



Analysis of Capital Structure Determinants in Manufacturing Companies: Integration of Emerging Market Contextual Factors

AFFILIATION:

¹Department of Accounting, Faculty of Economics and Business, Universitas Brawijaya, Malang, Indonesia

²Department of Administrative Science, Faculty of Social and Political Sciences, University of Jember, Indonesia

³Accounting, Universitas Ichsan Gorontalo, Indonesia

⁴Magister Program of Accounting Science, Universitas Brawijaya, Malang, Indonesia

*CORRESPONDENCE:

lilik@ub.ac.id

THIS ARTICLE IS AVAILABLE IN:

<https://ejournal3.unud.ac.id/index.php/jiab>

DOI:

10.24843/JIAB.2026.v21.i01.p01

CITATION:

Purwanti, L., Roekhudin, Wijayanti, A., Prakoso, A., Ibrahim, M. & Alattas, S. N. (2025). Analysis of Capital Structure Determinants in Manufacturing Companies: Integration of Emerging Market Contextual Factors. *Jurnal Ilmiah Akuntansi dan Bisnis*, 21(2), 1-19.

ARTICLE HISTORY

Received:

October 18 2025

Revised:

March 4 2025

Accepted:

June 2 2025

Lilik Purwanti^{1*}, Roekhudin¹, Anita Wijayanti¹, Aryo Prakoso², Melinda Ibrahim³, Syarifah Nurhalisa Alattas⁴

Abstract

Capital structure theory has developed substantially over time; however, its applicability to emerging markets characterised by funding constraints, such as Indonesia, remains insufficiently explored. Market frictions and institutional limitations may weaken the explanatory power of traditional frameworks, including the pecking order and trade-off theories, in explaining firms' financing decisions. This study examines the determinants of capital structure in an emerging market context and identifies the need for theoretical refinement. Using panel data from 86 manufacturing firms listed on the Indonesia Stock Exchange over the 2019–2023 period and employing a panel regression estimated through a Partial Least Squares approach, the results show that profitability has a significant negative effect on capital structure, while share capital, debt tax shields, and firm size do not exert a statistically significant influence. Notably, the analysis reveals a positive relationship between business risk and leverage, which contradicts conventional theoretical predictions. This finding provides empirical support for the need to reformulate capital structure theory to better reflect the characteristics of emerging markets, particularly those facing capital market constraints.

Keywords: capital structure, emerging markets, profitability, leverage

Introduction

Manufacturing companies in Indonesia face distinctive challenges in managing their capital structures. As firms that operate across the full production cycle—from processing raw materials to producing finished goods—manufacturing companies require substantial and continuous funding to sustain their activities. The intensive use of resources, both in terms of materials and labour, creates additional complexity in optimising capital structure decisions. Key issues in capitalisation include determining the appropriate balance between debt and equity, managing financial risk, and coping with limited access to capital markets. Prior studies by [Beattie and Thomson \(2007\)](#) and [Norton \(1990\)](#)

indicate that internal firm characteristics, such as firm size, asset tangibility, and operational efficiency, play a significant role in shaping capital structure decisions, with firms generally seeking to minimise financing costs while maintaining long-term financial sustainability.

Capital structure has been the subject of extensive research in the corporate finance literature; however, there remains a limited understanding of how contextual factors shape capital structure decisions in developing economies, particularly within the manufacturing sector. Although classical theories such as the Modigliani–Miller proposition, trade-off theory, and pecking order theory provide foundational frameworks for analysing financing choices, they do not fully capture the unique conditions faced by manufacturing firms in Indonesia. [Granado-Peiró and López-Gracia \(2017\)](#) demonstrate that pecking order theory is more applicable to smaller publicly listed manufacturing firms, especially under conditions of economic volatility.

Recent studies further highlight gaps in understanding how contextual and firm-specific factors influence capital structure decisions in manufacturing firms. [Stoiljković et al. \(2022\)](#) emphasise that financial risks, including earnings volatility and interest rate uncertainty, may encourage firms to favour equity over debt as a means of risk mitigation. [Warmana et al. \(2020\)](#) similarly identify industry-specific characteristics as significant determinants of capital structure, underscoring the need for a more nuanced understanding of sectoral dynamics.

The interaction between internal and external factors creates a complex decision-making environment that has not been fully addressed in existing research. Internal characteristics such as firm size, asset tangibility, and operational efficiency play an important role in shaping capital structure choices, with larger firms typically enjoying greater access to debt markets and leveraging their scale to enhance profitability ([Du et al., 2019](#); [Miravittles et al., 2018](#)). [Bagwell and Zechner \(1993\)](#) and [Pinegar and Wilbricht \(1989\)](#) emphasise that capital structure decisions have important implications for financial sustainability, profitability, and operational efficiency, requiring a balanced mix of debt and equity to support return on equity and long-term stability. Consistent with this view, [Ahmed et al. \(2023\)](#) find that firms adopting a balanced capital structure tend to achieve stronger long-term financial health. In addition, [Vural-Yavas \(2016\)](#) highlights that uncertainty regarding the tax treatment of debt can significantly influence financing decisions, reinforcing the need for a cautious balance between debt and equity. The dynamic nature of capital structure in manufacturing firms, characterised by rapid adjustment towards leverage targets, further necessitates proactive financial management to maintain an optimal structure ([Neykov et al., 2022](#)). This dynamic is particularly salient in the Indonesian context, where manufacturing firms face constraints such as limited access to capital markets and relatively high agency costs that may impede optimal capital structure outcomes ([Chu & Wang, 2017](#)).

Despite these insights, a significant research gap remains regarding the role of business risk in leverage decisions within emerging markets characterised by capital constraints. This study addresses this gap by examining the counterintuitive positive relationship between business risk and leverage in Indonesian manufacturing firms—a finding that challenges conventional capital structure theories. While traditional frameworks suggest that firms should reduce leverage as business risk increases, the

evidence indicates that Indonesian manufacturing firms exhibit the opposite behaviour, potentially due to limited funding alternatives and institutional constraints typical of emerging market environments. This result contributes to the refinement of capital structure theory by demonstrating how emerging market conditions may fundamentally alter the risk–leverage relationship established in developed economies.

Capital structure theories, particularly trade-off theory and pecking order theory, have long served as important foundations for analysing manufacturing firms' financing decisions. However, empirical evidence frequently reveals deviations from theoretical predictions, reflecting the complexity of firm-specific conditions and external environmental dynamics. In this context, [Kostiukov \(2023\)](#) identifies macroeconomic conditions and institutional quality as critical factors influencing the financial flexibility of manufacturing firms.

The complexity of capital structure decisions is further amplified by internal organisational dimensions. [Taran \(2019\)](#) underscores the importance of firm size, growth opportunities, and corporate governance in shaping financing choices, which is especially relevant for manufacturing firms with substantial capital requirements for operations and expansion. Moreover, [Kong et al. \(2023\)](#) show that ownership structure exerts differential effects on capital structure, with foreign shareholders tending to encourage greater use of short-term debt, while domestic shareholders are more inclined to limit leverage.

Export performance also represents an important consideration in the capital structure of manufacturing firms. [Rossi et al. \(2015\)](#) find that financial structure significantly influences export propensity, with ownership concentration and liquidity emerging as key determinants. This relationship is particularly relevant for export-oriented manufacturing firms. In addition, [Dhaene et al. \(2017\)](#) identify the role of agency conflicts associated with managerial and institutional ownership in shaping leverage decisions.

Pecking order theory posits that firms prioritise internal financing over external sources. This prediction is supported by empirical evidence showing that more profitable firms tend to maintain lower levels of debt ([Dewi & Wirama, 2017](#); [Lestari, 2015](#); [Ruslim, 2009](#)). Firms with strong profitability are better able to finance operations internally and therefore rely less on external debt or equity issuance ([Marbilansa, 2015](#); [Wijaya & Wibawa, 2010](#)). Consistently, firms with sustained profitability demonstrate a preference for internal funding when financing corporate activities ([Dewi & Wirama, 2017](#); [Lestari, 2015](#); [Winarso & Hutabarat, 2019](#)).

H₁: Profitability has a significant effect on capital structure.

Share capital plays an important role in shaping firms' capital structures and influences a range of financial performance outcomes and strategic decisions. Prior research suggests that share capital may exert a negative effect on financial performance, as documented in studies of Nigerian consumer goods firms ([Olaoye, 2022](#)). The relationship between share capital and capital structure is also evident in studies examining the speed of adjustment towards target leverage in BRICS countries, where share buybacks are employed to realign capital structures more efficiently ([Kulik & Makarova, 2018](#)). In addition, the debt-to-equity ratio—which incorporates share capital—has been shown to have a positive effect on share prices in the food and beverage sector in Sri Lanka ([Subramaniam & Anandasayanan, 2018](#)).

H₂: Share capital has a significant effect on capital structure.

Firms must carefully manage their capital structures in relation to business risk to ensure financial sustainability and long-term growth. Higher business risk is often associated with increased corporate leverage, influenced by factors such as asset tangibility, firm size, profitability, and liquidity (Jaworski & Czerwonka, 2021). Evidence also indicates that the financial sustainability of non-financial firms is positively affected by debt and debt-to-equity ratios, with firm size and asset growth playing a moderating role (Kong et al., 2023). Moreover, firms exposed to higher business risk may maintain more stable capital structures due to greater and more predictable funding requirements (Dewi & Wirama, 2017; Lestari, 2015; Winarso & Hutabarat, 2019).

H₃: Business risk has a significant effect on capital structure.

Trade-off theory emphasises the balance between debt and equity in capital structure decisions, requiring firms to weigh the benefits of debt—such as tax deductibility of interest—against the associated costs, including financial distress and bankruptcy risk (Ariawan & Solikan, 2022; Harjito, 2011; Nadya, 2020). Empirical evidence from the United Kingdom suggests that higher levels of debt may negatively affect shareholder returns, challenging traditional theoretical predictions (Menon, 2016). In addition, firms with weaker shareholder rights have been found to adopt higher leverage as a mechanism to mitigate agency problems (Jiraporn & Gleason, 2007).

H₄: Debt has a significant effect on capital structure.

Tax considerations are also a key determinant of capital structure decisions. Firms facing higher tax burdens tend to increase their use of debt to benefit from interest tax shields, whereas firms with lower tax obligations often prefer internal sources of financing (Ariawan & Solikan, 2022; Dewi & Wirama, 2017; Lestari, 2015; Ninditia et al., 2023; Winarso & Hutabarat, 2019). Capital structure optimisation therefore involves balancing the advantages of tax protection against the potential costs of financial distress (Haron et al., 2021; Jura & Tewu, 2021).

H₅: Debt tax shield has a significant effect on capital structure.

Empirical evidence on the relationship between firm size and capital structure remains mixed. Some studies report a positive association, indicating that larger firms tend to exhibit higher leverage due to greater borrowing capacity and improved access to capital markets (Widjanarko & Hakim, 2023; Ahmed et al., 2023; Susanti et al., 2023). Larger firms are also more likely to secure external financing at lower cost (Carrizosa et al., 2023). Conversely, other studies find no significant relationship between firm size and capital structure (Akhmadi, 2023; Alessandro & Nariman, 2022), while evidence from the pharmaceutical industry suggests that firm size may only partially influence leverage decisions (Minan & Arief, 2023). These mixed findings suggest that the impact of firm size on capital structure may vary across industries and market conditions (Masril et al., 2022; Suryo & Fitriati, 2022; Triyono, 2023).

H₆: Firm size has a significant effect on capital structure.

Building on the existing literature, this study aims to examine how various internal and external factors influence capital structure decisions in Indonesian manufacturing firms, with particular attention to potential differences across manufacturing sub-sectors. By addressing sector-specific variations, the study responds to a gap in the literature

concerning the heterogeneous nature of capital structure determinants within the manufacturing industry.

This research contributes to the literature by integrating traditional capital structure theories with contextual factors relevant to Indonesian manufacturing firms. By extending beyond conventional theoretical frameworks to incorporate industry-specific characteristics, the study offers a more nuanced understanding of capital structure optimisation in emerging markets. The findings are expected to provide practical guidance for financial managers while contributing to the ongoing development of financial theory, particularly in relation to financing dynamics within emerging manufacturing sectors.

Research Method

This study employs a quantitative research design aimed at identifying the determinants of capital structure in manufacturing companies in Indonesia. A quantitative approach is adopted because the analysis relies on numerical data and statistical techniques to test the hypotheses that have been formulated.

The research framework is grounded in two principal theoretical perspectives on capital structure. First, Pecking Order Theory, which encompasses profitability, share capital, and business risk as explanatory variables. Second, Trade-Off Theory, which includes corporate debt, debt tax shield, and firm size as key determinants. These independent variables are examined to assess their influence on capital structure (Y) as the dependent variable. Based on this conceptual foundation, the following section presents a visualisation of the proposed research framework underpinning the empirical model.

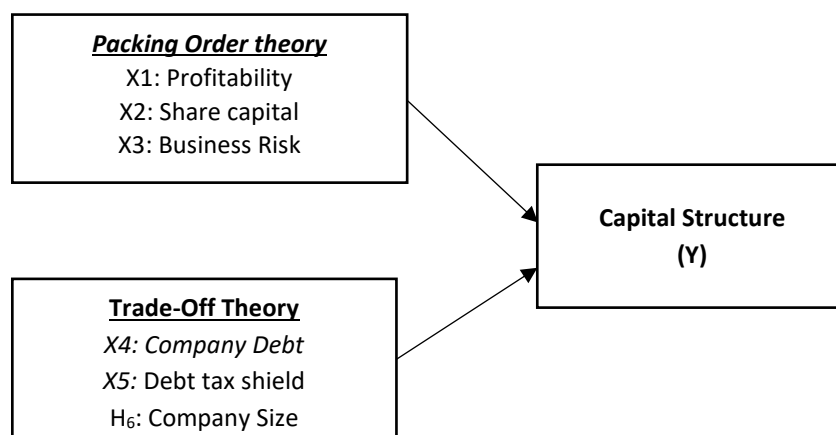


Figure 1. Research design

The population of this study comprises all manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The sample was selected using a non-probability sampling method with a purposive sampling technique. The manufacturing sector was chosen because it represents one of the largest sectors on the IDX and is characterised by capital-intensive operations, both in terms of routine production activities and long-term business expansion.

The 2019–2023 observation period was selected to provide a contemporary perspective on firms' capital structure conditions, encompassing the pre-pandemic, pandemic, and post-pandemic phases of COVID-19. This timeframe enables a more comprehensive analysis of how manufacturing companies manage their capital structures under varying economic conditions and external shocks. The sample selection criteria applied in this study are presented in [Table 1](#).

Table1 . Sampling Criteria

| No. | Sample Selection Criteria |
|-----|---|
| 1 | Manufacturing companies listed on the Indonesia Stock Exchange |
| 2 | Manufacturing companies that are inconsistent / not listed on the Indonesia Stock Exchange for the period 2019-2023 |
| 3 | Manufacturing companies that do not publish audited annual financial reports consistently during the period 2019-2023 |
| 4 | Manufacturing companies that did not experience losses during the period 2019-2023 |
| 6 | Manufacturing companies that did not disclose data for research during the period 2019-2023 |

The data used in this study are derived from companies' audited financial statements obtained from their official websites and the Indonesia Stock Exchange (IDX). Supporting theoretical references are drawn from academic books, peer-reviewed journals, and scholarly articles related to capital structure and financial management. In this study, the dependent variable (Y) is capital structure, measured using the Debt to Equity Ratio (DER), defined as the proportion of total debt to total equity ([Demidova & Bogatov, 2023](#)).

The independent variables consist of six determinants derived from pecking order theory and trade-off theory. First, profitability (X1) is measured using Return on Equity (ROE), which reflects a firm's ability to generate net income from shareholders' equity ([Brigham & Houston, 2011](#)). Second, share capital (X2) is measured as the product of share price and the number of outstanding shares, representing the firm's market capitalisation ([Subramaniam & Anandasayanan, 2018](#)). Third, business risk (X3) is proxied by the Basic Earning Power Ratio (BEPR), calculated as EBIT divided by total assets, capturing the firm's operational earning capacity and associated uncertainty ([Jalil, 2018](#)). Fourth, corporate debt (X4) is measured by the ratio of total debt to total assets, indicating the level of leverage and the firm's exposure to solvency risk ([Yunira, 2022](#)).

Consistent with trade-off theory, two additional independent variables are incorporated. Fifth, the debt tax shield (X5) is measured as the ratio of interest expense to EBIT, reflecting the tax protection benefits derived from debt financing ([Yunira, 2022](#)). Sixth, firm size (X6) is measured using the natural logarithm of total assets, representing the scale of the firm's operations ([Lestari, 2015](#)).

The use of the natural logarithm in measuring firm size serves to normalise the data and reduce excessive variation, thereby minimising potential distortions arising from large differences in scale. All data used to construct these variables are obtained from audited annual financial statements.

This study employs panel data analysis using a Partial Least Squares (PLS) approach, incorporating seven latent variables: profitability, share capital, business risk,

corporate debt, debt tax shield, firm size, and capital structure. The analysis begins with descriptive statistical tests to examine the characteristics of the data, followed by evaluation of the measurement model to assess the validity and reliability of the latent constructs. Model validity is tested using the significance of indicator weights, with a threshold of 5 per cent ($\alpha = 0.05$).

Model evaluation is conducted using warpPLS goodness-of-fit indicators, including R^2 , Q^2 , and effect size (f^2), in addition to hypothesis testing to examine the direct effects of exogenous variables on the endogenous variable. Hypothesis testing relies on two principal parameters: p-values to determine statistical significance ($p \leq 0.05$) and path coefficients to assess the direction and strength of relationships between variables. This approach enables a comprehensive evaluation of causal relationships within the Partial Least Squares framework (Sholihin & Ratmono, 2020). The relevant test parameters are presented in Table 2.

Table 2. Testing Parameters

| Testing | Parameters | Rule of thumb |
|------------------|------------------|--|
| P-Values | P-Values | P-Values < 0.05 significant P-Values > 0.05 are not significant |
| Path Coefficient | Path Coefficient | Path Coefficient +1 there is a positive relationship Path Coefficient 0 no relationship Path Coefficient -1 there is a negative relationship |

Source: (Sholihin & Ratmono, 2020)

Result and Discussion

The analysis of manufacturing companies listed on the Indonesia Stock Exchange over the 2019–2023 period yields several important findings concerning the determinants of capital structure. The descriptive statistical results reveal substantial heterogeneity in the financial characteristics of the sampled firms. Capital structure, measured by the Debt to Equity Ratio (DER), exhibits a very wide range, from –30.15 to 786.93, with a mean value of 2.17 and a standard deviation of 28.94. This considerable dispersion reflects the diversity of financing strategies adopted by Indonesian manufacturing firms. The detailed descriptive statistics are presented in Table 3.

Table 3. Descriptive Statistics Output

| Indicator | Min | Max | Average | Std. Deviation |
|-------------------|-------------|--------------------|------------------|-------------------|
| Capital Structure | -30.15 | 786.93 | 2.17 | 28.94 |
| Profitability | -136.44 | 2.71 | -0.13 | 4.97 |
| Share Capital | 0.00 | 454185611733000.00 | 9358303890063.28 | 33723695620957.03 |
| Business Risk | -12.01 | 1.13 | 0.02 | 0.46 |
| Company Debt | -2.17 | 185.67 | 0.77 | 6.75 |
| Debt Tax Shield | -3177286.19 | 892280.87 | -8126.15 | 136326.79 |
| Company Size | 5.82 | 31.51 | 22.66 | 5.35 |

Source: The Processed Primary Data (2024)

The profitability of the sampled firms exhibits a wide range, from –136.44 to 2.71, with a mean of –0.13 and a standard deviation of 4.97. The negative average suggests

that, overall, manufacturing companies experienced difficulties in generating profits during the observation period. Share capital demonstrates substantial disparity, ranging from 0.00 to 454.19 trillion rupiah, reflecting considerable heterogeneity in firm size within the sample. Business risk varies between -12.01 and 1.13 , with a mean of 0.02 and a standard deviation of 0.46 . The average value, which is close to zero, combined with a relatively small standard deviation, indicates that most firms operate within a manageable level of business risk, although a small number face significant operational uncertainty. Corporate debt also shows notable variation, with values ranging from -2.17 to 185.67 , a mean of 0.77 , and a standard deviation of 6.75 , suggesting meaningful differences in financing policies across firms.

The debt tax shield variable displays exceptionally high variability, with a minimum value of $-3,177,286.19$ and a maximum of $892,280.87$, alongside a mean of $-8,126.15$ and a standard deviation of $136,326.79$. The negative mean and substantial dispersion imply that many firms may not be optimally utilising the tax advantages associated with debt financing. In contrast, firm size, measured as the natural logarithm of total assets, ranges from 5.82 to 31.51 , with a mean of 22.66 and a standard deviation of 5.35 . This distribution indicates that the majority of firms in the sample are relatively large, with a reasonably balanced spread across size categories.

The Partial Least Squares (PLS) analysis yields several important findings regarding the determinants of capital structure in manufacturing firms. The estimated model illustrates the complex relationships between the independent variables—profitability, share capital, business risk, corporate debt, debt tax shield, and firm size—and the dependent variable, capital structure.

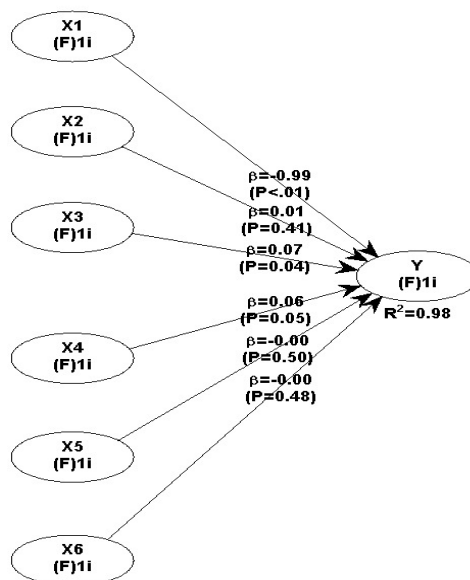


Figure 2. Capital Structure Path Diagram

Source: The Processed Primary Data (2024)

The path diagram derived from the PLS analysis (Figure 2) highlights the diversity of relationships within the research model. The estimated paths reveal varying magnitudes of influence, with some variables exerting strong direct effects, such as

profitability (coefficient = -0.991), while others show more moderate effects, such as business risk (coefficient = 0.065), or relatively weak effects, such as share capital (coefficient = 0.009). The presence of both positive and negative coefficients underscores the complexity of capital structure decision-making. The detailed results of the path analysis are presented in [Figure 2](#).

Evaluation of the formative measurement model shows that all indicators have good validity with p -value < level of significance ($\alpha = 5\%$). Each construct is measured by a single indicator that has a weight of 1,000, indicating the maximum contribution of the indicator in measuring its respective construct. These results confirm the accuracy of the indicator selection in representing the latent variables studied ([Table 4](#)).

Table 4. Output of Validity Testing Results

| Variables | Indicator | Weight | SE | P value | Ket. |
|-------------------|------------------|--------|-------|---------|-------|
| Profitability | ROE | 1.000 | 0.033 | <0.001 | Valid |
| Share Capital | Share Capital | 1.000 | 0.033 | <0.002 | Valid |
| Business Risk | BEPR | 1.000 | 0.033 | <0.003 | Valid |
| Company Debt | DEBT | 1.000 | 0.033 | <0.004 | Valid |
| Debt Tax Shield | Debt Tax Shield | 1.000 | 0.033 | <0.005 | Valid |
| Company Size | log Total Assets | 1.000 | 0.033 | <0.006 | Valid |
| Capital Structure | DER | 1.000 | 0.033 | <0.007 | Valid |

Source: The Processed Primary Data (2024)

The results of testing the validity of the formative model show that all indicators are valid in measuring their respective latent variables. Profitability measured by ROE shows good validity (weight = 1,000, $p < 0.001$), indicating that ROE is an appropriate indicator in measuring company profitability. Share capital measured by market capitalization value also shows adequate validity (weight = 1,000, $p < 0.002$), confirming its suitability as an indicator of share capital.

Business risk measured using BEPR proved to be valid (weight = 1.000, $p < 0.003$), as did corporate debt measured using DEBT (weight = 1.000, $p < 0.004$). Both indicators show good ability to represent the measured constructs. Debt tax shield (weight = 1,000, $p < 0.005$) and firm size measured by logarithm of total assets (weight = 1,000, $p < 0.006$) also show satisfactory validity. DER as an indicator of capital structure (weight = 1,000, $p < 0.007$) is valid in measuring the proportion of debt to equity. The consistent standard error of 0.033 for all indicators indicates good measurement precision in this research model

The results of hypothesis testing reveal the diverse roles of each determinant of capital structure in manufacturing companies. [Table 5](#) presents the result of testing the direct effect of exogenous variables on capital structure.

Profitability shows a strong and significant negative effect on capital structure ($\beta = -0.991$, $p = 0.001$), indicating that an increase in profitability substantially decreases the use of debt in the firm's capital structure. Business risk has a significant positive effect ($\beta = 0.065$, $p = 0.035$), indicating that firms with higher business risk tend to increase the proportion of debt in their capital structure. Similarly, corporate debt shows a significant positive effect ($\beta = 0.060$, $p = 0.047$), indicating that the existing level of debt influences subsequent capital structure decisions. Share capital ($\beta = 0.009$, $p = 0.406$), debt tax shield ($\beta = -0.0001$, $p = 0.498$), and firm size ($\beta = -0.002$, $p = 0.483$) do not show significant

influence on capital structure. This result indicates that these three variables are not the main determinants in the capital structure decision of Indonesian manufacturing companies during the study period.

Table 5. Hypothesis Testing Results

| Exogenous | Endogenous | Path Coefficient | SE | P values | Exp. |
|-----------------|-------------------|------------------|-------|----------|-----------------|
| Profitability | Capital Structure | -0.991 | 0.033 | 0.001 | Significant |
| Share Capital | Capital Structure | 0.009 | 0.036 | 0.406 | Not Significant |
| Business Risk | Capital Structure | 0.065 | 0.036 | 0.035 | Significant |
| Company Debt | Capital Structure | 0.060 | 0.036 | 0.047 | Significant |
| Debt Tax Shield | Capital Structure | -0.0001 | 0.036 | 0.498 | Not Significant |
| Company Size | Capital Structure | -0.002 | 0.036 | 0.483 | Not Significant |

Source: The Processed Primary Data (2024)

Path coefficient analysis reveals that profitability is the most dominant factor in determining capital structure, with the largest absolute coefficient (0.991). The insignificant effect of equity capital, debt tax shield, and firm size on capital structure can be explained by the specific characteristics of the Indonesian capital market. This result is in line with the findings of [Chu & Wang \(2017\)](#) who identified that firms in emerging markets face limited capital market access and high agency costs, thus reducing the relevance of firm size in funding decisions. [Vural-Yavas \(2016\)](#) also emphasizes that the uncertainty of tax treatment of debt in emerging markets reduces the effectiveness of debt tax shield as a determinant of capital structure.

The relatively low statistical variation in share capital data (standard deviation 0.23) indicates the homogeneity of share issuance policy in Indonesian manufacturing industry, making this factor less influential on the variation of capital structure. This phenomenon is consistent with [Kostiukov's \(2023\)](#) argument that macroeconomic factors and institutional quality play a more dominant role than firm characteristics in the financial flexibility of manufacturing firms in emerging markets. The dominance of profitability as the main determinant ($\beta = -0.991$) reinforces this pattern, confirming that Indonesian manufacturing firms rely more on the availability of internal funds as the main consideration in their capital structure decisions. This finding underscores the crucial role of profitability in the funding decisions of Indonesian manufacturing companies. Based on the results of the path analysis, the conversion of the diagram into a structural model produces a clearer picture of the pattern of relationships between variables. [Table 6](#) presents a summary of the conversion of the path diagram into a structural model.

Table 6. Conversion of path diagram into structural model

| Exogenous | Endogenous | Path Coefficient | Ket. |
|-----------------|-------------------|------------------|-----------------|
| Profitability | Capital Structure | -0.991 | Significant |
| Share Capital | Capital Structure | 0.009 | Not Significant |
| Business Risk | Capital Structure | 0.065 | Significant |
| Company Debt | Capital Structure | 0.060 | Significant |
| Debt Tax Shield | Capital Structure | -0.0001 | Not Significant |
| Company Size | Capital Structure | -0.002 | Not Significant |

Source: The Processed Primary Data (2024)

The structural model shows that profitability has a negative and significant influence on capital structure (coefficient = -0.991), indicating that any increase in profitability will substantially reduce the use of debt in the capital structure. Business risk and corporate debt show a positive influence albeit with a smaller magnitude (coefficient = 0.065 and 0.060), indicating that an increase in these two factors encourages higher debt usage in the capital structure.

Equity capital, debt tax shield, and firm size show very small and insignificant effects (coefficients = 0.009, -0.0001, and -0.002), confirming the minimal role of these three variables in the capital structure decisions of manufacturing firms. Overall, this structural model confirms the dominance of profitability as the main determinant of capital structure, while other factors have a more limited or insignificant influence.

To complete the understanding of the strength of the influence of each exogenous variable on capital structure, path coefficient analysis is conducted. This analysis aims to identify variables that have dominant influence in the research model, which is done by comparing the magnitude of the path coefficient value without considering the positive or negative sign of the coefficient. The result of path coefficient analysis is presented in Table 7.

Table 7. Path Coefficient

| Exogenous | Endogenous | Path Coefficient |
|-----------------|-------------------|------------------|
| Profitability | Capital Structure | -0.991 |
| Share Capital | Capital Structure | 0.009 |
| Business Risk | Capital Structure | 0.065 |
| Company Debt | Capital Structure | 0.060 |
| Debt Tax Shield | Capital Structure | -0.0001 |
| Company Size | Capital Structure | -0.002 |

Source: The Processed Primary Data (2024)

Path coefficient analysis indicates that profitability exerts the most dominant influence on capital structure, with an absolute coefficient of 0.991 in a negative direction. This inverse relationship suggests that higher profitability is associated with lower reliance on debt in the firm's capital structure. Business risk and corporate debt display significant positive effects, although with smaller magnitudes (0.065 and 0.060, respectively). In contrast, share capital (0.009), debt tax shield (-0.0001), and firm size (-0.002) exhibit minimal influence. These results confirm that profitability represents the primary determinant of capital structure decisions among Indonesian manufacturing firms.

The findings reveal complex dynamics in the determinants of capital structure within an emerging market context, offering a perspective that extends conventional capital structure theory. The strong and negative effect of profitability ($\beta = -0.991$) not only supports the Pecking Order Theory but also highlights distinctive funding behaviour in emerging markets. Consistent with evidence from manufacturing firms in China (Nguyen et al., 2020), Brazil (Oliveira et al., 2013), and the energy sector (Georgakopoulos et al., 2022), the results reflect a strong preference for internal financing when profitability is high. Stryckova's (2017) similarly reports that this negative relationship persists across most industry sectors, with the exception of mining. Earlier studies by Harris and Raviv (1992) and Rahayu et al. (2019) also confirm that more profitable firms

tend to maintain lower leverage levels due to their ability to rely on retained earnings to finance operations and investment.

An additional noteworthy finding is the significant positive effect of business risk ($\beta = 0.065$) on capital structure, which introduces a nuanced perspective within the trade-off framework. This result aligns with [Kale et al. \(1991\)](#) and [Mohammed \(2012\)](#), who identify a non-linear relationship between business risk and optimal leverage. [Frank et al. \(2020\)](#) and [Khan and Adom \(2015\)](#) argue that firms facing higher business risk may encounter financing constraints, prompting strategic adjustments in funding decisions. [Baum et al. \(2017\)](#) further suggest that high-risk firms adjust their capital structures more rapidly, particularly when firm-specific and macroeconomic risks are relatively stable. Evidence from Indonesian family firms ([Oktavina et al., 2018](#)) also supports the existence of risk-sensitive funding strategies.

Corporate debt demonstrates a significant positive effect ($\beta = 0.060$) on capital structure, consistent with trade-off theory. Similar findings are reported by [Khoa and Thai \(2021\)](#) and [Esghaier \(2023\)](#), who show that firms adjust leverage to approach an optimal capital structure. [Lemmon and Zender \(2016\)](#) and [Richards \(2018\)](#) emphasise that theoretical predictions may vary depending on institutional conditions and firm characteristics. [Qin \(2024\)](#) and [Ai et al. \(2021\)](#) underscore the importance of considering financial distress risk in leverage decisions, while [Machado and Pereira \(2022\)](#) highlight the potential signalling role of debt issuance in enhancing market informativeness and firm value.

Share capital exhibits a positive but statistically insignificant effect ($\beta = 0.009$), offering additional insight into financing behaviour in emerging markets. According to Pecking Order Theory, firms resort to equity issuance only after exhausting internal funds and debt capacity ([Frank et al., 2020](#); [Khan & Adom, 2015](#)). However, [Byoun and Rhim \(2003\)](#) note that smaller firms with limited internal resources may rely more heavily on equity financing. [Högfeldt and Oborenko \(2005\)](#) further argue that dispersed ownership structures can reduce the relative cost disadvantage of external equity, increasing its attractiveness. These observations suggest that pecking order considerations may not fully capture the complexity of capital structure dynamics in emerging markets.

The debt tax shield variable shows an insignificant negative effect ($\beta = -0.0001$), contrary to traditional trade-off theory predictions. This result is consistent with findings from the Indonesian property sector ([Salsabila & Afriyenti, 2022](#); [Wahyuni & Kristanti, 2024](#)), which report no significant impact of tax shields on leverage. [Lei Lei \(2020\)](#) and [Yunira \(2022\)](#) indicate that the influence of debt tax shields may vary across industries. [Kováčová et al. \(2022\)](#) further observe that firms in emerging economies often adhere more closely to pecking order behaviour than trade-off considerations. [Athambawa \(2021\)](#) suggests that firms may rely less on debt-related tax benefits when alternative tax optimisation mechanisms are available.

Firm size displays a negative but insignificant effect ($\beta = -0.002$), consistent with evidence from Indonesia ([Wulandari & Wulandari, 2024](#)). [Kurshev and Strebulaev \(2006\)](#) document a complex relationship between firm size and capital structure, influenced by financing costs and refinancing cycles. [Hardiyanto et al. \(2014\)](#) find variation in the speed of capital structure adjustment, implying that size may not be a decisive determinant. [Ahmed et al. \(2023\)](#) and [Degryse et al. \(2012\)](#) similarly report that profitability and growth

opportunities often exert stronger effects than firm size. Çerkezi (2013) and Kiliç and Aydingülü Sakalsız (2023) add that macroeconomic conditions and market dynamics may obscure the influence of firm size.

The primary contribution of this study lies in highlighting the contextual complexity of capital structure determinants in emerging markets, where conventional financial theories may not fully account for institutional and market-specific conditions. The findings underscore the need for a more contextualised approach to capital structure analysis that incorporates institutional quality, funding constraints, and local capital market dynamics. From a practical perspective, the results provide valuable guidance for financial managers in optimising capital structure decisions by considering not only traditional theoretical determinants but also the distinctive characteristics of emerging market environments.

Conclusion

This study examines the determinants of capital structure in Indonesian manufacturing firms, with particular emphasis on evaluating the relevance of Pecking Order Theory and Trade-Off Theory within an emerging market context. The empirical results indicate that capital structure decisions are significantly influenced by three primary factors: profitability, business risk, and corporate debt. The magnitude of the profitability coefficient ($\beta = -0.991$), which substantially exceeds that of the other variables, suggests that Indonesian manufacturing firms place strong emphasis on internal financing capacity when making funding decisions, consistent with the core principles of Pecking Order Theory. Meanwhile, the positive effects of business risk ($\beta = 0.065$) and corporate debt ($\beta = 0.060$) reflect structural characteristics typical of emerging markets, where limited access to capital markets may encourage firms to rely on debt financing even under conditions of elevated operational risk.

The broader implication of these findings is that the application of capital structure theory in emerging markets requires contextual adaptation that accounts for institutional conditions and local market dynamics. The insignificant effects of the debt tax shield and firm size indicate that variables traditionally regarded as central in conventional theory may be less influential in environments where institutional constraints and capital market limitations exert a stronger impact on financing decisions.

From a practical perspective, the findings offer important implications for financial management. Firms are encouraged to prioritise profitability optimisation as a central component of capital structure strategy, supported by comprehensive risk management practices and systematic monitoring of leverage levels. From a theoretical standpoint, the results highlight the need to refine capital structure theory so that it more effectively captures the realities of emerging markets, incorporating institutional factors and structural market barriers into analytical frameworks.

Several limitations should be acknowledged. The heterogeneity of the sample and the presence of extreme observations suggest avenues for further investigation. Future research may undertake comparative analyses across manufacturing sub-sectors to better understand variation in the influence of capital structure determinants. In addition, deeper examination of institutional and regulatory factors is warranted, given their

apparent relevance in emerging market contexts. Longitudinal studies could further illuminate how capital structure determinants evolve alongside capital market development. Such efforts would contribute to a more comprehensive understanding of capital structure dynamics in emerging economies and strengthen the theoretical and practical foundations of financial management.

References

- Ahmed, A., Sharif, N., Ali, M., & Hågen, I. (2023). Effect of Firm Size on the Association between Capital Structure and Profitability. *Sustainability*, 15, 11196. <https://doi.org/10.3390/su151411196>
- Akhmadi, A. A. (2023). Firm Size Moderates the Relationship Between Capital Structure and Profitability with Dividend Policy: An Empirical Evidence from Indonesian Data. *Journal of Finance and Accounting*. <https://doi.org/10.11648/j.jfa.20231101.14>
- Alessandro, C., & Nariman, A. (2022). Factors affecting capital structure in manufacturing companies in 2017-2019. *Journal of Accounting Paradigm*, 4(4), 1731-1740. <https://doi.org/10.24912/jpa.v4i4.21438>
- Ariawan, & Solikan, E. Z. (2022). Determinants of Capital Structure: Perspective of Pecking Order Theory and Trade-off Theory. *Journal of Technopreneurship on Economics and Business Review*, 3(2).
- Athambawa, H. (2021). Relationship between the determinants of capital structure and debt ratio: evidence from listed manufacturing companies in Sri Lanka. *Journal of Management*, 15, 1. <https://doi.org/10.4038/jm.v15i2.7598>
- Bagwell, L. S., & Zechner, J. (1993). Influence Costs and Capital Structure. *Journal of Finance*, 48(3), 975-1008. <https://doi.org/10.1111/J.1540-6261.1993.TB04027.X>
- Baum, C. F., Caglayan, M., & Rashid, A. (2017). Capital structure adjustments: Do macroeconomic and business risks matter? *Empirical Economics*, 53(4).
- Beattie, V., & Thomson, S. J. (2007). Lifting the lid on the use of content analysis to investigate intellectual capital disclosures. *Accounting Forum*, 31(2).
- Brigham, E. F., & Joel F. Houston. (2011). *Fundamentals of Financial Management* (8th ed., Vol. 2). Erlangga.
- Byoun, S., & Rhim, J. C. (2003). Tests of the Pecking Order Theory and the Static Tradeoff Theory of Optimal Capital Structure.
- Carrizosa, R. D., Gaertner, F. B., & Lynch, D. P. (2023). Debt and Taxes? The Effect of Tax Cuts & Jobs Act of 2017 Interest Limitations on Capital Structure. *Journal of the American Taxation Association*, 1-22. <https://doi.org/10.2308/jata-2021-010>
- Çerkezi, Mr. S. (2013). A literature review of the trade-off theory of capital structure. *ILIRIA International Review*, 3, 125. <https://doi.org/10.21113/iir.v3i1.103>
- Chu, Y., & Wang, L. (2017). Capital Structure Along the Supply Chain: How Does Customer Leverage Affect Supplier Leverage Decisions? *Quarterly Journal of Finance*, 07(04), 1750014. <https://doi.org/10.1142/S2010139217500148>
- Degryse, H., de Goeij, P., & Kappert, P. (2012). The impact of firm and industry characteristics on small firms' capital structure. *Small Business Economics*, 38(4), 431-447. <https://doi.org/10.1007/s11187-010-9281-8>
- Demidova, E. G., & Bogatov, E. M. (2023). Modeling of the corporate capital structure. *Voprosy Ekonomiki*, 6, 62-75. <https://doi.org/10.32609/0042-8736-2023-6-62-75>

- Dewi, P. S. M. Y., & Wirama, D. G. (2017). Pecking Order Theory: The Effect of Profitability and Company Growth on Corporate Funding Decisions. *E-Journal of Accounting*, 18(3).
- Dhaene, J., Hulle, C. Van, Wuyts, G., Schoubben, F., & Schoutens, W. (2017). Is the capital structure logic of corporate finance applicable to insurers? review and analysis. *Journal of Economic Surveys*, 31(1), 169-189. <https://doi.org/10.1111/JOES.12129>
- Du, J., Wu, H., & Jin, R. (2019). Capital Structure of Public-Private Partnership Projects: A Sustainability Perspective. *Sustainability*, 11(13), 3505. <https://doi.org/10.3390/SU11133505>
- Esghaier, R. (2023). The dynamic trade-off theory of capital structure: evidence from a panel of US industrial companies. *Studies in Economics and Finance*.
- Frank, M. Z., Goyal, V. K., & Shen, T. (2020). The Pecking Order Theory of Capital Structure. In *The Pecking Order Theory of Capital Structure*.
- Granado-Peiró, N., & López-Gracia, J. (2017). Corporate Governance and Capital Structure: A Spanish Study. *European Management Review*, 14(1), 33-45. <https://doi.org/10.1111/EMRE.12088>
- Hardiyanto, A. T., Achsan, N. A., & Sembel, R. (2014). Testing Trade-Off Theory of Capital Structure: Empirical Evidence from Indonesian Listed Companies. *Economics and Finance Review*, 3(6).
- Harjito, A. A. (2011). Pecking Order and Trade-Off Theory in Capital Structure Analysis in Indonesia Stock Exchange. *Business Siasat*, 15(2).
- Haron, R., Nomran, N. M., Othman, A. H. A., Husin, M. M., & Sharofiddin, A. (2021). The influence of firm, industry and concentrated ownership on dynamic capital structure decision in emerging markets. *Journal of Asia Business Studies*, 15(5), 689-709. <https://doi.org/10.1108/JABS-04-2019-0109>
- Harris, M., & Raviv, A. (1992). Errata: The Theory of Capital Structure. *Journal of Finance*, 47(4).
- Högfeldt, P., & Oborenko, A. (2005). Does Market Timing or Enhanced Pecking Order Determine Capital Structure. *Social Science Research Network*.
- Jalil, M. (2018). The Effect of Business Risk and Asset Structure on Capital Structure in Companies Listed on the IDX. *Journal of Accounting and Finance*, 9 (2).
- Jaworski, J., & Czerwonka, L. (2021). Determinants of Enterprises' Capital Structure in Energy Industry: Evidence from European Union. *Energies*, 14(7), 1871. <https://doi.org/10.3390/EN14071871>
- Jiraporn, P., & Gleason, K. C. (2007). Capital structure, shareholder rights, and corporate governance. *Journal of Financial Research*, 30(1), 21-33. <https://doi.org/10.1111/J.1475-6803.2007.00200.X>
- Jura, J. V. J., & Tewu, M. L. D. (2021). Factors Affecting Audit Report Lag (Empirical Studies on Manufacturing Listed Companies on the Indonesia Stock Exchange). *International Journal of Biological Sciences*, 4(1), 44-54. <https://doi.org/10.9744/IJBS.4.1.44-54>
- Kale, J. R., Noe, T. H., & Ramirez, G. G. (1991). The Effect of Business Risk on Corporate Capital Structure: Theory and Evidence. *Journal of Finance*, 46(5).
- Khan, A. S., & Adom, A. Y. (2015). A Test of the Pecking Order Theory of Capital Structure in Corporate Finance. *Social Science Research Network*.

- Khoa, B. T., & Thai, D. T. (2021). Capital Structure and Trade-Off Theory: Evidence from Vietnam. *Journal of Asian Finance, Economics and Business*.
- Kiliç, M., & Aydingülü Sakalsız, S. (2023). An Investigation of the Validity of Trade-off and Pecking Order Theories in Capital Structure Decisions of Sustainable Firms. *Kahramanmaraş Sütçü İmam Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, 13, 29-46.
- Kong, Y., Donkor, M., Musah, M. N., Nkyi, J. A., & Ampong, G. O. A. (2023). Capital Structure and Corporates Financial Sustainability: Evidence from Listed Non-Financial Entities in Ghana. *Sustainability*, 15(5), 4211. <https://doi.org/10.3390/su15054211>
- Kostiukov, I. (2023). Corporate Investment and Financing Dynamics. *The Review of Corporate Finance Studies*. <https://doi.org/10.1093/rcfs/cfad009>
- Kováčová, M., Krajčík, V., Michalkova, L., & Blažek, R. (2022). Valuing the Interest Tax Shield in the Central European Economies: A Panel Data Approach. *Journal of Competitiveness*, 14, 41-59. <https://doi.org/10.7441/joc.2022.02.03>
- Kulik, Y., & Makarova, S. (2018). Capital Structure Management by Share Repurchase for Companies in Emerging Markets. 12(3), 39–59. <https://doi.org/10.17323/J.JCFR.2073-0438.12.3.2018.39-59>
- Kurshev, A., & Strebulaev, I. (2006). Firm Size and Capital Structure. *Quarterly Journal of Finance*, 05. <https://doi.org/10.2139/ssrn.676106>
- Lei Lei. (2020). Research on the Impact of Tax Shield Effect on Corporate Capital Structure Empirical Analysis Based on A-Share Listed Companies. *Modern Economy*, 11(1).
- Lemmon, M. L., & Zender, J. F. (2016). Asymmetric Information, Debt Capacity, and Capital Structure. *Social Science Research Network*.
- Lestari, S. (2015). Determinants of Capital Structure in the Perspective of Pecking Order Theory and Agency Theory (Empirical Study of Manufacturing Companies in 2010-2013). *Wira Journal*, 3(1).
- Machado, C., & Pereira, A. (2022). Optimal Capital Structure with Stock Market Feedback. *Review of Finance*, 27. <https://doi.org/10.1093/rof/rfac056>
- Marbilansa, H. (2015). The Effect of Investment Decisions, Funding Decisions, Dividend Policy, and Company Size on Firm Value. *Bakrie University Scientific Journal*, 3(02).
- Masril, M., Ariesta, N. T., & Jefriyanto, J. (2022). The Effect of Size, Growth, and Company Financial Condition on Capital Structure in Consumer Goods Industry Sector Companies Listed on the IDX. 2(2), 238-245. <https://doi.org/10.56870/ambitek.v2i2.53>
- Menon, U. V. (2016). Impact of Capital Structure on Stock Prices: Evidence from Oman. *International Journal of Economics and Finance*, 8(9), 249-257. <https://doi.org/10.5539/IJEF.V8N9P249>
- Minan, H., & Arief, M. I. (2023). The Effect of Liquidity, Profitability And Company Size on Company Value with Capital Structure As An Intervening Variable In Manufacturing Companies Listed on The Idx In 2016-2020. *International Journal of Economics and Management*, 1(01), 19-29. <https://doi.org/10.54209/iem.v1i01.3>
- Miravittles, P., Mora, T., & Achcaoucaou, F. (2018). Corporate financial structure and firm's decision to export. *Management Decision*, 56(7), 1526-1540. <https://doi.org/10.1108/MD-08-2017-0788>

- Mohammed, D. (2012). Impact of Business Risk on Corporate Capital Structure of Publicly-Listed Nigerian Companies. *IOSR Journal of Business and Management*, 5(2).
- Nadya, F. (2020). The Effect of Debt Ratio, Earnings Per Share and Return on Equity Ratio on Company Value in Lq45 Companies Listed on the Indonesia Stock Exchange for the 2015-2019 Period. Indonesian Computer University.
- Neykov, N., Krišťáková, S., Antov, P., Halalisan, A. F., Hajdúchová, I., Sedliačiková, M., Sloup, R., & Šišák, L. (2022). Capital Structure Determinants of Forest Enterprises: Empirical Study Based on Panel Data Analysis from the Czech Republic, Slovakia, and Bulgaria. *Forests*, 13(5), 749. <https://doi.org/10.3390/f13050749>
- Nguyen, H. M., Vuong, T. H. G., Nguyen, T. H., Wu, Y.-C., & Wong, W.-K. (2020). Sustainability of Both Pecking Order and Trade-Off Theories in Chinese Manufacturing Firms. *Sustainability*.
- Ninditia, J. A., Siska, E., & Indra, N. (2023). The Effect of Working Capital Management and Capital Structure on the Profitability of Companies Listed on the IDX. *GEMILANG: Journal of Management and Accounting*, 3(3).
- Norton, E. (1990). Similarities and differences in small and large corporation beliefs about capital structure policy. *Small Business Economics*, 2(3), 229-245. <https://doi.org/10.1007/BF00389531>
- Oktavina, M., Manalu, S., & Yuniarti, S. (2018). Pecking Order and Trade-off Theory in Capital Structure Analysis of Family Firms in Indonesia. *Journal of Finance and Banking*, 22(1).
- Olaoye, C. O. (2022). Effects of Capital Structure on the Financial Performance of Listed Consumer Goods Firms in Nigeria (2011-2021). 1–6. [https://doi.org/10.47363/jmscm/2022\(1\)110](https://doi.org/10.47363/jmscm/2022(1)110)
- Oliveira, G. R., Tabak, B. M., Resende, J. G. de L., & Cajueiro, D. O. (2013). Determinants of the level of indebtedness for Brazilian firms: A quantile regression approach. *Economica*.
- Pinegar, J. M., & Wilbricht, L. (1989). What Managers Think of Capital Structure Theory: A Survey. *Financial Management*, 18(4), 82. <https://doi.org/10.2307/3665800>
- Qin, J. (2024). Application of Trade-off Theory in Real-Life Corporate Capital Structure Adjustments. *Advances in Economics, Management and Political Sciences*.
- Rahayu, M., Suhadak, & Saifi, M. (2019). The reciprocal relationship between profitability and capital structure and its impacts on the corporate values of manufacturing companies in Indonesia. *International Journal of Productivity and Performance Management*, 69(2).
- Richards, P. H. (2018). Pecking order and trade-off explanations of capital structure and the maturity structure of corporate debt obligations. University of Birmingham.
- Rossi, M., Lombardi, R., Siggia, D., & Oliva, N. (2015). The impact of corporate characteristics on the financial decisions of companies: evidence on funding decisions by Italian SMEs. *Journal of Innovation and Entrepreneurship*, 5(1), 2-14. <https://doi.org/10.1186/S13731-015-0031-7>
- Ruslim, H. (2009). Testing Capital Structure (Pecking Order Theory): Empirical Analysis of Stocks in LQ-45. *Journal of Business and Accounting*, 11(3).
- Salsabila, P. H., & Afriyenti, M. (2022). The Influence of Managerial Ownership, Company Size, Non-Debt Tax Shield, and Operating Leverage on Capital Structure. *Journal of Accounting Exploration (JEA)*, 4(4).

- Sholihin, M., & Ratmono, D. (2020). SEM-PLS Analysis with WarpPLS 7.0: For Nonlinear Relationships in Social and Business Research. (2nd ed.). Andi.
- Stoiljković, A., Tomić, S., Leković, B., & Matić, M. (2022). Determinants of Capital Structure: Empirical Evidence of Manufacturing Companies in the Republic of Serbia. *Sustainability*, 15(1), 778. <https://doi.org/10.3390/su15010778>
- Stryckova, L. (2017). The Relationship Between Company Returns and Leverage Depending on the Business Sector: Empirical Evidence from the Czech Republic. *Journal of Competitiveness*, 9, 98-110. <https://doi.org/10.7441/joc.2017.03.07>
- Subramaniam, V. A., & Anandasayanan, S. (2018). Capital Structure and Stock Prices: Empirical Evidence from Listed Beverage, Food and Tobacco Companies in Sri Lanka. 3(2), 83–90. <https://doi.org/10.18488/JOURNAL.136.2018.32.83.90>
- Suryo, R. S. U., & Fitriati, I. R. (2022). The Effect of Company Size, Asset Structure, and Profitability on Capital Structure. *Kompak*, 15(2), 415-427. <https://doi.org/10.51903/kompak.v15i2.814>
- Susanti, S., Widyawati, D., & Iswara, U. S. (2023). The effect of profitability and firm size on capital structure. *Scientific Journal of Accounting and Finance*. <https://doi.org/10.24034/jiaku.v2i2.5883>
- Taran, A. (2019). Corporate ownership and capital structure: evidence from Romania. *Eastern Journal of European Studies*, 10(1), 133-150.
- Triyono. (2023). Effect of asset growth and company size on the financial performance of the company with capital structure as an intervening variable. *International Journal of Business Management and Economic Review*, 06(03), 108-119. <https://doi.org/10.35409/ijbmer.2023.3489>
- Vural-Yavas, C. (2016). Determinants of Capital Structure for Firms that Provide High Quality Sustainability Reporting. *The Journal of Men's Studies*, 6(4), 22-34. <https://doi.org/10.5539/JMS.V6N4P22>
- Wahyuni, F., & Kristanti, F. T. (2024). The Influence of Profitability, Firm Size, Growth, Liquidity, Asset Tangibility, and Non-Debt Tax Shield on Capital Structure. *Atestasi*, 7(2).
- Warmana, G. O., Rahyuda, I. K., Purbawangsa, I. B. A., & Artini, N. L. G. S. (2020). Investigating Capital Structure Speed of Adjustment (SOA) of Indonesian Companies for Corporate Value. *Global Journal of Flexible Systems Management*, 21(3), 215-231. <https://doi.org/10.1007/S40171-020-00235-9>
- Widjanarko, H., & Hakim, A. L. (2023). Analysis of the Influence of Company Size, Growth Opportunities, and Liquidity on Capital Structure (Study of Food and Beverage Companies Listed on Idx 2013 - 2017). *Journal of Economics, Finance and Management Studies*, 06(06). <https://doi.org/10.47191/jefms/v6-i6-18>
- Wijaya, L. R. P., & Wibawa, B. A. (2010). The Effect of Investment Decisions, Funding Decisions, and Dividend Policy on Firm Value. XIII Accounting Symposium.
- Winarso, E., & Hutabarat, F. M. (2019). Relationship between Capital Structure and Profitability: Analysis of Infrastructure Companies on the Indonesia Stock Exchange in 2012-2016. *Urnal Accounting*, 7(2).
- Wulandari, I. G. A. A., & Wulandari, I. (2024). The Effect of Profitability, Liquidity and Company Size on Capital Structure in Companies Listed on the Indonesian Stock Exchange. *Journal of Syntax Admiration*, 5(7).

Purwanti, Roekhudin, Wijayanti, Prakoso Ibrahim & Alattas

Analysis of Capital Structure Determinants in Manufacturing Companies: Integration of Emerging Market Contextual Factors

Yunira, H. (2022). The Effect of Debt Tax Shield and Effective Tax Rate on Capital Structure in Advertising Printing Media Companies. *Owner*, 6(2).