



The Effect of Asset Structure, Bank Size, Profitability, Bank Growth, and Liquidity on Capital Structure of Islamic Banking in Indonesia

Cut Sara Dara Meutia^{1*}, Faisal², A. Sakir³

Universitas Syiah Kuala

Corresponding Author: Cut Sara Dara Meutia cutsaruskmm21@gmail.com

ARTICLE INFO

Keywords: Capital Structure, Asset Structure, Bank Size, Profitability, Bank Growth, Liquidity

Received: 3 June

Revised: 10 July

Accepted: 11 August

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ABSTRACT

This research investigates how different factors such as asset structure, bank size, profitability, bank growth, and liquidity affect the capital structure of Islamic (Sharia) banking in Indonesia. The study focuses on Sharia banks listed on the Indonesian Stock Exchange (BEI) and analyzes data from 3 selected companies using purposive sampling and their monthly reports. The research uses Structural Equation Modeling (SEM) with the SmartPLS program for data analysis. The findings show that asset structure and profitability have a significant impact on the capital structure, while bank size, bank growth, and liquidity do not. The results also reveal that asset structure affects capital structure positively, where an increase in asset structure will also increase capital structure, while profitability affects capital structure negatively, where an increase in profitability will decrease capital structure

INTRODUCTION

Islamic banking operates according to Sharia principles, distributing and safeguarding funds while charging fees based on those principles. A crucial indicator of a bank's stability is its capital. Islamic commercial banks, like all companies, must acquire capital to enhance their role as financial intermediaries. The composition of a company's capital, particularly for Islamic commercial banks, is a significant concern and requires careful consideration, as it directly impacts the financial well-being of the company. The capital structure aims to determine the size of the proportion of funding sources that will be used to maximize firm value. Funding sources are divided into two types, namely internal company funds and external company funds. Capital originating from within the company is an internal source of funds in the form of retained earnings, while capital originating from outside the company is an external source of funds in the form of debt (Nasrah & Resni, 2020).

There are various theories regarding capital structure. (Brealey, Myers, & Marcus, 2022) explained the pecking order theory assumes that companies prefer internal funding because these funds are raised without giving signals that can otherwise reduce stock prices. Even if external funding is required, the company will issue debt first and equity last. Furthermore, the trade-off theory is a theory developed from MM theory proposed by (Modigliani & Miller, 1963). (Brigham & Houston, 2015) revealed the trade-off theory prioritizes the use of capital from external financing sources, then the capital structure policy involves a balance between risk and investment rate. By choosing to use debt, the company is opting to raise the level of risk taken on by its shareholders while also potentially boosting the potential rate of return. (Kasmir, 2018) discusses the concept of capital structure, emphasizing that it represents the composition of a company's financial resources. This composition entails the balance between the company's long-term debt, short-term debt, and equity, which form the foundation of the company's capital. One key metric used to gauge corporate financing is the debt-to-equity ratio (DER), with the normative standard for this ratio being a maximum of 90%.

Table 1. Debt to Equity Ratio of Islamic Banking in Indonesia 2017-2021

No.	Year	DER	DER Ratio
1	2017	3.25	325%
2	2018	3.30	330%
3	2019	2.99	299%
4	2020	2.67	267%
5	2021	2.24	224%

Table 1 above shows the DER of Islamic Banking in Indonesia has been quite volatile. When compared to the standard DER of 90%, the fluctuation indicates a less-than-ideal situation. It is evident that the utilization of debt was at its peak in 2018 and its lowest in 2021, but it remained above the 90% standard. This high ratio implies a significant reliance on external funds in comparison to own capital. This study examines the relationship between capital structure (DER) based on pecking order theory and trade-off theory using asset structure, bank size, profitability, bank growth, and liquidity. Asset structure is one of the decisions that affect the capital structure. Asset Structure is the ratio of total fixed assets to total assets. Asset Structure ratio is a ratio that compares the amount of current assets with the total assets used to determine the percentage of funding that should be devoted to each asset component. Asset structure can be measured using the Fixed Asset Ratio, which is the percentage of fixed assets to total company assets (Grediani & Dianingsih, 2022).

According to (Utami & Wijayanti, 2021), the bank size or bank's assets size is important in the capital structure, this is because there is a picture that describes the total amount of assets owned by a company. It is measured by the natural logarithm of total assets or Ln average total assets (Wati, 2019). Company profitability is one of the factors that can affect company value. (Laily, Husnan, & Hidayati, 2022) describe profitability as the company's capacity to earn profits from the net results of various policies and decisions. To find out the profit potential of a company can be measured in ROA (return on assets). The higher this ratio, the better, along with increasing profitability, the company's profitability will also increase. Growth is an asset of a company that can be utilized by the company to carry out various operational tasks. Growth has a significant role in the flow of funds in the company, this can be seen in changes in operational procedures caused by growth or decrease in income. (Isnaeni, Santoso, Rachmawati, & Santoso, 2021) states that growth is a measure of the increase in company size observed through an increase in assets. The increasing growth rate of the company is an indication of the company's productivity. Finally, liquidity is also involved in the capital structure. (Grediani & Dianingsih, 2022) define liquidity as the company's ability to pay short-term debt. The liquidity measurement indicator in this study is called CR (Current Ratio), which is a ratio that compares current assets with current liabilities. A company that can pay back its short-term debts shows that the company is in a liquid state so it has a high liquidity value.

From the discussion of previous studies above, gaps in research and understanding have been identified regarding Asset Structure, Bank Size, Profitability, Bank Growth, and liquidity. These gaps indicate the need for further investigation. Therefore, this research aims to address these gaps by exploring the following questions: 1) does the asset structure impact capital structure?; 2) does the bank size impact capital structure?; 3) does the profitability impact capital structure?; 4) does the Bank Growth impact capital structure?; 5) does the liquidity impact capital structure?.

LITERATURE REVIEW

Capital Structure

Structure is the combination or balance of debt and equity used in the company to increase its capital. Capital structure is very important for the company because it relates to policies in the use of the most profitable source of funds. A company's funding needs can be met by its capital or loans. When a company borrows money, it incurs fixed costs, Leverage occurs because the company uses assets that require payment of fixed costs (Ambarwati, 2010). This capital structure can also show how a company uses capital from various sources to determine its financial structure An optimal capital structure directly affects the value of a company because it means that the company can generate optimal profits and both the company and its shareholders can benefit from an optimal rate of return. According to (Nuswandari, Wibowo, & Maidarti, 2023), a good capital structure improves the risk-return relationship and increases stock prices. The cost of capital due to funding decisions is the result of management funding decisions. The right capital structure allows the company to achieve superior results, benefiting the company and its shareholders.

Pecking Order Theory

According to (Lau, 2022), the pecking order theory suggests that companies have a preference for using internal funding rather than external sources of financing. According to (Brealey et al., 2022) in (Husnan & Pudjiastuti, 2012), the theory outlines several key points: first, companies prioritize internal funding; second, they adjust dividend payout ratios; third, they find it challenging to change dividend policies, and this can lead to unpredictable fluctuations in profits and investment opportunities; fourth, when external financing is necessary, companies tend to issue the safest securities available.

Trade Off Theory

The trade-off theory posits that companies are willing to bear a certain level of corporate debt, contingent on the premise that the benefits derived from the debt outweigh or at least equal the potential risks. As argued by Farisa and Widati (2017) and originally proposed by Lau (2022), this theory suggests that companies determine their capital structure based on their long-term objectives. One of the primary goals of this theory is to ascertain the optimal debt ratio by carefully evaluating the advantages and drawbacks of leveraging debt as part of their overall financial strategy.

Asset Structure

In the study by (Nasar & Krisnando, 2020), asset structure is defined as the allocation of funds to different components of assets, including current and fixed assets, or the balance and ratio between fixed assets and total assets. Companies that can use their assets as collateral for loans are likely to borrow more. (Tijow, Sabijono, & VictorinaZ.Tirayoh, 2018) suggest that asset structure encompasses the assets or wealth owned by a company, including both current assets and current liabilities. The Fixed Asset Ratio (FAR) formula is used to measure the asset structure and determine how much of a company's assets can be used as loan collateral, often represented as a percentage (Masyitah, Sari, & Kadaria, 2022). This variable can be formulated as:

$$\text{Fixed Asset Ratio} = \frac{\text{Fixed Assets}}{\text{Total Assets}}$$

Bank Size

The size of a company refers to the overall value of the company, which is determined by factors such as total assets, total sales, and total profits. This, in turn, impacts the company's social performance and its ability to achieve its business objectives (Aurelia & Setijaningsih, 2020). Similarly, the size of a bank is a reflection of its total assets, and this size influences the bank's capital structure requirements. Larger companies are more likely to rely on debt as a source of corporate capital. In the study by (Masyitah et al., 2022), company size is measured using a formula:

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

Profitability

(Grediani & Dianingsih, 2022) define profitability as the ability of a company to achieve funds invested in the company through the management of owners and investors. According to (Kasmir, 2018), the objectives of using profitability ratios include measuring or calculating the profit earned by a company in a certain period, evaluating the state of a company's profit from the previous year to the current year, and evaluating profit development over time, To assess the level of equity and net profit after tax and to measure the level of productivity of all company funds used including debt and equity. According to (Rifiana, Febiyanti, & Hersugondo, 2021), return on investment can be calculated using the following formula:

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Bank Growth

According to (Pohan, Sari, Munasib, & Radiman, 2020), company growth refers to the ability of a company to maintain its business position in the development of the economy and the industry in which the company operates in the asset category for business operations, it is assumed that the greater the management results received by a company. According to (Isnaeni et al., 2021), the increase in wealth can be calculated using the following formula:

$$\text{Growth} = \frac{\text{Total Assets } t - \text{Total Assets } t - 1}{\text{Total Assets } t - 1}$$

Liquidity

(Rifiana et al., 2021) revealed liquidity signifies a company's capability to meet its short-term financial commitments using the funds currently at its disposal, including meeting payroll, settling short-term debts, and covering operational expenses. Additionally, (Wahyuni & Hafiz, 2018) highlighted the significance of the current ratio as a measure of a company's ability to promptly settle its short-term obligations in full. It is considered a key aspect of a company's liquidity assessment. The current ratio acts as a representative coefficient, comparing the company's current assets to its current liabilities. (Santoso, 2019) provides a formula to calculate liquidity.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$$

METHODOLOGY

Population, Sample, and Data

This study focuses on Islamic banking institutions listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. The objects of this study are asset structure, bank size, profitability, bank growth, liquidity, capital structure. This study uses purposive sampling to select three Islamic banks that meet the following criteria:

- a. Islamic General Banks listed on the Indonesia Stock Exchange 2021-2023. This criterion is used to ensure that the companies used are the same, namely companies that have or are still going public until the specified time.
- b. Islamic Commercial Banks that Issue Monthly Financial Reports 2021-2023. This criterion is used so that the data required in the documentation approach can be accessed and collected.
- c. Islamic General Banks that have complete data related to the variables used in the study. This criterion is used to avoid different data measurements between one company's data and another company's data so that data can be easily collected.

From the sample selection criteria, the samples used in this study are described in the following table

Table 2. Research Sample

No	Issuer	Code	IPO Listing
1	PT. Bank Panin Dubai Syariah Tbk	PNBS	January 15, 2014
2	PT. Bank Tabungan Pensiun Nasional Syariah Tbk	BTPS	May 08, 2018
3	PT. Bank Aladin Syariah Tbk	BANK	February 1, 2021

Source: Secondary Data 2023

Secondary data is used for the analysis, which is taken from their financial reports, especially their monthly reports for the period 2021-2023, namely 36 x 3 so that the total observations are 108

Operation Variable and Hypothesis

This study involves the variables namely Asset Structure, Bank Size, Profitability, Bank Growth, Liquidity, and Capital Structure. The hypotheses to be tested are as follows.

H1: Significantly Asset Structure affects Capital Structure

H2: Significantly Bank Size affects Capital Structure

H3: Significantly Profitability affects Capital Structure

H4: Significantly Bank Growth affects Capital Structure

H5: Significantly Liquidity affects Capital Structure

Data Analysis

Data were analyzed using the Structural Equation Modeling (SEM)-Partial Least Squares (PLS) approach implemented through SmartPLS. The rationale for choosing SEM-PLS analysis is two-fold. Firstly, SEM-PLS can handle small sample sizes and is robust against deviations from the assumptions of normality. It can also handle both reflective and formative indicators, and it allows for the measurement of recursive models (Abdillah & Jogiyanto, 2015). Secondly, as per (Chin, 1998) in (Ghozali, 2018), SEM-PLS does not make assumptions about the distribution of parameter estimation, thus eliminating the need to test the significance of the parameters.

Outer Model

The first stage in model evaluation is the evaluation of the measurement model (outer model). In PLS-SEM, this phase is called construct validity testing. This model evaluation aims to assess the relationship between constructs and their indicators.

Convergent Validity

Convergent validity is measured through the relationship between indicators and their latent variables estimated using SmartPLS. The size of an individual reflexive indicator is declared large if the factor loading value of the evaluated variable is greater than 0.7. The measure of convergent validity can then be observed through the extraction of average variance (AVE), which is the average percentage value between latent construct indicators that represent the summary of convergence indicators. The expected AVE value is $AVE \geq 0.5$ (Savitri, Hurriyati, Wibowo, & Hendrayati, 2022).

Discriminant Validity

Discriminant validity value is used to see how much difference an index variable makes to other variables. The value of discriminant validity can be observed through cross-loading because there is a correlation value between indicators and their constructs > correlation with other block constructs, then all statement elements are considered to have discriminant validity (Haryono, 2017).

Reliability Test

A reliability test is used to measure consistency. If this tool is used many times to measure the same object, the resulting data will be the same (Haryono, 2017). Reliability tests can be measured using Composite Reliability (CR) and Cronbach's Alpha. It is declared reliable if the Composite Reliability and Cronbach's alpha values are ≥ 0.7 (Sekaran & Bougie, 2016).

Inner Model

The inner model analysis is a test of the structural model or internal measurement that aims to identify and display the relationship between exogenous and endogenous variables in a study.

R-Square Adjusted (R²)

The determination coefficient, R-squared (R²), is used in research to determine how much an exogenous variable simultaneously explains changes in an endogenous variable (Latan & Ghozali, 2012). In problem-focused research, the expected R² value greater than 0.75 means a strong value, 0.50 means a

medium value, and 0.25 means a weak value (Hair, Hult, Ringle, & Sarstedt, 2016).

F-Square (F2)

The resulting F value² is a metric that can be utilized to evaluate the impact of an exogenous latent variable on an endogenous variable. It helps determine whether the exogenous variable has a substantial influence. According to (Latan & Ghazali, 2012), the interpretation of the F2 value is as follows: 0.02 indicates a small effect, 0.15 reflects a moderate impact, and 0.35 suggests a significant impact on the structural level.

Q-Square (Q2)

To determine its predictive ability, a Q-square test is performed with the blindfolding method. A value of Q2 > 0 indicates that the model has predictive relevance, and a value of Q2 < 0 indicates that the model has no predictive relevance.

RESULT AND DISCUSSION

Descriptive Statistics

The purpose of descriptive analysis is to determine the exact distribution of variable data that is observed and to provide an overview of statistical values such as minimum and maximum for research data. The DER variable has a minimum value of 112,980,081 and a maximum of 9,682,264,125, a mean of 3,497,769,653, and a standard deviation of 2,194,629,370. This proves that the data in the DER variable has a good level of accuracy because the mean exceeds the standard deviation value. The FAR variable has a minimum of 395,070,652 and a maximum of 9,578,782,949, a mean of 5,381,296,731, and a standard deviation of 2,477,664,722. This proves that the data in the FAR variable has a good level of accuracy because the mean exceeds the standard deviation value.

Table 3. Descriptive Analysis

	Minimum	Maximum	Mean	Std. Deviation
DER	112.980.081	9.682.264.125	3.497.769.653	2.194.629.370
FAR	395.070.652	9.578.782.949	5.381.296.731	2.477.664.722
SIZE	16.858.184	1.691.768.523	1.447.904.825	447.505.909
ROA	-8.415.655.513	8.409.328.127	647.147.091	3.327.576.829
GROWTH	-2.849.703	3.153.155	157.887	764.866
CR	1.793.349	5.112.085.163	1.616.033.395	1.062.221.305

Furthermore, the SIZE variable has a minimum value of 16,858,184, a maximum of 1,691,768,523, a mean of 1,447,904,825, and a standard deviation of 447,505,909. This proves that the data in the SIZE variable has a good level of accuracy because the mean exceeds the standard deviation value. The ROA variable has a minimum value of -8,415,655,513, a maximum of 8,409,328,127, a mean of 647,147,091, and a standard deviation of 3,327,576,829. This proves that the data in the ROA variable has a poor data distribution because the mean is smaller than the standard deviation. The Growth variable has a minimum value of -2,849,703 and a maximum of 3,153,155, a mean of 157,887, and a standard deviation of 764,866. This proves that the data in the Growth variable has a poor data distribution because the mean is smaller than the standard deviation. CR variable has a minimum of 1,793,349 and a maximum of 5,112,085,163, a mean of 1,616,033,395, and a standard deviation of 1,062,221,305. This proves that the data in the CR variable has a good level of accuracy because the mean exceeds the standard deviation value.

Outer Model

Convergent Validity Test Result

Table 4. Loading Factor

	Capital Structure	Asset Structure	Bank Size	Bank Profitability	Bank Growth	Liquidity
DER	1.000					
FAR		1.000				
SIZE			1.000			
ROA				1.000		
Growth					1.000	
CR						1.000

Table 4 above shows that each variable indicator has a minimum loading factor where validity is accepted, namely > 0.70. This proves that each construct indicator meets the requirements of convergent validity, and the indicator is declared valid and good. Convergent validity measures can then be observed using Average Variance Extract (AVE), which is the average percentage value between indicators of a latent construct.

Table 5. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Capital Structure	1
Assets Structure	1
Bank Size	1
Profitability	1
Bank Growth	1
Liquidity	1

Table 5 above shows the AVE value of each construct ≥ 0.5 meaning that all constructs have good convergent validity. Therefore, because the outer loadings and average variance extraction (AVE) values meet the criteria, the indicators of each latent variable are declared valid to reflect their respective variables.

Discriminant Validity Test Result

Discriminant validity can be used to determine how much difference a variable has with an indicator. Based on the test results using SmartPLS shown in the table above, the Fornell Lacker value of the Capital Structure variable is obtained, has with other variables. The value of discriminant validity can be observed through cross-loading. All statement elements are considered discriminantly valid because there is a correlation value between the indicator and its component > correlation with other block components (Haryono, 2017). The result of cross-loadings shows the correlation of DER with capital structure is 1.000. The correlation value of the indicator is higher with the capital structure construct than with other constructs. Similar to other variables. Then all statement items are said to be discriminant valid. In addition to cross-loading, discriminant validity can also be measured by knowing the Fornell-Lacker value. The criteria for this method are: If the Fornell- Lacker value of each construct is greater than the correlation value between other constructs, then the discriminant validity value can be said to be good (Sholihin & Ratmono, 2021).

Table 6. Fornell Lacker

	Capital Structure	Asset Structure	Bank Size	Profitability	Bank Growth	Liquidity
DER	1.000					
FAR	0.339	1.000				
SIZE	0.033	0.036	1.000			
ROA	-0.339	-0.392	0.005	1.000		
GROWTH	0.012	-0.010	-0.034	0.037	1.000	
CR	0.040	0.080	-0.038	-0.472	0.019	1.000

Asset Structure, Bank Size, Profitability, Bank Growth, and Liquidity variables are 1.000, or in other words, Capital Structure, Asset Structure, Bank Size, Profitability, Bank Growth, and Liquidity have a higher construct correlation with their constructs than with other constructs, so they have good discriminant validity.

Reliability Test Result

A reliability test is used to measure consistency. If this tool is used many times to measure the same object, the resulting data will be the same (Haryono, 2017). The reliability test can be measured using Composite Reliability (CR) and Cronbach's Alpha and is declared reliable if the Composite Reliability and Cronbach's Alpha values are ≥ 0.7 (Sekaran & Bougie, 2016).

Table 7. Reliability

	Cronbach's Alpha	Composite Reliability
Capital Structure	1.000	1.000
Asset Structure	1.000	1.000
Bank Size	1.000	1.000
Profitability	1.000	1.000
Bank Growth	1.000	1.000
Liquidity	1.000	1.000

Inner Model

R- Square Adjusted (R^2)

The R^2 test is to see the independent variables' effect on a dependent variable. The Adjusted R-squared score is divided into three ranges: ≤ 0.70 (strong model), ≤ 0.50 (medium model), ≤ 0.25 (weak model).

Table 8. R Square

	R Square	R Square Adjusted
Capital Structure	0.178	0.138

Table 8 above describes that all independent variables jointly affect Y as much as (R²) 0.178 or 17.8%, meaning condition means the model is categorized as weak. The result explains that the remaining factors of 82.2% (100%-17.8%) cannot be explained by the independent variables of this study but by variables outside the study.

F- Square (F²)

According to Hare et al. (2017), there are three effect size criteria: weak (0.02), medium (0.15), and large (0.35), which indicates that the effect of the predictor latent variable is weak; interpreted as medium or large at the structural level.

Table 9. F Square

	Assets Structure	Bank Size	Profitability	Bank Growth	Liquidity	Capital Structure
Assets Structure						0.052
Bank Size						0.001
Profitability						0.076
Bank Growth						0.001
Liquidity						0.014
Capital Structure						

Table 9 above reveals the F-square (effect size) of the asset structure and profitability influence on capital structure is > 0,02 which means they have medium influence, while bank size, bank growth, and liquidity is <0.02 which means they have a weak influence.

Q- Square (Q²)

The Q-squared value must be greater than 0 to indicate that the research model has predictive relevance. The range of Q- squared measures is 0 <Q²< 1. The closer to 1, the better the model (Ghozali, 2016). The Q-square value or predictive association test can be calculated using the following formula and calculation:

$$Q^2 = 1 - (1 - R^2)$$

$$Q^2 = 1 - (1 - 0,178)$$

$$Q^2 = 1 - 0,882$$

$$Q^2 = 0,118$$

The predictive relevance value of 0.118, or 11.8%, suggests that the model can account for 11.8% of the diversity in the data. The remaining 88.2% of the diversity likely stems from factors not addressed in the study.

Hypothesis Test

Several hypotheses were tested and the results are as follows.

Table 10. Hypothesis Test

	Original Sample (O)	T Statistics (O/STDEV)	P Values
Asset Structure -> Capital Structure	0.227	2.505	0.006
Bank Size -> Capital Structure	0.023	0.344	0.365
Profitability -> Capital Structure	-0.310	2.153	0.016
Bank Growth -> Capital Structure	0.028	0.342	0.366
Liquidity -> Capital Structure	-0.125	1.021	0.154

The hypothesis 1 testing result shows an original sample of 0.227, t statistics 2.505 > t-table (1.96), and P 0.006 < 0.05, explaining that Asset Structure positively and significantly affects Capital Structure. It explains that companies with a higher asset structure tend to have a higher level of debt. This is because the asset structure describes the amount of assets that can be used as collateral for obtaining loans. Companies with a large number of fixed assets can use more debt because these fixed assets can be used as collateral for loans. This explanation supports the trade-off theory, which predicts a positive relationship between asset structure and capital structure. These findings are consistent with (Hertanti, 2022), (Neves, Serrasqueiro, Dias, & Hermano, 2020), (Baharuddin, 2021), (Aurelia & Setijaningsih, 2020).

The hypothesis 2 testing result shows an original sample of 0.023, t-statistic of 0.344 < t-table 1.96, and P 0.365 > 0.05, describing that Bank Size has an insignificant effect on Capital Structure. The findings indicate that the Bank Size is not necessarily indicative of the amount of capital structure, as companies prioritize safer internal funding over external funding. These results are inconsistent with the trade-off theory, which suggests that bank size has a positive effect on capital structure, leading companies with larger bank sizes to rely more on debt. However, these findings are consistent with (Utami & Wijayanti, 2021), (Rifiana et al., 2021), and (Aurelia & Setijaningsih, 2020).

The hypothesis 3 testing result shows an original sample of -0.310, t statistics 2.153 > t-table 1.96, and P 0.016 < 0.05, and, explaining that Profitability negatively and significantly affects Capital Structure. It means that increased profitability will reduce the company's capital structure because companies with higher profits tend to use retained earnings and reduce debt. Therefore, this supports the explanation of the Pecking Order theory which predicts a negative relationship between profitability and capital structure. These results are in line with (Neves et al., 2020); (Al-Hunnayan, 2020); (Ahuja & Kalra, 2021); (Utami & Wijayanti, 2021).

The hypothesis 4 testing result shows an original sample of 0.028, t statistics $0.342 < t\text{-table } 1.96$, and $P 0.366 > 0.05$, indicating that Bank Growth has an insignificant effect on Capital Structure. This means that the faster the Bank's growth, it does not affect the capital structure. So not all companies that experience rapid company growth rates will increase the amount of debt. This can be caused because the company uses the profit earned from investments for the company's operations so that the company does not use debt. This does not support the trade-off theory which states that a company with rapid growth will depend on external funds, so in this case, the funds issued come from debt. These results are in line with (Hidayati, Lakoni, & Seventeen, 2021); and (Aurelia & Setijaningsih, 2020).

The hypothesis 5 testing result shows an original sample of -0.125, t-statistics $1.021 < t\text{-table } 1.96$, and $P 0.154 > 0.05$, revealing that Liquidity has an insignificant effect on Capital Structure. This means when a company has high liquidity, it has enough cash and assets that can be quickly converted into cash. This reduces the need for the company to take on corporate debt to finance its operations. Instead, the company can use its internal funds to support its investments before seeking external financing through debt. This pattern of behavior is explained by the pecking order theory, which suggests that companies prefer to use internal funds for investments and only resort to external funding when internal sources are insufficient. These findings are consistent with the research of (Rivandi & Novriani, 2021).

CONCLUSION AND RECOMMENDATION

Based on the findings, we can draw the following conclusions.

1. Asset Structure positively and significantly affects Capital Structure. This is because the Asset Structure represents the portion of assets that can be employed as collateral. Companies with substantial fixed assets can take on more debt, as fixed assets can serve as strong collateral for company loans.
2. Bank Size does not affect its capital structure. This assessment is based on the company's size and is not a measure of its capital structure, as the company prioritizes safer sources of funding, such as internal funding, over external funding.
3. Profitability negatively and significantly affects capital structure. Increased profitability will lead to a reduction in the company's capital structure because it indicates greater internal financial strength. This encourages using internal funds for investment purposes, which helps keep debt levels low. This, in turn, reduces the risk of not meeting financial obligations in the future.
4. Bank growth does not affect its capital structure. Not all companies that experience growth will increase their level of debt. This can happen because some companies use their profits from investments for their operations and do not rely on debt.
5. Liquidity does not affect the capital structure. A high level of liquidity indicates that the company is in a healthy financial condition.

Those results provide several suggestions considered important. For further interest, there are several suggestions submitted by the author that can be considered by future researchers, namely as follows: For future researchers, it is recommended to add other variables in research that can affect firm value and can also increase the sample of companies and increase the research period so that the observation period used is more and the research results will be better. Future researchers can also add other variables that are considered to affect the Capital Structure. Investors, before investing their capital in the company, should first pay attention to the published financial statements and know the value of the company's capital structure to know the risks that the company has, so that it is not wrong in making investment decisions.

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