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Does Capital Structure and Ownership Structure Affect Financial Performance?

(Empirical Study of Non-Financial Companies Listed on the Indonesia Stock Exchange for the 2020-2021 Period)

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Abstract: *This study aims to examine the effect of capital structure and ownership structure on financial performance through the company's annual report. Based on agency theory, this research examines the effect of ownership structure (majority ownership, managerial ownership, institutional ownership, foreign ownership, and public ownership).The population in this study are non-financial companies listed on the Indonesia Stock Exchange (IDX) in 2020-2021. The sampling technique in this study used a purposive sampling method and obtained 375 companies. This research is a quantitative study using multiple linear regression analysis using SPSS software.The results of the research analysis show that capital structure has an effect on ROA and ROE, majority ownership has an effect on ROA and has no effect on ROE, managerial ownership has no effect on ROA and ROE, institutional ownership has no effect on ROA and ROE, foreign ownership has had an effect on ROA and ROE, and public ownership has no effect on ROA and ROE.*

Keywords: Capital Structure, Ownership Structure, Agency Theory, Return on Assets, and Return on Equity.

I. Introduction

In the current era of globalization, business competition between countries is getting tougher. The emergence of new competitors makes many companies unable to maintain their position. The company has a goal to maximize profits and provide welfare to shareholders. This goal can be achieved through increasing the company's stock price. By increasing the value of the company's shares, it can increase the confidence of investors to invest in the company. In this case, companies can adjust capital structure decisions to the level of risk they face in achieving their goals.

Capital structure is defined as the company's liabilities (long-term debt and short-term debt) and equity (common stock, preferred stock and retained earnings). The capital structure is created by the management team to maximize company value and performance [1]. In addition, what influences the development of the company is the share ownership structure which can also affect the company's performance in achieving company goals in maximizing company value [2].

In addition to the capital structure, the share ownership structure in a company which includes owner ownership, ownership, managerial ownership, and share ownership by individuals or the public, foreign ownership [3]. The ownership structure in several studies has a great impact on company performance. In this analysis, shareholders operate against managers, while it is major shareholders who exert pressure on managers and influence their behavior. therefore, the financial performance of a company must also be considered [4].

Not only the capital structure and ownership structure, firm age can also affect the company's financial performance. Firm age shows that the company is able to compete and survive in a market that reflects high company performance because of the existence of companies that still exist today. Firm age increases, the

experience of the company is also better than before. In other words, firm age gets better than the previous year[5].

Financial performance describes the condition of a company which is analyzed through financial analysis tools that can be used to determine whether a company's financial condition is good or bad which can then describe a company's performance. To attract investors, the company must create good financial performance, so that the information in the financial statements will get a positive reaction from investors [6].

II. LITERATURE REVIEW

2.1 Agency Theory

Agency theory states that there is a conflict of interest that arises between shareholders (owners) and company managers (agents) where company managers may be able to increase welfare at the expense of share interests. Capital structure is influenced by various factors, one of which is the presence of creditors can reduce agency problems that occur between principals and agents because before the corporation has debt there are only two interests, namely the interests of the principal and the interests of the agent, but after having debt there are three interests, namely the principal, agent and creditor[7]. To reduce agency conflict, the company will reduce the debt to equity ratio (DER). Capital structure by proxy DER has a positive effect on financial performance by proxy Return on Asset (ROA) and Return on Equity (ROE)[8]. In agency theory, the ownership structure is a mechanism for reducing conflicts of interest between managers and shareholders. The existence of ownership structures such as majority ownership, managerial ownership, institutional ownership, foreign ownership, and public ownership will encourage an increase in more optimal supervision [9]. The ownership structure has the ability to influence the running of the company which can affect financial performance. Companies with ownership have several advantages, including majority shareholders (insiders) have the power and incentives to supervise management more closely, so as to minimize mismanagement and fraud. Ownership has a positive effect on financial performance using ROA and ROE proxies [8].

2.2 Stakeholder Theory

In the stakeholder theory explained by Freeman (1984:46), namely "Stakeholders as any group or individual who is affected by or can affect the achievement of an organization's objectives". Stakeholder theory aims to strengthen the relationship between external groups of companies such as employees, society, government. The responsibility of a company which initially only provides benefits to company owners and to employees who help ensure survival is increasing in the form of stakeholders because stakeholders help the company in funding company activities, so that within the company it is not only the company's internal parties who benefit or feel the benefits, the stakeholders must get benefits [10].

2.3 Hypothesis and Research Framework

2.3.1 Ownership Structure on Financial Performance

The ownership structure used includes majority ownership, managerial ownership, institutional ownership, foreign ownership and public ownership. The greater the ownership by the institution, the greater the voice power and encouragement of the institution to oversee management. Several studies state that companies with concentrated ownership have several advantages, including majority shareholders. Several studies also show that the effect of ownership structure on the company's financial performance is significant. Elvin and Hamid (2015); Zakariadkk (2014) said that concentrated ownership has a positive effect on financial performance by proxy for ROA and ROE [11].

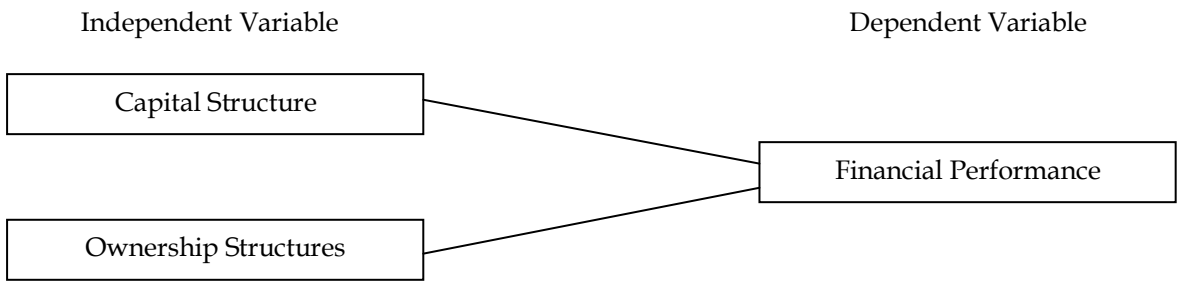
H1: *Majority ownership has a positive effect on ROA and ROE.*
H2: *Managerial ownership has a positive effect on ROA and ROE.*
H3: *Institutional ownership has a positive effect on ROA and ROE.*
H4 :*Foreign ownership has a positive effect on ROA and ROE.*
H5: *Public ownership has a positive effect on ROA and ROE.*

2.3.2 Capital Structure on Financial Performance

In agency theory, the existence of debt causes supervision to be more guarded because it involves creditors as parties who have an interest in the progress of the company because creditors are parties who have an interest in the progress of the company because creditors are creditors. A planned capital structure will make the company more careful in managing finances, therefore good performance is needed so that the capital structure can be maintained. Measurement of capital structure by DER proxies has a positive effect on financial performance by ROA and ROE proxies [12].

H6: *Capital structure has a positive effect on ROA and ROE.*

The explanation of the research concept above can be described as follows:



III. RESEARCH METHODOLOGY

3.1. Population and Sample

The population in this study are non-financial companies listed on the Indonesia Stock Exchange (IDX) for 2020-2021, a total of 576 companies. The method used to take samples was purposive sampling so that a sample of 374 companies was obtained for two periods. For ROA measurements using outlier data into 335 sample companies used, while for ROE measurements using outlier data into 305 sample companies used.

3.2. Data Collection Technique

This type of research is quantitative research, the type of data used in this research is secondary data. The data used in this study is data in the form of annual financial reports of non-financial companies listed on the Indonesia Stock Exchange in 2020-2021. These data were taken from the official website Sahamok.net and the official website of the Indonesia Stock Exchange at www.idx.co.id in the form of financial reports for 2020-2021.

3.3. Multiple Linear Regression Analysis

The method used in this study is to use multiple linear regression analysis to examine the relationship between one dependent variable and several independent variables. The regression model used in this study is as follows:

a) **$Y1\ ROA = \alpha + \beta1SMY + \beta2SMJ + \beta3SIN + \beta4SA + \beta5SP + \beta6DER + \beta7AGE + e$**

b) **$Y2\ ROE = \alpha + \beta1SMY + \beta2SMJ + \beta3SIN + \beta4SA + \beta5SP + \beta6DER + \beta7AGE + e$**

Information :

Y1 = Variable with ROA measurement
Y2 = Variable with ROE measurement
α = constant regression equation
β = Regression coefficient
SMY = Majority ownership
SMJ = Management ownership
SIN = Institutional ownership

SA = Foreign ownership
SP = Public ownership
AGE = Firm age
DER = Capital Structure
e = Confounding factor

3.4. Financial Performance

This study uses two measurements, namely Return on Assets (ROA) and Return on Equity (ROE), so that it will produce two different regression results.

3.4.1. Return on Asset

Return on Asset (ROA) is calculated using the net profit after tax owned by a company compared to the company's total assets [14]. Mathematically the ROA calculation is formulated as follows :

$$\textbf{ROA} = \frac{Net\ profit\ after\ tax}{Total\ Asset}$$

3.4.2. Return on Equity

Return on Equity (ROE) is calculated using the company's net profit after tax compared to the company's total equity [14]. Mathematically the calculation is formulated as follows :

$$\textbf{ROE} = \frac{Net\ profit\ after\ tax}{Total\ Equity}$$

3.5. Capital Structure

Capital structure is measured using the Debt to Equity Ratio (DER) by comparing the company's total debt to the company's total equity [8], with the following formula :

$$\textbf{DER} = \frac{Total\ Debt}{Total\ Equity}$$

3.6. Ownership Structures

3.6.1. Majority Ownership

Majority ownership is measured using the number of company shares owned by the majority shareholder compared to the number of outstanding shares in the company under study [8]. So it can be formulated as follows:

$$\textbf{SMY} = \frac{Number\ of\ shares\ owned\ by\ the\ majority\ shareholder}{Total\ number\ of\ company\ shares\ outstanding}$$

3.6.2. Management Ownership

Managerial ownership is measured using the number of company shares owned by managers, namely the board of commissioners and directors compared to the number of outstanding shares in the company under study [8]. So that the following formula can be obtained:

$$\textbf{SMJ} = \frac{Number\ of\ shares\ owned\ by\ the\ board\ of\ commissioners\ and\ directors}{Total\ number\ of\ company\ shares\ outstanding}$$

3.6.3. Institutional Ownership

Institutional ownership is calculated through the number of company shares owned by institutions, namely domestic limited liability companies (PT) compared to the number of shares outstanding in the companies studied [8]. So that the following formula can be obtained:

$$\textbf{SIN} = \frac{Number\ of\ shares\ owned\ by\ the\ institution}{Total\ number\ of\ company\ shares\ outstanding}$$

3.6.4. Foreign Ownership

Foreign ownership is calculated by the number of company shares owned by foreigners, namely individuals and foreign business entities, compared to the number of outstanding shares in the company under study [8]. So that the following formula can be obtained:

$$\textbf{SA} = \frac{\textit{Number of shares owned by foreign companies}}{\textit{Total number of company shares outstanding}}$$

3.6.5. Public Ownership

Public ownership is expressed through the number of company shares owned by the public. The greater the amount owned by the public, it indicates that the public ownership is greater [8]. So that the following formula can be obtained:

$$\textbf{SP} = \frac{\textit{Number of shares owned by the public}}{\textit{Total number of company shares outstanding}}$$

3.7. Firm Age

Firm age is calculated since the company made an Initial Public Offering (IPO) [13]. Firm age can be calculated from the time the company was founded until the year of observation, using the following formula:

LIST : Year of establishment – Year of observation

IV. Data Analysis and Discussion

4.1. Descriptive Statistical Analysis

4.1.1. Return on Asset (ROA)

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	335	0,0001	0,4071	0,068480	0,0705402
Majority ownership	335	0,0000	0,9831	0,434391	0,2769408
Management ownership	335	0,0000	0,4547	0,045175	0,0950972
Institutional ownership	335	0,0000	2,0021	0,414070	0,4019402
Foreign ownership	335	0,0000	1,0735	0,201168	0,2828659
Public ownership	335	0,0000	0,7132	0,230611	0,1714731
DER	335	0,0069	3,6878	0,880699	0,77470993
Firm age	335	6	115	36,24	19,157
Valid N (Listwise)	335				

Source: Secondary data processed by the author, 2023

Based on the results of the descriptive statistical test presented in table 1, it shows that the number of samples (N) is 335 company data for 2020-2021. The dependent variable, namely ROA, has the lowest value of 0.0001 and the highest value of 0.4071 with an average of 0.880699 and a standard deviation of 0.0705402. So it can be said that the research data is less varied because the standard deviation value is smaller than the average value.

Based on the results of the descriptive statistical test, the independent variable, namely majority ownership, has the lowest value of 0.0000 and the highest value of 0.9831 with an average of 0.434391 and a standard deviation of 0.2769408, managerial ownership has the lowest value of 0.0000 and the highest value of 0. 4547 with an average of 0.045175 and a standard deviation of 0.0950972, institutional ownership has the lowest value of 0.0000 and the highest value of 2.0021 with an average of 0.414070 and a standard deviation of 0.4019402, foreign ownership has the lowest value of 0, 0000 and the highest value is 1.0735 with an average of 0.201168 and a standard deviation of 0.2828659, public ownership has the lowest value of 0.0000 and the highest value of 0.7132 with an average of 0230611 and a standard deviation of 0.1714731. The

capital structure has the lowest value of 0.0069 and the highest value of 3.6878 with an average of 0.880699 and a standard deviation of 0.7470993. Firm age as a control variable has the lowest value of 6 and the highest value of 115 with an average of 36.24 and a standard deviation of 19.157.

4.1.2. Return on Equity (ROE)

Table 2. Statistic Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	305	0,0003	0,6058	0,130032	0,1258657
Majority ownership	305	0,0000	0,9831	0,440109	0,2737838
Managerial ownership	305	0,0000	0,3880	0,033332	0,0689008
Institutional ownership	305	0,0000	2,0021	0,417568	0,4046843
Foreign ownership	305	0,0000	1,0735	0,203533	0,2859871
Public ownership	305	0,0000	0,7132	0,230522	0,1739103
DER	305	0,0069	3,6878	0,914205	0,7351123
Firm age	305	6	115	36,33	19,212
Valid N (Listwise)	305				

Source: Secondary data processed by the author, 2023

Based on the results of the descriptive statistical test presented in table 1, it shows that the number of samples (N) is 305 company data for 2020-2021. The dependent variable, namely ROE, has the lowest value of 0.0003 and the highest value of 0.6058 with an average of 0.914205 and a standard deviation of 0.7351123. So it can be said that the research data is less varied because the standard deviation value is smaller than the average value.

Based on the results of the descriptive statistical test, the independent variable, namely majority ownership, has the lowest value of 0.0000 and the highest value of 0.9831 with an average of 0.440109 and a standard deviation of 0.2737838, managerial ownership has the lowest value of 0.0000 and the highest value of 0. 3880 with an average of 0.033332 and a standard deviation of 0.0689008, institutional ownership has the lowest value of 0.0000 and the highest value of 2.0021 with an average of 0.417568 and a standard deviation of 0.4046843, foreign ownership has the lowest value of 0, 0000 and the highest value is 1.0735 with an average of 0.203533 and a standard deviation of 0.2859871, public ownership has the lowest value of 0.0000 and the highest value of 0.7132 with an average of 0.230522 and a standard deviation of 0.1739103. The capital structure has the lowest value of 0.0069 and the highest value of 3.6878 with an average of 0.914205 and a standard deviation of 0.7351123. Firm age as a control variable has the lowest value of 6 and the highest value of 115 with an average of 36.33 and a standard deviation of 19.212.

4.2. Classic Assumption Test

4.2.1. Normality Test

a. Return on Asset (ROA)

Table 3. Normality Test

		Unstandardized Residual
N		335
Normal Parameters	Mean	0,0000000
	Std. Deviation	0,06694047
Most Extreme Differences	Absolute	0,179
	Positive	0,179
	Negative	-0,179
Test Statistic		0,179
Asymp. Sig. (2-tailed)		0,000

Source: Secondary data processed by the author, 2023

The results of the normality test with the Kolmogrof-Smirnov can be seen that the significance value is 0.000 <0.05, it can be concluded that the data is not normally distributed. If the normality test gives the result that what is used in this study is not normally distributed, then the Central Limit Theorem assumption can be used, namely if the amount of research data is quite a lot (n> 30), then the assumption of normality can be ignored.

b. Return on Equity (ROE)

Table 4. Normality Test

		Unstandardized Residual
N		305
Normal Parameters	Mean	0,0000000
	Std. Deviation	0,11789404
Most Extreme Differences	Absolute	0,157
	Positive	0,157
	Negative	-0,106
Test Statistic		0,157
Asymp. Sig. (2-tailed)		0,000

Source: Secondary data processed by the author, 2023

The results of the normality test with the Kolmogrof-Smirnov can be seen that the significance value is 0.000 <0.05, it can be concluded that the data is not normally distributed. If the normality test gives the result that what is used in this study is not normally distributed, then the Central Limit Theorem assumption can be used, namely if the amount of research data is quite a lot (n> 30), then the assumption of normality can be ignored.

4.2.2. Multicollinearity Test

a. Return on Asset (ROA)

Table 5. Multicollinearity Test Results

Variables	Colinearity Statistics		Information
	tolerance	VIF	
Majority ownership	0,747	1,339	There is No Multicollinearity
Managerial ownership	0,851	1,175	There is No Multicollinearity
Institutional ownership	0,900	1,111	There is No Multicollinearity
Foreign ownership	0,793	1,261	There is No Multicollinearity
Public ownership	0,935	1,070	There is No Multicollinearity
DER	0,947	1,056	There is No Multicollinearity
Firm age	0,966	1,035	There is No Multicollinearity

Source: Secondary data processed by the author, 2023

The results of the multicollinearity test can be concluded that the tolerance value of all independent variables is >0.10 and seen from the VIF values of all variables it shows a value of <10. So in this study there is no multicollinearity between variables in the regression model.

b. Return on Equity (ROE)

Table 6. Multicollinearity Test Results

Variables	Colinearity Statistics		Information
	tolerance	VIF	
Majority ownership	0,751	1,332	There is No Multicollinearity
Managerial ownership	0,912	1,096	There is No Multicollinearity
Institutional ownership	0,924	1,083	There is No Multicollinearity
Foreign ownership	0,788	1,269	There is No Multicollinearity
Public ownership	0,931	1,075	There is No Multicollinearity
DER	0,970	1,013	There is No Multicollinearity
Firm age	0,986	1,014	There is No Multicollinearity

Source: Secondary data processed by the author, 2023

The results of the multicollinearity test can be concluded that the tolerance value of all independent variables is >0.10 and seen from the VIF values of all variables it shows a value of <10. So in this study there is no multicollinearity between variables in the regression model.

4.2.3. Heteroscedasticity Test

a. Return on Asset (ROA)

Table 7. Heteroscedasticity Test Results

	Variable	Sig (2-tailed)	Information
Spearman rho	Majority ownership	0,749	There is No Heteroscedasticity
	Managerial ownership	0,056	There is No Heteroscedasticity
	Institutional ownership	0,227	There is No Heteroscedasticity
	Foreign ownership	0,124	There is No Heteroscedasticity
	Public ownership	0,398	There is No Heteroscedasticity
	DER	0,323	There is No Heteroscedasticity
	Firm age	0,948	There is No Heteroscedasticity

Source: Secondary data processed by the author, 2023

The results of the heteroscedasticity test with Spearman's rho can be seen in the table above that the significance value of the independent variable is > 0.005, meaning that heteroscedasticity does not occur.

b. Return on Equity (ROE)

Table 8. Heteroscedasticity Test Results

	Variable	Sig (2-tailed)	Information
Spearman rho	Majority ownership	0,797	There is No Heteroscedasticity
	Managerial ownership	0,168	There is No Heteroscedasticity
	Institutional ownership	0,748	There is No Heteroscedasticity
	Foreign ownership	0,055	There is No Heteroscedasticity
	Public ownership	0,247	There is No Heteroscedasticity
	DER	0,934	There is No Heteroscedasticity
	Firm age	0,402	There is No Heteroscedasticity

Source: Secondary data processed by the author, 2023

The results of the heteroscedasticity test with Spearman's rho can be seen in the table above that the significance value of the independent variable is > 0.005, meaning that heteroscedasticity does not occur.

4.2.4. Autocorrelation Test

a. Return on Asset (ROA)

Table 9. Autocorrelation Test Results

	Sig (2-Tailed)
Durbin-Watson	1,717

Source: Secondary data processed by the author, 2023

From the table above, if you look at the Durbin-Watson output values above, the data does not experience autocorrelation because the DW value is between -2 to +2.

b. Return on Equity (ROE)

Table 10. Autocorrelation Test Results

	Sig (2-Tailed)
Durbin-Watson	1,846

Source: Secondary data processed by the author, 2023

From the table above, if you look at the Durbin-Watson output values above, the data does not experience autocorrelation because the DW value is between -2 to +2.

4.3. Multiple Linier Regression

4.3.1. Return on Asset (ROA)

Table 11. Multiple Linier Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	**Std. Error**	**Betas**		
1	(Constant)	0,038	0,015		2,586	0,010
	Majority ownership	0,033	0,015	0,128	2,111	0,035
	Managerial ownership	0,063	0,042	0,086	1,504	0,133
	Institutional ownership	0,012	0,010	0,067	1,213	0,226
	Foreign ownership	0,066	0,015	0,265	4,493	0,000
	Public ownership	-0,008	0,022	-0,020	-0,371	0,711
	DER	-0.018	0,005	-0,189	-3,500	0,001
	Firm age	0,000	0,000	0,097	1,826	0,069

Source: Secondary data processed by the author, 2023

The results of multiple linear regression tests can be concluded that the independent variables that affect the dependent variable are majority ownership of 0.035 or <0.05, foreign ownership of 0.000 or <0.05, and DER of 0.001 or <0.05.

4.3.2. Return on Equity (ROE)

Table 12. Multiple Linier Regression Results

Model		Unstandardized Coefficients		Unstandardized Coefficients	t	Sig.
		B	**std. Error**	**Betas**		
1	(Constant)	0,110	0,027		4,047	0,000
	Majority ownership	0,051	0,029	0,112	1,782	0,076
	Managerial ownership	0,036	0,104	0,020	0,344	0,731
	Institutional ownership	-0,006	0,018	-0,018	-0,313	0,754
	Foreign ownership	0,107	0,027	0,243	3,976	0,000
	Public ownership	-0,061	0,041	-0,085	-1,504	0,134
	DER	-0,039	0,009	-0,230	-4,171	0,000
	Firm age	0,001	0,000	0,112	2,046	0,042

Source: Secondary data processed by the author, 2023

The results of the multiple linear regression test can be concluded that the independent variables that affect the dependent variable are foreign ownership of 0.000 or <0.05, firm age of 0.042 or <0.05, and DER of 0.000 or <0.05.

4.4. Hypothesis Test

4.4.1. Statistical Test (t-Test)

a. Return on Asset (ROA)

Table 13. t Test Results

Variables	t-count	Sig.
Majority ownership	2,111	0,035
Managerial ownership	1,504	0,133
Institutional ownership	1,213	0,226
Foreign ownership	4,493	0,000
Public ownership	-0,371	0,711
DER	-3,500	0,001
Firm age	1,826	0,069

Source: Secondary data processed by the author, 2023

From the results of the t test, to find out if the hypothesis is accepted or rejected is to use the significance of t. The significance value of t must be compared with the α level, this study uses a significance value of 0.05. In this study using the criterion if the significant value is > 0.05 then H0 is accepted and Ha is rejected. And if the significant value <0.05 then H0 is rejected and Ha is accepted[15]. The results of the t test show that the independent variables majority ownership, foreign ownership, and DER have significant values of 0.035, 0.000, and 0.001, which are significantly less than 0.05. So it can be said that the variables of majority ownership, foreign ownership, and DER have an effect on the dependent variable (ROA) in one regression equation. While the independent variable managerial ownership, institutional ownership, public ownership, and the control variable firm age when viewed from a significant value have a significant value greater than 0.05, the independent variable managerial ownership, institutional ownership, public ownership, and the control variable firm age have no effect on ROA.

b. Return on Equity (ROE)

Table 14. t Test Results

Variables	t-count	Sig.
Majority ownership	1,782	0,076
Managerial ownership	0,344	0,731
Institutional ownership	-0,313	0,754
Foreign ownership	3,976	0,000
Public ownership	-1,504	0,134
DER	-4,171	0,000
Firm age	2,046	0,042

Source: Secondary data processed by the author, 2023

From the results of the t test, to find out if the hypothesis is accepted or rejected is to use the significance of t. The significance value of t must be compared with the α level, this study uses a significance value of 0.05. In this study using the criterion if the significant value is > 0.05 then H0 is accepted and Ha is rejected. And if the significant value <0.05 then H0 is rejected and Ha is accepted[15]. The results of the t test show that the independent variable foreign ownership, DER, and the control variable firm age have significant values of 0.000, 0.042 and 0.000, which are significantly less than 0.05. So it can be concluded that the independent variable foreign ownership, DER, and the control variable firm age affect the dependent

variable ROE in one regression equation. While majority ownership, managerial ownership, institutional ownership, and public ownership when viewed from a significant value have a significant value greater than 0.05, the independent variable majority ownership, managerial ownership, institutional ownership, and public ownership have no effect on the ROE variable.

4.4.2. Simultaneous Test (F Test)

a. Return on Asset (ROA)

Table 15. F Test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	0,165	7	0,024	5,159	0,000[b]
Residual	1,497	327	0,005		
Total	1,662	334			

Source: Secondary data processed by the author, 2023

From the results of the F hypothesis test, it can be seen that the calculated F value = 5.159 with a significance level of 0.000 <0.05. So the variable (X) simultaneously affects the variable (Y).

b. Return on Equity (ROE)

Table 16. F Test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	0,591	7	0,084	5,932	0,000[b]
Residual	4,225	297	0,014		
Total	4,816	304			

Source: Secondary data processed by the author, 2023

From the results of the F hypothesis test, it can be seen that the calculated F value = 5.932 with a significance level of 0.000 <0.05. So the variable (X) simultaneously affects the variable (Y).

4.4.3. Coefficient of Determination Test (R^2)

a. Return on Asset (ROA)

Table 16. Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,315[a]	0,099	0,080	0,0676532

Source: Secondary data processed by the author, 2023

The test results for the coefficient of determination R square show a value of 0.080. This means that 8% of the variation in the financial performance variable (ROA) can be explained by the capital structure and ownership structure variables, while the remaining 92% is explained by other variables outside the model studied.

b. Return on Equity (ROE)

Table 17. Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,350[a]	0,123	0,102	0,1192753

Source: Secondary data processed by the author, 2023

The test results for the coefficient of determination R square show a value of 0.102. This means that 10.2% of the variation in financial performance variables (ROE) can be explained by the capital structure and ownership structure variables, while the remaining 89.8% is explained by other variables outside the model studied.

V. CONCLUSION

This study aims to examine the effect of capital structure and ownership structure on financial performance through the company's annual report. The sample companies in this study used 577 non-financial companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2021 period. This study used a purposive sampling method so that a sample of 374 companies was obtained for two periods. Using two measurements, namely ROA and ROE, each used outlier data ROA became 335 sample companies used and ROE became 305 sample companies used. Based on the results of the hypothesis testing, it can be concluded that majority ownership has an effect on the dependent variable ROA but has no effect on the dependent variable ROE, foreign ownership has an effect on the dependent variable ROA and ROE, capital structure has an effect on the dependent variable ROA and ROE, and firm age control variables have an effect on the dependent variable ROE dependent. Thus, it can be known what variables can affect the company's financial performance with the capital structure and ownership structure as well as the age of the company.

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