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Research Article

The Effect of Operational Efficiency, Liquidity, And Profitability on Capital Structure In Manufacturing Companies In the Basic Industry and Chemical Sectors Listed on the Indonesia Stock Exchange for the Period 2021-2023

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ABSTRACT

This study aims to evaluate the influence of operational efficiency, liquidity, and profitability on capital structure in manufacturing companies operating in the basic and chemical industry sectors listed on the Indonesia Stock Exchange during the 2021–2023 period. The analysis was conducted using panel data regression, with the Fixed Effect model selected based on the results of the Chow and Hausman tests. The research sample consisted of 32 companies that met the criteria, and data analysis was performed using descriptive and inferential statistical approaches. The findings indicate that operational efficiency does not have a significant impact on capital structure. In contrast, liquidity has a significant negative effect, suggesting that companies with high liquidity levels tend to rely on internal funding sources rather than external financing. Meanwhile, profitability has a significant positive effect on capital structure, indicating that highly profitable firms are more likely to opt for external financing. The regression model used explains 30.89% of the variation in capital structure, with a statistically significant F-statistic. The validity and reliability of the model were confirmed through multicollinearity and heteroscedasticity tests. Overall, the study concludes that operational efficiency does not directly influence capital structure, whereas liquidity and profitability play significant roles in financing decisions. The implications of these findings offer strategic guidance for corporate management in formulating financing strategies based on a company's liquidity position and profitability level.

Keywords: Capital Structure; Operational Efficiency; Liquidity; Profitability

1. INTRODUCTION

In an era of globalization and increasingly dynamic economic conditions, manufacturing companies in the basic and chemical industries sectors in Indonesia face major challenges in managing their capital structures. Fluctuating global raw material prices, foreign exchange rate risks, and limited access to cheap and stable sources of financing are the main factors influencing the company's funding decisions. To maintain business sustainability, companies must be able to balance the optimal use of debt and capital by paying attention to financial risks and market uncertainty. An adaptive capital structure management strategy, including protection against foreign exchange risks and periodic evaluation of financial conditions, is key to maintaining competitiveness in the midst of global competition. (Muhammad Andi Juprianto et al., 2025). Factors such as operational efficiency, liquidity, and profitability are key in determining the optimal financing strategy (Krisyana et al., 2024).

Operational efficiency describes a company's capacity to optimize the use of resources to achieve maximum production results (Wang et al., 2023). Meanwhile, liquidity represents a company's ability to meet its short-term financial obligations. (Iman et al., 2021), while profitability describes a company's ability to generate profits from its operations (Mohamad Zulman Hakim et al., 2023). These three factors are interrelated and contribute to the company's decision to determine the right capital structure, both through internal and external funding. Capital structure theory, such as the Pecking Order Theory, provides a conceptual framework for understanding how companies choose between debt and equity in their financing (Mustikasari et al., 2025). (Abbana & Marimuthu, 2023) The trade-off theory explains that companies tend to balance the benefits of using debt such as tax savings from interest with potential financial costs, including the risk of bankruptcy. On the other hand, the pecking order theory argues that companies have a hierarchy of preferences in financing, with the main priority on internal funds, then debt, and finally the issuance of shares, which is influenced by the asymmetry of information between management and investors. (Ariawan & Solikahan, 2022). In the context of manufacturing

companies in Indonesia, the application of these theories can be helpful in understanding the influence of operational efficiency, liquidity, and profitability on the company's capital structure.

Although capital structure theories have been widely studied, there is still uncertainty about how operational efficiency, liquidity, and profitability specifically affect the capital structure of manufacturing companies in the basic and chemical industry sectors in Indonesia (Kustinah, 2021). Changes in economic conditions, market fluctuations, and government policies can affect the relationship between these variables (Meiliani et al., 2024). In addition, there are differences in characteristics between companies in this sector, such as company size, asset structure, and business strategy, which can influence their capital structure decisions (Oktaviani et al., 2024). Thus, a more comprehensive study is needed to gain a deeper understanding of the influence of operational efficiency, liquidity, and profitability on capital structure in manufacturing companies operating in the basic and chemical industry sectors and listed on the Indonesia Stock Exchange during the 2021–2023 period.

Several previous studies have examined the relationship between profitability, liquidity, and capital structure of manufacturing companies in Indonesia. (Ambarwati et al., 2023) This study identifies that profitability and liquidity have a significant influence on the capital structure of manufacturing companies engaged in the basic and chemical industry sectors and listed on the Indonesia Stock Exchange during the period 2018 to 2022. Meanwhile, (Attamami & Sulastiningsih, 2024) shows that liquidity has a positive effect on profitability, and capital structures dominated by debt tend to have a negative impact on profitability. Another study by (Puspitasari, 2022) The results of the study show that liquidity has a significant negative influence on capital structure, while asset structure shows a negative but insignificant influence. On the other hand, profitability exerts a positive influence on the capital structure, although it is not statistically significant. (Piasti & Suswandoyo, 2022) highlights Partially, the results of the study reveal that profitability exerts a significant influence on the value of the company, while leverage does not show a significant influence on the value of the company. In addition, the size of the company also does not have a significant impact individually on the value of the company. However, when these three variables of profitability, leverage, and company size are analyzed simultaneously, it is proven to have a significant influence on the company's value. These findings indicate that although some variables do not have a partial impact, the combination of these variables plays an important role in determining the overall value of the company. Finally, (Ibrahim & Sudirgo, 2023) In the study, it was found that liquidity has a significant negative effect on capital structure. Similarly, profitability also has a significant negative influence on capital structure. On the other hand, the size of the company exerts a significant positive influence on the capital structure. In addition, asset structure has been proven to have a significant negative impact on capital structure.

Although there are several studies that examine the relationship between profitability, liquidity, and capital structure, there are still limitations in understanding the role of operational efficiency in this context. In addition, most previous studies used data prior to 2021, so they do not reflect recent conditions affected by the COVID-19 pandemic and changes in economic policies. Thus, this study is designed to fill the gap in previous research by analyzing the influence of operational efficiency, liquidity, and profitability on capital structure in manufacturing companies in the basic and chemical industry sectors listed on the Indonesia Stock Exchange during the 2021-2023 period.

This study offers novelty by integrating operational efficiency as an independent variable in examining the capital structure of manufacturing companies in the basic and chemical industry sectors in Indonesia. In addition, this study uses the latest data from the 2021-2023 period, which reflects economic conditions after the COVID-19 pandemic and significant changes in economic policies. Thus, this study is expected to provide new insights in understanding the factors that affect the capital structure of manufacturing companies in Indonesia. This study aims to empirically analyze the influence of operational efficiency, liquidity, and profitability on capital structure in manufacturing companies in the basic and chemical industry sectors listed on the Indonesia Stock Exchange during the period 2021 to 2023. In particular, this study will evaluate how operational efficiency influences capital structure decisions, examine the role of liquidity in the formation of capital structure, and assess the contribution of profitability to the composition of a company's financing. In addition, this study also aims to simultaneously understand the impact of these three factors in the context of manufacturing companies in the sector, thus providing a comprehensive overview of the factors that affect the capital structure in this industry.

2. RESEARCH METHOD

This study uses a quantitative method with a causal-comparative design, which was chosen to examine the cause-and-effect relationship between the independent variables of operational efficiency, liquidity, and profitability to the dependent variable, namely capital structure. This approach allows the identification and analysis of the influence of each independent variable on the bound variable in a systematic and measured manner. The quantitative approach allows for systematic and objective numerical data analysis to identify relationships and influences between variables through statistical hypothesis testing (Mulisa, 2022). Causal-comparative design is considered appropriate because it allows researchers to evaluate the cause-and-effect relationships that occur in the context of financial phenomena in manufacturing companies over a given period of time.

The population of this study includes all manufacturing companies in the basic and chemical industry sectors listed on the Indonesia Stock Exchange (IDX) in the period 2021 to 2023, with a total of 32 corporate entities. The purposive sampling technique is applied as a sample selection method, where the selection is carried out based on certain criteria that have been set to ensure the consistency and relevance of the data used in the analysis. (Robinson, 2023). These criteria include Basic and Chemical Sector Companies Listed on BIE in 2021-2023, Reporting Losses in Rupiah, Not Experiencing Losses During the 2021-2023 Period. This technique was chosen to ensure that the data obtained is valid and supports the accuracy of statistical analysis, in accordance with the guidelines in quantitative research in the field of finance. (Rashid et al., 2025).

Table 1. Data Sampling Criteria

No	Criterion	Sum
1	Basic and Chemical Sector Companies Listed in BIE in 2021-2023	72
2	Basic and Chemical Sector Companies Have Not Reported Losses in Rupiah	(2)
3	Basic and Chemical Sector Companies that suffered losses in the 2021-2023 Period	(38)
Total		32
Total to the end 32 x 3		96
Total to the End of the Study		96

This research utilizes secondary data sourced from annual financial statements that have been audited and officially published by the Indonesia Stock Exchange (IDX) through the https://www.idx.co.id website. Data processing was carried out using multiple linear regression methods to test the simultaneous and partial influence of operational efficiency, liquidity, and profitability on the company's capital structure. In addition, classical assumption testing, including normality tests, was also carried out to ensure the validity of the regression model used. This analysis was carried out using the latest version of the EViews statistical software which is able to provide comprehensive analysis results related to hypothesis testing and the level of significance of the relationship between variables (Natsiopoulos & Tzeremes, 2024). This approach was chosen because it can produce a valid and in-depth analysis, so it is suitable as a basis for strategic decision-making of companies and the development of theoretical frameworks in the field of corporate finance.

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistical Test

Table 1. Descriptive Statistical Results

	And	*Xl*	*X2*	*X3*
Mean	0.673594	1.088172	3.718203	0.263268
Median	0.512935	0.76276	2.107183	0.048815
Maximum	4.093859	9.338874	33.4837	6.864244
Minimum	0.033764	0.03169	0.914021	0,000000
Std. Dev.	0.625765	1.365474	4.576108	1.083459
Skewness	2.497676	4.150522	3.629302	5.389519
Kurtosis	12.34804	21.62063	20.70321	30.62547
Jarque-Bera	449.3574	1662.541	1464.364	3517.417
Probability	0,000000	0,000000	0,000000	0,000000
Sum	64.665	104.4645	356.9475	25.27369
Sum Sq. Dev.	37.20026	177.123	1989.373	111.5189
Observations	96	96	96	96

Based on **Table 1**, the results of descriptive statistical analysis on each variable used as research are as follows:

3.1.1 Capital Structure

The average capital structure of the company is 0.6736, with a minimum value of 0.0338 and a maximum of 4.0939. The standard deviation value of 0.6258 indicates a fairly moderate variation in the data. The data distribution showed a positive skewness level of 2.4977, and a kurtosis of 12.3480, indicating an abnormal distribution and having an extreme outlier (leptocurtic). This is reinforced by the Jarque-Bera value of 449.3574 with a probability of 0.0000, which signifies a rejection of the normality hypothesis.

3.1.2 Operational Efficiency

This variable has an average of 1.0882 and a median of 0.7628, indicating that most companies have relatively low efficiency. The maximum value reached 9.3389, indicating the existence of a company with very high efficiency. The standard deviation of 1.3655 reflects a fairly high data distribution. The high values of skewness (4.1505) and kurtosis (21.6206) again indicate that the data distribution is very abnormal and that there is extreme outlying data. This is reinforced by the Jarque-Bera

test (1662.541, p = 0.0000).

3.1.3 Liquidity

Liquidity has an average value of 3.7182 with a median of 2.1072, indicating an inequality in data distribution. The maximum value is very high (33.4837) compared to the minimum (0.9140), with a standard deviation of 4.5761. Skewness (3.6293) and kurtosis (20.7032) are very high, indicating an abnormality of data distribution. The results of the Jarque-Bera test (1464.364, p = 0.0000) showed a rejection of the assumption of normality.

3.1.4 Profitability

The average profitability is 0.2633, but the median is only 0.0488, indicating that most companies have low profitability, and only a small percentage have very high values (maximum 6.8642). The standard deviation (1.0835) is relatively large compared to the average, indicating high data diversity. Skewness is very high (5.3895) with extreme kurtosis (30.6255), confirming a very abnormal distribution of data and the presence of outliers. The Jarque-Bera test (3517.417, p = 0.0000) showed a significantly abnormal distribution.

3.2 Test the Model

3.2.1 Uji Chow

Effects Test	Statistics	d.f	Prob.
Cross-section F	3.048512	(31,61)	0.0001
Cross-section Chi-squere	89.836491	31	0,0000

Table 1: Chow Test

The Chow test is used as a statistical method to determine the most appropriate estimation model in panel data analysis, with the aim of comparing the compatibility between the Common Effect (Pooled OLS) and the Fixed Effect Model (FEM). The test results showed a Cross-section F value of 3.048512 with a significance level of 0.0001, and a Cross-section value of Chi-square of 89.834491 with a significance of 0.0000. Since these two probability values are below the significance threshold of 5% (α = 0.05), the null (H_0) hypothesis that there is no significant difference between cross-section units is rejected. These findings confirm the existence of significant heterogeneity between entities in the data panel. Therefore, the Fixed Effect (FEM) model is considered more suitable for use because it is able to capture individual variations between companies throughout the study period, making it the best choice in this study.

3.2.2 Hausman Test

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob
Cross-section random	18.071602	3	0.0004

Tabel 2: Uji Hausman

In order to determine the most suitable estimation model between the Fixed Effect Model (FEM) and the Random Effect Model (REM), a test was carried out using the Hausman test. The test results showed a Chi-Square value of 18.071602 with a probability of 0.0004. Since this probability value is smaller than the significance level of 5% (α = 0.05), the null (H_0) hypothesis that the Random Effect model is more appropriate is rejected. Thus, it can be concluded that the Fixed Effect model is more feasible to use for data analysis in this study. These findings indicate a significant correlation between the individual effect (cross-section effect) and the independent variable, so the FEM model is considered to be able to provide a more consistent and unbiased parameter estimate. The use of this model allows researchers to control for the influence of individual heterogeneity that is not observed but remains constant over time.

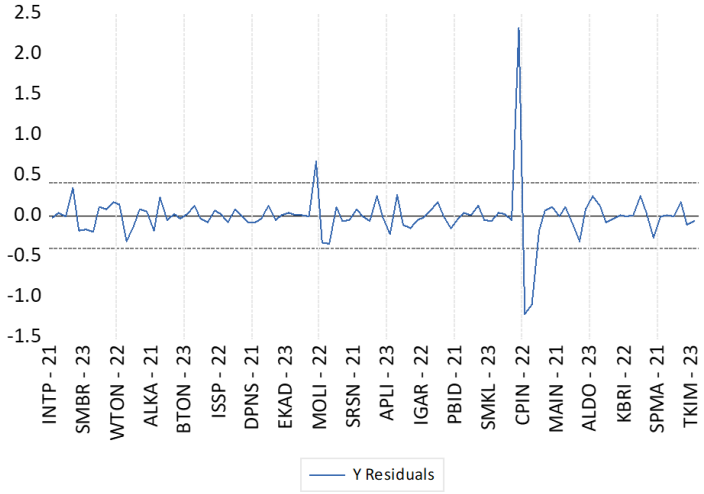
3.2.3 Multicollinearity test

	X1	X2	X3
X1	1,000,000	-0.14885	0.727973
X2	-0.14885	1,000,000	-0.07855
X3	0.727973	-0.07855	1,000,000

Table 3: Multicollinearity Test

Multicollinearity testing aims to detect the presence of high linear correlations between independent variables in regression models, which has the potential to interfere with the accuracy of parameter estimation. Correlation analysis between independent variables showed that the correlation coefficient between operational efficiency (X1) and liquidity (X2) was -0.148849, between operational efficiency (X1) and profitability (X3) was 0.727973, and between liquidity (X2) and profitability (X3) was -0.078550. All of these values are still below the critical limit of multicollinearity of 0.80. Therefore, it can be concluded that there is no significant multicollinearity between the three independent variables. This condition indicates that these independent variables have a relatively low correlation with each other, so they can be used simultaneously in panel regression analysis without the risk of collinearity interference that can complicate the interpretation of the results. Thus, the validity of the model is maintained because there is no duplication of information between the explanatory variables.

3.2.4 Heteroscedasticity Test



Bagan 1: Analysis of Capital Structure Challenges in Manufacturing

Based on the results of the heteroscedasticity test visualized through the residual spread graph in the panel regression analysis using the EViews software, it appears that the residual values are randomly scattered around the zero horizontal line without showing a certain systematic pattern. Residual fluctuations are generally symmetrical and consistent across the observation range, although there are some outliers. Such a pattern of spread indicates that residual variance tends to be constant, or in other words, the model meets the assumption of homoskedasticity. Therefore, it can be concluded that the panel regression model does not experience any indication of heteroscedasticity, so that classical assumptions regarding the stability of variance are fulfilled and the estimation of regression parameters can be said to be valid and reliable.

3.2.5 Partial Test (T Test)

Variable	Coefficient	Std. Error	t-Statistic	prob.
c	0.279499	0.140176	1.993915	0.0506
Xl	0.020243	0.059464	0.340431	0.7347
X2	-0.012489	0.017094	-0.730633	0.4678
X3	1.589652	0.379794	4.185562	0.0001

Table 4: Partial Test (T Test)

The results of the partial test (t-test) on the panel regression model analyzed using the Panel Least Squares method with the help of EViews software showed that the operational efficiency variable (X1) had a probability value of 0.7347. This value is above the significance limit of 5% ($\alpha = 0.05$), so it can be concluded that operational efficiency does not have a significant influence on the dependent variable (Y) in this study. Similarly, the liquidity variable (X2) shows a probability value of 0.4678, which also exceeds the significance level, so its effect on Y is not statistically significant. In contrast, the profitability variable (X3) shows a probability value of 0.0001, well below the significance level of 5%, which indicates a partially significant influence on the capital structure (Y). Thus, of the three independent variables analyzed, only profitability was shown to play a significant role in influencing the company's financing structure based on this research model. These findings confirm that financial performance, especially profitability, plays a crucial role as a determining factor in decision-making on a company's capital structure.

3.2.5 Determination Coefficient Test

Cross-section fixed (dummy variables)			
R-squared	0.728147	Mean dependent var	0.673594
Adjusted R-squared	0.576623	SD. dependent var	0.625765
S.E. of regression	0.407169	Akaike info criterion	1.316517
Sum squared resid	1,011,300	Schwarz criterion	2.251436
Log likelihood	-28.19282	Hannan-Quinn criter.	1.694427
F-statistic	4.805472	Durbin-Watson stat	2.261194
Prob(F-statistic)	0,000000		

Based on the results of the panel data regression estimation with the Fixed Effect approach analyzed using EViews software, a determination coefficient value (R-squared) of 0.7281 was obtained. This value shows that 72.81% of the variation in the dependent variable (Y) can be explained by the variation of three independent variables in the model, namely X1, X2, and X3. Meanwhile, the remaining 27.19% came from other variables outside the model that were not included in this analysis. In addition, the adjusted R-squared value of 0.5766 indicates that even though adjustments have been made to the number of variables, the model still has a fairly strong ability to explain the variability of dependent variables. This reinforces confidence in the reliability and validity of the model used. Furthermore, the F-statistical value of 4.805472 with a significance level of 0.000000 confirms that simultaneously the three independent variables analyzed have a significant effect on the dependent variables. Thus, the regression model constructed is statistically significant and able to adequately explain the relationship between variables in the context of this study.

3.3 Results of Regression Analysis

	Variable	Coefficient	Std.error	t-Statistic	Prob	Conclusion	Variable
H1	C	0.279499	0.140176	1.993915	0.0506		Capital Structure
H2	X1	0.020243	0.059464	0.340431	0.7347	Not Significant Effect	Operational Efficiency
H3	X2	-0.012489	0.017094	-0.730633	0.4678	Not Significant Effect	Liquidity
	X3	1.589652	0.379794	4.185562	0.0001	Significant Impact	Profitability
	Adjusted R-Squared	0.576623					
	Sig F	0,000000					

The regression results show that profitability (X3) has a significant effect on the capital structure (C) of manufacturing companies in the basic and chemical industries sectors listed on the IDX for the 2021–2023 period, as shown by a coefficient value of 1.589652 and a probability value (p-value) of 0.0001 (< 0.05). This indicates that the higher the company's profitability, the greater the tendency of the company to determine its capital structure by prioritizing internal financing, according to the Pecking Order Theory. In contrast, operational efficiency (X1) and liquidity (X2) did not show a significant influence on the capital structure as they had p-values of 0.7347 and 0.4678, respectively, which were greater than the significance limit of 0.05. The Adjusted R-squared of 0.576623 shows that the three independent variables explain the variation in capital structure by 57.66%, while the rest are explained by other factors outside the model. The significance value of F of 0.000000 indicates that the regression model is simultaneously significant and feasible to be used to explain the relationship between the variables in this study.

3.4 DISCUSSION

3.4.1 Effect of Operational Efficiency (X1) on Capital Structure (Y)

Based on the results of the partial test (t-test), the variable Operational Efficiency (X1) obtained a probability value of 0.7347, which is above the significance threshold of 0.05. Therefore, it can be concluded that partially, Operational Efficiency did not have a significant influence on the Company's Capital Structure during the observation period. These findings contradict the pecking order theory, which posits that companies with high levels of operational efficiency tend to have adequate internal capacity to finance their operational activities, thereby reducing the need to use debt and impacting the composition of the capital structure. Conceptually, efficiency in managing operational costs will increase the company's profit margins and cash flow, which in turn strengthens internal funding sources and ultimately affects the company's capital structure. However, the insignificance of this relationship can be explained by the possibility that the operational

efficiency of the firms in the research sample has not reached a substantial degree in influencing financing structure decisions, or that the firm's capital structure is more influenced by other external factors, such as capital market conditions, management preferences, or industry regulations. Thus, these results indicate that in the context of the companies studied, operational efficiency is not a major determinant in determining capital structure, and may play more role in other aspects such as profitability or the stability of the company's internal cash. The research explicitly analyzes the influence of various managerial and operational factors on the financial decisions of sharia-based companies. They concluded that although operational efficiencies are considered to support the strengthening of capital structure through internal financing, the impact on capital structure decisions may be insignificant if the company faces strict regulations or market constraints. This reinforces the findings of this study that operational efficiency is not always a major determinant in capital structure, depending on the context and industry. (Zafar & Abu-Hussin, 2025)

3.4.2 Effect of Liquidity (X2) on Capital Structure (Y)

To determine the most suitable estimation model in panel data analysis, Hausman testing is carried out as a statistical method that aims to identify whether there is a correlation between individual effects (cross-section effects) and independent variables in the model. This test yielded a Chi-Square value of 18.071602 with a probability level of 0.0004. Since the probability value is below the significance threshold of 5% ($\alpha = 0.05$), the null hypothesis (H_0) that states that the Random Effect model is more appropriate is rejected. Thus, the Fixed Effect Model (FEM) is stated to be a more relevant estimation approach in the context of this study. These results show a significant correlation between individual effects and independent variables, which requires the use of FEM models so that the estimates of the parameters obtained are consistent and unbiased. Therefore, the selection of FEM strengthens the validity of the analysis and increases the accuracy in explaining the causal relationships between the observed variables. Studies by revealed that although liquidity is often associated as a factor in reducing dependence on debt (as per the pecking order theory), in practice, companies often still use debt to maximize the benefits of leverage or tax incentives. This result is in line with the findings of this study, that liquidity is not a major determinant of capital structure under certain conditions and may be influenced by financial strategy or managerial preferences (Rashid et al., 2025).However, in practice, the relationship between liquidity and capital structure can be complex and indirect. Highly liquid companies don't always avoid debt if they want to leverage leverage for expansion or earn tax benefits from debt interest. Conversely, companies with low liquidity may still hold debt due to limited access to external sources of funds. Therefore, these results imply that the level of corporate liquidity in this study is not the dominant factor in decision-making regarding capital structure, likely because other factors such as managerial strategy, access to external financing, or industry conditions influence financing decisions more.

3.4.3 Effect of Profitability (X3) on Capital Structure (Y)

The results of the t-test showed that the Profitability variable (X3) had a probability value of 0.0001, which was significantly below the significance threshold of 0.05. This indicates that profitability has a positive and significant influence on the company's capital structure. These findings are in line with the ranking order theory which states that companies with high profitability have greater flexibility in the selection of funding sources. Within the framework of this theory, companies that generate large profits tend to prioritize internal funding, but are also able to make optimal use of debt because stable cash flow allows companies to meet interest and loan principal obligations easily. Research by Nature also supports a significant positive relationship between profitability and capital structure, where high-profit companies often use debt as a strategy to optimize their capital costs. These findings corroborate the results of current research, which indicate that profitability not only reflects strong financial performance, but also increases the company's bargaining power towards creditors. Thus, more profitable companies can obtain external financing under more favorable conditions, strengthening their ability to structure capital structures that are efficient and adaptive to changes in financial markets. (Alam et al., 2025). However, in the context of this study, the positive influence of profitability on capital structure suggests that profitable companies tend to retain the use of debt in their capital structures. This is likely to reflect a specific financial strategy, such as utilizing financial leverage to increase returns or optimizing the cost of capital. Practically, this can be interpreted as the company in the sample implementing an aggressive financing policy, utilizing profitability as collateral to obtain debt financing on favorable terms. Therefore, profitability has proven to be a significant key variable in influencing the capital structure, which is consistent with many empirical findings in the field of corporate finance

4. CONCLUSION

Based on the results of the empirical analysis in this study, there are several important findings that deserve attention. First, the operational efficiency variable (X1) does not show a significant influence on the capital structure (Y), which means that the level of effectiveness of the company in managing operational activities does not directly affect the company's decision in determining the composition between debt and equity. Second, liquidity (X2) has also proven to have no significant impact on capital structure, indicating that a company's ability to meet short-term liabilities has not been a major factor in its long-term financing strategy. In contrast, profitability (X3) shows a significant influence on capital structure, confirming that the company's profit rate is a crucial factor in funding decision-making. Companies with high profitability generally have greater capacity and a strong reputation for accessing various sources of financing, both internal and external. Therefore, profitability is a key determining factor in shaping the capital structure, which reflects the company's ability to efficiently manage and allocate resources for business continuity and growth.

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Based on these conclusions, the suggestions that can be proposed in this study are as follows: For company management, especially in financing decision-making, it is advisable to consider more strategically the factors that really affect the capital structure, especially profitability. Companies that have high profitability can take advantage of a balanced capital structure so as not to bear excessive financial risks. For the next researcher, it is recommended to: Add other variables that can affect the capital structure such as asset growth, firm size, business risk, ownership structure, and access to financial markets, so that more comprehensive results are obtained. Using broader data and longer time periods to improve the reliability and generalization of findings. Consider a qualitative approach or mixed methods to explore more deeply the strategic reasons for management in establishing the capital structure, including external factors such as market conditions and government regulations.

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