Exploration of Influential Factors in Infrastructure Profit Dynamics

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Abstract

Profitability ratios are financial metrics used to assess a company’s profitability and how well it is managed. They are crucial for financial managers who want to make better decisions to maximize their company’s profits. This research investigates the impact of various factors on the profitability of six infrastructure companies listed on the Indonesia Stock Exchange. The factors examined include capital structure, liquidity, sales growth, company size, working capital turnover, and profitability. The companies were selected using purposive sampling techniques, and the profitability was analyzed using panel data regression analysis with a fixed effect model. The study results indicate that all the variables examined significantly impact infrastructure companies’ profitability. The findings suggest that a company’s profitability is positively influenced by its capital structure, liquidity, sales growth, and working capital turnover. On the other hand, factors such as company size and profitability harm profitability. Financial managers can make better financial decisions that optimize their company’s performance by understanding these factors. For instance, they can structure their capital to reduce costs and increase profits, improve their company’s liquidity position, and focus on increasing sales growth and working capital turnover.

Keywords: Profitability, Capital Structure, Sales Growth, Firm Size, Current Ratio, Working Capital Turn Over

INTRODUCTION

The business world in Indonesia has been dramatically impacted by uncertain and difficult-to-predict economic developments, resulting in intense competition between companies with different operations. This situation demands that business actors strive to survive and develop their businesses to their maximum potential. Strong companies will thrive, while those that cannot keep up will likely dissolve or go bankrupt. As competition intensifies, each company must improve its performance to achieve its goal of maximum
profits. Probability is a critical focus in business and finance, given the significance of efficient financial management in achieving company objectives.

A company’s profitability refers to its ability to generate profits from its capital, assets, and sales (Sartono, 2015). According to Weston & Copeland (2008), it is the probability that gauges a company’s effectiveness in generating profits from its sales and investment endeavors. A heightened level of profitability signals to stakeholders, encompassing creditors, suppliers, and investors that the company possesses the capacity to derive gains from its sales and investment activities. Infrastructure companies have encountered a phenomenon wherein their stock prices mirror their profitability. This occurrence is attributed to the substantial influence of profitability, mainly Return on Equity (ROE), on stock prices, implying that the superior a company’s profitability, the elevated its stock price.

According to Sari & Budystuti (2022), liquidity exerts an impact on capital structure, whereas business risk and sales growth do not possess such influence. Ali & Agustin (2016) explain that capital structure influences profitability and contributes significantly to it, as seen in the calculation results obtained from the coefficient of determination. However, Hidayat & Khotimah (2019) state that profitability does not impact company value, while company size is significant. Bagaskara et al. (2021) discovered that the size of a company influences its value, whereas factors such as leverage, profitability, and managerial ownership do not exhibit a similar effect. Robiyanto et al. (2020) discovered that profitability, represented by ROE and ROA, negatively impacts company value, represented by PVB.

According to Mercyana et al. (2022), the impact of capital structure on a company’s value varies and has changed throughout the pandemic. Before the pandemic, capital structure significantly negatively influenced company value. However, capital structure did not significantly impact company value during and after the pandemic. According to a study by Widarjo & Doddy (2009), the combination of liquidity, profitability, and company size affects capital structure. Capital structure was found to be positively impacted by profitability, while liquidity had a substantial and negative effect.

Himawan & Andayani (2020) discovered that profitability significantly positively affects capital structure. Nonetheless, according to Jonnardi (2022), it was found that the size of a company and its asset growth do not have a significant impact on its capital structure. It was observed that having a profitable business has a significant positive impact on the company’s value. Maryanih et al. (2023) Analyzing the influence of the size of the independent board of commissioners commissioners, ownership concentration, leverage, and company size on intellectual capital disclosure in the Indonesian banking sector.

Dewi & Sudiartha (2017) align with the idea that profitability holds significant influence over capital structure. Having a profitable business is found to have a considerable positive impact on a company’s value, while the size of the company has a positive but insignificant effect on its value. At the same time, asset growth is noted to have a negative and insignificant influence on the company’s value. Sari et al. (2022) analyzed the influence of profitability, company size and intellectual capital on company value. The research results prove that profitability, company size and intellectual capital have an influence on company value.

This research was conducted to fill gaps or gaps identified in previous literature. The absence of previous research on certain independent variables can explain the overall gap. In this context, this research introduces independent variables that have not previously been considered, namely Capital Structure, Sales Growth, Working Capital turnover, Firm Size, and Current Ratio. In contrast, previous research only explored dimensions such as Profitability, Liquidity, and Firm Value. The emphasis on the Infrastructure sector is unique to these two
studies. Using more up-to-date data from the previous research period beyond 2020 enriches the understanding of current conditions in the context of the sectors studied.

The ultimate goal of this research is to examine the influence of capital structure, liquidity, sales growth, company size, and working capital turnover on the profitability of companies within the infrastructure sector. Thus, the results of this research can provide a substantial contribution to company stakeholders, assisting them in determining the optimal funding combination according to the company’s characteristics and conditions. Companies can plan strategies to minimize capital costs and maximize company value. This research is expected to offer valuable advice on investment, dividends, and other financial policies for making informed decisions at a practical level. The hope is that the findings of this study will assist in decision-making related to financial matters.

THEORITICAL FRAMEWORK AND HYPOTHESIS

Profitability

Profitability stands as a pivotal gauge for assessing the financial vitality of a company, offering insights into its prowess in profit generation. This fundamental concept is articulated by Susilawati (2012), who underscores that profitability serves as a reflection of a company’s adeptness in garnering profits by harnessing its diverse capabilities and resources. These encompass a range of factors, including, but not limited to, sales activities, cash reserves, capital, workforce, branch network, and various other components. The level of a company’s profitability holds the potential to exert a significant influence on its overall value, contingent upon how investors interpret the observed uptick in profitability.

Profitability is a measure that evaluates how successful a business is at producing earnings, factoring in different variables such as revenue, assets, and equity. It acts as an indication of the company’s effectiveness in utilizing its resources to generate profits. The degree of profitability plays a pivotal role in shaping investors' decisions regarding their investments. A robust profitability profile can draw investors, enticing them to allocate funds to the company. Conversely, a lower level of profitability may lead investors to reassess and even consider withdrawing their investment. For the company itself, profitability is not only an indicator of financial success but can also be used to evaluate the effectiveness of business management. Therefore, a deep understanding of profitability is essential in investment decision-making and company management.

Debt-to-Equity Ratio

Capital structure delineates the delicate balance between long-term debt and equity within a company’s enduring financial framework. It intricately involves the fusion of debt and equity in the entity’s long-term financial structure. The decisions associated with capital structure form a strategic interrelationship between selecting funding sources and investments. This strategic alignment is crucial, necessitating harmony with the company’s objectives to optimize shareholder welfare, ultimately manifesting in the enhanced overall value of the company (Binangkit & Raharjo, 2014).

Capital structure describes the composition of long-term funding sources applied by a company. Wise funding decisions can be measured by achieving an optimal capital structure. Optimal capital structure is characterized by the company’s ability to combine debt and equity
ideally, achieving a balance between company value and the costs associated with that capital structure (Tumangkeng & Mildawati, 2022).

The financial dimension's importance within the capital structure becomes apparent through the debt-to-equity ratio (DER). A heightened DER amplifies financial risk, signifying the elevated costs a company bears to fulfill its debt obligations. The extensive use of debt introduces challenges such as increased interest costs and loan principal payments, posing potential threats to company profits. A reduction in company profits, relative to total assets, has the potential to adversely impact overall profitability.

\[ H_1: \text{Debt-to-equity ratio Affects profitability} \]

**Sales Growth**

According to Yudiawati & Indriani (2016), sales growth functions as a pivotal metric, providing insights into a company's performance during a given period. A heightened level of sales signifies the effective implementation of the company's strategies and overall success. Growth, in this context, is characterized by the shift (either an increase or decrease) in the company's sales volume. This growth is quantified as the percentage change in sales over a specified period compared to the previous year.

The company consistently strives to increase sales of its products to achieve a significant or stable sales growth rate. Stable sales growth is expected to impact the company's profitability positively. There is consistency in research findings linking sales growth to company profitability (Sukadana, 2018). Anindita & Elmanizar (2019) stated in their research that sales growth positively influences profitability.

\[ H_2: \text{Sales Growth affects profitability} \]

**Firm Size**

The financial strength of a business can often be measured by its company size, which refers to the dimensions of the company’s sales and asset ownership. In particular, the total assets owned by a company can serve as an indicator of its size, encompassing all aspects of its operations. The greater the accumulation of assets within a company, the larger its size. Company size conveys the physical magnitude of the business, offering insights into the level of capital investment and the vibrancy of monetary transactions within the company. In essence, it reflects the magnitude of assets and wealth held by the company (Tumangkeng & Mildawati, 2022).

Within the research framework, emphasize that company size positively influences profitability. These findings indicate that business entities with larger sizes tend to achieve higher levels of profitability. As a result, company size becomes a critical factor that needs to be considered in analyzing financial performance and business strategy.

\[ H_3: \text{Firm Size affects profitability} \]

**Current Ratio**

The current ratio (CR) is a pivotal measure that evaluates a company's liquidity, indicating its capacity to promptly fulfill short-term financial obligations. In this context, liquidity underscores the company's effectiveness in meeting immediate financial responsibilities. This evaluation of liquidity holds particular significance when determining the allocation of share returns (Riyanto, 2008). Given that share returns entail cash outflows for the company, a heightened overall liquidity level indicates an enhanced capacity for meeting obligations related to share return payments.
The current Ratio (CR) is used to evaluate the level of protection provided to lenders, especially concerning short-term credit provided to companies to fund their operational activities (Helfert, 1998). A low current ratio is often interpreted as an indication of potential liquidity problems. At the same time, a current ratio that is too high can indicate the presence of unproductive funds and can reduce the company's level of profitability. According to Sawir (2009), profitability is partially positively impacted by the Current Ratio (CR). This implies that a company's overall profitability is positively affected by the level of liquidity indicated by the current ratio.  

H₄: Current Ratio affects profitability

**Working Capital Turnover**

According to Syeda (2021), has observed that profitability has a strong positive correlation with the working capital ratio. Several factors, including the current assets ratio, working capital turnover ratio, inventory turnover ratio, and debtor turnover ratio, demonstrate a significant positive relationship with overall profitability. This aligns with the findings of Wijaya (2012), which further support the notion that working capital turnover positively influences profitability.

Nazir & Afza (2009) conducted a study that indicates a negative correlation between a company's working capital and its profitability. In contrast to these findings, research by Santini & Baskara (2018) and Hutomo & Mukmin (2016) stated that working capital turnover positively influences profitability. The available literature indicates that there are discrepancies in the results when it comes to the connection between working capital and the profitability of a company. This underscores the intricate nature of the factors influencing the connection between these two variables, highlighting the necessity for additional research to pinpoint contextual factors that can elucidate the variations in findings across the literature. 

H₅: Working Capital Turnover affects profitability

**RESEARCH METHOD**

A panel data regression method is being utilized in this research, which follows a quantitative approach. This method combines fixed effects from both time series and cross-sectional dimensions, offering a comprehensive analysis. This approach allows researchers to consider variations between companies (cross sections) and variations over time (time series) to provide a more comprehensive picture regarding the relationship between the variables studied. The variables consist of Sales Growth (SG), Debt Equity Ratio (DER), Return On Assets (ROA), Current Ratio (CR), Firm Size (FS), and Working Capital Turn Over (WCT).

\[
ROA_{it} = C_{it} + \beta_1 \text{DER}_{it} + \beta_2 \text{SG}_{it} + \beta_3 \text{CR}_{it} + \beta_4 \text{FS}_{it} + \beta_5 \text{WCT}_{it} + e_{it}
\]

The research used data extracted from the quarterly financial reports of manufacturing businesses between 2017 and 2023. These reports were obtained from companies that were listed on the Indonesia Stock Exchange. To ensure alignment with the research objectives, a purposive sampling method was used to select samples based on specific criteria. The data was systematically obtained from each company’s official website, recognized as the authoritative source for quarterly financial reports. This approach ensures that the data used in research is of high quality and accuracy and complies with applicable financial reporting
standards. Therefore, the methodology employed in this research was thoughtfully structured to uphold the validity and reliability of the analyzed data.

RESULT AND DISCUSSION

Descriptive Statistics

The six variables analyzed in this research exhibit descriptive statistics that indicate Return on Assets (ROA) has an average value of 0.0304 and a median of 0.0272. The highest recorded value for ROA is 0.1116, whereas the lowest is -0.0699. Furthermore, the standard deviation of ROA is 0.0396, which is an indication of a significant variation in the rate of return on assets. As for the Debt to Equity Ratio (DER), the mean is -0.3111, and the median is -0.3015. The DER's variability spans from -1.4697 to 1.0043, with a high kurtosis level (2.27) suggesting the presence of heavy tails in the DER distribution.

Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>DER</th>
<th>SG</th>
<th>CR</th>
<th>FS</th>
<th>WCTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.030436</td>
<td>-0.311053</td>
<td>0.458479</td>
<td>3.124910</td>
<td>1.429074</td>
<td>1.403156</td>
</tr>
<tr>
<td>Median</td>
<td>0.027150</td>
<td>-0.301470</td>
<td>0.799694</td>
<td>3.048799</td>
<td>0.901844</td>
<td>1.430311</td>
</tr>
<tr>
<td>Max</td>
<td>0.111600</td>
<td>1.004302</td>
<td>2.141242</td>
<td>5.814996</td>
<td>5.949991</td>
<td>2.640485</td>
</tr>
<tr>
<td>Min</td>
<td>-0.069900</td>
<td>-1.469676</td>
<td>-1.078810</td>
<td>0.974560</td>
<td>-0.693147</td>
<td>0.565314</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.039641</td>
<td>0.641346</td>
<td>1.024635</td>
<td>0.918315</td>
<td>0.918315</td>
<td>0.543328</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.152373</td>
<td>0.240806</td>
<td>-0.071697</td>
<td>0.312245</td>
<td>1.221598</td>
<td>0.386858</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>3.295918</td>
<td>2.273381</td>
<td>1.580396</td>
<td>4.043278</td>
<td>3.950913</td>
<td>2.278205</td>
</tr>
<tr>
<td>Obs</td>
<td>36</td>
<td>36</td>
<td>36</td>
<td>36</td>
<td>36</td>
<td>36</td>
</tr>
</tbody>
</table>

Sales Growth has an average of 0.4585, with a median of 0.7997. Sales Growth variability is quite large, with a maximum value of 2.1412 and a minimum of -1.0788. Skewness that is close to zero (0.0717) indicates a distribution that tends to be symmetrical. The current ratio has a mean of 3.1249 and a median of 3.0488. Current Ratio variability is relatively low, ranging between 0.9746 to 5.815. Positive skewness (0.3122) indicates the presence of a positive tail in the distribution. Firm size, represented by the Natural Logarithm of Total Assets, demonstrates a mean of 1.4291 and a median of 0.9018. The data displays significant variability, with a maximum value of 5.9499 and a minimum of -0.6931. The positive skewness (1.2216) indicates a positive tail in the distribution.

Table 2. Best Model

<table>
<thead>
<tr>
<th>Test</th>
<th>Model</th>
<th>Prob</th>
<th>Resolve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chow</td>
<td>CEM vs FEM</td>
<td>0.0001</td>
<td>Fixed Effect Model</td>
</tr>
<tr>
<td>Hausman</td>
<td>REM vs FEM</td>
<td>0.0000</td>
<td>Fixed Effect Model</td>
</tr>
</tbody>
</table>

Working Capital Turn Over (WCTO) has a mean of 1.4032 and a median of 1.4303. Relatively low variability with a range between 0.5653 to 2.6405. Positive skewness (0.3869) indicates the presence of a positive tail in the distribution. Overall, the results of descriptive statistics provide an overview of the distribution and variation of data for each variable.
Skewness and kurtosis indicate the asymmetry and shape of the data distribution. By looking at these values, researchers can understand the data's characteristics and patterns of variability, which can be the basis for further analysis in the research context.

In this research, while selecting the model, the testing methods used were the Chow Test, Hausman Test, and Lagrange-Multiplier Test. The Chow Test played a crucial role in determining the best fit between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). After analyzing the significance value of the profitability variable, which was calculated at 0.0001, the Fixed Effect Model (FEM) was preferred over the Common Effect Model (CEM). To determine the appropriate model for analysis, we utilized the Hausman Test, which involved comparing the outcomes of the Random Effect Model (REM) and the Fixed Effect Model (FEM). The Fixed Effect Model (FEM) was found to be the more precise model for this study as the profitability variable was significant with a value of 0.0000.

Based on the results of the two tests conducted, it has been determined that the Fixed Effect Model (FEM) is the most appropriate for this research. Therefore, there is no requirement for the Lagrange-Multiplier test. This conclusion is based on the suitability of the FEM model with research data, as well as the significance value, which shows the relevance of the profitability variable in the model. Thus, the selection of the Fixed Effect Model (FEM) as the best model has been proven statistically and supports the validity of the analysis within the framework of this research.

Table 3. Diagnostic Test

<table>
<thead>
<tr>
<th>Diagnostic</th>
<th>Indicator</th>
<th>Value</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Normality</td>
<td>Jarque-Bera</td>
<td>0.142436</td>
<td>0.9312</td>
</tr>
<tr>
<td>Heteroskedasticity</td>
<td>Glejser</td>
<td>DER</td>
<td>0.9257</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SG</td>
<td>0.5474</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CR</td>
<td>0.4844</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FS</td>
<td>0.9692</td>
</tr>
<tr>
<td></td>
<td></td>
<td>WCTO</td>
<td>0.4631</td>
</tr>
</tbody>
</table>

The outcomes of the Classic Assumption Test, which consist of the Normality Test, Heteroscedasticity Test, and Multicollinearity Test, are shown in Tables 3 and 4. The Normality Test is pivotal for assessing whether the data adheres to a normal distribution, a critical aspect for the success of a regression model. The Jarque-Bera test, utilized for testing normality, yielded a profitability significance value of 0.931249 (>0.05). This result suggests that the data in this study can be reasonably considered to follow a normal distribution.

Table 4. Multicollinearity Test

<table>
<thead>
<tr>
<th>DER</th>
<th>SG</th>
<th>CR</th>
<th>FS</th>
<th>WCTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.000000</td>
<td>0.010662</td>
<td>-0.007656</td>
<td>0.227452</td>
<td>-0.146518</td>
</tr>
<tr>
<td>0.010662</td>
<td>1.000000</td>
<td>-0.2266999</td>
<td>-0.134958</td>
<td>0.880206</td>
</tr>
<tr>
<td>-0.007656</td>
<td>-0.2266999</td>
<td>1.000000</td>
<td>0.277815</td>
<td>-0.460641</td>
</tr>
<tr>
<td>0.227452</td>
<td>-0.134958</td>
<td>-0.277815</td>
<td>1.000000</td>
<td>-0.119719</td>
</tr>
<tr>
<td>-0.146518</td>
<td>0.880206</td>
<td>-0.460641</td>
<td>-0.119719</td>
<td>1.000000</td>
</tr>
</tbody>
</table>

The aim of the heteroscedasticity test is to examine if there is any inconsistency in the residual variance among observations in the regression model. According to the Glejser Test's results, all independent variables- DER, SG, CR, FS, and WCTO- have probability values higher than 0.05, which implies that there are no signs of heteroscedasticity in the data. Concurrently, the Multicollinearity Test aims to identify significant correlations among independent variables in the regression model. The correlation analysis between
independent variables reveals probability values consistently below 0.90 for each variable, affirming the absence of multicollinearity in the model.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. error</th>
<th>t-Statistic</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.098410</td>
<td>0.048282</td>
<td>-2.038225</td>
<td>0.0522</td>
</tr>
<tr>
<td>DER</td>
<td>-0.005028</td>
<td>0.010297</td>
<td>-0.488278</td>
<td>0.0629**</td>
</tr>
<tr>
<td>SG</td>
<td>-0.047599</td>
<td>0.06093</td>
<td>-2.957838</td>
<td>0.0067*</td>
</tr>
<tr>
<td>CR</td>
<td>0.013031</td>
<td>0.006133</td>
<td>2.124718</td>
<td>0.0437*</td>
</tr>
<tr>
<td>FS</td>
<td>0.010510</td>
<td>0.002901</td>
<td>3.622876</td>
<td>0.0013*</td>
</tr>
<tr>
<td>WCTO</td>
<td>0.066540</td>
<td>0.029083</td>
<td>2.287890</td>
<td>0.0309*</td>
</tr>
</tbody>
</table>

* **Significant at 5% and 10%

In summary, the outcomes of the classic assumption tests affirm that the regression model employed in this research adheres to the fundamental assumptions essential for linear regression analysis. This establishes a robust foundation for the accurate interpretation of regression analysis results and bolsters the validity of the findings within the scope of this study.

**Debt-to-Equity Ratio**

The variable for debt-equity ratio (DER), which is an important metric for assessing a company's financial leverage based on its debt-to-equity ratio, is presented in Table 5 of this analysis. The study's findings indicate that the probability value of the debt-equity ratio (DER) variable is 0.0629, which is less than 10%. This suggests that the debt-equity ratio (DER) significantly impacts the profitability of companies operating in the infrastructure sector. Hence, a company's adeptness in evaluating its capacity to cover debt significantly contributes to its overall profitability.

However, this study's outcomes contradict prior research findings, specifically those asserting that the debt-equity ratio (DER) has no substantial impact on profitability. For instance, Maulita & Tania (2018) contended that DER does not influence Return On Asset (ROA) or profitability. Conversely, Pramesti et al. (2016) found that DER significantly negatively affects profitability. Additionally, Werdiningtyas & Sam’ani (2018), Sam’ani (2018), and Ambarwati et al. (2015) argued that Debt To Equity does not affect profitability. Furthermore, Anggarsari & Aji (2018) concluded that Debt To Equity has no bearing on profitability.

These disparities in findings could stem from methodological variations, differences in sample coverage, or divergent market conditions across the studies. Consequently, it becomes imperative to conduct further research to delve deeper into understanding the intricate relationship between Debt to Equity Ratio and Profitability, particularly within the specific context of the infrastructure sector.

**Sales Growth**

The analysis of Table 5 reveals that the Sales Growth (SG) variable, which quantifies the percentage change in sales between two consecutive periods, has a probability value of
This probability value is smaller than the predetermined significance level of 5%, indicating that Sales Growth significantly impacts the profitability of companies operating in the infrastructure sector. These results suggest that a company's ability to increase its sales positively influences its profitability.

Remarkably, the findings from this study align with prior research conducted by Sukadana (2018), indicating that sales growth significantly impacts a company's profitability, as supported by the works of Werdiningtyas & Sam'ani (2018). Specifically, the partial results reveal a noteworthy influence, emphasizing that sales growth significantly contributes to profitability (Wijaya, 2012). Furthermore, Anggarsari & Aji (2018) affirmed that the growth in sales significantly affects profitability.

The collective evidence from these studies suggests that sales growth, both partially and simultaneously, substantially impacts a company's profitability (Sembiring, 2020). The implication is that an increase in sales positively correlates with an enhancement in profitability. Consequently, these results underscore the critical role of Sales Growth as a key factor that elucidates the variations in the profitability of companies within the infrastructure sector. This aligns with the notion that a company's ability to boost its sales can have a positive cascading effect on its overall profitability, providing valuable insights for strategic decision-making in the infrastructure sector.

**Firm Size**

After analyzing the outcomes presented in Table 5, it is evident that the variable of Firm Size (FS), which serves as an indicator of a company's financial strength, displays a probability value of 0.0309. This value is lower than the predefined significance level of 5%. Therefore, it indicates that the size of a company significantly influences the level of profitability in the infrastructure sector. These results demonstrate that the size of a company plays a crucial role in determining its profits.

Nevertheless, the outcomes of this study deviate from earlier research conclusions that asserted the lack of a significant influence of company size on profitability (Aghnitama et al., 2021). In contrast, Miswanto et al. (2017) found a positive and significant impact of firm size on profitability. Similarly, Pramesti et al. (2016) stated that firm size positively influences profitability, while Sari & Budyastuti (2022) concluded that firm size partially affects profitability. Furthermore, Wikardi & Wiyani (2017) found that firm size partially influences profitability.

**Current Ratio**

Analyzing the output in Table 5, it is evident that the Current Ratio (CR) variable, a commonly utilized liquidity ratio in the finance industry, yields a probability value of 0.0437. This value is below the predetermined significance level of 5%, signifying that the Current Ratio significantly influences the profitability of companies within the infrastructure sector. The Current Ratio is a measure that assesses how well a company can pay off its short-term debts using its current assets. Therefore, this discovery suggests that a company's financial well-being, particularly its capacity to meet short-term obligations, significantly influences its profitability.

In contrast to research by Hutapea et al. (2020), which suggested that liquidity does not impact profitability, other studies provide a different perspective. For instance, Anggarsari & Aji (2018) contended that high liquidity does not always yield favorable outcomes. However, the results from this study align with other research findings. Hypothesis testing, as indicated
by Anggarsari & Aji (2018), revealed a significant impact of liquidity on profitability. Similarly, Meidiyustiani (2016) found that liquidity variables significantly influence profitability in their study. Moreover, Nurdiana (2018) concluded that liquidity simultaneously significantly impacts profitability. Following Sembiring (2020), these collective results assert that liquidity, when assessed through the Current Ratio, is pivotal in influencing profitability within the infrastructure sector.

**Working Capital Turnover**

The research findings, as presented in Table 5, highlight that the Working Capital turnover (WCTO) variable significantly influences the profitability of companies within the infrastructure sector. The efficiency of a company in generating sales using its working capital can be evaluated using the Working Capital turnover ratio, and the probability value associated with this variable is 0.0013. The significance level of 5% has not been surpassed, indicating that the efficiency of Working Capital turnover greatly impacts the profitability of infrastructure businesses.

This research’s results align with previous studies’ findings, particularly those demonstrating the substantial impact of Working Capital Turnover on profitability, as Utami & Manda (2021). This study’s outcomes affirm that Working Capital Turnover partially contributes positively to Return On Asset, which is consistent with the findings reported by Werdiningtyas & Sam’ani (2018).

Furthermore, Miswanto et al. (2017) emphasized that the efficiency gained from Working Capital Turnover positively and significantly influences profitability when assessed partially. Similarly, Ambarwati et al. (2015) examination reveals a positive and significant effect of Working Capital Turnover (WCTO) on profitability. Furthermore, these studies emphasize the concurrent influence of Working Capital Turnover (WCTO) on profitability. Consequently, companies in this industry are urged to prioritize and optimize their working capital management strategies as a key means to bolster profitability. This emphasis on efficient working capital management underscores its pivotal role in contributing to the financial success of businesses within the infrastructure sector.

**CONCLUSIONS**

The aim of the study was to assess how five major financial factors affect the Return on Assets (ROA) of Infrastructure companies listed on the Indonesia Stock Exchange. The analysis revealed that all of the variables under scrutiny, including Working Capital Turnover, Debt to Equity Ratio, Firm Size, Current Ratio, and Sales Growth, have a significant influence on the Return on Assets of companies operating in the Infrastructure sector.

The outcomes of this study offer valuable insights into the financial performance of companies in the Infrastructure sector, shedding light on the factors that exert significant influence on their Return on Assets. The Debt to Equity Ratio serves as an indicator of a company’s financial structure, while Sales Growth mirrors the growth in sales. Additionally, Firm Size furnishes information about the company’s scale, the Current Ratio gauges the level of liquidity, and the Working Capital Turnover indicates the efficiency in utilizing working capital.

This study affirms the critical impact of each analyzed variable on shaping the return on assets for companies in the Infrastructure sector. The insights derived from this research offer
valuable guidance, empowering companies in this sector to formulate more effective financial strategies and make informed decisions in their future financial planning initiatives.

REFERENCES


