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THE EFFECT OF CAPITAL STRUCTURE ON FINANCIAL PERFORMANCE IN FOOD AND BEVERAGE MANUFACTURING SUBSECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE DURING THE 2022–2024 PERIOD

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Abstract:
Capital structure is an important factor influencing a company's financial performance, particularly in food and beverage manufacturing firms, which generally require substantial operational and investment financing. The use of debt that is not managed optimally may reduce the company's efficiency in generating profits. This study aims to provide empirical evidence on the effect of short-term debt and long-term debt on financial performance, measured by Return on Assets (ROA), as well as to examine the role of firm size as a moderating variable. This research applies panel data regression to food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2022–2024 period, using secondary data in the form of annual financial statements. The results indicate that both short-term debt and long-term debt have a negative and significant effect on the companies' financial performance. This finding suggests that an increase in corporate liabilities tends to reduce the company's efficiency in utilizing its assets to generate profits. Firm size has a positive but insignificant effect on ROA. In addition, the moderation test shows that firm size is able to moderate the effect of short-term debt on financial performance, but is unable to moderate the effect of long-term debt on financial performance. It is expected that this study will serve as a consideration for company management in formulating a more optimal capital structure policy.

Keywords: Short-Term Debt, Long-Term Debt, Firm Size, Return on Assets.

INTRODUCTION

Companies strive to maintain business sustainability by maximizing profits and minimizing various risks that may disrupt operational stability. In this context, financial performance becomes an important indicator for assessing whether a company is able to manage its resources effectively. Financial performance is reflected in financial statements and can be analyzed through various financial ratios to evaluate the company's condition, operational efficiency, and ability to generate profits. Mahroji (2023) emphasizes that financial ratio analysis helps companies assess their financial condition while also supporting improvements in operational effectiveness and efficiency. Therefore, the assessment of financial performance is relevant not only to internal management but also to investors, creditors, and other external parties in the decision-making process.

In manufacturing companies, particularly those in the food and beverages subsector, the discussion of financial performance has become increasingly important because the characteristics of this industry require relatively high financing needs. Companies in this subsector must maintain production continuity, stable raw material supplies, distribution efficiency, and the ability to meet constantly changing market demand. During the 2022–2024 period, food and beverage companies listed on the Indonesia Stock Exchange faced challenges such as fluctuations in raw material prices,

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inflationary pressures, and changes in interest rate policies, all of which could affect working capital requirements and corporate financing decisions. These conditions encouraged companies to adjust their capital structure, particularly through the use of debt, which ultimately has the potential to affect their financial performance.

One relevant indicator for assessing financial performance is Return on Assets (ROA). This ratio reflects a company's ability to utilize all of its assets to generate profit. Syahzuni (2021) states that ROA is able to describe management effectiveness in generating returns from the total assets under its control. In line with this, Purwaningsih (2023) explains that ROA plays an important role in assessing the relationship between capital structure and firm value because this ratio reflects the quality of operational performance that is of concern to investors. In other words, the better a company is at managing its assets to generate profits, the more favorable the perception of its financial health will be.

In capital structure analysis, short-term debt is an important component because it is directly related to daily operational financing and the company's working capital needs. In principle, short-term debt can help a company maintain smooth operational activities when it is managed proportionally. Nguyen et al. (2020) emphasize that short-term debt reflects a company's ability to manage its short-term obligations to ensure that operational activities continue to run effectively. Indrati (2023) also explains that proper control of short-term debt can improve a company's investment efficiency. However, an increase in short-term debt without careful cash management may trigger financial pressure and reduce profitability. Hermanto (2023) even shows that short-term debt can have a positive effect on ROA when used proportionally, but when it becomes excessive, it may instead suppress the company's profitability. These findings indicate that the effect of short-term debt on financial performance is not always linear, but rather highly dependent on the quality of its management.

In addition to short-term debt, long-term debt also constitutes an important part of a company's financing structure. Long-term debt is generally used to support business expansion, the acquisition of fixed assets, and the financing of strategic investments. The use of long-term debt can promote company growth if the funds obtained are allocated to productive activities that generate returns greater than the cost of debt. However, if its use is not properly controlled, the resulting interest burden and cash flow pressure may instead reduce profitability. Boateng et al. (2022) state that an increase in long-term debt without an appropriate strategy will put pressure on profitability due to interest expenses and cash flow constraints. The findings of Akgun and Memis Karatas (2020) also show that a debt-based capital structure may reduce ROA because the efficiency of asset utilization declines. Therefore, the effect of long-term debt on financial performance also requires more specific empirical examination, particularly in certain industrial subsectors.

Another factor that is also relevant in the relationship between capital structure and financial performance is firm size. Companies with larger total assets generally have broader access to financing, stronger bargaining power with creditors, and better operational efficiency due to economies of scale. Saputri and Febyansyah (2023) state that firm size affects a company's financial condition, while Handayani and Savano (2020) explain that larger firms tend to have better stability and efficiency through asset utilization and economies of scale. Therefore, firm size is presumed not only to have a direct effect on financial performance but also to act as a moderating variable that may strengthen or weaken the effect of capital structure on ROA. In this context, larger firms may be better able to manage debt pressure than smaller firms, so the impact of debt on profitability may vary depending on company size.

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Previous studies have shown that capital structure is related to corporate financial performance. However, studies that specifically examine leverage components separately, namely short-term debt and long-term debt, in the food and beverages subsector listed on the Indonesia Stock Exchange remain relatively limited. This limitation is important to note because the food and beverages subsector has distinctive operational characteristics, such as high working capital requirements, dependence on raw materials, and cost pressures that are sensitive to changes in the macroeconomic environment. As explained in this thesis, although many studies have highlighted the relationship between capital structure and financial performance, there is still room for more specific research focusing on particular subsectors, especially to examine how each type of debt contributes to profitability as measured by ROA.

This study offers novelty in both the selection of the research object and the depth of analysis. While previous studies, such as Ahmed et al. (2024), have focused more broadly on manufacturing companies in general, this study specifically examines food and beverage manufacturing companies listed on the Indonesia Stock Exchange. This approach provides a more specific perspective by considering the cost structure, working capital requirements, and unique operational characteristics of the subsector. In addition, this study not only investigates the effect of short-term debt and long-term debt on financial performance, but also incorporates firm size as a moderating variable. Therefore, this study is expected to make a more precise empirical contribution in explaining how capital structure affects corporate profitability within a more specific industrial context.

Based on the foregoing discussion, this study aims to analyze the effects of short-term debt and long-term debt on financial performance as measured by Return on Assets (ROA), as well as to examine the role of firm size as a moderating variable in food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2022–2024 period. This study is expected to make a theoretical contribution to the development of corporate finance literature while also serving as a practical reference for management in formulating efficient and sustainable financing policies.

Trade-Off Theory. Trade-Off Theory explains that firms seek to achieve an optimal capital structure by balancing the benefits of debt usage against the risks it creates. Under this theory, debt provides a tax shield advantage, but excessive reliance on debt may increase the risk of bankruptcy and reduce corporate profitability. Modigliani and Miller (1963) emphasize that capital structure can affect firm value when tax factors are taken into account. Furthermore, Brigham and Houston (2022) state that moderate use of debt can increase profits, whereas excessive debt usage may reduce profitability due to the higher level of financial risk. Agus et al. (2022) also show that maintaining a balance between capital structure and financial performance is important for sustaining long-term profitability.

Pecking Order Theory. Pecking Order Theory explains that firms follow a hierarchy of financing preferences, namely internal funds first, then debt, and finally the issuance of new equity. Myers and Majluf (1984) argue that this hierarchy arises because of information asymmetry between management and investors, making internal financing the most efficient and least risky source of funds. Frank and Goyal (2003) further add that firms with high profitability tend to avoid debt because they possess sufficient internal funds to finance their operations. Therefore, this theory emphasizes that financing decisions are influenced not only by funding needs but also by the firm's ability to generate profits.

Financial Performance. In this study, financial performance is proxied by Return on Assets (ROA). Wall (1919) introduced financial performance as a tool for assessing management efficiency through financial ratio analysis, which includes liquidity, profitability, and solvency. According to

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Sujarweni (2023), financial performance reflects a company's effectiveness in managing all of its assets to generate profit. In this context, ROA is considered a relevant measure because it is able to show a company's ability to generate net income from the total assets it manages. Nurlelah et al. (2024) also show that capital structure has a significant effect on the value and performance of manufacturing firms, particularly when debt usage remains within manageable limits.

Short-Term Debt. Short-term debt refers to liabilities used to support a company's operational financing over a short period of time. Weston (1972) emphasizes the importance of maintaining a balance between short-term financing and the company's ability to preserve liquidity. Kasmir (2021) explains that effective management of short-term debt helps a company meet its obligations without disrupting cash flow. However, if its proportion becomes too large, short-term debt may create liquidity pressure and reduce profitability. Efemena (2024) finds that short-term debt has a negative and significant effect on ROA, indicating that the greater the use of short-term debt, the lower the company's effectiveness in utilizing its assets to generate profits.

Long-Term Debt. Long-term debt is a source of financing generally used to support investment and the expansion of a company's fixed assets. Weston (1972) explains that long-term debt measures the extent to which a company relies on long-term financing from creditors compared to its own equity. According to Hendrawaty et al. (2023), effective management of long-term debt can help a company maintain capital structure stability and minimize financial risk. However, an excessive proportion of long-term debt may reduce cash flow and profitability due to high interest expenses. Sharma (2023) emphasizes that long-term debt puts pressure on net profitability; therefore, its use must be balanced so that it continues to support company growth.

Firm Size. Firm size reflects the scale of a company, which is commonly measured by its total assets. Gibrat (1931) explains that firm growth tends to be proportional to its initial size, meaning that larger firms generally possess stronger resources for expansion. Setiawan (2022) states that firm size reflects a company's financial strength and its ability to utilize assets to generate profits. In addition, Olusola et al. (2022) show that firm size plays an important role in the relationship between leverage and firm performance, as larger firms tend to have higher operational efficiency, broader access to financing, and better risk management capabilities than smaller firms.

The Relationship Between Short-Term Debt and Long-Term Debt and Financial Performance. Simultaneously, a company's financial performance is influenced by short-term debt and long-term debt as the main components of capital structure. Short-term debt supports working capital needs and operational continuity, but when it becomes excessive, it may create liquidity pressure that reduces profitability. Meanwhile, long-term debt is used to finance investment and asset expansion, but high interest expenses may reduce operating profit and ROA. Balsalobre-Lorente et al. (2023) emphasize that effective capital structure management plays an important role in maintaining long-term profitability. Cao et al. (2020) also show that a balanced financing strategy between short-term and long-term funding can enhance a company's resilience in facing economic fluctuations.

The Relationship Between Short-Term Debt and Financial Performance. Short-term debt plays a role in maintaining liquidity and supporting a company's daily operations. The proportional use of short-term debt can improve working capital efficiency, but excessive use will increase cash flow pressure and reduce profitability. Indrati (2023) states that an increase in short-term liabilities may trigger financial pressure that leads to lower corporate profitability. In line with this, Balsalobre-Lorente et al. (2023) indicate that the suboptimal management of short-term obligations may weaken a company's overall financial stability. Therefore, short-term debt tends to have a negative effect on ROA.

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The Relationship Between Long-Term Debt and Financial Performance. Long-term debt can increase ROA if the funds obtained are invested in productive projects that generate returns higher than the cost of interest. However, when interest expenses become too large, long-term debt instead puts pressure on operating profit and reduces asset efficiency. Sharma (2023) shows that long-term debt has a significantly negative effect on the financial performance of manufacturing companies. Efemena's (2024) findings also indicate that long-term debt significantly reduces ROA as a key indicator of profitability. Therefore, the use of long-term debt needs to be maintained at a proportional level so that it does not harm financial performance.

The Role of Firm Size in Moderating the Effect of Short-Term Debt. Firm size is presumed to moderate the effect of short-term debt on financial performance. Large firms generally have better access to financing, stronger cash management, and more stable operational efficiency, enabling them to manage better the pressure arising from short-term liabilities. Boateng et al. (2022) state that firm size moderates the relationship between leverage and financial performance. Similarly, Puspitaningtyas (2026) finds that firm size moderates the effect of capital structure on profitability. These findings suggest that the negative impact of short-term debt on ROA may be smaller in larger firms.

The Role of Firm Size in Moderating the Effect of Long-Term Debt. In the relationship between long-term debt and financial performance, firm size is not always able to moderate such an effect. Although large firms have greater capacity to access funding sources, long-term interest expenses may still put pressure on profitability if adequate investment returns do not match them. Sharma (2023) shows that long-term debt has a negative effect on ROA, while Efemena (2024) finds that variations in firm size do not significantly moderate the effect of long-term debt on financial performance. It means that differences in company scale do not necessarily alter the negative relationship between long-term debt and ROA.

METHODS

This study employs a quantitative approach using secondary data in the form of annual financial statements of food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2022–2024 period. The sample was selected using purposive sampling, resulting in 41 companies with 123 observations after outlier removal. Financial performance was measured using Return on Assets (ROA), while the independent variables consisted of short-term debt and long-term debt. Firm size was used as a moderating variable and measured by the natural logarithm of total assets. The data were analyzed using panel data regression, supported by descriptive statistics, classical assumption tests, t-tests, F-tests, and the coefficient of determination, as well as interaction testing to examine the moderating effect.

RESULTS AND DISCUSSION

This study analyzed 41 food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2022–2024 period, resulting in a total of 123 observations. Descriptively, the average value of Return on Assets (ROA) was 0.0566 or 5.66%, indicating that the profitability of the sampled companies was still relatively low. The average short-term debt was 0.310, while the average long-term debt was 0.141. Meanwhile, the average firm size was 22.943, indicating that most of the companies in the sample were classified as medium- to large-scale firms.

Table 1. Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max

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Return on Assets (ROA)	123	0,056662	0,09904	-0,22618	0,331943
Short-Term Debt (X1)	123	0,31019	0,174071	0,06219	0,737259
Long-Term Debt (X2)	123	0,141282	0,130517	0,002568	0,492843
Firm Size (Z)	123	22,94299	5,59843	14,41783	31,02314

Source: Processed data using EViews 13, 2026.

The panel data regression model selection indicates that the Fixed Effect Model (FEM) is the most appropriate model. It is evidenced by the Chow test result with a probability of 0.0000 < 0.05 and the Hausman test result of 0.0119 < 0.05, so the Lagrange Multiplier test was not further conducted. Therefore, hypothesis testing in this study was carried out using the Fixed Effect Model (FEM).

Before hypothesis testing was conducted, the model first passed all classical assumption tests. The normality test produced a Jarque-Bera probability value of 0.236499 > 0.05. The multicollinearity test also indicated no serious problem, with VIF values of 1.039 for short-term debt, 1.020 for long-term debt, and 1.027 for firm size. In addition, the model was free from heteroscedasticity, as shown by the Glejser test probability of 0.0924 > 0.05, and it did not exhibit autocorrelation, as indicated by the Breusch-Godfrey probability of 0.3394 > 0.05. These results indicate that the regression model is appropriate for further interpretation.

The simultaneous test results show that short-term debt, long-term debt, and firm size jointly have a significant effect on ROA, with a Prob(F-statistic) value of 0.0000 < 0.05. In addition, the Adjusted R-squared value of 0.9131 indicates that 91.31% of the variation in ROA can be explained by the variables included in the model, while the remaining 8.69% is explained by other factors outside the scope of this study. These findings indicate that the model has a very strong explanatory power.

Partially, short-term debt has a negative and significant effect on ROA, with a t-statistic of -5.57 and a significance value of 0.000. It means that the higher the proportion of short-term debt, the lower the company's financial performance. These results indicate that a high dependence on short-term liabilities tends to increase liquidity pressure and reduce the efficiency of asset utilization. This finding is consistent with Indrati (2023), who states that less prudent management of short-term debt may trigger financial pressure, but it differs from Hermanto (2023), who found a positive effect when short-term debt is managed proportionally.

Furthermore, long-term debt also has a negative and significant effect on ROA, with a t-statistic of -6.26 and a significance value of 0.000. This result indicates that an increase in long-term financing tends to suppress profitability, particularly when higher investment returns do not offset interest expenses. This finding is consistent with Boateng et al. (2022) and Syahzuni (2021), who show that high leverage can weaken a company's financial performance.

In contrast to the two debt variables, firm size does not have a significant effect on ROA. The t-statistic value of 0.79 with a significance level of 0.431 indicates that a larger amount of total assets does not automatically increase a company's profitability. In other words, larger companies are not necessarily more efficient in generating profits if their assets are not managed optimally. This result is consistent with Handayani and Savano (2020), but does not support the findings of Saputri and Febyansyah (2023).

In the moderation test, the interaction between short-term debt and firm size shows a significant result, with a t-statistic of 2.23 and a significance value of 0.028. It means that firm size is able to moderate the effect of short-term debt on ROA. In contrast, the interaction between long-term debt and firm size is not significant, with a t-statistic of -0.48 and a significance value of 0.636,

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indicating that firm size is not able to moderate the effect of long-term debt on ROA. Therefore, firm size only plays a role in the relationship between short-term debt and financial performance, but not in the relationship between long-term debt and financial performance.

Table 2. Summary of Hypothesis Testing Results

Hypothesis	Statement	Prob.	Decision
H1	Short-term debt, long-term debt, and firm size simultaneously affect ROA	0,000	Accepted
H2	Short-term debt has a negative effect on ROA	0,000	Accepted
H3	Long-term debt has a negative effect on ROA	0,000	Accepted
H4a	Firm size moderates the effect of short-term debt on ROA	0,028	Accepted
H4b	Firm size does not moderate the effect of long-term debt on ROA	0,636	Rejected

Source: Adapted from the study's hypothesis testing results.

The Effect of Short-Term Debt on ROA. The results of this study show that short-term debt has a negative and significant effect on ROA, indicating that the higher the proportion of short-term liabilities, the lower the company's ability to generate profit from its assets. This finding confirms that heavy reliance on short-term financing tends to increase liquidity pressure, reduce cash flow flexibility, and ultimately lower corporate profitability. The result supports the argument that short-term debt may indeed support working capital and daily operations, but when used excessively, it creates cash flow pressure that negatively affects ROA. This finding is also consistent with Indrati (2023) and Efemena (2024), but differs from Hermanto (2023), who found that short-term debt may have a positive effect when managed proportionally. Therefore, the effect of short-term debt on financial performance is largely determined by the company's ability to maintain a balance between operational needs and liquidity risk.

The Effect of Long-Term Debt on ROA. Long-term debt was also found to have a negative and significant effect on ROA. This finding indicates that an increase in long-term financing is not necessarily followed by greater asset efficiency or higher profits, particularly when the funds obtained do not generate returns higher than the related interest costs. In this context, interest expenses and long-term repayment commitments become factors that suppress operating profit and weaken profitability (Heykal et al., 2024). This result is consistent with Sharma (2023) and Efemena (2024), who emphasize that high long-term debt tends to reduce ROA. It is also in line with the arguments of Boateng et al. (2022) and Akgun and Memis Karatas (2020) that excessive debt usage may reduce the efficiency of asset utilization and increase cash flow pressure. Therefore, in the food and beverages subsector, long-term financing should be directed more selectively toward productive investments so that it does not instead burden the company's financial performance.

The Effect of Firm Size on Financial Performance. The results of this study indicate that firm size has a positive but insignificant effect on ROA. It means that a larger amount of total assets does not automatically lead to higher profitability. This finding suggests that firm size is not the sole determinant of financial performance, as larger companies may also face greater operational complexity, higher asset management costs, and increased inefficiencies. Although large firms tend to have broader access to financing and better stability, the results of this study show that these advantages are not directly reflected in higher ROA. This finding is consistent with Handayani and Savano (2020), but does not fully support Saputri and Febyansyah (2023), who argue that firm size contributes to better financial conditions. Therefore, the effectiveness of asset utilization remains a more decisive factor than the mere scale of the company.

The Role of Firm Size as a Moderating Variable. The moderation results show that firm size is able to moderate the effect of short-term debt on ROA, but is not able to moderate the effect of

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long-term debt on ROA. This finding indicates that larger companies are more capable of managing liquidity pressure and short-term liabilities because they have broader access to financing, stronger cash management, and better operational capacity. Therefore, the negative impact of short-term debt on ROA can be reduced in larger firms. This result is consistent with Boateng et al. (2022) and Puspitaningtyas (2026), who state that firm size can moderate the relationship between leverage and profitability.

In contrast, for long-term debt, firm size is not proven to be a significant moderator. Interest expenses and long-term obligations create structural pressures that cannot easily be offset merely by a larger asset base. This finding supports Sharma (2023) and Efemena (2024), who show that differences in firm size do not necessarily alter the negative relationship between long-term debt and ROA.

Implications of the Research Findings. Overall, the findings of this study emphasize that a debt-based capital structure in food and beverage manufacturing companies needs to be managed carefully. Excessive short-term debt has the potential to worsen liquidity, while long-term debt that is not directed toward productive investment may suppress profits through interest expenses and asset inefficiency. On the other hand, firm size is only proven to help reduce the pressure of short-term debt, but is not strong enough to overcome the negative impact of long-term debt. Therefore, the practical implication of this study lies in the importance of adopting a more balanced financing policy by considering the company's ability to generate cash flow, the effectiveness of asset utilization, and the financing risks associated with each debt horizon.

CONCLUSION

This study concludes that capital structure plays an important role in influencing the financial performance of food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2022–2024 period. Simultaneously, short-term debt, long-term debt, and firm size affect financial performance as measured by Return on Assets (ROA). Partially, short-term debt and long-term debt are proven to have a negative and significant effect on ROA, indicating that the higher the use of debt-based financing, the lower the company's ability to manage its assets to generate profit. Meanwhile, firm size shows a positive relationship with ROA, but the effect is not statistically significant.

The findings also show that firm size is able to moderate the effect of short-term debt on financial performance by weakening its negative impact. However, firm size is not able to moderate the effect of long-term debt on ROA. These findings indicate that larger firms are relatively more capable of managing short-term liabilities, but are not yet sufficiently effective in reducing the burden and risks arising from the use of long-term debt. Therefore, companies need to implement more prudent and proportionate capital structure policies so that debt usage continues to support asset efficiency and corporate profitability.

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