



Financial Ratios and Capital Structure: Moderating Effect of Firm Size

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ABSTRACT

The study aimed to examine how profitability, liquidity, asset structure, and solvency impact capital structure when moderated by firm size. This research is quantitative research using financial/annual reports with the population of the property and real estate companies listed on the Indonesia Stock Exchange in 2020-2023. The sampling technique used was purposive sampling so that 178 data were obtained with an observation period of four years, processed with IBM SPSS Statistics 26. The findings of this study indicate that liquidity and solvency significantly and positively affect the capital structure, firm size can strengthen liquidity and solvency affect the capital structure, profitability and asset structure have no effect on capital structure, and firm size cannot moderate profitability and asset structure affect the capital structure. The contribution of this research can be useful for investors and companies in making funding decisions. It is recommended for further researchers to repeat the study with a larger dataset or use data from different periods to validate the results.

Tujuan penelitian ini untuk menganalisis pengaruh profitabilitas, likuiditas, struktur aset, dan solvabilitas terhadap struktur modal yang dimoderasi oleh ukuran perusahaan. Riset ini merupakan penelitian kuantitatif yang menggunakan laporan keuangan/tahunan perusahaan dengan populasi perusahaan properti dan real estate yang terdaftar di Bursa Efek Indonesia tahun 2020-2023. Teknik pengambilan sample yang digunakan yaitu *purposive sampling* sehingga memperoleh 178 data dengan masa pengamatan selama empat tahun, yang diolah oleh IBM SPSS Statistic 26. Hasil yang diperoleh menunjukkan likuiditas dan solvabilitas mempunyai pengaruh positif yang signifikan pada struktur modal, hubungan antara likuiditas dan solvabilitas dengan struktur modal dapat diperkuat oleh ukuran perusahaan, profitabilitas dan struktur aset tidak memengaruhi struktur modal, dan hubungan antara profitabilitas dan struktur aset dengan struktur modal tidak dapat dimoderasi oleh ukuran perusahaan. Kontribusi penelitian ini dapat bermanfaat bagi investor dan perusahaan dalam mengambil keputusan pendanaan. Disarankan bagi peneliti selanjutnya untuk mengulangi penelitian dengan kumpulan data yang lebih besar atau menggunakan data dari periode yang berbeda untuk memvalidasi hasil.

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INTRODUCTION

Economic growth in Indonesia fluctuates from time to time, and it sometimes increases or decreases every year. These fluctuations can be caused by various factors such as political, social, economic, natural disasters, and government. Economic growth can be measured from a country's Gross Domestic Product (GDP).

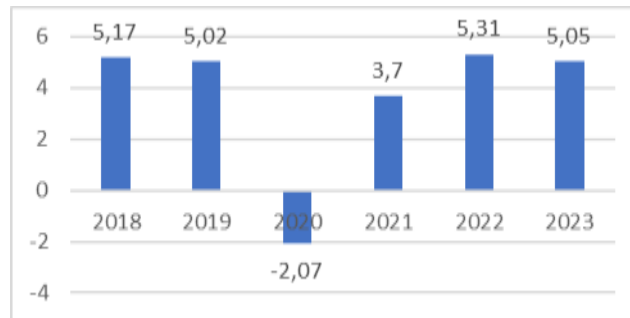


Figure 1. Indonesia's Gross Domestic Product Growth (2018-2023)

Source: Statistics Indonesia (2023)

Figure 1 indicates that gross domestic product (GDP) growth in 2018-2023 fluctuated. The highest value of GDP is in 2022 of 5.31 and the value of GDP experienced an extreme decline in 2020 of -2.07 due to COVID-19. When GDP increases, economic growth also increases, and if GDP decreases, economic growth will decrease. This economic fluctuation situation is felt by all business sectors, including the property and real estate industry. The property and real estate sector is a service industry that manages integrated and dynamic regional development. The results of this industry include housing, apartments, shops, office buildings, and malls (Ginting & Silitonga, 2019).

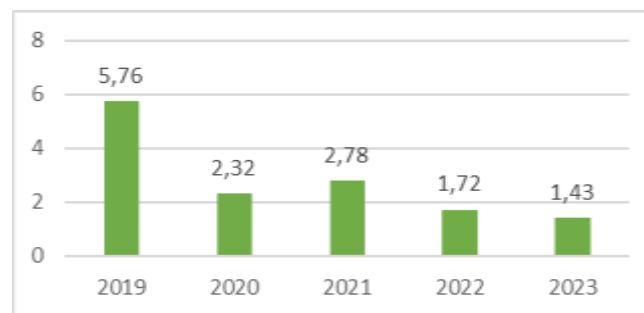


Figure 2. Indonesia Property and Real Estate GDP Growth (2019-2023)

Source: Statistics Indonesia (2023)

Figure 2 shows that the property and real estate industry has experienced fluctuating growth in the last five years. The highest value was in 2019 at 5.76 and the lowest in 2023 at 1.43. This sector has been experiencing a decline in the last three years. In the face of fluctuations in economic growth, companies need to have a strategy so their business can survive and not go bankrupt, one of

the important things that needs to be considered in business strategy is the capital structure as a source of finance for the company (Sumardika & Artini, 2020).

Capital structure is the ratio of external capital (from debt) to equity capital (Cladia, 2024). Debt to Equity Ratio (DER) is a measurement tool used in this study. The target DER of a company is less than 1 or 100% to minimize the risk of bankruptcy (Brigham & Houston, 2019), because the company has more debt than equity (Alpha Media, 2024). Capital structure is important for property and real estate companies because these companies invest a lot in fixed assets in the form of land and buildings so they require considerable capital and need to be managed properly (Sumardika & Artini, 2020). In addition, with a healthy and balanced capital structure, companies can finance projects efficiently and increase this sector's growth.

Numerous factors affect capital structure, including asset structure (Sasmita et al., 2024), business risk (Rahmadiani & Yuliandi, 2020), liquidity (Cladia, 2024), sales growth (Adiningrat et al., 2022), profitability (Nabila & Rahmawati, 2023), the effective tax rate (Mu'arif & Afridayani, 2023), solvency (Yuliati & Khoyimah, 2024), and others. This study makes profitability, liquidity, asset structure, and solvency as independent variables that affect capital structure as the dependent variable due to inconsistent findings in previous research.

Profitability is a measure of a company's capacity to generate profits from the use of resources such as assets, capital, and sales (Siswanto, 2021). This study assesses profitability using Return on Assets (ROA). Companies that generate high profitability usually have low debt levels, because most of their profits are used as retained earnings for internal capital sources (Sulistiyawan & Riharjo, 2022). Study by Nabila & Rahmawati (2023), Dewi & Fachrurrozie (2021), and Kurniasari & Listiawati (2021) revealed that profitability negatively affects the capital structure, in previous research Cladia (2024), Wahyuni et al. (2021), and Lianto et al. (2020) indicated that profitability positively affects the capital structure. But, according to Monica & Wi (2022), Sumardika & Artini (2020), and Hanbo & Zulaikha (2022) showed that profitability does not affect capital structure.

Liquidity is a parameter that determines the level of the company's capability to settle short-term liabilities (Wahyuni et al., 2021). This research uses the Current Ratio to measure liquidity. Liquidity affects the amount of funds from debt that the company can obtain for the company's capital structure. In the research of Kasrianti et al. (2023), Mukaromah & Suwarti (2022) and Nery & Susanto (2022) showed that liquidity negatively affects the capital structure. However, the findings from a study conducted by Jorden et al. (2022), Cladia (2024), and Purba et al. (2020) found that liquidity positively affects the capital structure. Then, Jie et al. (2023), Monica & Wi (2022), and Agus & Tjandrasa (2021) revealed that there was no effect of liquidity on capital structure.

Asset structure is a variable that calculates the proportion of fixed assets in relation to the company's total assets, which shows the allocation of funding to different parts of the company's assets (Bau & Wati, 2020). Asset structure plays a role in determining the amount of long-term debt a company has, which can impact the formation of its capital structure (Andika & Sedana, 2019). Hanbo & Zulaikha (2022), Cladia (2024), and Asikin et al. (2019) showed the results of their research that asset structure positively affects the capital structure, then study by Sasmita et al. (2024), Nabila & Rahmawati (2023), and Rahmawati (2021) found that asset structure negatively affects the capital structure. However, other results from Anisak & Ardiana (2023), Jie et al. (2023), and Aslah (2020) declared the contrary, specifically that asset structure does not influence the capital structure.

Solvency is the company's capacity to settle and manage debts (Purba et al., 2020). This research uses the Debt Ratio to measure solvency, the debt ratio evaluates the proportion of total debt to total assets, indicating the extent to which a company's assets are financed by debt and the extent to which the company's debt is related to the management of the company's assets (Yuliati & Khoyimah, 2024). The greater the total assets of a company covered by total debt makes total debt increase and causes the capital structure to increase (Agus & Tjandrasa, 2021). In the research of Yuliati & Khoyimah (2024), Monica & Wi (2022), and Cladia (2024) stated that solvency positively affects the capital structure, but this is different from the research results of Jorden et al. (2022), Sibuea & Alexander (2022), and Purba et al. (2020) which found that solvency does not affect capital structure.

Then, the reason for the firm size is also taken into consideration when choosing a capital structure decision because increasing the size of the company will cause an increase in the capital structure (Lilia et al., 2020). This study assesses firm size using a natural logarithm of total assets. The company's size can indicate the amount of assets available for use as collateral when acquiring debt (Jie et al., 2023), the debt can be used for the company's capital, in line with what has been found by the research of Alyaa & Nur (2023), Baswara (2020), and Purwansyah & Yuliana (2020) that firm size can strengthen profitability affects capital structure, then Erisa & Deliza (2023), Cahyani & Nyale (2022), and Jorden et al. (2022) stated that the influence of liquidity on capital structure can be strengthened by firm size, research by Mukaromah & Suwarti (2022), Wahyuni et al. (2021), and Suherman et al. (2019) revealed that the influence of asset structure on capital structure can be strengthened by firm size, and according to Yunivera (2023) firm size can strengthen solvency affects capital structure. In this case, firm size can influence capital structure decisions through profitability, liquidity, asset structure, and solvency of the company, and can be used as a moderating variable in this study.

According to the above background, this research examined how profitability, liquidity, asset structure, and solvency impact capital structure when moderated by firm size in the property and real estate sector listed on the Indonesia Stock Exchange during 2020-2023. This study was conducted due to inconsistent findings in previous studies and to make suggestions made in previous studies. Independent variables, research objects, and research years differentiate this research and previous research.

Literature Review

Pecking Order Theory

Pecking order theory reveals that internal funding is preferred by companies over external funding. Companies adjust their target dividend payout ratios to align with the availability of investment opportunities, and when external funding is needed, companies use safe debt rather than risky debt (Myers, 1984). Internal funding is preferred by companies because there is less risk and companies are less burdened by paying their obligations to creditors (Dewi & Fachrurrozie, 2021). This theory is in line with profitability and liquidity variables because more profitable companies tend to use internal funds first, so with high profitability, the use of debt (capital structure) tends to be lower. In addition, high liquidity companies (current assets cover short-term liabilities) can be better able to fund internal needs without having to rely on debt, so they prefer to use internal funding rather than external funding from debt (Suwita & Dewi, 2024).

Trade-off Theory

Trade-off theory clarifies that companies can maximize the utilization of debt for capital structure to take advantage of taxes but still pay attention to the additional risks arising from the use of debt (Modigliani & Miller, 1963). In this case, debt has benefits where the interest costs incurred can reduce taxes. This theory aligns with the variables of asset structure and solvency, as substantial fixed assets can serve as collateral. It will be easier to get debt so companies use debt (capital structure) more often (Dewi & Fachrurrozie, 2021) and the debt is used to optimize the tax shield. Therefore, the capital structure increases when the asset structure increases. Then, companies with high solvency are generally better equipped to handle lower bankruptcy risks, making them more inclined to utilize debt to take advantage of tax benefits. So, solvency increases the use of debt (capital structure) Cladia (2024).

Profitability on Capital Structure

Profitability is a component that calculates the level of a company's capacity to generate profits from sales and investments, which indicates the measured level of management effectiveness (Maulana & Ferwandes, 2021). Profitability becomes a benchmark when companies decide on financing options because the more profitable the company is, the more likely internal funds are

used as a capital structure (Nabila & Rahmawati, 2023). Pecking order theory is in line with this, and is also supported by the research of Nabila & Rahmawati (2023), Dewi & Fachrurrozie (2021), and Kurniasari & Listiawati (2021) which indicates that there is a significant negative impact on the relationship between profitability and capital structure, if the company produces a large level of profitability, the capital structure based on debt will decline. So, the first hypothesis is:

H1: Profitability significantly and negatively affects capital structure

Liquidity on Capital Structure

Liquidity is a component that calculates the level of the company's capability to settle short-term liabilities (Nasar & Krisnando, 2019). Liquid companies have a smaller capital structure because they tend to rely on internal funds rather than external funds to finance their business activities (Darmawan et al., 2021). This statement is supported by pecking order theory and research by Kasrianti et al. (2023), Mukaromah & Suwarti (2022) and Nery & Susanto (2022) which explains that there is a significant negative impact on the relationship between liquidity and capital structure. Thus, the following hypothesis is proposed:

H2: Liquidity significantly and negatively affects capital structure

Asset Structure on Capital Structure

Asset structure is the comparison of fixed assets to total assets to determine the allocation of funds for each type of asset, which represents the company's capital investment (Chandra et al., 2019). According to Setiawati & Veronica (2020), a higher asset structure will result in a higher capital structure because the fixed assets used as debt are also higher. Companies with large assets often utilize debt because they can use their considerable assets as collateral to obtain external funding (Rahmawati, 2021). Trade-off theory is in line with this, where companies maximize the utilization of debt, and previous research by Cladia (2024), Mukaromah & Suwarti (2022), and Hanbo & Zulaikha (2022) revealed that there is a significant positive impact on the relationship between asset structure and capital structure. Therefore, the following hypothesis is obtained:

H3: Asset structure significantly and positively affects capital structure

Solvency on Capital Structure

Solvency is a ratio related to the company's capacity to settle liabilities in the event of bankruptcy or liquidation (Darmawan, 2020). Companies that have high solvency can provide confidence to creditors in external funding so that the capital structure can also increase. In line with the trade-off theory and supported by Cladia (2024), Yuliati & Khoyimah (2024), and Monica & Wi (2022) which states that there is a significant positive impact on the relationship between solvency and capital structure. Hence, the hypothesis is:

H4: Solvency significantly and positively affects capital structure

Profitability on Capital Structure Moderated by Firm Size

The company's larger size enables it to generate higher profits. If a company has high profits, the company will choose internal funding rather than using external funding for its capital structure, with this in line with pecking order theory and research by Alyaa & Nur (2023), Baswara (2020), and Nasar & Krisnando (2019) found that the influence between profitability and capital structure can be strengthened by Firm Size. Therefore, the following hypothesis is obtained:

H5: Firm Size can strengthen profitability affects capital structure

Liquidity on Capital Structure Moderated by Firm Size

Larger company sizes generally have high liquidity, where the company has more funds to finance business operations and uses less debt, the pecking order theory is in line with this. High-liquidity companies indicate that they can finance all of their business activities using internal funding. Supported by research by Erisa & Deliza (2023), Cahyani & Nyale (2022), and Jorden et al. (2022) which states that the influence between liquidity and capital structure can be strengthened by Firm Size. Hence, the hypothesis is:

H6: Firm size can strengthen liquidity affects capital structure

Asset Structure on Capital Structure Moderated by Firm Size

Large company sizes generally have large total assets as well, these assets can be used as debt collateral in external funding. A large asset structure can increase a company's opportunity to obtain debt because a large company can provide more security and trust to creditors, in line with trade-off theory and research by Mukaromah & Suwarti (2022), Wahyuni et al. (2021), and Suherman et al. (2019) revealed that the impact of asset structure on capital structure can be strengthened by firm size. Thus, the following hypothesis is proposed:

H7: Firm size can strengthen asset structure affects capital structure

Solvency on Capital Structure Moderated by Firm Size

Large company sizes generally have a high solvency ratio value, high solvency companies have the trust of creditors so that they can easily obtain debt for capital funding. Trade-off theory is in line with this and is also supported by the research of Yunivera (2023) which explains that firm size can strengthen the impact of solvency on capital structure. Therefore, the hypothesis formed:

H8: Firm size can strengthen solvency affects capital structure

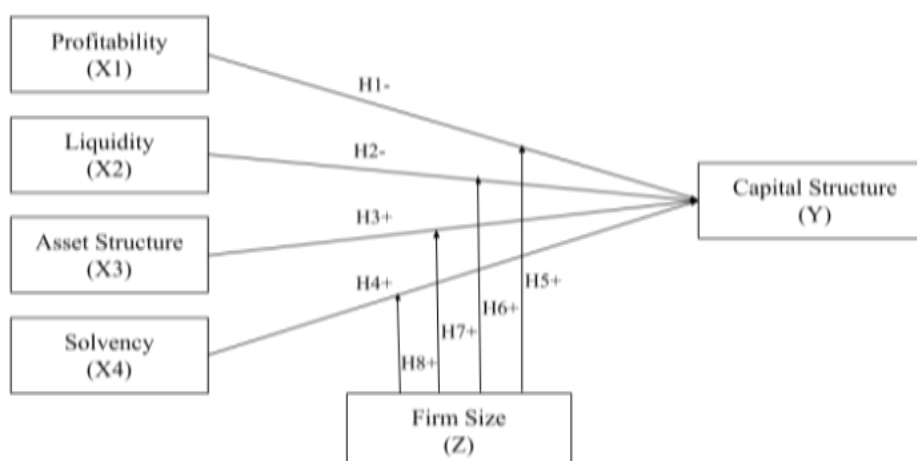


Figure 3. Hypothesis Framework

RESEARCH METHOD

Quantitative is a type of this research that involves financial/annual reports of property and real estate companies on the Indonesia Stock Exchange 2020-2023 as a secondary data source. This study has a population of 95 companies in the property and real estate sector listed on the IDX with the following purposive sampling technique:

Table 1. Sampling Technique

No	Criteria	Excluded Criteria	Included Criteria
1.	Property and Real Estate sector companies on the Indonesia Stock Exchange from 2020 to 2023		95
	Total data for observation year (four years)		380
2.	Data from companies presenting financial/annual reports 2020-2023	(57)	323
3.	Data from companies that provide complete data on all required variables		323
4.	Data from companies that achieved profit in 2020-2023	(125)	198
	Outlier	(20)	
	Total data		178

Source from www.idx.co.id (processed 2024)

The data was processed using IBM SPSS Statistics 26 with several methods, including descriptive statistical analysis, classical assumption, model fit, hypothesis test, and moderation regression.

RESULT AND DISCUSSIONS

The result of data processing with SPSS 26 obtained 178 data. Initially, the data amounted to 198 but because the data could not be normally distributed, 20 data outliers were made.

Descriptive Statistical Analysis Results

Table 2. Descriptive Statistical Analysis Results

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability (X ₁)	178	0.000	0.725	0.0504	0.080
Liquidity (X ₂)	178	0.144	492.408	16.079	60.064
Asset Structure (X ₃)	178	0.000	0.650	0.079	0.115
Solvency (X ₄)	178	0.002	0.605	0.295	0.163
Firm Size (Z)	178	23.206	31.833	28.338	1.878
Capital Structure (Y)	178	0.002	1.533	0.503	0.377

Source from Output SPSS 26 (processed 2024)

Table 2 shows the results of descriptive statistical analysis, the mean of the dependent variable capital structure is 0.503, and the mean of the moderating variable firm size is Rp2.027.855.608.179. While the average profitability (X₁) value is 0.504, average liquidity (X₂) value is 16.079. Then, the average asset structure (X₃) is 0.079 and average solvency (X₄) is 0.295.

Classical Assumption Analysis Results

Normality Test Analysis Results

With the Kolmogorov-Smirnov (K-S) test and the Monte Carlo method, the processed research data indicated a significance value of $0.073 > 0.05$, which means that the data has been normally distributed and meets the normality test requirements because the sig value is above 0.05.

Autocorrelation Test Analysis Results

Through the Durbin-Watson Test, the result obtained from the Durbin-Watson value is 1.253. If Durbin Watson (DW) has a value of -2 to 2, autocorrelation does not occur (Heripson, 2020). Because the DW value is 1.253 and still in the range of -2 to 2, autocorrelation does not occur.

Heteroscedasticity Test Analysis Results

Using the Spearman method, indicates that a sig value (2-tailed) of all variables above 0.05, including X₁ 0.706, X₂ 0.178, X₃ 0.054, X₄ 0.082, X₁*Z 0.569, X₂*Z 0.376, X₃*Z 0.080, and X₄*Z 0.068, so there is no heteroscedasticity because the sig value is above 0.05.

Simultaneous Test Analysis or F Test Results

Obtained F test results of 471.79 with a significance value of 0,000, this indicates that profitability (X₁), liquidity (X₂), asset structure (X₃), and solvency (X₄) significantly affect the capital structure (Y).

Coefficient of Determination Test Analysis or R² Test Results

Adjusted R2 has been obtained of 0.955 or 95.5%. This shows that profitability (X₁), liquidity (X₂), asset structure (X₃), and solvency (X₄) affect the capital structure (Y) of 95.5%. While 4.5% is influenced by other variables.

Hypothesis Test Results

The processed research data indicates that the profitability (X₁) significance value obtained was $0.978 > 0.05$, this means that profitability does not affect the capital structure. The significance of liquidity (X₂) is $0.064 > 0.05$ then X₂ is accepted as significance at a 10% level and can show that liquidity significantly and positively affects capital structure. The significance of asset structure (X₃) is $0.832 > 0.05$ this means that asset structure does not affect the capital structure. Then, the significance of solvency (X₄) is $0.000 < 0.005$, this indicates that solvency significantly and positively affects capital structure.

Moderated Regression Analysis Results (MRA Test)

Table 3. Moderated Regression Analysis Results

	Coefficients	t	Sig.
(Constant)	-0.184	-11.678	0.000
Profitability (X ₁)	0.041	0.027	0.978
Liquidity (X ₂)	0.008	1.862	0.064 *
Asset Structure (X ₃)	-0.227	-0.212	0.832
Solvency (X ₄)	1.389	3.860	0.000 ***
Profitability*Firm Size	-0.002	-0.041	0.968
Liquidity*Firm Size	0.000	-1.717	0.088 *
Asset Structure*Firm Size	0.004	0.114	0.909
Solvency*Firm Size	0.032	2.653	0.009 ***

a. Dependent Variable: Y (Significance level *10%, **5%, ***1%)

Source from Output SPSS 26 (processed 2024)

The moderation regression analysis (MRA test) results indicate that a value of $0.968 > 0.05$ was obtained for the interaction variable of profitability with firm size, meaning that firm size cannot moderate profitability affects capital structure. Then, the significance of the interaction variable between liquidity and firm size is $0.088 > 0.05$, it's accepted as significance at a 10% level and can show that firm size can strengthen liquidity affects capital structure. The significance of the interaction variable between asset structure and firm size is $0.909 > 0.05$, meaning that firm size cannot moderate asset structure affects capital structure. Then, the value of the interaction variable between solvency and firm size is $0.009 < 0.05$, meaning that firm size can strengthen solvency affects capital structure.

Discussion

Profitability Affects Capital Structure

Based on data analysis, it indicates that profitability (X₁) does not affect the capital structure, so this study could not provide evidence for the first hypothesis. This shows that the profits generated by the company are not used for the company's capital, but can be used to

distribute dividends to shareholders. For the capital structure, the company obtains it through debt (Suherman et al., 2019). Pecking order theory is not in line with this, but instead aligns with the trade-off theory because companies maximize the use of external debt. The finding is consistent with the study of Monica & Wi (2022), Rahmawati (2021), Sumardika & Artini (2020), Hanbo & Zulaikha (2022).

Liquidity Affects Capital Structure

Data processing results indicate that liquidity (X_2) has a strong positive impact on capital structure, therefore this research could not provide evidence for the second hypothesis. The results obtained are contrary to the direction of the hypothesis, liquidity positively affects capital structure because the company utilizes the use of debt for funding so the more highly liquidated the company's capital structure is higher. High liquidity can show that the company has healthy finances so that it can increase creditor confidence and make it easier to obtain debt. This result is supported by Jorden et al. (2022), Cladia (2024), Purba et al. (2020), and Nabayu et al. (2020).

Asset Structure Affects Capital Structure

The study could not provide evidence for the third hypothesis because the outcomes indicated that asset structure (X_3) does not affect capital structure. This shows that high and low asset structures do not affect high and low capital structures. The statement is not consistent with trade-off theory, but instead aligns with research by Anisak & Ardiana (2023), Jie et al. (2023), dan Aslah (2020).

Solvency Affects Capital Structure

The research could provide evidence for the fourth hypothesis which found that solvency (X_4) significantly and positively affects capital structure. The results showed that companies that have high solvency can make it easier for companies to take debt for capital structure. If solvency is low, the company has a low ability to obtain debt for its capital structure. The trade-off theory is in line with this because the company maximizes its debt from external funds, and in line with research by Cladia (2024), Yuliati & Khoyimah (2024), Monica & Wi (2022), and Agus & Tjandrasa (2021).

Profitability Affects Capital Structure Moderated by Firm Size

By data processing, firm size cannot moderate profitability affects the capital structure, therefore this research could not provide evidence for the fifth hypothesis. This shows that the size of the company does not affect the company's profitability. The decision to determine the capital structure can be made optimally without depending on the company's size. Pecking order theory is not in line with this but in line with the research of Nery & Susanto (2022), Mukaromah & Suwarti (2022), and Hutauruk (2020).

Liquidity Affects Capital Structure Moderated by Firm Size

Data processing results indicate that firm size can strengthen liquidity affects capital structure, so this research could provide evidence for the sixth hypothesis. This shows the value of firm size can affect liquidity where the larger the company will increase the liquidity ratio and tend to prioritize funding from internal companies rather than external funding. The statement is consistent with pecking order theory and research by Erisa & Deliza (2023), Jorden et al. (2022), and Azizah (2019).

Asset Structure Affects Capital Structure Moderated by Firm Size

The study could not provide evidence for the seventh hypothesis because the outcomes indicated that firm size cannot moderate asset structure affects the capital structure. This shows that the level of firm size does not affect the asset structure to the capital structure. Trade-off theory is not in line with this, but instead aligns with previous research by Sasmita et al. (2024), Dewi & Fachrurrozie (2021), Nasar & Krisnando (2019), and Asikin et al. (2019).

Solvency Affects Capital Structure Moderated by Firm Size

The study found evidence that firm size can strengthen solvency affects capital structure, so this research could provide evidence for the eighth hypothesis. This shows that the value of firm size can affect the company's solvency level. When the level of solvency is high and the size of the company is large, it will gain the trust of creditors and get ease in obtaining debt for corporate financing so that solvency can affect the capital structure. The trade-off theory is in line with this statement because maximize the use of external debt, and also consistent with the study of Yunivera (2023).

CONCLUSION AND SUGGESTIONS

Based on the findings of this research, liquidity and solvency significantly and positively affect the capital structure, firm size can strengthen liquidity and solvency affect the capital structure, profitability and asset structure have no effect on capital structure, and firm size cannot moderate profitability and asset structure affect capital structure.

The limitation of this study is that there are still some data outliers due to extreme values, so the data obtained are fewer. Therefore, it is recommended for further researchers to repeat the study with a larger dataset or use data from different periods to validate the results.

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