



The Influence of Capital Structure and Firm Size on Financial Performance

Case Study of Sector Insurance Registered on Indonesia Stock Exchange (BEI) in 2017–2021

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Abstract. This study was conducted aiming to determine the effect of Capital Structure and Firm Size on Finance in financial sector companies in the insurance sub-sector listed on the Indonesia Stock Exchange (IDX) where financial performance is projected using a profitability ratio, which is a ratio to provide a level of management effectiveness of a company represented by Return on Assets (ROA). Capital structure as measured using the Debt to Equity Ratio can be defined as a measure in analyzing financial statements to show the amount of collateral available for creditors and company size seen from the total assets owned by the company. This type of research used is quantitative research. The data used is secondary data, using annual data for the period January 2017 - December 2021, so that a total of 75 data are obtained (15 companies \times 5 years). The analysis used is panel data regression using EVIEWS 10. The results of the F test show that the independent variables Capital Structure and Company Size simultaneously have a significant effect on Return on Assets (ROA). It can be seen that the probability value (F-statistic) is 0.000000 less than 0.05, then Capital Structure and Firm Size (Size) simultaneously have a significant effect on Financial Performance (ROA). The results of the t test show that Capital Structure has a negative and significant effect on Return On Assets (ROA) and Company Size has a positive and insignificant effect on Return On Assets (ROA). The value of the Capital Structure variable has a probability of 0.0039 less than a significant value of 0.05, so the Capital Structure variable has a significant effect on Financial Performance. The coefficient of the Capital Structure variable -0.005878 has a negative effect. The variable value of firm size has a probability of 0.8363, more than a significant value of 0.05, so the variable firm size has no significant effect on financial performance. The coefficient of the variable Firm Size 0.000272 has a positive effect. The determination test (R²) obtained an Adjusted R-Squared value of 0.700595 or 70.0595%. This means that ROA can be explained by the Capital Structure and Company Size (Size) of 70.0595%. While the remaining 29.9405% is influenced by variables outside the study.

Keywords: Capital Structure · Firm Size · Return On Assets (ROA) · Financial Performance

1 Introduction

The financial performance of a company is an important factor in assessing the company in the future. Company performance is a certain measure used by entities to measure success in generating profits. Company performance is the company's ability to explain its operational activities [1]. Several factors that affect the company's financial performance in this study are capital structure and Firm Size.

Capital structure plays a very important role in funding decisions made by financial managers where financial managers are required to be able to choose and use the right capital structure used in order to produce maximum firm value. The capital structure will determine the cost of capital. The cost of capital is the remuneration that must be paid by the company to each party who invests their funds in the company [2]. According to the theory of capital structure, any additional debt when the position of the capital structure is above the optimal capital structure target, will cause a decrease in the value of the company. Various previous researchers have attempted to identify the effect of capital structure on the company's financial performance. However, the results of these studies have not shown consistent results. Things that can explain the inconsistency of these risk results include variations in the types and characteristics of the industry that cause business differences, thereby influencing the composition of the optimal capital structure (Kristianti, 2018).

Firm Size is an indicator of the financial strength of a company. Firm size shows the size of the company through sales and the number of assets owned by the company. In this case, the size of the company can be seen from the total assets owned by the company for the company's operations. The greater the total assets of a company, the greater the size of the company. The greater the total assets, the greater the capital invested, while the more sales, the more the velocity of money in the company. So it can be said that firm size is the size or amount of assets owned by a company [3].

The financial performance report is a description of the financial condition of a company in a certain period. The company's performance can be seen from the annual accountability report. The annual report serves to attract investors to invest in the company. Company management also has the responsibility to manage investor funds so as to provide benefits for investors and to develop the business. Assessment of financial performance can be done through analysis of ratios, including profitability analysis. According to Kasmir (2016:196) the profitability ratio is a ratio to assess the company's ability to seek profit. This ratio also provides a measure of the effectiveness of a company's management [4]. The company's financial performance is measured using Return on Assets (ROA) which is the ability of the average activity to generate earnings before tax (earnings before tax). Return on Assets (ROA) is a ratio that shows the results (return) on the use of company assets in creating net income available to ordinary shareholders with all of their assets [1].

The capital structure measured using the Debt to Equity Ratio can be defined as a measure used in analyzing financial statements to show the amount of guarantees available to creditors [1].

Firm size is seen from the total assets owned by the company that can be used for company operations. If the company has large total assets, the management is more flexible in using the assets in the company. If viewed from the management side, the

convenience it has in controlling the company will increase the value of the company [5].

This research was conducted by looking for data on the Indonesia Stock Exchange (IDX), with a focus on financial sector companies in the insurance sub-sector. The reason for choosing the financial sector is because financial sector service companies are part of the industrial sector whose development is expected in Indonesia, a country with a better economy is a country whose economic sector is growing, the financial sector also has a vital role in the economy of a country, and is very important for economic stability. Micro and macro. Investors are certainly interested in companies that have good future prospects, in this case, have a long life expectancy. Insurance companies are non-bank financial institutions that have a role that is not much different from banks, namely engaged in services provided to the public in overcoming risks that will occur in the future [6].

The financial sector is part of the service companies listed on the Indonesia Stock Exchange with the largest number of companies compared to other categories of companies included in the service sector. Second, financial sector companies have a small PBV value compared to other sectors on the Indonesia Stock Exchange, so the authors are interested in researching financial sector companies. The 2017–2021 period was chosen because it describes the relatively new conditions in the Indonesian capital market. This period is the most recent year that allows the population to be used as a research population regarding the availability and completeness of research data.

Research conducted by [7] with the title “The Influence of Capital Structure, Liquidity, and Company Size on Financial Performance in Manufacturing Companies Listed on the IDX in 2017–2019”. This study aims to examine the effect of capital structure on company financial performance, the effect of liquidity on financial performance, the effect of company size on financial performance. The results of this study indicate that Capital Structure has a negative and significant effect on financial performance, Liquidity has a positive and insignificant effect on financial performance, and Company Size has a negative and significant effect on financial performance. Unlike the research conducted by [8] with the title “Analysis of the Influence of Capital Structure on Financial Performance (Studies on Property and Real Estate Companies Listed on the Indonesia Stock Exchange for the period 2012–2016)”. The purpose of this study was to determine the effect of capital structure on financial performance. The results show that there is an influence positive and significant relationship between capital structure and each dimension, namely Return on Equity (ROE), Sales Growth, and Price Earning Ratio (PER), and there is a significant positive effect between capital structure on financial performance of 6.6%. performed by [9] with the title “The Effect of Capital Structure, Company Size, Revenue Growth, and Loan To Deposit Ratio on Banking Company Performance in Indonesia (Empirical Study of Banking Companies Listed on the Indonesia Stock Exchange Period 2010–2014)”. This study aims to analyze the effect of capital structure, company size, revenue growth, and loan to deposit ratio on company performance. The results showed that the variable capital structure has an effect on company performance, company size has no effect on company performance, income growth has an effect on company performance, and the loan to deposit ratio has no effect on company performance.

This means that research still needs to be done again whether capital structure has a positive and significant effect on financial performance, and whether company size has a positive and significant effect on financial performance.

This study was conducted to prove whether there is an effect of capital structure and firm size on financial performance, especially in the financial sector companies in the insurance sub-sector. Although this research has been done quite a lot, the results of the studies that have been carried out show different results.

2 Literature Review and Frameworks

2.1 Financial Performance

According to Subramanyam, financial performance is a reflection of the company's financial condition based on predetermined objectives, standards and criteria. Financial reports can be used as a tool to measure financial performance in the form of interpretation of financial data that has been successfully collected as the first step in the form of financial statements in order to meet the needs for information from internal and external parties of the company [10].

2.2 Capital Structure

The capital structure is a combination of various components on the right side of the balance sheet, namely debt and equity. When obtaining funding, the company will invest it in various assets that are used to support the company's operational activities, so that the company can generate more profits. Each funding source has its own advantages and disadvantages. Therefore, managers must combine these various sources of funding to obtain an optimal capital structure. The optimal capital structure is a capital structure that can maximize company profits [11].

2.3 Firm Size

Firm Size is one of the variables considered in determining the value of a company. Companies themselves are categorized into two types, namely small-scale companies and large-scale companies. Firm Size is a scale where companies can be classified according to various ways, including total assets, log size, sales, and stock market value. Determination of Firm Size in this study is based on the total assets of the company, because total assets are considered more stable and can better reflect the size of the company [12].

3 Research Methodology

3.1 Types of Research

In this study, the researcher uses a quantitative research type, where the quantitative method is a research method based on the philosophy of positivism, which is used to examine certain populations or samples, which are generally taken randomly, and data

are collected using research instruments, then analyzed randomly. Quantitative/statistical with the aim of testing the established hypothesis. In this study, researchers will take a sample of data on the Indonesia Stock Exchange website for the period 2017–2021, the type of data in this study is time series data or only collected once based on a time series.

3.2 Sampling Design

Population is all objects in research, be it humans, symptoms, values and events become a reference for data with certain qualities and characteristics and are determined by research to be studied and conclusions drawn. While the sample is a source of data in the study which is representative of the characteristics of the entire population.

The sample taken in this research is expected to be a reflection of the population, where the sample is expected to represent the entire existing population.

3.2.1 Population

The population used in this study are all financial sector companies in the insurance sub-sector for the period 2017–2021 which are listed on the Indonesia Stock Exchange.

3.2.2 Sample

The sample selection in this study used the technique used in sampling using the purposive sampling method, with the criteria of companies issuing financial statements ending December 31 for 5 years, namely the 2017–2021 period. Companies that have complete information needed for research purposes.

3.3 Sources and Data Collection Techniques

The data collection technique used is time series data. Where the data is in the form of secondary data, namely data from the annual financial statements in the 2017–2021 observation year.

3.4 Definition of Research Variables

3.4.1 Financial Performance (Y)

Financial performance is an analysis carried out to see how far a company has implemented company rules properly and correctly. In addition, financial performance can be interpreted as achievements achieved by the company in a certain period that reflects the level of soundness of the company. From the above understanding it can be concluded that the company's financial performance is an analysis carried out by the company through its financial statements by assessing the extent to which the company has implemented it in accordance with the rules in achieving good financial performance, which is reflected in the level of soundness of the company in a certain period. In measuring the financial performance of a company, financial ratios are used as a measuring tool. The ratios used in measuring the financial performance of a company can vary. This

happens because it is adjusted to the company's financial condition [8] there are three measures of a company's financial performance that can be analyzed in three groups, which include the profitability ratio represented by ROA, the growth ratio, and the ratio of company size. In this study, financial performance becomes the dependent variable. The company's financial performance is one of the bases for assessing the company's financial condition. Therefore an analysis is needed in the form of financial ratios. The financial statements will report the company's position at a certain point as well as its operations during a period in the past. However, the true value of financial statements lies in the fact that they are to help predict future profits and dividends. [13]. Variable data in the form of ratios that can be obtained from financial reports which can be calculated using the following formula:

$$\text{Return On Asset} = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100\%$$

3.4.2 Capital Structure (X1)

Measurement of capital structure using ratios is used to find out how much funds a company needs through internal funds sourced from company owners, retained earnings, or liquidity in proportion, with external funds sourced from the company's creditors. Capital structure is measured from the ratio of asset management (internal funds) and debt management (external funds). The asset management ratio measures management's ability to manage assets to generate sales. Meanwhile, the debt management ratio measures management's ability to manage its debt to fund investments in its assets. In this study the growth ratio is represented by the Debt to Equity Ratio (DER). This ratio is a ratio that measures the ratio between total debt and equity (equity). It can be said that this ratio shows a comparison between debt and capital. It is very important for a company to measure this ratio, because it relates to the issue of trading on equity which can have a positive or negative effect on the profitability of the company's personal capital [8]. Here's the formula Debt to Assets Ratio (DER):

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}} 100\%$$

3.4.3 Firm Size (X2)

Firm size is a measure of the size of a company which is shown or assessed by total assets, total sales, total profits, tax expenses and others [13]. Firm size is formulated as follows:

$$\text{Firm Size} = \text{Ln ii}(\text{Total Assets})$$

3.5 Data Analysis Method

3.5.1 Descriptive Statistics

Descriptive statistics are used to provide an overview of the variables in the study using statistical techniques to test hypotheses. Descriptive statistics include the average value (mean), minimum value, maximum value, median value, range value, and standard deviation value.

3.5.2 Determination of Panel Data Regression Estimation Model

There are three types of panel data regression estimation models, namely models with Common Effect Models, Fixed Effect Models, and Random Effect Models [14]. The following is an explanation of the three panel data regression estimation models.

3.5.2.1 Common Effect Model

The Common Effect Model is used to test the research model hypotheses regardless of time and data group. In this case, it does not differentiate the year of the parent company of the tested companies. Using the Ordinary Least Square (OLS) method is the simplest and there may be distortion of the actual relationship between independent and dependent variables in a company [14].

3.5.2.2 Fixed Effect Model

The Fixed Effect Model is a model that is used to assume that the behavior of objects or cross sections differs over a certain period of time, in other words, FEM has heterogeneity between subjects and different intercepts. The Fixed Effect Model technique assesses panel data using dummy variables [14].

3.5.2.3 Random Effect Model

The Random Effect Model assumes that there is a time effect that is included in the residual component of the REM model, where the residual is not related to the dependent variable [14].

3.5.3 Stages of Panel Data Regression Analysis

3.5.3.1 Chow Test

This test is used to select the right panel data regression model between the Common Effect Model and the Fixed Effect Model. If the results of this specification test show the probability value of Cross-section Chi-Square $< \alpha$ (0.05) then H_0 is accepted, the Common Effect Model is selected. Conversely, if the Chi-Square Cross-section probability value $> \alpha$ (0.05) then H_a is accepted and the Fixed Effect Model is selected [15].

3.5.3.2 Hausman Test

The Hausman test is used to find out which model is better between the Fixed Effect Model and the Random Effect Model. If the Cross-section Random probability value $> \alpha$ (0.05) then H_0 is accepted, the Random Effect Model is chosen. On the other hand,

if the probability value of Cross-section Random $< \alpha$ (0.05) then H_a is accepted, the Fixed Effect Model is selected [15].

3.5.3.3 Lagrange Multiplier Test

If the results of the Chow test indicate that the selected model is the Common Effect Model and the Hausman test indicates that the Random Effect Model is selected, then a Lagrange Multiple (LM) test is necessary to determine whether the Common Effect Model or Random Effect Model is selected. If the Breush-pagan probability value $> \alpha$ (0.05) then H_0 is accepted so that the model follows the Random Effect Model. Conversely, if the Breush-pagan probability value $< \alpha$ (0.05) then H_a is accepted so that the model follows the Common Effect Model [15].

3.5.4 Classic Assumption Test

3.5.4.1 Normality Test

The normality test has the objective of testing the independent variables and the dependent variable having a normal distribution or not. A good regression model is a normally distributed regression model. In determining the normal distribution, it can be done using the Histogram-Normality Test. The conclusion from the normality test can be seen from the Jarque-Bera value < 2 , then the data is normally distributed. In addition, the normal distribution can also be known if the probability value is > 0.05 [15].

3.5.4.2 Multicollinearity Test

The multicollinearity test is used to test whether the regression model has a correlation between the independent variables or not. The occurrence of multicollinearity can be known if the correlation coefficient between each independent variable has a value > 0.8 [15].

3.5.5 Panel Data Regression Test

Panel data regression analysis is an analysis used to determine the effect of independent variables on the dependent variable using panel data. The following is the statistical equation for panel data regression analysis:

$$Y = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \varepsilon$$

Description:

α = Constant

β_1, β_2 = Coefficient of each Variable

Y = Insurance Company Financial Performance Variables

X_1 = Capital Structure Variables

X_2 = Firm Size Variable

ε = Error Term

i = Cross-section

t = Time-series

3.5.6 Panel Data Regression Test

3.5.6.1 F Test (Simultan)

The f test is used to test the coefficient hypothesis together. The f test is needed to ensure that the selected model is feasible or not to show the effect of the independent variables on the dependent variable. Decision making f test is done if:

- 1) The value of the probability f count $<$ significance level (0.05), then H_0 is rejected and H_a is accepted, which means that the independent variable has a simultaneous effect on the dependent variable.
- 2) The probability value t count $>$ significance level (0.05), then H_0 is accepted and H_a is rejected, which means that the independent variables simultaneously have no effect on the dependent variable [16].

3.5.6.2 T Test (Partial)

The t test is used to test the regression coefficients individually. Decision making t test can be done if:

- 1) The probability value t count $<$ significance level (0.05), then H_0 is rejected and H_a is accepted, which means that the independent variables affect the dependent variable.
- 2) The probability value t count $>$ significance level (0.05), then H_0 is accepted and H_a is rejected, which means the independent variable has no effect on the dependent variable [16].

3.4.6.3 R^2 Test (Coefficient of Determination)

The coefficient of determination describes how much the independent variable is able to explain the dependent variable. A model is said to be good if the coefficient of determination is close to 1 or 100%, and vice versa if the coefficient of determination is close to 0 or 0%, then the model is said to be poor [16].

4 Research Result

4.1 Descriptive Statistics

Based on the descriptive statistical Table 1, the Capital Structure variable (X_1) as an independent variable has an average (mean) of 2.767333, a median value of 2.175000, a maximum value of 9.580000, a minimum value of 0.695000 and a standard deviation of 2.294336. The average value of Firm Size (X_2) as an independent variable has an average (mean) of 27.54967, a median value of 28.82000, a maximum value of 31.19000, a minimum value of 22.08100 and a standard deviation of 3.146440. The average value (mean) of Financial Performance (Y) as the dependent variable is 0.037489, the median value is 0.030000, the maximum value is 0.079000, the minimum value is 0.004000 and the standard deviation value is 0.021755.

Table 1. Descriptive Statistical Results

	Y	X1	X2
Mean	0.037489	2.767333	27.54967
Median	0.030000	2.175000	28.82000
Maximum	0.079000	9.580000	31.19000
Minimum	0.004000	0.695000	22.08100
Std. Dev	0.021755	2.294336	3.146440

Source: Secondary data processed, 2022

Table 2. Common Effect Model Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.060328	0.029306	2.058579	0.0458
X1	-0.003350	0.001400	-2.392369	0.0213
X2	-0.000493	0.001021	-0.482455	0.6320

Source: Secondary data processed, 2022

4.2 Panel Data Regression Model Estimation Test

4.2.1 Common Effect Model

Based on the Table 2, it can be seen that the regression form of the Common Effect Model is:

$$ROA = 0.060328 - 0.003350 \text{ Capital Structure} - 0.000493 \text{ Firm Size}$$

4.2.2 Fixed Effect Model

Based on the Table 3, it can be seen that the Fixed Effect Model regression form is:

$$ROA = 0.056908 - 0.004671 \text{ Capital Structure} - 0.000236 \text{ Firm Size.}$$

Table 3. Results of Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.056908	0.029209	1.948284	0.0581
X1	-0.004671	0.001468	-3.181055	0.0028
X2	-0.000236	0.001043	-0.226073	0.8222

Source: Secondary data processed, 2022

Table 4. Result *Random Effect Model*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.046273	0.035019	1.321341	0.1971
X1	-0.005878	0.001869	-3.145008	0.0039
X2	0.000272	0.001302	0.208540	0.8363

Source: Secondary data processed, 2022

Table 5. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	7.238096	(14,28)	0.0000
Cross-section Chi-square	68.858487	14	0.0000

Source: Secondary data processed, 2022

4.2.3 Random Effect Model

Based on the Table 4, it can be seen that the form of the Random Effect Model regression is:

$$ROA = 0.046273 - 0.005878 \text{ Capital Structure} + 0.000272 \text{ Firm Size.}$$

4.3 Test Panel Data Analysis Requirements

4.3.1 Chow Test

The result of the Table 5 of probability values in the Chi-square cross-section is 0.0000. This means that the probability value is < 0.05 so that a better regression model is the Fixed Effect Model.

4.3.2 Hausman Test

The results of the Table 6 can be seen that the probability value for Cross-section Random is 0.5779. This means that the probability value is > 0.05 , so the better regression model is the Random Effect Model.

Table 6. Hausman Test Result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.096697	2	0.5779

Source: Secondary data processed, 2022

Table 7. Lagrange Multiplier Test Result

Null (no rand. effect)	Cross-section	Period	Both
Alternative	One-sided	One-sided	
Breusch-Pagan	56.53836	1.065800	57.60416
	(0.0000)	(0.3019)	(0.0000)

Source: Secondary data processed, 2022

4.3.3 Lagrange Multiplier Test

The results from the Table 7 can be seen that the probability value for Breusch-Pagan Both is 0.0000. This means that the probability value is < 0.05, so the better regression model is the Random Effect Model.

4.4 Classical Assumption Test

4.4.1 Normality Test

The results from the table can be seen that the Jarque–Bera value is 0.464639 with a probability value of 0.792693, it can be concluded that this research model is normally distributed because the probability value is 0.792693 > 0.05.

4.4.2 Multicollinearity Test

The results from the Table 8 can be seen that the correlation matrix is less than 0.8. This means that in this regression model there is no correlation between the independent variables or there is no multicollinearity problem.

4.5 Panel Data Regression Analysis

Panel data regression analysis in this study was determined using the Random Effect Model because the model was chosen to be the best model. The equations for the panel data regression model in this study are as follows: (Table 9).

$$Y = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \varepsilon$$

Information:
A = Constant

Table 8. Multicollinearity Test Results

	X1	X2
X1	1.000000	-0.197293
X2	-0.197293	1.000000

Source: Secondary data processed, 2022

Table 9. Random Effect Model Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.046273	0.035019	1.321341	0.1971
X1	-0.005878	0.001869	-3.145008	0.0039
X2	0.000272	0.001302	0.208540	0.8363

Source: Secondary data processed, 2022

β_1, β_2 = Coefficient of each Variable

Y= Insurance Company Financial Performance Variable

X_1 = Modal Structure Variable

X_2 = Firm Size Variable

ε = Error Term

i = Cross-section

t = Time-series

ROA = 0.046273 0.005878 Capital Structure + 0.000271 Firm Size + e

The regression equation above can be explained as follows:

- 1) The constant value (α) of 0.046273 states that if the variables of Capital Structure and Firm Size (size), the value is zero (0) then the Financial Performance (ROA) will be 0.046273
- 2) The value of the Capital Structure coefficient is 0.005878 and is negative, meaning that if the value of the Capital Structure variable increases by one unit, the Financial Performance (ROA) will decrease by 0.005878 and vice versa, assuming that the variable value of Company Growth and Firm Size (size) is constant.
- 3) The value of the Company's Growth coefficient is 0.000271 and is positive, meaning that if the value of the Company's Growth variable increases by one unit, the Financial Performance (ROA) will increase by 0.000271 and vice versa, assuming that the value of the Capital Structure and Firm Size variables is constant.

4.6 Hypothesis Testing

4.6.1 F Test

Based on the data above on the Random Effect Model, it can be seen that the probability value (F-statistic) of 0.000000 means less than 0.05, then the Capital Structure and Firm Size (Size) simultaneously have a significant effect on Financial Performance (ROA) (Table 10).

Table 10. F Test Result

Model	F-statistic	Prob. (F-Statistic)	Keterangan
Rando, Effect Model	7.434889	0.000000	Signifikan

Source: Secondary data processed, 2022

Table 11. T Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.046273	0.035019	1.321341	0.1971
X1	-0.005878	0.001869	-3.145008	0.0039
X2	0.000272	0.001302	0.208540	0.8363

Source: Secondary data processed, 2022

Table 12. Coefficient of Determination Test Result (R^2)

Model	R Squared	Adjusted R Squared
Random Effect Model	0.809470	0.700595

Source: Secondary data processed, 2022

4.6.2 T Test

Based on the Table 11, the results of the t-test can be explained as follows:

- The value of the Capital Structure variable has a probability of 0.0039, which means it is less than a significant value of 0.05, so the Capital Structure variable has a significant effect on Financial Performance. The coefficient of the Capital Structure variable -0.005878 has a negative effect. This shows that H1 where Capital Structure has a positive and significant effect on financial performance is rejected.
- The value of the Firm Size variable has a probability of 0.8363, which means that it is more than a significant value of 0.05, so the Firm Size variable has no significant effect on Financial Performance. The coefficient of the Firm Size variable 0.000272 has a positive effect. This shows that H2 where Company Growth has a positive and significant effect on financial performance is rejected.

4.6.3 Coefficient of Determination Test (R^2)

Based on the results above, the Adjusted R-Squared value is 0.700595 or 70.0595%. This means that ROA can be explained by the Capital Structure and Firm Size (Size) of 70,0595%. While the remaining 29,9405% is influenced by variables outside the study (Table 12).

5 Discussion

5.1 Effect of Capital Structure on Financial Performance of Insurance Companies Listed on the Indonesia Stock Exchange in 2017–2021

T test (partial) was conducted to determine the results of testing the first hypothesis (H1). Based on the results of statistical calculations, the t test is known that there is a significant effect of Capital Structure (X1) on ROA (Y). Based on the t-test that has been carried

out, the analysis accepts the hypothesis which states that there is a significant effect of Capital Structure (X1) partially on the ROA (Y) of insurance companies. It is proven by the Capital Structure variable having a probability value of 0.0039 which is smaller than 0.05 which indicates that the Capital Structure variable has a significant effect on financial performance (Return on Assets). The coefficient of the Capital Structure variable -0.005878 means that the capital structure has a negative effect on financial performance. Thus, DER has a significant negative relationship with ROE. Companies with high DER values produce low ROA values, and vice versa. An increase in the proportion of total debt to equity has a negative effect on the effectiveness of equity in generating corporate profits. When the proportion of debt increases, profits will decrease because interest expense arises on debt which results in a reduction in profit and causes the ratio of the rate of return to equity to decrease. Conversely, when the company reduces the proportion of total debt, the interest expense that must be paid by the company is also less, so that the rate of return on equity will increase. This is in line with research [17] which states that capital structure has a negative and significant effect on financial performance in 2012–2016. This study is also in line with research [7] which shows that Capital Structure has a negative and significant effect on financial performance.

5.2 Effect of Firm Size on the Financial Performance of Insurance Companies Listed on the Indonesia Stock Exchange in 2017–2021

T-test (partial) was conducted to determine the results of testing the second hypothesis (H2). Based on the results of the statistical calculation of the t test, it is known that there is an insignificant effect of Firm Size (X2) on ROA (Y). Based on the t-test that has been done, the analysis accepts the hypothesis which states that there is no significant effect of Firm Size (X2) partially on the ROA (Y) of insurance companies. It is proven by Firm Size (X2) which has a probability value of 0.8363, which is greater than 0.05 which indicates that the variable has no significant effect on financial performance (Return on Assets). The coefficient of the variable Firm Size (X2) 0.000272 means that the Firm Size (X2) has a positive effect on financial performance. The size of the company does not necessarily describe having a good performance, a company with a large size does not necessarily have a good work system. This can be due to the large size of the company has not been supported by good management. A large Firm Size cannot be used as a guarantee that the company has good performance. This is in line with research [9] which states that Firm Size has no significant effect on the performance of banking companies in 2010–2014.

6 Conclusion

Based on the results of research on the Effect of Capital Structure and Firm Size on the Company's Financial Performance (Case of Insurance Sub-Sector Financial Sector Companies Listed on the Indonesia Stock Exchange in 2017–2021). Based on the results of data analysis and discussion that has been stated in CHAPTER IV, several conclusions can be drawn, as follows:

- a. Capital Structure and Firm Size stimulants have a significant effect on the company's financial performance (Return on Assets).
- b. Capital structure represented by DER partially has a significant negative effect on financial performance (Return on Assets).
- c. The size of the company partially has no significant positive effect on financial performance (Return on Assets).
- d. Financial Performance (Return On Assets) ROA can be explained by Capital Structure and Firm Size (Size) of 70,0595%. While the remaining 29,9405% is influenced by variables outside the study.

7 Limitations of the Research

Limitations in this study are:

- a. This research was conducted only by taking a period of 5 years, namely from 2017 to 2021, so the data obtained may not reflect the long term.
- b. The selection of independent variables only includes capital structure represented by DER and company size.
- c. The use of financial ratios to measure the financial performance of companies in the insurance sub-sector only uses profitability ratios

8 Suggestions

Based on the conclusions above, the suggestions that can be given to further research are as follows:

- a. Expanding to use other variables that have not been mentioned in this study so that other research results can be obtained.
- b. Expanding the year of observation so that the results obtained can show more accurate predictions.
- c. This research is further developed because in Indonesia there is still a lack of research on insurance companies.
- d. Expanding the use of other financial ratios to measure financial performance.

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