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Profitability and Liquidity as Determinants of Transport-Logistics Firms' Capital Structure

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ABSTRACT

Transportation and logistics companies require substantial funding, as their business operations rely heavily on assets, fleets, and operating expenses. Consequently, decisions regarding the mix of debt and equity financing must be carefully weighed to ensure the company maintains healthy operations. This study aims to examine the impact of profitability and liquidity on the capital structure of transportation and logistics companies listed on the Indonesia Stock Exchange in 2024. A quantitative approach was employed, utilizing secondary data obtained from the companies' annual financial reports via documentation techniques. Profitability was measured using Return on Assets, liquidity using the Current Ratio, and capital structure using the Debt to Equity Ratio. The data were analyzed using multiple linear regression with the aid of SPSS. The results indicate that companies with a greater capacity to generate profit tend to utilize lower levels of debt. A similar trend was observed among companies with stronger liquidity positions, as they are generally better able to meet their funding requirements through internal sources. Overall, profitability and liquidity influence corporate decisions regarding capital structure. These findings suggest that companies tend to prioritize internal funds over debt financing. Future research is recommended to utilize a longer observation period and consider additional factors, such as firm size, asset structure, and business risk.

INTRODUCTION

The increasingly dynamic development of the global economy requires companies to improve financial performance and efficiency in resource management. One of the most important aspects of financial management is the capital structure decision, namely the combination of debt and equity used to finance company operations. Capital structure is crucial because it is directly related to the level of risk and expected return; companies that manage their capital structure optimally will obtain a lower cost of capital and increase firm value, whereas inappropriate decisions can increase the risk of bankruptcy and reduce company performance [1]. In the global context, economic uncertainty such as inflation, supply chain disruption, and geopolitical conflict affects the financial stability of companies. The rise in world oil prices due to international conflict has increased operational costs, particularly in the transportation and logistics sector, which is highly dependent on energy, thereby influencing companies' capital structure decisions [2].

More specifically, the transportation and logistics sector in Indonesia plays a strategic role in supporting national economic growth. This sector serves as the backbone of goods distribution and public mobility, so its growth reflects overall economic activity; sound logistics performance can accelerate delivery processes, reduce transaction costs, and improve operational efficiency across the supply chain [3]. Based on projections from the Indonesian Logistics Association (ALI), Indonesia's supply chain and logistics sector is expected to keep growing in line with the country's stable economic growth of around 5-5.1%, according to 2025 data from the

Central Statistics Agency (BPS). However, this sector has complex and non-uniform business characteristics: some companies are capital-intensive, with large fixed assets such as vehicle fleets, ships, or warehouses requiring high initial investment, while others are asset-light and focus more on digital integration, logistics systems, or supply chain management [4]. In addition, Indonesia's logistics sector generally still faces constraints related to the number, distribution, and capacity of logistics infrastructure and facilities; given Indonesia's geographical characteristics as an archipelagic maritime nation, logistics-connectivity infrastructure development must be directed toward a multimodal transportation system with sea transport as its backbone [3]. These differing characteristics cause capital structure decisions among companies within the same sector to vary considerably, making the topic worth further investigation.

This complexity is reflected in the financial performance data of transportation and logistics companies listed on the Indonesia Stock Exchange (IDX). A study of 19 transportation and logistics companies listed on the IDX found that in 2022 the majority of companies (63%) were still in the "fair" performance zone, reflecting the lingering impact of the 2020-2021 pandemic and global economic turmoil; in 2023 only one company achieved a "very good" performance rating, while nine companies experienced a decline in performance and six remained stagnant [5]. Firm-level data reveal an even sharper disparity: PT Temas Tbk recorded a Return on Assets (ROA) of only 3% in 2019, which rose to 17% in 2021 and 32% in 2022, before falling back to 20% in 2023 due to declining revenue and rising operating costs, whereas PT Adi Sarana Armada Tbk experienced a less encouraging trend, with ROA ranging from 2% in 2019 to only 0.25% in 2023, far below the industry standard of 5.98% [6]. Such significant profitability fluctuation indicates that IDX-listed transportation and logistics companies show high growth opportunities while also facing major challenges in managing their capital structure; rising public demand for transportation and logistics services further drives companies to pursue expansion requiring substantial funding [7], which in turn tends to increase debt use and heighten financial risk.

This condition gives rise to a gap between the ideal condition and the reality observed in the field. Theoretically, an optimal capital structure should balance risk and return while maximizing firm value; however, the phenomenon observed points in the opposite direction. Data on the average Current Ratio (CR) and Debt to Equity Ratio (DER) trends in the transportation and logistics sector sourced from the IDX show that in 2023, when the Current Ratio rose to 152%, the result moved inversely to other performance indicators [8], indicating that companies with high liquidity do not necessarily reduce their reliance on debt. Other research reinforces this finding: capital structure proved more dominant than liquidity in enhancing firm value among transportation and logistics companies on the IDX for the 2020-2024 period, where DER had a positive and significant effect while CR had no significant effect [9]. Meanwhile, the logistics sector shows a different dynamic the pandemic actually triggered a surge in demand for delivery and online shopping services, boosting profitability, yet the simultaneous need for capacity expansion pushed companies to continue relying on substantial debt [10]. This phenomenon is not entirely in line with pecking order theory, which states that companies prioritize internal funding over external funding [11].

At the national level, the dynamics of the Indonesian capital market through the IDX show significant variation in debt trends across sectors. Based on 2021-2023 DER trend data, the financial sector consistently recorded the highest DER, at around 2.1, while other real sectors showed fluctuations influenced by post-pandemic recovery and national monetary policy. The transportation and logistics sector, as the backbone of national goods distribution and mobility, faces unique challenges in maintaining capital balance amid fuel-price fluctuations and the need for massive fleet expansion. Entering 2024, IDX-listed transportation and logistics companies face pressure to renew their assets to meet emission standards and operational efficiency requirements, which triggers substantial funding needs; the central problem then emerges when companies must decide whether such funding should be sourced internally (retained earnings) or externally (debt). Excessive reliance on debt (a high DER) can increase interest expense and reduce net profit, ultimately worsening company performance, whereas a financially healthy company ideally maintains a DER below 100%, indicating its ability to repay debt using its own equity in the event of liquidation.

The field phenomena described above are reinforced by a research gap identified in prior studies. Previous findings on the effect of profitability and liquidity on capital structure remain inconsistent: some studies found that profitability has a negative effect on capital structure because highly profitable companies tend to rely on internal funds [12], while other studies found that profitability has no effect on capital structure among transportation and logistics companies [2]. A similar pattern occurs for liquidity some studies found a negative effect on capital structure, while others found no significant effect at all [13]. This inconsistency is further reinforced by the observation that many transportation and logistics companies with low profitability still carry high levels of debt to finance operations, or, conversely, companies with high liquidity continue to add debt in pursuit of market-expansion momentum. These differing results indicate that the relationship among these variables remains inconclusive and requires further investigation, particularly in the transportation and logistics sector using the most recent period.

This study seeks to close that gap by quantitatively examining the effect of profitability and liquidity on the capital structure of transportation and logistics companies listed on the Indonesia Stock Exchange in 2024. Profitability, measured by Return on Assets (ROA), and liquidity, measured by the Current Ratio (CR), were selected because both are key indicators of a company's financial performance that influence funding decisions and are directly related to pecking order theory. Academically, this study is expected to enrich the literature on the determinants of capital structure, particularly in a sector characterized by high risk and complex business structures, and to re-examine the relevance of pecking order theory in the context of Indonesian transportation and logistics companies. Practically, the findings are expected to serve as a consideration for corporate financial managers in making more effective and efficient funding decisions, as well as an input for investors and policymakers in understanding the financial condition of transportation and logistics companies. Based on this background, the study addresses two research questions: (1) does profitability have a negative and significant effect on the capital structure of transportation and logistics companies listed on the IDX in 2024, and (2) does liquidity have a negative and significant effect on the capital structure of the same companies. Correspondingly, this study aims to analyze the

negative and significant effect of profitability and liquidity on capital structure, and is expected to provide both theoretical enrichment and practical guidance for corporate management, investors, and policymakers in the transportation and logistics sector.

Profitability refers to a company's ability to generate profit from all the resources it possesses over a given period, reflecting the efficiency of asset or capital utilization [14]. In this study, profitability is measured using Return on Assets (ROA), the ratio of net income after tax to total assets, which indicates a company's ability to generate profit from its assets [15]; among IDX-listed transportation and logistics companies, a high ROA indicates that a company is able to optimize its assets to generate profit, thereby minimizing the need for external funding through debt, consistent with the prediction of pecking order theory.

Liquidity refers to a company's ability to meet its short-term obligations in a timely manner; a company is considered liquid when its current assets exceed its current liabilities [16]. In this study, liquidity is measured using the Current Ratio (CR), which compares current assets to current liabilities [17]; among IDX-listed transportation and logistics companies, a high CR indicates that a company has adequate internal funds, so its reliance on debt within its capital structure tends to be lower.

Capital structure refers to the balance between debt and equity that a company seeks to achieve in order to maximize its share price and firm value, forming the most efficient possible financing composition [18]. In this study, capital structure is measured using the Debt to Equity Ratio (DER), the ratio of total debt to total equity; a higher DER indicates that a company relies more heavily on debt than on its own equity to finance its operations, and among transportation and logistics companies listed on the IDX in 2024, this measure is used to assess the extent to which profitability and liquidity influence the company's funding decisions.

The relationship among these variables is grounded in **Pecking Order Theory**, which explains that companies follow a preference hierarchy in choosing their sources of financing based on the level of risk and cost involved, prioritizing internal funding over external funding [19]. This hierarchy begins with retained earnings, followed by debt financing, and lastly equity issuance, reflecting the assumption that internal funds are the cheapest and lowest-risk source of financing compared with external sources [20]. Profitability is closely related to this theory: companies with high profitability tend to use less debt because high earnings increase retained earnings and reduce the need for external financing, implying a negative relationship between profitability and capital structure [20]. This view is reinforced by Priambodo et al. [21], who found that profitability has a negative effect on capital structure; however, empirical findings remain inconsistent, as Yolanda and Nyale [22] found that profitability had no significant partial effect on the capital structure of transportation and logistics companies listed on the IDX for the 2020–2024 period. Liquidity likewise plays an important role in determining capital structure: within the Pecking Order framework, companies with high liquidity possess sufficient internal funds and therefore tend not to rely on debt, implying a negative relationship between liquidity and capital structure [23], a pattern supported by Muna and Kartini [24] and Ambarwati et al. [25]. Within the transportation and logistics sector listed on the IDX, Pecking Order Theory is particularly relevant given the industry's need for large investment alongside considerable revenue uncertainty: companies tend to draw on internal funds first to reduce financial risk, turning to debt only when investment needs exceed available internal funds [20].

Based on this theoretical foundation and the empirical findings described above, the following hypotheses are proposed:

H1: Profitability has a negative and significant effect on the capital structure of transportation and logistics companies listed on the Indonesia Stock Exchange.

H2: Liquidity has a negative and significant effect on the capital structure of transportation and logistics companies listed on the Indonesia Stock Exchange.

METHODS

Research Design

This study employs a quantitative research approach using a verificative method to examine the effect of profitability and liquidity on the capital structure of transportation and logistics companies listed on the Indonesia Stock Exchange (IDX) in 2024. The quantitative approach was chosen because the research data are numerical, derived from companies' annual financial statements, and are subsequently analyzed using statistical techniques to test the research hypotheses.

According to Sugiyono [26], quantitative research is a research method used to examine a particular population or sample through data collection using research instruments and quantitative or statistical data analysis, aimed at testing pre-established hypotheses. The verificative method, meanwhile, is used to test the truth of a theory or hypothesis through the processing of empirical data. This study is also explanatory in nature, meaning it aims to explain the causal relationship between the independent and dependent variables through hypothesis testing. The independent variables in this study are profitability, proxied by Return on Assets (ROA), and liquidity, proxied by the Current Ratio (CR), while the dependent variable is capital structure, proxied by the Debt to Equity Ratio (DER).

Data processing in this study was carried out using multiple linear regression analysis with the assistance of SPSS statistical software. According to Ghozali [27], multiple linear regression is used to determine the direction and magnitude of the effect of two or more independent variables on a single dependent variable, making it appropriate for testing the effect of profitability and liquidity on the capital structure of transportation and logistics companies.

Research Object, Location, and Time

The object of this study is transportation and logistics sector companies listed on the Indonesia Stock Exchange in 2024. This sector was selected based on its industry characteristics, which require relatively large asset investment such as fleets, warehousing,

distribution systems, and other supporting infrastructure a condition that makes the decision to use debt versus equity particularly important in determining the company's capital structure.

The research was conducted indirectly, through the collection of companies' annual financial report data published by the Indonesia Stock Exchange via its official website, www.idx.co.id. No direct company visits were conducted, since all required data are secondary data available in publicly disclosed financial statements. The observation period used is the 2024 fiscal year, selected because it aligns with the research title and reflects the most recent condition of transportation and logistics companies in managing their profitability, liquidity, and capital structure within a single financial reporting period.

Variables and Operational Definitions

This study uses two types of variables: independent variables, which cause change in another variable, and a dependent variable, which is affected by the independent variables. The independent variables are Profitability (X1) and Liquidity (X2); the dependent variable is Capital Structure (Y). Each variable was operationalized using a financial ratio proxy calculated from companies published financial statements, as summarized in Table 1.

Table 1. Operational Definition of Variables

Variable	Definition	Proxy	Formula
Profitability (X1)	The company's ability to generate profit through the utilization of its assets	Return on Assets	$ROA = \frac{\text{Laba bersih setelah pajak}}{\text{Total asset}} \times 100\%$
Liquidity (X2)	The company's ability to meet its short-term obligations using its current assets	Current Ratio	$CR = \frac{\text{Aset Lancar}}{\text{Kewajiban Lancar}}$
Capital Structure (Y)	The company's funding composition sourced from debt and equity	Debt to Equity Ratio	$DER = \frac{\text{Total Utang (liabilitas)}}{\text{Total Ekuitas (Modal)}}$

Source: Researcher's processed data (2026)

Population and Target Population

Population refers to the entire generalization area consisting of objects or subjects possessing certain qualities and characteristics determined by the researcher to be studied and from which conclusions are subsequently drawn [26]. The population of this study consists of all transportation and logistics companies listed on the Indonesia Stock Exchange that actively published annual financial reports during the 2024 research period. Based on IDX data, this population comprises 37 companies in the transportation and logistics sector (IDXTRANS), covering the transportation sub-sector (K1) and the logistics and delivery sub-sector (K2).

This study also uses a target population as the basis for determining the research sample. A target population is the entire unit of analysis that forms the main focus of the study and possesses specific characteristics relevant to the research objective, allowing the findings to be generalized appropriately to that group [28]. Within the scope of this study, the target population corresponds to the same 37 IDXTRANS-listed transportation and logistics companies described above.

Data Types and Sources

The type of data used in this study is quantitative data, namely data in the form of numbers that can be measured and analyzed using statistical methods [26]. The quantitative data in this study consist of figures sourced from the 2024 annual financial statements of transportation and logistics companies listed on the IDX, including net income, total assets, current assets, current liabilities, total debt, and total equity. These figures are subsequently processed to produce the profitability ratio proxied by ROA, the liquidity ratio proxied by CR, and capital structure proxied by DER, for statistical hypothesis testing.

The data source used is secondary data, i.e., data obtained indirectly by the researcher but sourced from other parties who have previously collected and published it [26]. The secondary data in this study consist of the annual reports of transportation and logistics companies listed on the IDX for the 2024 fiscal year, obtained through the official IDX website (www.idx.co.id) and the official websites of the sample companies, comprising net income, total assets, current assets, current liabilities, total debt, and total equity figures used to calculate each sample company's profitability, liquidity, and capital structure ratios.

Data Collection Technique

Data were collected using the documentation technique, i.e., a method of recording, collecting, and studying documents relevant to the research object [26]. The documents used in this study are the 2024 annual reports of transportation and logistics companies listed on the IDX, accessed through the official IDX website (www.idx.co.id) and the respective official websites of the sample companies. The data collected include income statements and statements of financial position (balance sheets) containing information on net income, total assets, current assets, current liabilities, total debt, and total equity, which serve as the basis for calculating the profitability, liquidity, and capital structure variables in this study.

Data Analysis Technique

Data analysis in this study consists of descriptive statistical analysis and inferential statistical analysis using a multiple linear regression approach, employed to test the effect of profitability (ROA) and liquidity (CR) on capital structure (DER) among transportation and logistics companies listed on the IDX in 2024. The analysis proceeds through the following stages.

1. Descriptive Statistics

Descriptive statistics are used to provide a general overview of the characteristics of the research data, including the minimum value, maximum value, mean, and standard deviation of each research variable [27]

2. Classical Assumption Test

Prior to hypothesis testing, a classical assumption test is conducted to ensure that the regression model used satisfies the Best Linear Unbiased Estimator (BLUE) requirements. The classical assumption tests performed are as follows.

- **Normality Test**, intended to examine whether the disturbance or residual variable in the regression model is normally distributed. Normality is tested using the Kolmogorov Smirnov (K-S) test, whereby a significance value greater than 0.05 indicates normally distributed data [27].
- **Multicollinearity Test**, intended to examine whether correlation exists among the independent variables in the regression model; a good regression model should be free of such correlation. This test is conducted by examining the Tolerance and Variance Inflation Factor (VIF) values, where a model is free of multicollinearity if Tolerance > 0.10 and VIF < 10 [27].
- **Heteroscedasticity Test**, intended to examine whether unequal residual variance occurs from one observation to another in the regression model. This test uses the Glejser test, where a significance value greater than 0.05 for each independent variable indicates the absence of heteroscedasticity [27].
- **Autocorrelation Test**, intended to examine whether the linear regression model exhibits correlation between the disturbance error in period t and the disturbance error in period $t-1$. This test uses the Durbin Watson (DW) test, where a DW value between du and $4-du$ indicates the absence of autocorrelation [27].

3. Multiple Linear Regression Analysis.

Multiple linear regression analysis is used to determine the effect of the independent variables on the dependent variable, both simultaneously and partially. The regression equation used in this study is as follows [27]:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon \quad (1)$$

where Y is the dependent variable; α is the constant; β_1 and β_2 are the partial regression coefficients of each independent variable; X_1 is the first independent variable (profitability); X_2 is the second independent variable (liquidity); and ϵ is the error term.

4. Hypothesis Testing

Hypothesis testing in this study is conducted through two stages:

- **Coefficient of Determination Test (R^2)**, used to measure the extent to which the model is able to explain variation in the dependent variable. The R^2 value ranges from 0 to 1, where a value closer to 1 indicates that the independent variables are increasingly able to explain the dependent variable [27].
- **Partial Test (t-Test)**, used to examine whether each independent variable individually (partially) has a significant effect on the dependent variable. The testing criterion is that if the significance value of $t < 0.05$, the independent variable partially has a significant effect on the dependent variable [27].

RESULTS AND DISCUSSION

Descriptive Statistics.

Before proceeding to the regression analysis, the research data were first examined descriptively to obtain a general picture of how profitability, liquidity, and capital structure were distributed among the 37 transportation and logistics companies listed on the Indonesia Stock Exchange in 2024, including the lowest and highest values recorded, the average value, and the extent to which each variable varied across companies; the results of this descriptive analysis are presented in Table 2.

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
X1 ROA	37	-6,4800	9,9800	1,836703	3,9927290
X2 CR	37	,0500	3,3000	1,302279	,9247302
Y DER	37	15,0000	77,7700	41,503910	20,9972581
Valid N (listwise)	37				

Source: secondary data processed with SPSS.

The mean ROA of 1.837 (SD = 3.993) indicates that profitability among the sample companies is, on average, relatively low and highly dispersed, ranging from a loss of 6.48% to a profit of 9.98% of total assets. The mean CR of 1.302 (SD = 0.925) indicates that, on average, current assets exceed current liabilities by roughly 30%, though liquidity ranges widely from a critical 0.05 to a comfortable 3.30. The mean DER of 41.504 (SD = 20.997) indicates a moderate average reliance on debt relative to equity, with values ranging from 15.00 to 77.77 all remaining below the 100% threshold commonly used as an indicator of a financially healthy capital structure.

Classical Assumption Test Results

Normality.

Before the regression model could be used to test the research hypotheses, the residuals of the model were first examined to determine whether they followed a normal distribution, since this assumption underlies the validity of the subsequent significance testing; this examination was carried out using the One-Sample Kolmogorov–Smirnov test, which compares the distribution of the observed residuals against the distribution that would be expected under a normal curve, with the results presented in Table 3.

Table 3. Normality Test Results (Kolmogorov–Smirnov)

One-Sample Kolmogorov-Smirnov Test			
N			37
Normal Parameters ^{a,b}	Mean		,0000000
	Std. Deviation		16,89435864
Most Extreme Differences	Absolute		,071
	Positive		,064
	Negative		-,071
Test Statistic			,071
Asymp. Sig. (2-tailed) ^c			,200 ^d
Monte Carlo Sig. (2-tailed) ^e	Sig.		,913
		99% Confidence Interval Lower Bound	,906
		Upper Bound	,920

Source: secondary data processed with SPSS.

The Kolmogorov Smirnov test statistic (D) of 0.071 represents the largest absolute deviation between the observed cumulative distribution of the regression residuals and the cumulative distribution expected under a normal curve; a small value close to zero, as found here, indicates that the two distributions are closely aligned. This is further reflected in the balanced positive (0.064) and negative (-0.071) extreme differences, which show no strong one-sided skew in either direction. The Asymp. Sig. (2-tailed) value of 0.200 exceeds the 0.05 threshold, indicating that the residuals are normally distributed; because this asymptotic value is a Lilliefors-corrected lower-bound estimate, which can be conservative for a relatively small sample such as this one (n = 37), it is further corroborated by the Monte Carlo Sig. (2-tailed) value of 0.913, obtained through simulation and considered a more precise estimate for smaller samples. Since both the asymptotic and Monte Carlo significance values comfortably exceed 0.05, the regression model can be concluded to satisfy the normality assumption required before proceeding to hypothesis testing (Ghozali, 2021).

Multicollinearity.

The regression model was next examined to determine whether the two independent variables, profitability and liquidity, were strongly correlated with one another, since a high degree of overlap between predictors can distort the estimated coefficients and make it difficult to isolate the individual effect of each variable on capital structure; this examination was carried out by inspecting the Tolerance and Variance Inflation Factor (VIF) values for each variable, with the results presented in Table 4.

Table 4. Multicollinearity Test Results

Variable	Tolerance	Criterion	VIF	Criterion	Conclusion
X1 – ROA	0.984	> 0.10	1.017	< 10	No multicollinearity
X2 – CR	0.984	> 0.10	1.017	< 10	No multicollinearity

Source: secondary data processed with SPSS.

Both independent variables produced Tolerance values well above 0.10 and VIF values well below 10, indicating that profitability and liquidity are not strongly correlated with one another and can both be reliably retained in the regression model (Ghozali, 2021).

Heteroscedasticity

The model was then examined to determine whether the size of the prediction errors remained consistent across observations or instead tended to grow or shrink systematically as the value of profitability or liquidity changed, since such a pattern would indicate that the model is less reliable at certain ranges of the data; this examination was carried out using the Glejser test, which regresses the absolute value of the residuals on the independent variables, with the results presented in Table 5.

Table 5. Heteroscedasticity Test Results (Glejser)

Variable	B	Std.Error	t	Sig.
(Constant)	17.766	2.834	6.270	0.000
X1-ROA	-0.011	0.411	-0.026	0.979
X2-CR	-3.292	1.1773	-1.857	0.072

Source: secondary data processed with SPSS.

The significance values for ROA (0.979) and CR (0.072) both exceed 0.05, indicating that the model is free from heteroscedasticity and that residual variance is constant across observations (Ghozali, 2021).

Autocorrelation

Finally, the model was examined to determine whether the disturbance error associated with one observation was systematically related to the disturbance error of a neighboring observation, since such a dependency would violate the assumption of independent

residuals underlying the regression estimates; this examination was carried out using the Durbin–Watson test, with the results presented in Table 6.

Table 6. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	0.594	0.353	0.315	17.384	2.119

Source: secondary data processed with SPSS.

The Durbin Watson value of 2.119 lies close to the ideal reference value of 2 and falls within the accepted range between du and $4-du$ as specified in Chapter 3, indicating that the regression model is free from autocorrelation (Ghozali, 2021).

Multiple Linear Regression Results

Having confirmed that the regression model satisfies all four classical assumptions, multiple linear regression analysis was then conducted to determine the direction and magnitude of the joint and partial effects of profitability and liquidity on capital structure, with the results presented in Table 7.

Table 7. Multiple Linear Regression Results

Variable	B	Std. Error	t	Sig.
(Constant)	57.153	5.049	11.321	0.000
X1-ROA	-2.043	0.732	-2.792	0.009
X2-CR	-9.135	3.159	-2.892	0.007

Source: secondary data processed with SPSS.

Based on Table 7, the resulting regression equation is:

$$Y = 57.153 - 2.043X_1 - 9.135X_2 \quad (2)$$

This equation indicates that if profitability and liquidity were both zero, the predicted capital structure (DER) would be 57.153. The coefficient for ROA (-2.043) indicates that, holding liquidity constant, each one-percentage-point increase in profitability is associated with a 2.043-unit decrease in DER. The coefficient for CR (-9.135) the larger of the two indicates that, holding profitability constant, each one-unit increase in liquidity is associated with a 9.135-unit decrease in DER, suggesting that liquidity exerts a stronger influence on capital structure than profitability does within this sample.

Hypothesis Testing

Partial t-test

To determine whether each independent variable individually has a statistically meaningful effect on capital structure, a partial t-test was conducted for both profitability and liquidity, with the results used to evaluate Hypotheses 1 and 2 presented in Table 8.

Table 8. Partial t-Test Results

Variable	B	t	Sig.	Decision
X1-ROA	-2.043	-2.792	0.009	H1 accepted
X2-CR	-9.135	-2.892	0.007	H2 accepted

Source: secondary data processed with SPSS.

For profitability, the significance value (0.009) is below the 0.05 threshold and the coefficient is negative, indicating that profitability has a negative and significant partial effect on capital structure; **H1 is accepted**. For liquidity, the significance value (0.007) is likewise below 0.05 with a negative coefficient, indicating that liquidity has a negative and significant partial effect on capital structure; **H2 is accepted**.

Coefficient of determination.

Beyond assessing each variable individually, the model was also evaluated to determine how much of the overall variation in capital structure could be explained jointly by profitability and liquidity together, with the results presented in Table 9.

Table 9. Model Summary (Coefficient of Determination)

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.594	0.353	0.315	17.384

Source: secondary data processed with SPSS.

The R Square value of 0.353 indicates that profitability and liquidity jointly explain 35.3% of the variation in capital structure among the sample companies (31.5% after adjustment), while the remaining 64.7% is explained by factors outside this model, such as company size, asset structure, business risk, and growth opportunity.

Discussion

The finding that profitability has a negative and significant effect on capital structure is consistent with Pecking Order Theory, which holds that companies with higher profitability generate more retained earnings and therefore rely less on external debt [20]. This result aligns with Priambodo et al. [21], who similarly found a negative effect of profitability on capital structure. However, it contrasts with two studies conducted specifically on the same sector Rohiman and Ramli [2] and Yolanda and Nyale [22] both of which found that profitability had no significant partial effect on the capital structure of IDX-listed transportation and logistics companies. This divergence suggests that the profitability capital structure relationship in this sector may be sensitive to the specific sample period and

company composition observed, reinforcing the importance of re-testing this relationship using the most recent data, as done in this study.

The finding that liquidity has a negative and significant effect on capital structure is likewise consistent with Pecking Order Theory, under which companies with greater liquid resources have less need to rely on debt [20], and is supported by [24] and Ambarwati et al. [25], who found comparable negative and significant effects of liquidity on capital structure. This result differs, however, from Infantri [13], who found no significant effect of liquidity on capital structure, indicating that empirical findings on this relationship remain mixed across contexts and periods.

Jointly, the R^2 of 0.353 indicates that, while both profitability and liquidity are statistically meaningful and theoretically grounded predictors of capital structure, the majority of variation in how transportation and logistics companies structure their financing is driven by factors beyond these two variables. Theoretically, this study reinforces the relevance of Pecking Order Theory in explaining financing behavior within Indonesia's transportation and logistics sector, while also highlighting that its explanatory power in this sector is only partial. Practically, the results suggest that corporate financial managers seeking to maintain a more conservative capital structure should pay particular attention to short-term liquidity management, given its comparatively larger effect, while also continuing to strengthen profitability as a secondary lever; for investors, both profitability and liquidity ratios remain informative though not exhaustive indicators of how conservatively a transportation and logistics company is likely to be financed.

CONCLUSIONS

This study concludes that profitability has a negative and significant effect on the capital structure of transportation and logistics companies listed on the Indonesia Stock Exchange in 2024: companies that generate higher returns on their assets tend to rely less on debt, consistent with the Pecking Order Theory prediction that profitable companies prefer internal funding over external borrowing. Liquidity likewise has a negative and significant effect on capital structure, and its influence is considerably stronger than that of profitability companies with a larger cushion of current assets relative to current liabilities tend to carry substantially lower debt levels. Jointly, profitability and liquidity explain 35.3% of the variation in capital structure among the sample companies, confirming that while both factors are meaningful and theoretically grounded predictors, the majority of what shapes financing decisions in this sector originates from factors beyond these two variables. Future research is encouraged to incorporate additional variables such as company size, asset structure, business risk, or growth opportunity and to extend the observation period beyond a single fiscal year, in order to build a more comprehensive understanding of capital structure decisions among Indonesia's transportation and logistics companies.

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