

ABSTRACT

Capital structure is one of the fundamental aspects of corporate financial management, playing a crucial role in determining the financial stability and long-term sustainability of a company. This study aims to evaluate the impact of liquidity, profitability, firm size, tangibility, and growth on the capital structure of companies in the consumer goods and industrial sectors listed on the Indonesia Stock Exchange (IDX) during the 2016-2022 period. The research is motivated by the inconsistency of previous study results regarding these variables, which show varying effects on capital structure across different countries and industrial sectors.

The objective of this research is to determine the influence of liquidity, profitability, firm size, tangibility, and growth variables on capital structure. The research method employed is a quantitative approach using the Generalized Method of Moments (GMM) estimator, assisted by the Eviews 12SV software. The population in this study includes all companies in the consumer goods and industrial sectors listed on the IDX, with a sample of 45 companies selected through purposive sampling based on specific criteria such as the availability of complete data throughout the research period. The secondary data used in this study is derived from audited and published annual financial reports by the IDX.

The results of the study indicate that, simultaneously, liquidity, profitability, firm size, tangibility, and growth significantly influence capital structure. Partially, liquidity and tangibility were found to have a negative and significant impact on capital structure, suggesting that companies with high liquidity and large tangibility tend to have lower capital structures due to their ability to finance operational activities through internal resources. Conversely, profitability and firm size have a positive and significant effect on capital structure, and growth has a positive effect on capital structure, indicating that more profitable and larger companies tend to have higher capital structures as they are better able to attract external financing.

Keywords: *Capital Structure, Liquidity, Profitability, Generalized Method of Moment*