,0
		2023	34,9	183,5	10,3
		2024	34,9	198,2	10,4
2	PT Indomobil Sukses Internasional Tbk	2021	297,1	71,5	0,5
		2022	305,4	75,1	1,0
		2023	306,6	86,9	1,2
		2024	322,0	99,5	0,5
3	PT Garuda Metalindo Tbk	2021	67,4	153,3	6,0
		2022	65,6	164,3	4,1
		2023	54,2	191,4	8,7
		2024	58,1	187,9	7,1
4	PT Gajah Tunggal Tbk	2021	156,1	162,6	0,4
		2022	160,3	154,8	1,0
		2023	126,6	174	6,2
		2024	117,1	114,1	5,8
5	PT Indospring Tbk	2021	23,6	287,8	4,8
		2022	30,2	253,2	5,8
		2023	27,7	261,5	4,3
		2024	21	342,7	1,9
6	PT Multi Prima Sejahtera Tbk	2021	9,5	725,5	7,5
		2022	10,7	518,9	7,9
		2023	7,2	860,5	5,6
		2024	9	675,5	9,2
7	PT Selamat Sempurna Tbk	2021	32,9	417,5	18,8
		2022	32	443	21,4
		2023	26	513,6	22,6

		2024	26,4	467,9	22,5
8	PT Dharma Polimetal Tbk	2021	134,4	122,6	12,0
		2022	91,3	128,9	14,8
		2023	66,7	160,8	18,5
		2024	55,6	177,1	15,4

Source : www.idx.co.id (Data is processed, 2025)

Based on the data in Table 2, from 2023 to 2024, the DER value of PT Indospring Tbk decreased from 27,7% to 21%. This decrease occurred due to a combination of debt reduction (through loan payments) and an increase in the company's equity (from retained earnings or other sources), resulting in a decrease in the DER value of PT Indospring Tbk. During the same period, Return on Assets (ROA) decreased from 4,3% to 1,9%, indicating that the company reduced its use of debt to generate more profitable profits. This contradicts existing theory that states DER negatively affects ROA, where a low DER value increases ROA, and vice versa (Radhif & Trisnawati, 2024).

From 2023 to 2024, the CR value of PT Multi Prima Sejahtera Tbk decreased from 860,5% to 675,5%. This decrease occurred because short-term liabilities increased, causing the company's burden to be paid to increase, resulting in a decrease in the CR value of PT Multi Prima Sejahtera Tbk. During the same period, Return on Assets (ROA) increased from 5,6% to 9,2%, indicating the company implemented an efficient asset strategy or short-term financing that successfully increased profits. This contradicts the existing theory that states CR has a positive effect on ROA, where when the CR value increases, ROA will also increase, and vice versa (Radhif & Trisnawati, 2024).

In 2021, PT Indomobil Sukses Internasional Tbk experienced a very unhealthy financial condition, as indicated by a DER of 297,1%, due to the company's high dependence on debt-based financing, resulting in an unhealthy capital structure. The unhealthy financial condition was characterized by a CR value of 71,5%, caused by the company's ability to meet short-term obligations, which was also weakened by the low amount of current assets owned compared to its current liabilities. The unhealthy financial condition was characterized by a ROA value of 0,5%. This was due to the low rate of return on assets, indicating that the company had not been able to optimize the use of its assets to generate profits. Therefore, the combination of a high debt burden, weak liquidity, and decreased effectiveness in generating profits caused the company's financial condition in 2021 to be at an unhealthy level.

Previous research yields conflicting results. Widnyana et al. (2025) found that capital structure positively impacts financial performance, indicating that the higher the capital structure, the higher the financial performance. Febiola & Susanti (2024) found that capital structure negatively impacts financial performance, indicating that the lower the capital structure, the higher the financial performance. Shofi & Ramdani (2022) found that capital structure had no significant impact on financial performance.

Similarly, regarding the liquidity variable, research conducted by Mandasari & Rikumahu (2023) shows that liquidity negatively impacts financial performance, meaning that liquidity does not contribute to determining the fluctuations in financial performance and cannot be used as a benchmark for determining whether a company with high liquidity will also have high financial performance. Research conducted by Riswan & Martha (2024) shows that liquidity positively impacts financial performance, meaning that higher liquidity leads to higher financial performance. Research conducted by Shofi & Ramdani (2022) shows that liquidity does not significantly impact financial performance.

This study aims to examine and analyze the influence of capital structure and liquidity on financial performance, and it is expected rto provide a theoretical contribution by adding empirical evidence to the field of financial management specifically regarding the relationship between capital structure, liquidity and corporate financial performance.

LITERATURE REVIEW

Financial Management

According to Jaya et al., (2023) financial management is an activity carried out by an organization in planning finances, managing assets, saving funds and controlling company assets or funds. According to Mulyana et al., (2023) the meaning of financial management is how a company earns money from its business results, whether from services, trade or production, of course, in the use and allocation of funds used must go through careful calculations and prioritize efficiency in order to maximize company value.

From several definitions of financial management, it can be concluded that financial management is an important process in a company that includes planning, managing, storing and controlling assets and funds.

Signalling Teori

According to Purba (2023) the signaling theory was first proposed by Spence (1973) who explained that the sender (information owner) provides a signal in the form of information that reflects the condition of a company that is beneficial to the recipient (investor). Signaling theory was then developed by Ross in 1977, namely the existence of asymmetric information between information originating from management (well-informed) and information originating from shareholders (poo-informed).

According to Purba (2023) signaling theory states that high-quality companies will intentionally send signals to the market, thus the market can be expected to distinguish between high-quality and low-quality companies. The information received by investors can be either good news or bad news. According to Astuti et al., (2021), signaling theory is broadly related to the availability of information. The ranking of a company that has gone public is typically based on financial ratio analysis.

This analysis can be carried out by facilitating the interpretation of the company's financial statements. Return on assets or the amount of profit used, therefore, a high ROA will indicate a good signal for investors. A high ROA value indicates the company's performance, attracting investors and encouraging them to invest large amounts of their funds in securities or shares (Astuti et al., 2021).

Financial Performance

Financial performance is a benchmark achieved by a company in managing its finances and also describes the company's performance (Widyana et al., 2025). According to Jessica and Triyani (2022), financial performance is an analysis conducted to determine the extent to which a company has implemented its financial management regulations properly and correctly.

According to Astuti et al., (2021) and Radhif & Trisnawati, (2024), financial performance can be measured using the Return on Assets (ROA) measurement tool. The application of ROA as a financial performance measurement tool reflects a company's operational ability to generate profits by utilizing its assets. A high ROA indicates that the

company is able to optimally utilize its assets to generate profits (Radhif & Trisnawati, 2024).

According to Kasmir (2018) quoted in Mandasari & Rikumahu, (2023), the formula for calculating Return on Assets is the ratio between total net profit and total assets as follows:

$$\textit{Return on Assets} = \frac{\text{Total Net Profit}}{\text{Total Assets}} \times 100\%$$

Return on assets or the amount of profit used, therefore, a high ROA will indicate a good signal for investors. A high ROA value indicates the company's performance, attracting investors and encouraging them to invest large amounts of their funds in securities or shares (Astuti et al., 2021). The detailed results of Industry Standar Return on Assets value are presented in Table 3.

Table3
Industry Standard Return on Assets (ROA) value

Ranking	Information	ROA
1.	Very Good	> 5%
2.	Good	3% - 5%
3.	Poorly	1% - 3%
4.	Not Good	< 1%

Source : Amalia & Ayuningsih, 2025

Capital Structure

According to Irfani (2020) capital structure is defined as a comparison or balance between the proportion of the amount of foreign capital (long-term debt/bonds) and the proportion of the amount of own capital (equity) which includes preferred shares, common shares and retained earnings (retained earnings or what was previously known as retained earnings).

A company's capital structure can be measured using the Debt to Equity Ratio (DER). The Debt to Equity Ratio (DER) is the ratio of total debt to total equity. This ratio illustrates how much debt a company uses to finance its operations, compared to the funds invested by shareholders (Radhif & Trisnawati, 2024). According to Jirwanto et al., (2024), the formula for calculating the Debt to Equity Ratio, the ratio between total debt and total equity, is as follows:

$$\textit{Debt-to-Equity Ratio} = \frac{\text{Total Liabilites}}{\text{Total Equity}} \times 100\%$$

This ratio illustrates how much debt a company uses to finance its operations, compared to the funds invested by shareholders (Radhif & Trisnawati, 2024). The detailed results of Industry Standar Debt to Equity value are presented in Table 4.

Table 4
Industry Standard Debt to-Equity Ratio (DER) value

No.	Information	Criteria
1.	Good	DER < 80%
2.	Not Good	DER > 80%

Source : Kasmir, 2023:159

Liquidity

Liquidity is a company's ability to meet immediate financial needs or pay its short-term obligations as they fall due (Jessica & Triyani, 2022). According to Rosita & Nurasik (2024), liquidity is a company's ability to meet short-term financial obligations.

A company's liquidity can be measured using the Current Ratio (CR), which is the ratio of current assets to current liabilities. This ratio illustrates the company's ability to pay short-term debts using its current assets. According to Zaimar (2024), the formula for calculating the Current Ratio, which is the ratio of total current assets to total current liabilities, is as follows:

$$Curent\ Ratio = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$$

Liquidity is a company's ability to meet immediate financial needs or pay its short-term obligations as they fall due (Jessica & Triyani, 2022). The detailed results of Industry Standar Current Ratio value are presented in Table 5.

Table 5
Industry Standard Current Ratio (CR) value

No.	Information	Criteria
1.	Sehat	> 200%
2.	Cukup Sehat	= 200%
3.	Tidak Sehat	< 200%

Source : Kasmir, 2023

METHOD

The method used in this study is panel data regression analysis with a quantitative approach (Radhif & Trisnawati, 2024). Data processing was carried out using cross-sectional and time series data (Radhif & Trisnawati, 2024). The data collection method used in this study utilized documentation techniques from data published by companies regarding their financial statements. Data was obtained from the official website of the Indonesia Stock Exchange www.idx.co.id.

The population in this study was all 20 companies in the Automotive and Components Subsector listed on the Indonesia Stock Exchange for the 2021-2024 period. The sampling technique used in this study was purposive sampling, a technique for determining samples based on specific criteria (Radhif & Trisnawati, 2024). The detailed results of sampling criteria are presented in Table 6.

Table 6
Sampling Criteria

No	Sampling Criteria	Amount
1.	Automotive and component companies listed on the Indonesia Stock Exchange	20
2.	Companies that did not publish financial reports for 2021-2024	(7)
3.	Companies that do not use Rupiah currency in their financial reports	(3)
4.	Companies that experienced a shortfall during the observation period	(2)

Year of Research	4 Years
Number of observation data (8 Companies x 4 Years of Research)	32 Record

In accordance with these criteria, a sample of 8 companies was taken, 8 companies over 4 years were used in this study with a total of 32 observation data. The detailed results of companies that meet the criteria are presented in Table 7.

Table 7
List of Companies that Meet the Criteria

No.	Stock Code	Company Name	IPO Years
1.	AUTO	PT Astra Otoparts Tbk	1998
2.	IMAS	PT Indomobil Sukses Internasional Tbk	1993
3.	BOLT	PT Garuda Metalindo Tbk	2015
4.	GJTL	PT Gajah Tunggal Tbk	1990
5.	INDS	PT Indospring Tbk	1990
6.	LPIN	PT Multi Prima Sejahtera Tbk	1990
7.	SMSM	PT Selamat Sempurna Tbk	1996
8.	DRMA	PT Dharma Polimetal Tbk	2021

Source : www.idx.co.id, 2025

RESULTS AND DISCUSSION

Panel Data Regression Model Selection

According to Widarjono, (2007) in Riswan & Dunan, (2019) there are three tests for selecting panel data estimation techniques, namely the Chow test, the Hausman test and the Lagrange multiplier test.

Chow Test

The Chow test is a test for the most appropriate fixed effect or common effect model for estimating panel data. Decision-making is performed if:

1.) The F-probability value is <the critical limit, then reject H0 or choose the fixed effect over the common effect.
2.) The F-probability value is >the critical limit, then accept H0 or choose the common effect over the fixed effect (Sugiyono, 2025).

The detailed results of Chow Test are presented in Table 8.

Table 8
Chow Test Result

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

Effects Test	Statistic	d.f.	Prob.
Cross-section F	42.592	(7,22)	0.000
Cross-section Chi-square	85.687	7	0.000

Source : Processed From Eviews 9, 2025

Based on Table 8, the Cross-Section F value is 0,000, which is less than the 0,05 significance level, so H0 is rejected. Therefore, the fixed effects model is a more appropriate model to use than the common effects model. After selecting the fixed effects

model, the next step is the Hausman test to determine whether to continue using the fixed effects model or the random effects model.

Hausman Test

The Hausman test is a statistical test to determine whether a fixed effects or random effects model is most appropriate. A decision is made if:

1) The calculated chi-square value is greater than the chi-square table value, or the chi-square probability value is less than the significance level. Then, reject H0 or choose fixed effects over random effects.
2) The calculated chi-square value is less than the chi-square table value, or the chi-square probability value is less than the significance level. Then, accept H0 or choose random effects over fixed effects (Sugiyono, 2025).

The detailed results of Hausmant Test are presented in Table 9.

Table 9
Hausmant Test Result

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	2.040	2	0.361

Source : Processed From Eviews 9, 2025

Based on Table 9, the random cross-section value is 0,361, which is greater than the 0,05 significance level, so H0 is accepted. Therefore, the random effects model is more appropriate than the fixed effects model. To determine whether to use the fixed effects or random effects model, the next step is to perform the Lagrange multiplier test.

Langrange Multiplier Test

The Lagrange Multiplier (LM) test is used to determine whether the common effects or random effects model is most appropriate. A decision is made if:

1.) The p-value is less than the critical limit, then reject H0 or choose the random effects model over the common effects model.
2.) The p-value is greater than the critical limit, then accept H0 or choose the common effects model over the random effects model (Sugiyono, 2025).

The detailed results of Langrange Multiplier Test are presented in Table 10.

Table10
Langrange Multiplier Test Result

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	37.564	1.470	39.035
	(0.000)	(0.225)	(0.000)

Source : Processed From Eviews 9, 2025

Based on Table 10, the Breusch-Pagan cross-section probability value is 0,000, which is less than the 0,05 significance level, so H0 is rejected. Therefore, the random effect model is a more appropriate model to use than the common effect model.

Based on the results of the Chow test, the Hausman test, and the Lagrange multiplier test, the appropriate model for this study is the Random Effects Model (REM). This can be seen from the results of each test. The Chow test results indicate the Fixed Effects Model (FEM) selected. The Hausman test results indicate the Random Effects Model (REM) selected. Furthermore, the Lagrange multiplier test results indicate the Random Effects Model (REM) selected.

Classical Assumption Test

According to Riswan & Dunan, (2019), based on the results of model selection, this study uses a Random Effects Model (REM) to solve the research problem. The Random Effects Model uses the Generalized Least Squares (GLS) approach, eliminating the need for classical assumption tests.

Model Feasibility Test

A model feasibility test was conducted to determine whether the regression model formed was suitable for explaining the influence of the independent variables on the dependent variable. Based on the Chow test, Hausman test, and Langrang multiplier test, it was proven that the Random Effects Model (REM) was selected as the model in this study. The next stage will be a model feasibility test using hypothesis testing (Sugiyono, 2025).The detailed results of panel data regression with random effect model are presented in Table 11.

Tabel 11
Panel Data Regression Result with Random Effect Model

Method: Panel EGLS (Cross-section random effects)
Sample: 2021 2024
Periods included: 4
Cross-sections included: 8
Total panel (balanced) observations: 32
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.541	3.592	4.326	0.000
DER	-0.067	0.019	-3.575	0.001
CR	-0.005	0.006	-0.815	0.421

Effects Specification	S.D.	Rho
Cross-section random	6.849	0.935
Idiosyncratic random	1.807	0.065

Weighted Statistics			
R-squared	0.306	Mean dependent var	1.095
Adjusted R-squared	0.259	S.D. dependent var	2.101
S.E. of regression	1.809	Sum squared resid	94.872
F-statistic	6.411	Durbin-Watson stat	1.396
Prob(F-statistic)	0.005		

Source : Processed From Eviews 9, 2025

Based on table 11, the regression equation can be written as follows:

$$\hat{Y} = 15{,}541 - 0{,}067\ X1 - 0{,}005\ X2$$

From the regression equation obtained in this study, it can be explained that:

The constant in Table 11 has a coefficient value of 15,541, meaning that if the Capital Structure (X1) and Liquidity (X2) variables are zero, then Financial Performance (Y) increases by 15,541.

The Capital Structure regression coefficient is negative at -0,067, meaning that if Capital Structure increases by one unit, the Financial Performance (Y) variable decreases by 0,067, provided that the Liquidity (X2) variable remains unchanged.

The Liquidity (X2) regression coefficient is negative at -0,005, meaning that if Liquidity (X2) increases by one unit, the Financial Performance (Y) variable decreases by 0,005, provided that the Capital Structure (X1) variable remains unchanged.

Hypothesis Testing

Partial Test (t-Test)

The partial hypothesis test is a hypothesis test used to determine the significance of the effect of each independent variable oon the dependent variable Roflin et al., (2022). The t-test is employed to ascertaind wheter a regression coefficient is statistically significant on an individual (partial) basis. It is conducted by examining the t-significance value for each variable in the regression output, using a significance level of 0.05 (α = 5%).

The detailed results of partial test are presented in Table 12.

Table 12
t Test Result (Partial)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.541	3.592	4.326	0.000
DER	-0.067	0.019	-3.575	0.001
CR	-0.005	0.006	-0.815	0.421

Source : Processed From Eviews 9, 2025

Based on the results of data processing in table 12, the t-calculation coefficient of the capital structure variable (X1) was obtained at -3,575 and the liquidity variable (X2) at -0,815. Then the t-table was searched with df = n-k-1 = 32-2-1 = 29, at a 95% confidence level, significance level (α) = 0.05, two-sided test a/2 = 5%/2 = 2.5% (0,025) then the t-table value was obtained at 2,045.

The Effect of Capital Structure on Financial Performance
Based on the results of the t-test, the calculated t-value of -3,575> t-table of -2,045 means that Ha is accepted and H0 is rejected, so it can be concluded that Capital Structure has a negative effect on Financial Performance in Automotive and Component Industry Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2021-2024 Period.

The Effect of Liquidity on Financial Performance
Based on the results of the t-test, the calculated t-value is -0,815 <t-table of -2,045, meaning that Ha is rejected and H0 is accepted, so it can be concluded that Liquidity has no effect on Financial Performance in Automotive and Component Industry Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2021-2024 Period.

Simultaneous Test (F-Test)

The F-test, or simultaneous hypothesis test is a statistical procedure used to determine the collective effect of independent variables on a dependent variable. This simultaneous hypothesis testing is conducted using the F-test within an ANOVA table Roflin et al., (2022). Hypothesis testing is essential for assessing the significance of the obtained regression coefficients. Decision making regarding the hypoyhesis is performed by comparing the calculated F-statistic (F-count) against the critical F-value (F-table), or by comparing the probability value against a predetermined significance level typicall 0.05 (α = 5%) This test is crucial if a model fails the F-test, the results of the t-tests are considered irrelevant Roflin et al., (2022). The detailed results of simultaneous test are presented in Table 13.

Table13
F Test Result (Simultaneous)

R-squared	0.306	Mean dependent var	1.095
Adjusted R-squared	0.259	S.D. dependent var	2.101
S.E. of regression	1.809	Sum squared resid	94.872
F-statistic	6.411	Durbin-Watson stat	1.396
Prob(F-statistic)	0.005		

Source : Processed From Eviews 9, 2025

Based on table 13, the F-count value is 6,411, the result is compared with the F-table value. The F-table value is obtained by looking at (df1 = number of variables-1) = 3-

1 = 2 and (df2 = n-df1-1) = 32-2-1 = 29 at a 95% confidence level or (α) = 5% (0,05) and the F-table is 3,328. So, the F-count value of 6,411> F-table of 3,328, meaning Ha is accepted and H0 is rejected, so it can be concluded that Capital Structure (X1) and Liquidity (X2) together influence Financial Performance in Automotive and Component Industry Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2021-2024 Period.

Analysis of the Coefficient of Determination

Acccording to Putra (2024), the concept of the coefficient of determination denoted as R^2 exists within regresssion analysis. R-Square (R^2) is used to determine or express the magnitude of the percentage contribution of the independent variable (S) to the dependent variable. The detailed results of the coefficient of determinaton are presented in Table 14.

Table 14
Result of the Coefficient of Determination

R-squared	0.306	Mean dependent var	1.095
Adjusted R-squared	0.259	S.D. dependent var	2.101

Source : Processed From Eviews 9, 2025

Based on table 14, it is known that the coefficient of determination (R2) value is 0,306, meaning that the contribution of the influence of Capital Structure (X1) and Liquidity (X2) on Financial Performance (Y) in the Automotive and Component Industry Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2021-2024 Period is 30,6%, while the remaining 69,4% is influenced by other variables not studied, such as company size, company operational risk, and others (Gunawan et al., 2022).

The Effect of Capital Structure on Financial Performance

Based on the partial t-test, it can be seen that the Capital Structure variable negatively affects the Financial Performance of Companies in the Automotive and Component Industry Sub-Sector Listed on the Indonesia Stock Exchange for the 2021-2024 Period. This indicates that a high capital structure, characterized by a high level of debt usage compared to capital, tends to cause a decline in the financial performance of companies in the automotive and component industry sub-sector. High debt usage often has consequences for costs and risks that suppress the company's ability to generate profits. Conversely, a low capital structure, characterized by a company using less debt than capital, means the company's funding is not dependent on debt, the company also does not need to pay interest costs on debt, so the company's expenses can be lower and net profit increases. If net profit increases, financial performance will also improve. Thus, the lower the capital structure value, the higher the financial performance value.

This aligns with signaling theory, where financing decisions through debt or equity signal investors about a company's financial performance prospects. An optimal capital structure reflects management's confidence in the company's ability to generate profits. Therefore, an optimal capital structure and healthy financial performance can be a positive signal to investors that the company is performing well.

The results of this study align with previous research by Febiola & Susanti (2024) and Purwasih et al. (2025), which found that capital structure negatively impacts financial performance. This means that the higher the capital structure, the lower the

company's financial performance. However, Shofi & Ramdani (2022) found a different finding, indicating that capital structure had no impact on financial performance.

The Effect of Liquidity on Financial Performance

Based on the partial t-test, it can be seen that the Liquidity variable has no effect on the Financial Performance of Companies in the Automotive and Components Sub-Sector listed on the Indonesia Stock Exchange for the 2021-2024 period. This indicates that a company's good condition is not only measured by internal finances but also by sales results and the quality of its resources. The level of a company's liquidity cannot indicate whether its financial condition is favorable or unfavorable. A company with a lot of liquidity does not necessarily mean that the company is in good financial condition, or it cannot be said that the company has enough money to pay off debts. Therefore, it can be concluded that the company's financial performance is not affected by liquidity because the company is able to cover its current liabilities adequately with other assets (Arumsari, (2023).

This is inconsistent with signaling theory, which suggests that high liquidity typically improves a company's financial performance, signaling a positive outcome for investors. However, this study suggests that liquidity is not a strong indicator of improved financial performance, as it should be able to signal a company's condition, which impacts financial performance. Therefore, information on a company's liquidity level cannot indicate whether its financial condition is favorable or unfavorable, which investors can consider when making decisions. This is because investors cannot assess the company's ability to repay its short-term debt, which typically directly impacts a company's financial condition. Investors who can assess and interpret a company's financial condition through financial reports will know that the company is in financial distress, which reduces the attractiveness of investors to invest in the company.

The results of this study align with previous research conducted by Radhif & Trisnawati (2024) and Gunawan et al. (2022), which stated that liquidity has no effect on financial performance. However, these results contradict the results of research conducted by Riswan & Martha (2024), which showed that liquidity has a positive effect on financial performance. According to Radhif & Trisnawati (2024), liquidity does not affect financial performance because some companies concentrate on long-term strategies, such as expanding their business, where expansion provides long-term benefits, thus sacrificing short-term liquidity for future company growth. Therefore, even if a company's liquidity is low due to business expansion, its financial performance will remain stable.

The Effect of Capital Structure and Liquidity on Financial Performance

Based on the simultaneous F-test, it can be seen that capital structure and liquidity influence the financial performance of companies in the automotive and components sub-sector listed on the Indonesia Stock Exchange for the 2021-2024 period. This indicates that the level of debt usage will affect company activity, and good liquidity allows companies to maintain smooth operational activities, which can lead to improved financial performance.

This aligns with signaling theory, which states that companies with high liquidity and a healthy capital structure send a positive signal to the market (investors) that the company is in good financial condition and is able to manage its funding sources effectively. This positive signal indicates that the company is capable of generating good profits, which will increase investor confidence and reflect healthy financial performance.

The results of this study align with those of Febiola & Susanti (2024), which stated that capital structure and liquidity jointly influence financial performance. However, this contradicts the results of research by Pertiwi & Masitoh (2022), which showed that capital structure and liquidity jointly have no effect on financial performance.

Based on the results of the determination coefficient test using R Square, it shows that the percentage value of the influence of the Capital Structure and Liquidity variables on the Financial Performance variable in the Automotive and Component Industry Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2021-2024 Period is 30.6%, while the remaining 69.4% is influenced by other variables not studied such as company size, company operational risk and others (Gunawan et al., 2022).

CONCLUSION AND SUGGESTION

This study was conducted to determine whether Capital Structure and Liquidity influence Financial Performance in Automotive and Component Industry Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2021-2024 period, both partially and simultaneously.

Capital structure negatively impacts financial performance in companies in the automotive and components sub-sector listed on the Indonesia Stock Exchange for the 2021-2024 period. This indicates that the high use of debt compared to equity results in cost and risk consequences that suppress the company's ability to generate profits.

Liquidity has no impact on the financial performance of companies in the automotive and components sub-sector listed on the Indonesia Stock Exchange for the 2021-2024 period. This indicates that a company's liquidity level does not indicate whether its financial condition is favorable or unfavorable.

The results of the simultaneous hypothesis test (F-test) indicate that Capital Structure and Liquidity influence the Financial Performance of Companies in the Automotive and Component Industry Sub-Sector Listed on the Indonesia Stock Exchange for the 2021-2024 period. This indicates that the level of debt usage will influence company activities, and good liquidity allows companies to maintain smooth operational activities, which can lead to improved financial performance.

The results of the coefficient of determination test indicate that the contribution of Capital Structure and Liquidity variables to the Financial Performance of Companies in the Automotive and Component Industry Sub-Sector Listed on the Indonesia Stock Exchange for the 2021-2024 period is 30.6%, while the remaining 69.4% is influenced by other variables not studied such as company size, company operational risk and others (Gunawan et al., 2022).

For company management, this research can be used as a reference for taking actions to improve financial performance, namely by considering the company's capital structure. It has been proven that capital structure negatively impacts financial performance. This indicates that increasing the use of debt can worsen a company's financial performance. Companies should reduce their reliance on high-interest debt, especially short-term debt, and be more selective in taking out loans to avoid deteriorating financial performance.

Future researchers are expected to add other variables, such as company size, operational risk, and others, to obtain better results and use a longer period to obtain a more comprehensive picture of the influence of Capital Structure and Liquidity on Financial Performance.

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