Decoding Capital Structure: The Role of Asset Composition, Growth Potential, and Profitability in IDXQ30 Firms (2021-2023)

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Abstract. This study seeks to probe the influence of asset structure, growth opportunities, and profitability on the capital structure of firms listed in the IDXQ30 index from 2021 to 2023. Adopting a descriptive quantitative approach with multiple linear regression analysis (MLR) via SPSS version 27, the results unveil that asset structure exerts a significant influence on capital structure. Companies possessing a greater proportion of fixed assets tend to curtail their reliance on debt financing, in consonance with the Pecking Order Theory, which champions the preference for internal funding over external sources. Conversely, growth opportunities fail to exhibit a discernible impact on capital structure decisions, which are more substantially shaped by internal dynamics such as financial stability and risk appetite. Profitability, however, wields a pronounced effect on capital structure, with more profitable entities gravitating towards internal equity financing rather than external debt. These revelations provide invaluable strategic insights for financial decision-makers, facilitating the design of a more resilient and adaptable capital structure, while advancing the discourse on financial theory within the context of emerging markets, particularly in Indonesia.

Keywords: asset structure, growth opportunities, profitability, capital structure.

1 Introduction

1.1 Background of the Problem

The capital structure dynamics of IDXQ30 companies from 2021-2023 reveal notable variation. Firms like BFIN and UNTR rely heavily on debt, with liability ratios of 49.05% and 44.75%, while ACES and KLBF are predominantly equity-funded, with liabilities of just 0.06% and -5.70%. This disparity highlights strategic differences in financing decisions shaped by each company's unique characteristics.

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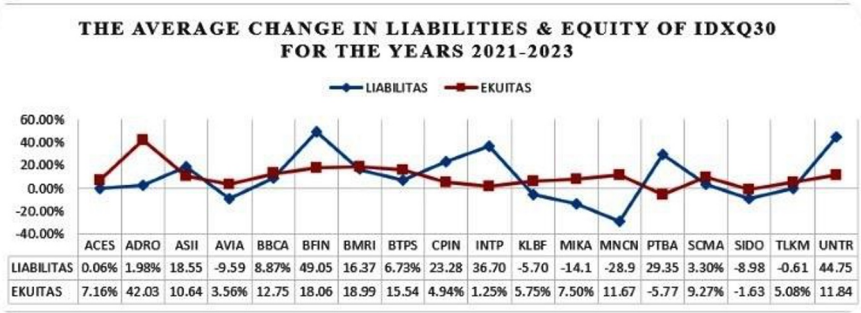

	ACES	ADRO	ASII	AVIA	BBCA	BFIN	BMRI	BTPS	CPIN	INTP	KLBF	MIKA	MNCN	PTBA	SCMA	SIDO	TLKM	UNTR
LIABILITAS	0.06%	1.98%	18.55	-9.59	8.87%	49.05	16.37	6.73%	23.28	36.70	-5.70	-14.1	-28.9	29.35	3.30%	-8.98	-0.61	44.75
EKUITAS	7.16%	42.03	10.64	3.56%	12.75	18.06	18.99	15.54	4.94%	1.25%	5.75%	7.50%	11.67	-5.77	9.27%	-1.63	5.08%	11.84

Fig.1. Changes in Liabilities and Equities

The capital structure of IDXQ30 companies between 2021-2023 reveals notable variation. Firms like BFIN and UNTR rely heavily on debt, with liabilities of 49.05% and 44.75%, while ACES and KLBF are predominantly equity-funded, with ratios of just 0.06% and -5.70%. This reflects strategic differences in funding decisions based on company-specific factors. A gap emerges between theoretical expectations and actual data. Pecking order theory suggests profitable firms avoid debt, yet BFIN, despite strong profitability, holds the highest debt. Similarly, signalling theory predicts firms like UNTR, with solid assets, would favour equity, but it maintains significant debt. The theory of growth opportunities suggests firms with expansive potential should limit debt, yet companies like INTP, with 36.70% liabilities, contradict this view. The stark contrast in debt levels between BBCA (8.87%) and BFIN (49.05%) challenges uniformity within the same index. These inconsistencies also extend to asset structure theories, with some studies linking assets positively to capital structure (R. L. Putri & Willim, 2024), while others find no connection (Heliani & K Fadhillah, 2022). Similarly, while some research supports a link between growth, profitability, and capital structure (Amin et al. (2023); Siskawati & Suryono (2022)), other studies dispute this (V. J. Putri & Ardiansyah (2023); Sinaga et al. (2022)). Such contradictions highlight the complex forces driving corporate financing decisions in Indonesia's stock market. Based on the background of the problem, the researcher formulates:

1. How is the impact of growth opportunities on capital structure?
2. What is the impact of profitability on capital structure?
3. What is the impact of profitability on capital structure?

2 Literature Review

According to Jensen & Meckling (1976), this theory relates the relationship between shareholders and managers, where managers as agents may make decisions that are not always in line with the interests of shareholders. This theory informs that the impact of asymmetric information motivates an entity's high growth opportunity to conduct external funding through debt. The asset structure aligns with pecking order the-

ory, where an excess of fixed assets supports capital needs, while an overabundance of current assets prompts a greater focus on meeting liabilities (Rizky et al., 2023). Trade-off theory is useful as a balance between the benefits and sacrifices that arise from being in debt. Wahyuliza et al. (2024) suggest that increasing debt is still is allowed as long as the benefits outweigh the costs.

2.1 Hypothesis Development

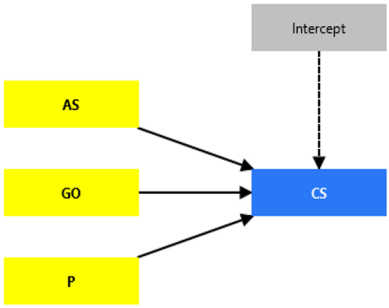

Fig.2. Research Model

Earlier studies, such as Agyemang (2023), emphasise that capital structure is shaped by market conditions, policy, and industry risk. Angela & Rasyid (2022) show fixed assets raise debt, while signalling theory links asset structure to capital choices. R. L. Putri & Willim (2024) and Huda & Rahmawati (2023) affirm firms with strong assets access debt easily. Growth opportunities drive capital decisions, with firms preferring equity for flexibility ((Wang & Zhang (2024); (Amin et al., 2023)). Profitability, as noted by Iqbal & Khan (2023), correlates with equity, reducing debt reliance, supporting Nabila & Rahmawati (2022) pecking order theory. Anggita & Priyanto (2022) link high ROA to conservative structures. Thus, the researcher posits:

H_1 : It is suspected that asset structure has a positive impact on capital structure in companies indexed IDXQ30 in 2021-2023.
H_2 : It is suspected that growth opportunities have a positive impact on capital structure in companies indexed by IDXQ30 in 2021-2023.
H_3 : It is suspected that profitability has a positive impact on capital structure in companies indexed by IDXQ30 in 2021-2023.

3 Methodology

This study employs a quantitative approach using secondary data obtained through documentary analysis of companies listed on the Indonesia Stock Exchange, specifically the IDXQ30 index from 2021 to 2023. The research utilizes statistical techniques to explore the relationships between variables, aiming to test the formulated hypotheses (Sahir, 2022). The population comprises 53 IDXQ30 companies. Utilizing a purposive sampling method (Cahyani & Nyale, 2022), the study selected 30 compa-

nies, resulting in 90 data points. This carefully curated sample provides the foundation for investigating the capital structure dynamics of leading Indonesian corporations. The sample data was processed using SPSS version 27.

3.1 Conceptual and Operational Variabel

According to Dwi Urip Wardoyo et al. (2022), capital structure refers to the mix of financing sources, including debt and equity, that a company uses, impacting its financial stability and competitiveness. R. L. Putri & Willim (2024) define asset structure plays an important role in determining the company's ability to obtain debt, because fixed assets can be used as collateral for creditors when the company needs external funding. Growth opportunities inform the potential growth of an entity, Siskawati & Suryono (2022) illustrate that companies that tend to grow rapidly should develop their fixed assets because the increase in the entity's assets from one period to the next shows that the entity is running very well. Profitability variable is a measuring tool for companies in generating profits through the processing of their resources, reflecting the effectiveness of management in optimising capital and assets to achieve profits (Anggita & Priyanto, 2022) .

4 Result and Discussion

4.1 Result

In the equation, Y represents capital structure, X_1 is asset structure, X_2 is growth opportunities, and X_3 is profitability. The analysis shows that: Alpha (2.604) indicates the capital structure value when all variables are zero. A 1% increase in asset structure decreases capital structure by 3.258 units, while a 1% increase in growth opportunities raises it by 0.608 units. Lastly, a 1% increase in profitability decreases capital structure by 6.616 units. The significance value of Sig. which is less than 0.001 indicates that this regression model is statistically highly significant. That is, we can reject the null hypothesis stating that there is no significant relationship between the independent variable and the dependent variable. Thus indicating that asset structure, growth opportunities, and profitability collectively have a significant influence on capital structure, and the regression model used works effectively in explaining variations in capital structure.

Model	Unstandarized Coefficient		t	Sig	F	Sig
	B	Std. Error				
Constan	2,604	0,394	6,616	<0,001	7,961	<0,001
AS	-3,258	0,994	-3,279	0,002		
GO	0,608	1,249	0,487	0,628		
P	-6,616	2,005	-3,299	0,002		

Fig.3. Statistic Model

The t-value of -3.279 shows a significant negative impact of asset structure on capital structure, confirming H_1. The t-value of 0.487 with a significance of 0.628 indicates that growth opportunities do not affect capital structure, rejecting H_2. The profitability variable has a significant impact (sig. 0.002), confirming H_3.

4.2 Discussion

Regression analysis of IDXQ30 companies (2021-2023) reveals that asset structure significantly influences capital structure, with a significance value of 0.002. Companies with higher fixed assets tend to rely less on debt, supporting Pecking Order Theory, which prioritises internal funding over external debt. This aligns with studies by Daeli et al. (2022), R. L. Putri & Willim (2024), and Camara & Sangiácomo (2023), but contradicts Heliani & K Fadhillah (2022). The findings suggest that firms with more fixed assets favour equity and internal funds, reducing debt reliance, confirming H_1. The analysis also shows that growth opportunities do not significantly affect capital structure (0.628 > 0.025). This supports the idea that companies are more influenced by financial stability and risk than growth potential when making funding decisions, as noted by Johns & Mitchell (2022) and Tan & Huang (2021). As such, growth opportunities do not drive capital structure decisions, leading to the rejection of H_2. Profitability, however, significantly impacts capital structure (Sig. = 0.002), with higher profitability correlating with a lower debt-to-equity ratio, favouring internal financing. This confirms findings by Nabila & Rahmawati (2022), Anggita & Priyanto (2022), and Dandapani & Kumar (2021), who assert that profitable firms reduce debt reliance. This supports a conservative financing strategy, contrasting with Puspitasari (2022) and Fathiya Luthfita et al. (2022). These results highlight profitability's critical role in shaping capital structure, particularly in IDXQ30 companies, confirming H_3.

5 Conclusion

Based on the research results that have been explained, it is found asset structure has a positive impact on capital structure in companies indexed IDXQ30 in 2021-2023. Growth opportunities do not have a significant impact on capital structure in companies indexed IDXQ30 in 2021-2023. Profitability has a positive impact on capital structure in companies indexed IDXQ30 in 2021-2023.

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Disclosure of Interests. The authors unequivocally declare that no competing interests, whether financial or personal, have tainted the objectivity of this study. All insights and conclusions presented stem solely from impartial academic scrutiny, free from external influence, concerning the IDXQ30 firms from 2021 to 2023

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