The Effect of Liquidity and Capital Structure on Profitability in Retail Sub Sector Companies on the Indonesia Stock Exchange in 2018-2021

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A R T I C L E I N F O	ABSTRACT
	This study aims to determine the effect of liquidity and capital structure and firm size on profitability in retail sub-sector companies whose shares are traded on the Indonesia Stock Exchange in 2018-2021. The sample was taken with a purposive sampling technique so as to get a sample of 10 companies studied during 2018-2021. The analysis method used is panel data analysis with the Multiple Linear Regression Analysis Method. Basd on the results of this study, partially the liquidity variable current ratio (CR) has a positive and significant effect, the capital structure debt to equity ratio (DER) has a negative but insignificant Simultaneous test results CR, DER together have a positive effect on the profitability of retail subsector companies on the Indonesia Stock Exchange in 2018-2021.

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1. INTRODUCTION

Day by day, people's demand continues to increase. The existence of wants and needs is always a trigger for individuals to make purchases. Situations like this are certainly exploited by companies that are always trying to fulfill it by producing and selling. According to Mollengraf, the company is any action that is carried out routinely towards the outside in order to be able to earn income by trading or delivering goods or entering into trade agreements. One of the most common business models is retail. Retail companies basically cover every activity in which there is the sale of goods and services to final consumers for personal consumption needs. The retail phenomenon continues to grow today.

Figure 1. Development of E-Commerce transactions in Indonesia

From the graph above, it can be seen that every year people make purchases online so that with the presence of e-commerce in the midst of society. In its development, e-commerce has experienced a significant increase after the COVID-19 pandemic. Especially when the Indonesian government at that time implemented restrictions with a social distancing policy or keeping a minimum distance of 1.8 meters between people in early March 2020. The result of these regulations was a decrease in people's activities and movements in work, education, especially business.

This has been proven that between 2020 and 2021 there will be a lot of closed outlets. It can be seen from the data from the Indonesian Retailers Association that in 2020 there were 1,300 closed outlets. Not only that, in 2021 there were also two to three closed outlets every day.

The impact of the COVID pandemic is what causes short-term obligations, this is because companies have to pay operational costs to employee salaries in the midst of a pandemic, which is not necessarily the company's profits are balanced by this situation or not. So that the company must be able to see how much ability it can make to pay off debt at maturity, for this it is very necessary to analyze the liquidity ratio.

The capital structure is also seen as how much the company can survive through long-term expenses with its own capital from the company, because the existence of a capital structure refers to the amount of debt and capital that can be used for company needs.

Because to maximize the profit that will be obtained by the company, the financial manager needs to know and analyze the factors that have a large enough influence on the company's profitability. These factors include liquidity, Debt to Equity Ratio (DER).

The problem in this study is whether liquidity and capital structure have a positive and significant effect on profitability in retail sub-sector companies on the Indonesia Stock Exchange in 2018-2021.

2. RESEARCH METHOD
Types of research
This type of research includes explanatory research. According to Sugiyono (p.73). Explanatory research is research that explains the causal relationship between research variables through testing hypotheses that have been built before, to determine the degree of direction of generating the relationship.

Data Sources and Types
Source of data used in this research is secondary data. Secondary data is data that indirectly provides data for data collection, such as through other people or materials (Sugiyono p.137). Secondary data sources used in this research are data obtained from the official IDX website, namely www.idx.co.id.

Population and Sample
The population in this study were all companies in the retail sub-sector on the Indonesia Stock Exchange, totaling 45 companies. This study used a purposive sampling technique. Purposive sampling is a technique of taking samples from the population that is thought to be the most suitable for collecting data And data collection is adjusted to predetermined criteria. (Lilian S Loppies, Maria JF Esomar, Muhammad R Pelupessy, 2022). Some of the specified criteria are:
1. Retail Companies Registered on the Indonesian Stock Exchange and Conducting IPOs before the Research Year
2. Retail Companies That Publish Financial Statements During The Research Year
3. Retail Companies Earning Profit During The Research Year

Regression Model Analysis
The panel data equation model which is a combination of cross section data and time series data can be written as follows:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \varepsilon_{it}$$

Where:

Y = Return of Assets / ROA as the dependent variable

α = Constant

t = t-th period

I = Entity i

ε =Variables outside the model

$\beta 1 - \beta 3$ =Independent variable regression coefficient

X_1 =CR as an independent variable

X_2 = DER as independent variable

3.   RESULTS AND DISCUSSIONS
Descriptive statistics

Table 1. Descriptive Statistical Results of the Common Effect Model Regression.

	CR	DER	FS	ROA
Means	1.972914	1.454711	29.17177	0.066854
Median	1.447539	0.776632	29.30840	0.045133
Maximum	8.076426	4.227895	31.92073	0.309948
Minimum	0.649519	0.198926	27.07223	0.000816
std. Dev.	1.775417	1.310429	1.250819	0.066552
Skewness	2.370671	0.955349	0.059664	1.792200
kurtosis	7.469405	2.464403	2.494155	6.311256

From the table above it can be seen that the average value of the Liquidity variable (CR) in retail subsector companies in 2018-2021 was 1.97 times, where the highest WCTO reached 8.07 times that was achieved by PT Ace Hardware Indonesia Tbk in 2019 and the lowest CR was 0.64 times seen at Midi Utama Indonesia Tbk in 2020. Meanwhile, the standard deviation of CR for retail companies is1.775417which means that there is an average deviation atCRas big1.775417of the companies studied.

The average Capital Structure variable (DER) in retail subsector companies in 2018-2021 is 1.45 times, where the highest DER is 4.22 times achieved by PT Millennium Pharmacon International Tbk in 2019 and the lowest is 0.19timein the same company, namely PT Ace Hardware Indonesia Tbk in 2019, while the standard deviation for retail subsector companies in 2018-2021 is1.310429which means that there is an average deviation at SG of1.310429of the companies studied.

And for the variable average*Return On Assets*(ROA) for retail subsector companies in 2018-2021 of 6.68%, where the highest ROA reached 30.99% achieved by PT Mitra Pinasthika Mustika Tbk in 2018, and for the lowest of 0.000 achieved by PT MapActivs Adiperkasa Tbk in 2021. At a standard deviation of0.066552 which means that there is an average deviation in ROA of 0.066552 from the companies that are careful.

Regression Model Feasibility Test (Goodness of Fit)

Analysis of the Coefficient of Determination (R Squared)

Used to explain how big the proportion of the dependent variable is explained by the independent variable. In addition, the coefficient of determination is used to measure the regression line of the research data.

Table 2. Results of the Analysis of the Coefficient of Determination

R-squared	**0.389094**
Adjusted R-squared	0.338185

Source: Data processed by the author

From the results of the coefficient of determination in the table above, it shows that the value*R-squared*of 0.389094 or 38.9094%. So that shows CR, DER, well explains the ROA of 38.9094%. The remaining 61.0906% is explained by other variables not used in this study.

Hypothesis Testing
Partial Test (T Test)

Variables	coefficient	std. Error	t-Statistics	Prob.
C	-0.339439	0.203145	-1.670923	0.1034
X1	0.014499	0.005491	2.640451	0.0122
X2	-0.013265	0.007434	-1.784333	0.0828

Used to determine each independent variable, namely CR, DER and FS on the dependent variable, namely return on assets (ROA), by comparing the value between profitability with a significance level of 5%. For the t test seen from the level of significance on the probability, if ≤ 0.05 then the conclusion is that there is an influence from the independent variable on the dependent variable, and vice versa, if the probability value is ≥ 0.05 then there is no independent effect on the dependent variable. The following are the results of the t test in the table below:

Table 3. Partial

Prob(F-statistic)	**0.000445**

Test Results (T Test)
First Hypothesis Test

The first hypothesis in this study suspects that the variable liquidity (CR) has a positive and significant effect on profitability. In the results of the t (partial) test in the table above, the working capital turnover variable has a probability of 0.0122 where this value is smaller than the significance level (0.05), which means that working capital turnover has a positive and significant influence on the profitability of retail companies on the Indonesia Stock Exchange for the 2018-2021 period.

Second Hypothesis Test
The second hypothesis in this research suspects that the variable capital structure (DER) has a negative and significant effect on profitability. In the results of the (partial) t test in the table above, the working capital structure variable (DER) has a probability of 0.0828 where this value is greater than the significance level (0.05), which means that working capital structure has a negative and insignificant effect on the profitability of retail companies on the Indonesia Stock Exchange for the 2018-2021 period.
1.   Simultaneous Test (Test F)
This test is used to carry out simultaneous tests to see if there is a relationship between the independent variables together with the dependent variable. So that through the table below:

Table 4. Simultaneous Test Results (Test F)

Variables	coefficient	std. Error	t-Statistics	Prob.
C	-0.339439	0.203145	-1.670923	0.1034
X1	0.014499	0.005491	2.640451	0.0122
X2	-0.013265	0.007434	-1.784333	0.0828

Based on the results of the F test in the table above, it can be seen that the probability value (F-Statistic) is 0.000445 where this value is smaller than the significance level of 0.05 so it can be concluded that the simultaneous test (f test) is the CR, DER, and FS variables that together affect the ROA of retail companies on the Indonesia Stock Exchange in 2018-2021.

Discussion
Effect of Liquidity on Profitability
Liquidity is the company's ability to pay short-term obligations before the maturity period. The liquidity ratio is measured using the current ratio. Based on the results of this study, it can be seen that the probability value is 0.0122, this value is below the 5% significance level, so the CR variable has a positive and significant influence on the profitability of retail subsector companies on the Indonesia Stock Exchange in 2018-2021.

This is also in line with research conducted byItya Shalini, Restia Christianty, Elna M Pattinaja (2022) that liquidity affects profitability.So that in this study, the first hypothesis is accepted, this means that if the company's ability to generate profits increases, the company's ability to pay its short-term debt will increase.

Effect of Capital Structure on Profitability
In this study the second hypothesis is that the capital structure variable has a negative effect on profitability, using the Debt to Equity Ratio proxy so that in this study the second hypothesis was rejected because it has a probability value on the partial test with a value of 0.0828, where this value is higher than the significance level, so this research is in line with research conducted by Hermanto Siregar and Radden Dikky Indrawan (2022), so that when DER increases, the profitability that will be obtained by the company will decrease, and vice versa, because in a company when using capital as collateral for debt, the company profitability will decrease.

4.   CONCLUSION
Based on the results of panel data regression analysis, it is known that the effect is as follows: The liquidity variable (CR) has a positive and significant effect on profitability (ROA). The capital structure variable (DER) has a negative and insignificant effect on profitability (ROA). And in testing simultaneously the liquidity variable (CR), Capital Structure (DER), simultaneously has a significant positive effect on profitability (ROA).

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