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INFLUENCE OF FACTORS ON CAPITAL STRUCTURE IN NON-FINANCIAL COMPANIES IN 2020

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ABSTRACT

This study aims to empirically examine the effect of asset structure, profitability, company size and cash holding on the capital structure. This study uses secondary data obtained from the Indonesia Stock Exchange on the non-financial companies listed in 2020. The sample selection was carried out by purposive sampling which resulted in 126 companies from a total of 613 companies. This study uses multiple linear regression analysis to test the hypothesis which is assisted by the SPSS version 25 program. These results indicate that the asset structure And the company's size has a positive influence on the capital structure, as well as profitability and cash holding which negatively affect the capital structure..

Key words: Asset Structure, Profitability, Company Size, Cash Holding, Capital Structure

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Introduction

The pandemic period puts great pressure on the industrial world, which makes it difficult to even survive. Using internal resources during the long COVID-19 pandemic period has drained internal resources to a very minimal level. While the option to use external resources is also experiencing difficulties because many investors are very cautious in times of uncertainty due to the ongoing pandemic and the end of the cons of global analysis and conditions is still not clear yet, the capital growth in the industrial sector in Indonesia has increased. According to the Minister of Industry, Agus Gumiwang, in Merdeka.com, the realization of Indonesia's investment experienced a 26% increase in 2020, which increased from 216 trillion in 2019 to 271.9 in 2020.

The capital structure is related to the long-term spending of a company, one of which is measured by the comparison of long-term debt with its owned capital (Sudana, 2015). The composition of this balance reflects the condition of capital sourced from third parties to the proportion of the available capital. The concept of this kind of capital structure relies on external funding in financing the company's activities. The strategy of using the internal or external funds in managing the capital structure becomes attractive because it depends on the preferences of the business owner in considering the obtained costs and benefits.

Next is the asset structure variable which in general will have a high correlation with the external funding sources. As previously explained, industrial investments in Indonesia during this pandemic period experienced a significant increase of 33% (www.merdeka.com). This caused the asset structure to be a very relevant variable to be the focus of attention in this study. Asset structure is the relative composition of fixed assets owned by the company (Mai, 2016) and in general can be used as a collateral for the emergence of external funding.

The next influencing variable in this research is company size. Company size is indicated by the size of total assets, total sales, average sales and average total assets (Riyanto, 2016). In the use of debt, large companies use debt more than small companies. The larger the size of a company, the greater the tendency to use a foreign capital. This is because large companies require large funds to support their operations. In a study conducted by Labibah (2019) the size of the company has no effect on the capital structure, because the company is not able to manage debt optimally. Different results are shown in research conducted by Ngatemin (2019) where company size has a significant effect on the capital structure.

In addition to the company size factor, another interesting factor is cash holding, which is a financial decision related to the availability of cash at an optimal level. Wijaya (2011) stated that determining the level of a company's cash holding is one of the important decisions that must be taken by a financial manager. Companies must be able to maintain the cash holding at an optimal level because holding too much cash in assets is unproductive and requires high costs. During the current pandemic, global economic pressures have caused the economic situation to weaken so that the theoretical cash holding strategy as described previously becomes more complex to be implemented. In research conducted by Ardhianto (2014), the results show that cash holding has a significant effect on capital structure. Then it is in line with research conducted by Labilah (2019) which shows that cash holding has a positive effect on capital structure, because a lot of cash means high financing.

THEORY REVIEW

Agency Theory

This theory was put forward by Michael C. Jansen and William H. Meckling in 1976 in (Atmaja, 2018). Management is an agent of the shareholders, as the owners of the company. Stock traders expect agents to act on their behalf thereby delegating their authority to the said agents. To be able to perform its functions properly, management must be provided with adequate incentives and supervision.

Pecking Order Theory

This theory was first introduced by Donaldson in 1961, while the naming of the pecking order theory was carried out by Myers in 1984. This theory is called the pecking order because this theory explains why companies will determine the most preferred hierarchical source of funds. The company prefers the use of funding from internal capital, namely funds from the cash flow, retained earnings and depreciation. The order of use of funding sources with reference to the pecking order theory is internal funds, debt, and equity (owned capital) (Saidi, 2014).

Trade-off theory

This theory underlies the source of funding that comes from external parties or from outside of the company. Companies that have a preference for external sources of funds will take into consideration between the cost of getting debt (cost of debt) and the consequences of the interest rate that can be borne. The cost of debt can also be influenced by various funding policies issued to provide good sentiment for market participants by the authorities. This will lead to competitive interest rates in critical situations such as during this pandemic, for example. The consequences of this leeway will be taken into consideration by market participants in stimulating the economy.

Capital Structure

The capital structure is part of the financial structure. Capital structure is a balance or comparison between the amount of long-term debt and owned capital (Bambang, 2016). Meanwhile, according to Van and Wachowicz (2017) capital structure is the mix (proportion) of the company's long-term permanent funding which is indicated by debt, preferred stock equity and common stock.

Many factors affect the manager's decision in determining the company's capital structure. According to Ngatemin (2019) the factors that affect the company's capital structure are company stability, asset structure, operating leverage, growth rate, profitability, taxes, control, management attitude, attitude of lenders and credibility assessors, market conditions, company internal conditions, and corporate financial flexibility

Based on research conducted by Ayem (2021), the capital structure is calculated with this following formula:

$$\text{Capital Structure} : \frac{Total\ Debt}{Total\ Equity}$$

Asset structure.

Asset or assets are everything that is owned by the company. Assets can be classified as fixed assets, intangible assets, and other assets. Asset structure is one of the important factors in the company's capital structure or funding decisions, because if the company is faced with financial difficulties in paying its debts, tangible assets or fixed assets owned by the company can act as a collateral to the outside parties who provided the loans (Mai, 2016).

According to Lusangaji (2013) using the ratio of inventory to total assets as a proxy to measure the asset structure. The asset measurement proxy is the result for fixed assets with total assets. The formula for the structure of this asset structure according to (Lusangaji, 2013) is:

$$\text{Asset Structutre} : \frac{Fixed\ Asset}{Total\ Asset} \times 100\%$$

Profitability

According to Novianti and Hakim (2019) "Profitability is the final result of a number of policies and decisions carried out by the company". Profitability is a ratio to assess how much the company's ability to benefit from a certain period, Rachmawati (2019).

Company profitability shows the ability of a company to generate retained earnings for a certain period at the level of sales, assets and share capital of the company. Referring to the search carried out by Ayem (2021) using net profit margins. Here's how to measure profitability according to (Ayem, 2021):

$$\text{Profitability (NPM)} = \frac{Netprofit}{Netsales}$$

Company Size

Gerianta (2018), suggested that company size is a scale where the size of the company can be classified as measured by total assets, total sales, shares value and so on. Novianty and May (2018) explained that “Company size is seen from the business field that is being operated. Company size can be determined based on total sales, total assets, average sales level.

In this study, company measurement refers to the previous research (Rachmawati, 2019) where company size is proxied by the logarithmic value of total assets. The logarithm of total assets is used as an indicator of the size of the company, so the fixed assets needed will also be greater. The size of the company if formulated using logarithms is

$$\text{Company size} = ln \times \text{total asset.}$$

Cash Holding

According to Gill & Shah (2012), cash holding is cash that is in the company and is available for investment in physical assets or distributed to investors in the form of dividends. Based on Labibah (2019), cash holding is the financial management of cash used by the company

to meet operational needs in achieving efficiency in carrying out the company's operational activities.

Cash holding is the amount of cash owned by the company. Cash holding is a financial ratio that compares the company's cash and cash equivalents with the company's total assets (Marfuah and Zulhilmi, 2015). Cash holding can be calculated by the following formula (Marfuah and Zulhilmi, 2015):

$$Cashholding = \frac{cash + cash\ equivalent}{total\ asset}$$

Hypothesis Formulation

Effect of Asset Structure on Capital Structure

According to Chen (2010) asset structure is an important determinant of capital decisions. Because it is a real company asset and has a greater liquidation value. The proportion of asset structure will automatically become a guarantee for funding sources from outside the company. The greater the value of the structure of assets owned by the company, the composition of the capital structure derived from debt will be even greater.

Research conducted by Anisah, et.al (2021) stated that the asset structure has a positive effect on the company's capital structure. Meanwhile, research conducted by Retno and Mahfud (2016) and Ruslan (2020) shows that there is a significant negative effect of asset structure on capital structure. Based on the description above, the first hypothesis to be tested is as follows:
H1: Asset structure has a positive effect on capital structure.

Effect of Profitability on Capital Structure

Company performance has been identified as a potential determinant of capital structure. According to the pecking order theory in the presence of asymmetric information, a company will prefer internal finance, but will issue debt if internal finance is exhausted. Carrolina (2015) stated that there is a negative relationship between profitability and debt. A profitable company must have more internal funds available to meet its funding needs. According to hierarchical theory, these companies tend to issue debt and maintain low leverage ratio. This is in accordance with the pecking order theory, which means that the said companies prefer internal, then external funding (Rani, 2018).

Previous research conducted by Retno and Mahfud (2016) stated that profitability had an effect on capital structure, while Lestari and Irianto (2017) stated that profitability had a negative effect on capital structure. However, research conducted by Anisah, et.al (2021), Ruslan (2020), and Romahdani and Dananjaya (2020) stated that profitability has no effect on capital structure. Based on the description above, the hypothesis can be formulated as follows:
H2: Profitability has a negative effect on capital structure.

The Effect of Company Size on Capital Structure

Company size describes the size of a company. This condition can be seen from the field of business being run. Determination of the size of the company's scale can be determined based on total sales, total assets, average sales levels, and average total assets.

There are several studies that stated that company size has a positive effect on capital structure, among others are Retno and Mahfud (2016) and Romahdani and Dananjaya (2020) stated that there is a positive effect of company size on capital structure. Meanwhile, Lestari and Irianto (2017) stated that there is a negative influence between company size on capital structure. Other studies stated that there is no effect of company size on capital structure (Anisah, et.al, 2021). Based on the description above, the hypothesis can be formulated as follows:
H3: Company size has a positive effect on capital structure.

Effect of Cash Holding on Capital Structure

Determining the level of cash holding is one of the important decisions that must be taken by financial managers. How much money is available in the hands of the company becomes a dilemma in the pressing global pandemic economic condition. The greater the proportion of cash holding, it means an indication of a slowdown in operational or investment activities due to the large allocation of idle funds. If it leads to a company that has an external capital structure (the main source is debt), the larger the idle cash funds, it will give the meaning of danger because it increases the risk of default in long-term obligations. So that the larger the cash holding, it will make the external funding sources not optimal, because the owners of the funds will read the warning sign of this condition. So that companies that have large cash holdings will tend to have a small capital structure (from external). Based on research conducted by Retno and Mahfud (2016) cash holding has no effect on capital structure, meanwhile research conducted by Ardhianto (2014) shows that cash holding affects capital structure. Based on the description above, the hypothesis can be formulated as follows:
H4: Cash holding has a negative effect on capital structure.

Method

The object of this research is the 126 non-financial companies listed on the Indonesia Stock Exchange in 2020. This study uses secondary data, namely data that has been collected by data collection institutions and has been published to the user community. The data is a cross section data, namely 2020 data, which was obtained through the Indonesia Stock Exchange. The population used in this study are all non-financial companies listed on the Indonesia Stock Exchange (IDX). The data in this study were taken through financial reports from 2020 published by the Indonesian Stock Exchange (IDX).

According to Sugiyono (2017:137) sample is part of the number and characteristics possessed by the said population and research estimation statistics are needed in determining the said sample so that it can represent the actual population.

The sample selection method used in this study is a purposive sampling method based on criteria that have been adapted to the needs of the study. The sample criteria used in this study are as follows:

1. Non-financial companies listed on IDX in 2020
2. Companies with closing share prices on December 30, 2020 above IDR 1000 per share
3. Companies that have issued audited annual financial reports in 2020
4. Annual financial report using Rupiah as currency

Data analysis techniques in this study are descriptive statistical analysis, classical assumption test, multiple linear regression analysis, hypothesis testing (F test, t test, and coefficient of determination). The analytical method used is multiple linear regression analysis method with SPSS 25 tool

Results and Discussion

Descriptive statistical analysis

According to Ghozali (2015) descriptive statistical analysis can provide descriptive information from the calculation of the maximum value, minimum value, standard deviation, and average value (mean). This analysis is conducted to provide an overview of the distribution and behavior of a sample data. The results of the descriptive statistical analysis obtained from this study can be seen in table IV.2 below:

Table 1
Results of Data Descriptive Statistics analysis

Statistics						
		Modal Structure	**Asset Structure**	**Profitability**	**Company Size**	**Cash Holding**
N	Valid	**126**	**126**	**126**	**126**	**126**
	Missing	0	0	0	0	0
Mean		,70757	,435361	,204327	29,455087	,230936
Std. Deviation		,611459	,2802137	,2995547	1,6172138	,2533901
Minimum		,012	,0001	-,0570	26,0724	,0000
Maximum		3,240	,9936	2,4400	33,1378	,9803

Source: Data processed by the authors, 2021

Table 1 shows that the amount of data used in this study is 126 data samples taken from the annual published Financial Statements of companies listed on the Indonesia Stock Exchange in 2020. From the results of the study, the highest value of capital structure is Midi Utama Indonesia Tbk, which is 3,240 while the lowest value of capital structure is Solusi Bangun Indonesia Tbk, which is 0.012. The average capital structure is 0.70757 with a standard deviation of 0.611459, meaning that there is a deviation from the capital structure value to the average value of 0.611459.

In the asset structure variable, the highest value is owned by the company Voksel Electric Tbk of 0.9936 while the lowest value is owned by the company Adhi Karya (Persero) Tbk of 0.0001. The average asset structure is 0.435 with a standard deviation of 0.28, meaning that there is a deviation from the asset structure value to the average value of 0.28.

In the profitability variable, the highest value is owned by the Citra Putra Realty Tbk company of 2.44 while the lowest value is owned by the Sampoerna Agro Tbk company of 0.057.

The average profitability is 0.2043 with a standard deviation of 0.2995, meaning that there is a deviation from the profitability value to the average value of 0.2995.

In the variable company size, the highest value is owned by the company Chandra Asri Petrochemical Tbk of 33.1378 while the lowest value is owned by the company Satria Antaran Prima Tbk of 26.0724. The average company size is 29.455 with a standard deviation of 1.6172, meaning that there is a deviation from the company size value to the average value of 1.6172.

In the cash holding variable, the highest value is owned by the Trans Power Marine Tbk company of 0.9803 while the lowest value is owned by the PP London Sumatra Indonesia Tbk company of 0.0000. The average cash holding is 0.23 with a standard deviation of 0.253, meaning that there is a deviation from the cash holding value against the average value of 0.253.

Normality test

The normality test of the data in this study used the Kolmogorov-Smirnov Test for each variable. According to Ghozali (2018), explaining that the normality test has the aim of testing whether in the regression model, the confounding or residual variables have a normal distribution. To find out whether the residuals are normally distributed or not, statistical analysis must be carried out by means of the Kolmogorov-Smirnov (K-S) non-parametric statistical test. The K-S test is carried out by making the hypothesis H_0 which is residual data that is normally distributed and H_a which is residual data that is not normally distributed (Ghozali, 2018). If the K-S test results get a value > 0.05 then H_0 can be accepted, whereas if the K-S test results get a value <0.05 then H_0 is rejected. The results of this test can be seen in the following table:

Table 2
Results of Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		126
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,59342431
Most Extreme Differences	Absolute	,116
	Positive	,116
	Negative	-,090
Test Statistic		,116
Asymp. Sig. (2-tailed)		,903[c]

Source: Data processed by the author, 2021

Based on Table 2, it is known that the significance value using the Kolmogorov-Smirnov test is 0.903 > 0.05, so it can be concluded that the data used in this study is normally distributed.

Multicollinearity Test

The multicollinearity test aims to test whether the regression model found a strong enough correlation between the independent variables. If there is a strong enough correlation, it will cause

multicollinearity problems. A good regression model should not have a strong enough correlation between the independent variables. Statistical identification to show the presence or absence of multicollinearity symptoms can be done by looking at the VIF (Variance Inflation Factor) value. An indication of multicollinearity is if the VIF is greater than 10. On the other hand, if the VIF value is less than 10, there is no multicollinearity. The results of the multicollinearity test can be

Table 3
Results of Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-,495	,993		1,506	,135		
	Asset Structure	,035	,194	-,016	-,179	,858	,986	1,014
	Profitability	-,153	,191	,075	,799	,426	,889	1,125
	Company Size	,023	,034	-,060	-,669	,505	,982	1,018
	Cash Holding	-,604	,226	-,250	-2,673	,509	,888	1,126

Source: Data processed by the author, 2021

seen in

Based on the test results in Table 3, it can be seen that each variable in the multiple regression model has a tolerance value greater than 0.1 and a VIF value less than 10, it can be concluded that the data used is free of multicollinearity.

Heteroscedasticity Test

According to Ghozali (2018), this test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another observation. If the variance is constant then it is called homoscedasticity, if it is different, it is called heteroscedasticity. A good regression model test is homoscedasticity. In this study, the *glejser* test

Table 4

Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-,495	,993		1,506	,135		
	Asset Structure	,035	,194	-,016	-,179	,858	,986	1,014
	Profitability	-,153	,191	,075	,799	,426	,889	1,125
	Company Size	,023	,034	-,060	-,669	,505	,982	1,018
	Cash Holding	-,604	,226	-,250	-2,673	,509	,888	1,126

Source: Data processed by the author, 2021

was chosen as a way to determine whether there was heteroscedasticity in the regression model. The basis for decision making with the *glejser* test is as follows (Ghozali, 2016:137):

Based on the table, it can be seen that all the significance values of the regression results if it is greater than 0.05 then there is no heteroscedasticity.

Autocorrelation Test

This test is used to test whether in a linear regression model there is a correlation between the confounding error in period t-1 (previous period). A good regression model is one that is free from autocorrelation. If there is autocorrelation, it is stated that there is an autocorrelation problem. The method that can be used to detect the presence or absence of autocorrelation is the Durbin Watson (DW) test.

Table 5
Results of Autocorrelation Test

Model	Change Statistics					
	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	,958[a]	1,867	4	121	,121	2,064

Source: Data processed by the author, 2021

With a significant level of 0.05 and $N = 126$ and the number of independent variables $k = 4$, then the values of $d_1 = 1.6443$and $d_u = 1.7751$so that the value $(4 - du)$ is $4 - 1.7751 = 2.2249$. Based on Table 5, Durbin Watson's value of 2.064 is between 1.7751 and 2.2249, it can be concluded that there is no autocorrelation.

Multiple Linear Regression Analysis

According to Ghozali (2015) Multiple linear regression analysis was carried out to determine whether there was an effect of the independent variable on the dependent variable. In this study, the dependent variable is capital structure, while the independent variables are asset structure, profitability, company size, and cash holding.

Table 6
Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-,495	,993		1,506	,135
	Asset Structure	,035	,194	-,016	1,289	,008
	Profitability	-,153	,191	,075	1,789	,006
	Company Size	,023	,034	-,060	1,669	,005
	Cash Holding	-,604	,226	-,250	-2,673	,009

Source: Data processed by the author, 2021

Based on Table 6, multiple linear regression equations can be made as follows:

$$Y = -0.495 + 0.035X_1 - 0.153X_2 + 0.023X_3 - 0.604X_4$$

Partial Test (t test)

Hypothesis testing is carried out by partial testing using the *t* statistical test which aims to show the extent of the influence of an independent variable individually in explaining the variation of the dependent variable (Ghozali, 2015). This statistical test was conducted to partially determine whether the independent variable had a significant effect or not on the dependent variable.

The following is a table of the results of the t-test analysis:

Table 7
Results of Partial Test (t-test)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-,495	,993		1,506	,135
	Asset Structure	,035	,194	-,016	1,289	,008
	Profitability	-,153	,191	,075	1,789	,006
	Company Size	,023	,034	-,060	1,669	,005
	Cash Holding	-,604	,226	-,250	-2,673	,009

Source: Data processed by the author, 2021

Based on Table 7, it can be seen that the asset structure variable has a value of β_1 of 0.035 which is positive and the significance level of 0.008 is smaller than 0.05, so H_0 is rejected and H_a is accepted, in other words, the asset structure has a positive effect on the capital structure of non-financial companies on the Indonesia Stock Exchange.

Based on Table 7, it can be seen that the profitability variable has a value of β_2 of 0.153 which is negative and the significance level of 0.006 is smaller than 0.05, so H_0 is rejected and H_a is accepted, in other words, profitability has a negative effect on the capital structure of non-financial companies on the Indonesia Stock Exchange.

Based on Table 7, it can be seen that the company size variable has a value of β_3 of 0.023 which is positive and the significance level of 0.005 is smaller than 0.05, so H_0 is rejected and H_a is accepted, in other words, company size has a positive effect on the capital structure of non-financial companies on the Indonesia Stock Exchange.

Based on Table 7, it can be seen that the cash holding variable has a value of β_4 of 0.604 which is negative and the significance level of 0.009 is smaller than 0.05, so H_0 is rejected and H_a is accepted, in other words, cash holding has a negative effect on the capital structure of non-financial companies on the Indonesia Stock Exchange.

Simultaneous Test (F Test)

The F test is used to determine whether the model built meets the fit criteria or not. The F test was chosen to determine the effect of various independent variables together on the dependent variable. If the calculated F value is greater than F table, then the independent variables have a significant effect on the dependent variable. The results of the simultaneous F test can be seen in Table 8.

Table 8
Results of F Model Feasibility Significant Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2,716	4	,679	2,867	,021[b]
	Residual	44,019	121	,364		
	Total	46,735	125			

Source: Data processed by the author, 2021

Based on Table 8, it can be seen that the significant value of F is 0.021 less than 0.05 $(0.021 < 0.05)$ with a calculated F value of 2.867 and F table with degrees of freedom $N - k = 126 - 4 = 122$ and $k - 1 = 4 - 1 = 3$ which is 2.680. Because the calculated F value > F table $(2{,}867 > 2.680)$, then H_0 is rejected, in other words, there is an influence of asset structure, profitability, company size, and cash holding on the capital structure and the model is suitable to be used.

Coefficient of Determination Test (R^2 Test)

Table 9
Coefficient of Determination Test Results

		Change Statistics				
Model	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	,958[a]	1,867	4	121	,121	2,064

Source: Data processed by the author, 2021

Based on Table 9, it can be observed that the R^2 value of 0.958 means that 95.8% of changes (increase and decrease) in the company's capital structure are influenced by asset structure, profitability, company size, and cash holding, while the remaining 4.2% is influenced by other factors in outside of this research.

Effect of Asset Structure on Capital Structure

The results of statistical analysis for the asset structure variable are known that the asset structure regression coefficient is positive at 0.035. The statistical results of the t test for the asset structure variable obtained a significant value of 0.008 so that it is smaller than the error tolerance of 0.05. It can be concluded that the asset structure has a positive effect on the capital structure of non-financial companies on the Indonesia Stock Exchange in 2020, thus supporting the research hypothesis. The results of this study are in line with research conducted by Anisah, et.al (2021) which stated that asset structure has a positive effect on the company's capital structure, but is not in line with research conducted by Retno and Mahfud (2016) and Ruslan (2020) which show that there is a significant negative effect of asset structure on capital structure. This study shows the phenomenon that the small debt structure of non-financial institutions in 2020 is influenced by the structure of their assets. The positive relationship here is a unidirectional relationship that occurs on these two variables, namely the small debt structure of the sample company which is also supported by the small value of the asset structure. The COVID-19 pandemic situation has caused

the positive relationship to be in the opposite direction. The phenomenon that occurs in this positive relationship is moving downwards, namely the small asset structure has an impact on the small external capital structure of non-financial companies listed on the IDX in 2020.

A significant influence shows that the company uses a lot of its fixed assets as collateral in obtaining debt. Thus, companies with high fixed assets have a great opportunity to get long-term debt. However, the company must remain careful in using this policy by paying attention to the amount of interest that must be paid at maturity so as not to cause losses that the company does not expect.

Effect of Profitability on Capital Structure

The results of statistical analysis for the profitability variable are known that the profitability regression coefficient is negative at 0.153. The statistical results of the *t*-test for the profitability variable obtained a significant value of 0.006, so that it is smaller than the error tolerance of 0.05. It can be concluded that profitability has a negative effect on the capital structure of non-financial companies on the Indonesia Stock Exchange in 2020. The results of this study are in line with research conducted by Lestari and Irianto (2017) which stated that profitability has a negative effect on capital structure. Based on the results of statistical tests, it is proven that profitability has a negative effect on capital structure, where the condition of a small external capital structure is influenced by the profitability of financial companies which are, in fact, quite good in this pandemic era with an average positive of 20% (see descriptive statistics in the beginning of chapter 4). This means that this small external capital structure is supported by the fact that non-financial companies continue to grow their profitability. The hypothesized negative relationship can be read factually through the data.

According to R. AgusSartono (2010:122) profitability is the company's ability to generate profits from asset they owned. Companies that have a high rate of return on the assets they manage illustrate the company's ability to generate high profits. The stable level of profitability of the company is one of the important things that managers must consider in choosing a capital structure. The more stable the profitability means the smaller the company's debts. Thus the results of this study are in accordance with the above statement and support the research hypothesis.

The Effect of Company Size on Capital Structure

The results of statistical analysis for the company size variable show that the company size regression coefficient is positive at 0.023. The statistical results of the *t*-test for the company size variable obtained a significant value of 0.005 so that it is smaller than the error tolerance of 0.05. It can be concluded that company size has a significant positive effect on the capital structure of non-financial companies on the Indonesia Stock Exchange in 2020, so theproposed third hypothesis is accepted. This result is in line with research conducted by Retno and Mahfud (2016) and Romahdani and Dananjaya (2020) which stated that there is a positive influence of company size on capital structure, but is not in line with the results of research conducted by Anisah, et.al (2021) which stated that there is no effect of company size on capital structure. In the data it is noted that the company size, where sample was taken, is in the medium category within the range

used. The external capital structure also shows a small number. then the facts are quite consistent in documenting the unidirectional movement between company size and capital structure.

The results found that the larger the size of the company, the higher the capital structure. Vice versa, the smaller the size of the company, the smaller the capital structure. Large-scale companies will find it easier to find investors who want to invest in the company and also in order to obtain credit compared to small companies. Large companies have easy access so that the flexibility of large companies is also greater. The creditor or lender of course prefers to give credit to large companies so that large companies have wider opportunities.

Effect of Cash Holding on Capital Structure

The results of statistical analysis for the cash holding variable show that the cash holding regression coefficient is negative at 0.604. The statistical results of the *t*-test for the cash holding variable obtained a significant value of 0.009, so it is smaller than the error tolerance of 0.05. It can be concluded that cash holding has a negative effect on the capital structure of non-financial companies on the Indonesia Stock Exchange in 2020 so that the proposed fourth hypothesis is accepted. The results of this study are not in line with research conducted by Retno and Mahfud (2016) which stated that cash holding has no effect on capital structure and also research conducted by Zata (2019) which stated that cash holding has a positive effect on capital structure, while this research is in line with research conducted by Ardhianto (2014) that cash holding affects the capital structure. During the COVID-19 pandemic, cash holding conditions have become a dilemma because of the weak economy and the uncertainty of the situation have made minimizing-strategies difficult. So that companies that have relatively large cash holdings will tend to have a small capital structure (from external). Of course, the facts that happened give color to the pandemic conditions that occurred where all economic actors were very careful so that the accumulation of funds for both operational and investment activities was unavoidable.

Conclusion

Based on the discussion above, it can be concluded that the COVID-19 pandemic situation provides empirical evidence in explaining the relationship between the capital structure (external) of non-financial companies listed on the IDX in 2020, which is influenced by asset structure, profitability, company size and cash holding. In detail, each hypothesis below is found to be statistically influential;

1. Asset structure has a positive effect on the capital structure of non-financial companies listed on the Indonesia Stock Exchange in 2020.
2. Profitability has a negative effect on the capital structure of non-financial companies listed on the Indonesia Stock Exchange in 2020.
3. Company size has a positive effect on the capital structure of non-financial companies listed on the Indonesia Stock Exchange in 2020.
4. Cash holding has a negative effect on the capital structure of non-financial companies listed on the Indonesia Stock Exchange in 2020.

Research Limitations

The researcher realizes that there are limitations in carrying out this research, the following are some of the limitations in this study:

1. This research is limited to the independent variables studied, namely asset structure, profitability, company size and cash holding only. Therefore, researchers expect further researchers to develop their research by using or adding other variables to test the capital structure variable.
2. This research is limited to 2020.

Suggestion

Company managers are expected to be able to read the situation well, especially during the COVID-19 pandemic. The economic condition is running with various accompanying situations so that considering the funding decisions to be taken, both using owned capital and debt requires caution. External funding will certainly be very important and is expected to be able to meet the needs of the company's invasion and can create an optimum capital structure. Of course, in accordance with the trade-off theory for companies that rely on external funding sources, namely the identification of the optimum point that is safe and suitable for the company in the long term. For future researchers, it is better to add other variables that are thought to affect the capital structure, both from internal and external factors of the company.

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