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DETERMINANTS OF CAPITAL STRUCTURE: EVIDENCE FROM FOOD AND BEVERAGE COMPANIES IN INDONESIA

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ABSTRACT

Capital structure holds a significant role in determining the companies' financial stability. Managing the combination of debt and equity as funding sources is a strategic decision that management must make in ensuring that the company's financing is used efficiently, supporting operational growth and maintaining financial stability. This study aims to determine the effect of profitability, liquidity, asset structure, and firm size on the capital structure of a company. Observations in this study consisted of 108 data derived from 36 food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX) during 2021-2023. The sample selection technique applied was purposive sampling. Data processing in this study was carried out using EViews 13 software. The hypothesis testing method applied in the study was the multiple linear regression model. Estimation of multiple linear regression models suitable was the Fixed Effect Model (FEM). Capital structure in this study was measured by the Debt on Equity (DER) parameter. The data, after processed, indicated that profitability and liquidity negatively and significantly affect the capital structure, company size positively and significantly affect the capital structure, wile asset structure had no impact on the capital structure. The findings of this study provide insights into how internal factors can affect the decisions of capital structure and the financial stability of the firm. Management can use this result to optimize financing policy, while investors can use this as a guide in assessing the company's capital policy.

Keywords: *Profitability, Liquidity, Asset Structure, Firm Size, Capital Structure*

1. INTRODUCTION

The COVID-19 outbreak experienced in 2019 significantly influenced the global economy, including Indonesia. During the first quarter of 2020, Indonesia's economic growth decreased from 5% to only 3%, compared to the fourth quarter of 2019 (Olivia, Gibson, & Nasrudin, 2020). Declining economic growth causes market demand for goods and services to decrease and results in many companies experiencing difficulties and being forced to go out of business. This situation has an impact on all business fields so that company needs to improve itself in all fields in order to survive. Company is forced to manage its resources more effectively due to increasingly fierce competition. In this situation, management is under pressure to manage various company functions efficiently to ensure business continuity. Among these, financial management holds significant importance as it helps shape the company's funding strategies.

Company funding can be sourced from both external and internal entities. Internal funding originates from retained earnings, whereas external funding is sourced through a mix of equity and debt (Goenawan & Wasistha, 2019). The specific arrangement of equity and debt used in financing is referred to as the capital structure. It is essential to make well-informed decisions about the appropriate capital structure for maintaining the company's financial stability. Management holds a pivotal responsibility in determining the most efficient financing options. The cost of capital could be reduced by proper oversight of equity and debt associated with fund utilization. The capital structure employed by companies worldwide

could be represented by a blend of equity and debt, and poor decisions regarding this mix can result in financial challenges and even bankruptcy (Pathak & Chandani, 2023). A well-optimized capital structure composition is essential for supporting the company's operational and ensuring its long-term sustainability.

The management team is integral to determining financing strategies that maximize efficiency and effectiveness. Competent management ensures a balanced approach to managing equity and debt, reducing the cost of capital that arises from the use of funds (Setyawan, 2020). Management must possess a thorough understanding of the characteristics and implications of various funding sources, enabling them to make informed decisions about financing—whether through debt, equity, or a combination of both. Achieving an optimal capital structure is vital, as it supports the growth and development of the company's operations (Heckenbergerova & Honkova, 2023). By strategically managing the capital structure, companies can improve their financial stability and enhance their ability to invest in future opportunities.

In making efficient financing decisions, management must consider the characteristics of the industry in which the company operates. The Indonesia Stock Exchange categorizes companies into 12 different sectors, with the food and beverage subsector falling under the consumer non-cyclicals sector. This subsector is particularly important to Indonesia's economy, due to its relative stability and less susceptible to fluctuations in economic conditions. The food and beverage subsector is well-positioned and remains in high demand within Indonesia. The consistent needs for food and beverage products in daily life ensures that this subsector holds a strong and favorable position in the market (Nabayu, Marbun, Ginting, Sebayang & Sipahutar, 2020). As a result, management in this subsector can leverage its stability and demand to make informed financing decisions that align with the company's growth objectives and capital structure strategies.

Researchers around the globe have conducted empirical studies to test various theories and identify factors influencing capital structure. However, the results of these studies often vary significantly. For instance, Utami, Yoganata, and Farida (2020) investigated the impact of asset structure, profitability, and company size on capital structure. They found that profitability had a significant impact, while asset structure and company size did not. In contrast, Salim and Susilowati (2019) presented different findings, indicating that firm size and profitability also did not significantly affect capital structure. Instead, they found that liquidity and asset structure were significant factors influencing capital structure. Further diverging from these results, Pathak and Chandani (2023) demonstrated that firm size significantly influenced capital structure, suggesting a more pronounced role for this variable in certain contexts. Additionally, Utama and Nugroho (2021) discovered that capital structure was not substantially impacted by liquidity, adding another layer of complexity to the understanding of these relationships. These discrepancies highlight the nuanced and context-dependent nature of capital structure determinants, emphasizing the need for further research to reconcile these varying findings.

These differing results underscore the intricate and multifaceted nature of factors affecting capital structure, emphasizing the necessity for additional studies to address these discrepancies and enhance understanding. Given the context of these varying findings and the evolving landscape of capital structure research, the researcher is motivated to make a study on the food and beverage subsector in Indonesia, thus focusing on what determines the capital structure. This subsector offers a unique perspective for exploration due to its stability

and consistent demand, which may yield different insights compared to other industries. By concentrating on Indonesian food and beverage industries the researcher aims to identify specific factors that significantly influence capital structure decisions in this context. This approach seeks to enrich the existing literature by offering specific insights relevant to an industry that is vital to the Indonesian economy.

Pecking Order Theory

Pecking Order Theory defines concept which outlines the hierarchy of companies follow when utilizing funds. Donaldson was the first to introduce this theory in 1961, but it was Myers and Majluf who coined the term "Pecking Order Theory" in 1984. This theory elucidates the rationale behind a company's preferences for different funding sources. According to this theory, companies prioritize their capital structure by using retained earnings, debt, and equity sequentially, which the latest incurs the highest cost (Myers, 1984).

When viewed from the perspective of managers, internal funding is much more preferred because there is no risk of costs incurred. However, if the company needs external funds, debt will be considered as the least risky option because it provides a less worrying signal for investors. Dewi and Fachrurrozie (2021) also discuss another reason why internal funding is preferred by company management, that is because the risks incurred are much smaller. The use of internal company funds does not require the company to pay obligations to creditors.

Trade-Off Theory

The Trade-Off Theory, originally introduced by Litzenberger and Kraus (1973), initially states that companies obtaining tax advantages from debt encounter increased financial risks. This theory posits that the ideal connection between firm value and capital structure is achieved when the financial distress costs associated with debt use are counterbalanced by the tax shield advantages from debt. Companies financing additional investments with debt can maintain stable outstanding shares while receiving tax benefits, as interest expenses reduce taxable income (Harjito, 2011). However, failure to manage investments effectively can lead to difficulties in meeting interest and principal payments, risking bankruptcy (Kraus & Litzenberger, 1973).

When financial distress costs equal the tax savings derived from debt, a company's capital structure is considered optimal, effectively balancing the benefits and risks associated with leveraging debt (Myers, 1984). This theoretical framework posits that the target debt ratios can vary significantly from one firm to another, influenced by their specific characteristics and financial situations. The presence of higher taxable profits indicates a firm's capacity to utilize its debt effectively. By leveraging the tax advantages of interests payments and controlling the related financial risks, it allows firms to maximie their debt ratio (Brealey, Myers, & Marcus, 2017). Thus, the ideal capital structure is a customized strategy tailored to the specific characteristics and financial condition of each company. This understanding is crucial for managers when making strategic financing decisions to support long-term growth and stability.

Profitability

Profitability describes a company's ability in generating earnings within a defined timeframe. According to Sutomo, Wahyudi, Pangestuti, and Muharam (2020), the ratio of net income to total assets during the assessment period can be used to calculate profitability. Companies that achieve high profits often prefer to utilize internal funds to support their operational needs. This preference for internal funding arises because it is generally less expensive and

carries lower risk compared to other financing alternatives. This notion lines up with the Pecking Order Theory, positing companies with adequate funds prioritize internal financing over external options. This assertion is further corroborated by research from Utami et al. (2020) also Putri and Meirisa (2023), which found that profitability, while negative, also significantly impacts the capital structure of a company. This framework is used to formulate the first hypothesis, outlined as follows:
Ha_1: Profitability negatively and significantly affects capital structure

Liquidity
Liquidity serves as an indicator to show a company's ability to reconcile its short-term obligations. As stated by Pathak and Chandani (2023), liquidity is assessed by calculating the ratio of company's current assets to current liabilities. Ample internal resources are indicated by a higher liquidity level, which enables company to finance its operational activities using its available cash. This notion lines up with Pecking Order Theory, positing that companies prioritize sources of funds by first utilizing retained earnings. This perspective is further confirmed by research conducted by Rani, Yadav, and Tripathy (2020) also Dewi and Fachrurrozie (2021), which found that liquidity negatively and significantly affects capital structure. This framework is used to formulate the second hypothesis, outlined as follows:
Ha_2: Liquidity negatively and significantly affects capital structure

Asset Structure
Asset structure denotes the percentage of a company's wealth that may be pledged to secure financing or loans from external sources. According to Sutomo et al. (2020), the ratio of fixed assets can be compared to all assets possessed by the company to measure asset structure. Companies possessing significant assets generally exhibit an enhanced capacity to obtain debt financing compared to those with fewer assets. This idea corresponds to the trade-off theory, suggesting that elevated liabilities is better suited for companies with substantial asset values. This claim is further supported by research from Pathak and Chandani (2023) and Panda and Nanda (2020), which indicate that asset structure significantly and positively impacts capital structure. This framework is used to propose the third hypothesis, outlined as follows:
Ha_3: Asset structure positively and significantly influences capital structure

Firm Size
Firm size is closely related to the value of assets owned by a company, as well as serving as a measure of the scale of its operations. According to Pathak and Chandani (2023), firm size can be quantified by calculating the natural logarithm of total assets. Firms with a larger size are generally more stable in their profit generation, which enhances confidence in their ability to use debt to support operational activities. In accordance with trade-off theory, companies aim for an optimal capital structure where leveraging interest-bearing debt offers tax advantages, encouraging its use as a source of external financing. Research from Panda and Nanda (2020) and Chabachib, Hersugondo, Septiviardi, and Pamungkas (2020) demonstrates that firm positively and significantly infuluences capital structure. Based on this framework, the fourth hypothesis is formulated as follows:
Ha_4: Firm size positively and significantly affects capital structure

2. RESEARCH METHOD

The research conducted is descriptive in nature and employs data from secondary sources, specifically the annual reports of food and beverage companies listed on the Indonesia Stock

Exchange during the 2021-2023 period. Primary data sources for this research include all relevant information derived from financial reports published by these companies across various platforms, including their official websites and other media outlets, from the years 2021 to 2023. Data collection involves a meticulous examination of all pertinent information associated with this study from available sources, with a significant resource being the official portal of the Indonesia Stock Exchange, www.idx.co.id. This approach facilitates a comprehensive evaluation of the firm's capital structure and performance within the specified subsector, offering deeper understanding of the elements that affect capital structure choices in this industry.

The study's population consists of food and beverage companies that were publicly traded on the Indonesia Stock Exchange (IDX) over the research timeframe. Capital structure is the dependent variable being studied, whereas profitability, liquidity, asset structure, and firm size are the independent variables. Rather than involving all subjects within the population, the study employs a data sampling approach. The criteria established for sampling are as follows:

1) The companies must operate in the food and beverage subsector and remain traded on IDX throughout the duration of study.
2) The companies must provide the financial reports in Rupiah.

Multiplying the total of companies (36 in this study) by the three-year observation period (from 2021 to 2023) yields the entire amount of data that needs to be processed. This results in a comprehensive dataset comprising 108 observations (36 companies × 3 years), which enables a thorough analysis of the interconnection between capital structure and the explanatory variables in the designated subsector.

The following table summarizes the operationalization of the variables utilized in this study:

Table 1. Variable Operationalization

Variabel	Ukuran	Scale	Source
Capital Structure (Y)	$\frac{total\ debt}{total\ equity}$	Ratio	Sutomo et al. (2020)
Profitability (X_1)	$\frac{net\ income}{total\ asset}$	Ratio	Sutomo et al. (2020)
Liquidity (X_2)	$\frac{current\ asset}{current\ liabilities}$	Ratio	Pathak dan Chandani (2023)
Asset Structure (X_3)	$\frac{fixed\ asset}{total\ assets}$	Ratio	Sutomo et al. (2020)
Firm Size (X_4)	Ln (*Total Asset*)	Ratio	Sutomo et al. (2020)

3. RESULTS AND DISCUSSIONS

Before proceeding with the regression analysis of the collected data, a number of classical assumption tests were conducted for ensuring both the reliability and validity of the regression results. These tests included the Normality Test, Multicollinearity Test, Heteroscedasticity Test, and Autocorrelation Test**.**

Normality Test utilized One-Sample Kolmogorov-Smirnov test, evaluating the Asymp. Sig. (2-tailed) value. Results revealed an Asymp. Sig. value of 0.565, exceeding the typical cutoff of 0.05. From this outcome, the data is confirmed to be normally distributed, thereby satisfying the key prerequisites for regression analysis. Following this, further examinations

were carried out to address potential issues related to multicollinearity, heteroscedasticity, and autocorrelation, ensuring that the data fulfills all classical assumptions necessary for reliable regression analysis.

Multicollinearity test was conducted to assess whether significant correlations existed among the predictor variables within the model. A regression model that is free from multicollinearity issues is said to be robust, as multicollinearity can skew the results and interpretations of the analysis. The multicollinearity test was executed using E-Views 13 software. The detailed test results, including the correlation coefficients for each pair of independent variables, are provided in the table below:

Table 2. Multicollinearity Test
Source: E-views 13 (2024)

	DER (Y)	ROA (X1)	LIQ (X2)	AS (X3)	SIZE (X4)
DER (Y)	1.000000	-0.584691	-0.694011	0.165607	0.007479
ROA (X1)	-0.584691	1.000000	0.435408	-0.207123	0.425927
LIQ (X2)	-0.694011	0.435408	1.000000	-0.313613	0.097715
AS (X3)	0.165607	-0.207123	-0.313613	1.000000	0.023492
SIZE (X4)	0.007479	0.425927	0.097715	0.023492	1.000000

The test outcomes showed that all pairs of independent variables had correlation coefficients that did not exceed the threshold of 0.8. This finding indicates that multicollinearity does not pose a concern among the variables in this study, allowing for a more trustworthy interpretation of the regression analysis. This finding reinforces the validity of the regression model used in the analysis.

Heteroscedasticity test was conducted to verify that variance remains consistent across observations, without significant deviation. Variations in residuals could lead to biased estimates, affecting the reliability of the regression model. This study used Breusch-Pagan-Godfrey test to assess heteroscedasticity. The test showed a Prob. Chi-Square value for Obs*R-squared of 0.850. Since this value exceeds the typical cutoff of 0.05, this result suggests no evidence of heteroscedasticity exists in the dataset. Consequently, the findings suggest that the data demonstrates homoscedasticity, confirming that the regression model is devoid of heteroscedasticity issues. This is a crucial aspect of regression analysis, as the absence of heteroscedasticity ensures that the estimated coefficients are reliable and that the standard errors are valid, leading to more accurate hypothesis testing and confidence intervals. Overall, these results support the robustness of the model employed in the regression analysis in this study.

Autocorrelation test assessed whether residual errors in the regression model were correlated across time periods. This is vital for ensuring that the assumptions of the regression model are met and that the results are dependable. In this research, the Durbin-Watson (DW) test was employed to evaluate autocorrelation. The test results yielded a DW value of 2.2235. This value falls between the upper bound (dU) of 1.76350, along with the lower limit (4-dU) of 2.2363. Since the DW value is within this range, it suggests that the regression model does not exhibit significant autocorelation. This finding is important as it implies that the residuals are independent of each other, thereby supporting the validity of the regression model. Overall, the outcomes of this test further reinforce the robustness of the regression model, ensuring that the estimated coefficients are trustworthy and that the underlying assumptions of the regression analysis are fulfilled.

Chow Test

In panel data regression, both the Common Effect Model (CEM) alongside the Fixed Effect Model (FEM) were compared using the Chow test, a statistical technique used to assess the applicability of various regression models. This test assists researchers in determining which model is more appropriate for their data and research objectives. In this study, Chow test was performed to evaluate the effectiveness of the CEM as well as FEM. According to the interpretation criteria: 1) should the p-value is below 0.05, FEM is regarded more appropriate; 2) in the case that the p-value exceeds 0.05, CEM is preferred. In this study, the Chow test outcomes, presented in Table 3, are summarized below:

Table 3. Chow Test
Source: E-views 13 (2024)

Redundant Fixed Effects Tests			
Equation: FEM			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section Chi-square	192.752135	35	0.0000

Based on the findings presented in Table 3, the appropriate model can be selected for further analysis. The probability values for the Chi-square cross-section fall below the 0.05 threshold, at 0.000. This suggests that the FEM is strongly supported within this regression model to use.

Hausman Test

Hausman procedure serves as a statistical tool employed after the Chow test to refine the choice of regression model by comparing the Random Effect Model (REM) with the Fixed Effect Model (FEM). The test is integral in identifying the model that offers more consistent and efficient estimates for regression analysis of panel data. In this study, Hausman test was executed with the following interpretation criteria: 1) should the p-value is below 0.05, FEM is deemed the most suitable choice; 2) in the case that the p-value exceeds 0.05, REM is preferred. In this study, the Hausman test outcomes, presented in Table 4, are summarized below:

Table 4. Hausman Test
Source: E-views 13 (2024)

Correlated Random Effects - Hausman Test			
Equation: REM			
Test cross-section fixed effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	18.870985	4	0.0008

Based on the findings presented in Table 4, the p-value is 0.0008, significantly lower than the 0.05 threshold. Therefore, this outcome confirms that the FEM is the suitable regression model for this study. This conclusion is essential as it indicates that the FEM provides more reliable and consistent estimates for the relationships being analyzed. This model's suitability is crucial as it suggests that unobserved individual effects are linked to the independent

variables, a key consideration in panel data analysis. By utilizing the FEM, this study ensures that its findings are robust and reflective of the underlying dynamics within the data.

Partial Test (t-test)

Partial test is a statistical method utilized in regression analysis to evaluate the importance of each independent variable in interpreting the variability of the dependent variable. This examination determines if any of the predictor variables make meaningful contributions to the model. A significance level (alpha, α) of 5% (0.05) is typically employed when conducting the partial test. The interpretation of the p-values obtained from the t-test is as follows: 1) should the p-value is below 0.05, it suggests that a predictor variable significantly influences the dependent variable, causing the null hypothesis to be rejected, which posits that no effect exists; 2) in the case that the p-value is above or equal to 0.05, it suggests that the predictor does not have a significant influence on the dependent variable, causing the null hypothesis to stand, implying that the variable may not serve as a meaningful predictor in the model. Presented below is the regression test table:

Table 5. Regression Test Result
Table source: E-views 13 (2024)

Variable	Coefficient	Prob.
(Constant)	-7.597840	0.0317
Profitability	-1.011049	0.0132
Liquidity	-0.066228	0.0006
Asset Structure	0.389296	0.2055
Firm Size	0.292074	0.0187

Referring to the data in Table 5, the regression equation is derived from the results presented in the table:

Capital Structure = -7.597840 - 1.011049 Profitability - 0.066228 Liquidity + 0.389296 Asset Structure + 0.292074 Firm Size + ε

The constant value in this analysis is -7.597840, which suggests that when all independent variables remain unchanged, the dependent variable will be -7.597840. The regression coefficient for profitability is -1.011049, suggesting with each unit increase in profitability, the dependent variable will decrease by 1.011049, assuming other factors remain unchanged. Liquidity's regression coefficient liquidity is -0.066228, implying an increase of one-unit in liquidity leads to a 0.066228 decrease in the dependent variable, with other independent variables fixed. The coefficient for asset structure is 0.389296, meaning that a one-unit increase in asset structure will cause a 0.389296 increase in capital structure, given all other factors remained unchanged. Finally, the coefficient for firm size is 0.292074, which implies that each unit increase in firm size leads to a 0.292074 increase in the dependent variable, while all other variables remain constant.

Influence of Profitability on Capital Structure

According to findings from Partial Test (t-Test) conducted on the first hypothesis, the probability value for profitability is 0.0132, with a regression coefficient is -1.011049. Since the probability value of 0.0132 is below 0.05, Ha1 are accepted. This points to the conclusion that profitability affects the capital structure in the companies examined in this study. This finding implies that more profitability companies are inclined to depend on internal sources of capital, reducing their need for external debt. It suggests that these firms are effectively managing their operations to generate profits, thereby minimizing the necessity for external borrowing.

Influence of Liquidity on Capital Structure

According to findings of Partial Test (t-Test) conducted on the second hypothesis, the probability value for liquidity is 0.0006, with the coefficient of regression being -0.066228. Since liquidity is 0.0006, which is less than 0.05, Ha2 results are accepted. Thus, we can conclude that liquidity negatively and significantly affects the capital structure in the companies examined in this study. This finding implies firms with greater liquidity levels are more inclined to use their liquid assets to meet funding needs instead of relying on debt. It indicates that these companies prioritize maintaining financial stability and ensuring their capability to promptly fulfill their immediate obligations without taking on additional liabilities.

Influence of Asset Structure on Capital Structure

According to findings of Partial Test (t-Test) conducted on the third hypothesis, the probability value for asset structure is 0.2055, with a coefficient of 0.389296. Since the probability value exceeds 0.05, Ha3 results are declined, meaning that there is no significant relationship between asset structure and capital structure**.** Thus, we can deduce that, while asset structure positively influences the capital structure in the companies examined in this study, this influence is not significant. This result suggests that asset structure alone may not be a key determinant in capital structure decisions within this sector. It indicates that companies may not heavily consider their tangible assets when deciding between equity and debt financing.

Influence of Firm Size on Capital Structure

According to findings of Partial Test (t-Test) conducted on the fourth hypothesis show the probability of 0.0187, with the coefficient of regression being 0.292074. Since firm size is 0.0187, which is less than 0.05, Ha4 results are accepted. Thus, we can conclude that firm size positively and significantly affects the capital structure in the companies examined in this study. This outcome highlights that larger companies enjoy greater access to external capital markets, making it easier for them to secure funding through debt. It underscores the notion that the credibility and scale of a company are crucial in shaping capital structure choices, as larger firms are generally perceived as more stable and creditworthy by lenders.

4. CONCLUSIONS AND SUGGESTIONS

The outcomes of this study reveal that profitability, as indicated ROA, significantly influences the capital structure of companies in food and beverage subsector listed on the Indonesia Stock Exchange between 2021-2023. Specifically, the results from Sutomo et al. (2020) and Utami et al. (2020) highlight that companies with higher profitability are associated with a reduced reliance on external debt, supporting the notion that profitable firms typically use internally generated resources to cover their operations, which is consistent with previous research.

The research indicates that liquidity, particularly as indicated by current assets, significantly influences the capital structure of companies in food and beverage subsector listed on the Indonesia Stock Exchange from 2021-2023. Several studies have explored this relationship, suggesting that higher liquidity can affect how companies manage their capital structure. These findings align with the work of Fukuludin, Margaretha, and Purba (2021), Rani et al. (2020), and Pathak and Chandani (2023), all of whom demonstrated the significant influence of liquidity on capital structure decisions. This reinforces the notion that firms with higher

liquidity are often more inclined to use their available resources for financing needs rather than resorting to debt.

Conversely, this research indicates that asset structure, as measured by tangibility, has no significant impact on the capital structure of companies in food and beverage subsector listed on the Indonesia Stock Exchange between 2021-2023. These findings align with the work of Pratama and Susanti (2019) and also Utami et al. (2020), which concluded no significant nexus between asset structure and capital structure. These results suggest that companies in this sector may not prioritize their tangible assets when making financing decisions.

Additionally, the research demonstrates that firm size, represented by the natural logarithm of total assets, plays a significant role in determining the capital structure of companies in food and beverage subsector listed on the Indonesia Stock Exchange from 2021 to 2023. These findings corroborate those of Panda and Nanda (2020), Pathak and Chandani (2023), and Chahachib et al. (2020), which categorize firm size as a positive variable that affects capital structure. Bigger firms often possess higher credibility and better access to capital markets, as they are perceived as more stable and creditworthy, making it easier for them to secure funding through debt. Overall, these findings highlight the diverse factors influencing capital structure within Indonesia's food and beverage sector, emphasizing the interplay between profitability, liquidity, and firm size while noting the limited role of asset structure.

Every research has limitations that cannot be avoided. The mention of limitations is expected to provide benefits for future researchers, both to develop and improve similar research. Some of the limitations identified in this study are as follows: (1) this study only measures four explanatory variables, so that it is feared that the research may not be able to cover other determinants that also influence the capital structure of a company; (2) the subjects of this research are limited to food and beverage subsector in Indonesia so as to limit the generalization of the research results, because the results obtained may not fully reflect conditions in other sectors or other subsectors in a broader industry; and (3) the observation period of this research is relatively short, covering only three years, covering 2021 to 2023. The limited time span of observation in this study may not fully illustrate the long-term trends or changes that may occur in the market or within the company. A longer period may provide a more comprehensive and in-depth insight into the variables studied.

Based on the limitations found in this study, recommendations that can be considered for further research are: (1) future research should consider adding additional independent variables that may influence the capital structure of the companies which may include, but are not limited to, dividend payout, ownership structure, free cash flow, firm age, business risk, and other factors that can enrich the analysis; (2) expansion of research subjects to include more subsectors or different industrial sectors, so that the research results are not only relevant for the food and beverage subsector but can also be applied to various other industries so that the generalization of research results will be stronger and able to provide more universal insight; and (3) extension of the research observation period by using a longer time span. A longer observation time span can help identify long-term trends, fluctuations, as well as the continuous effects of independent variables on the company's funding strategies. This will allow researchers to generate conclusions that are more indicative of the actual conditions that occur in the industry and market.

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