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THE INFLUENCE OF COMPANY SIZE, PROFITABILITY, ASSET STRUCTURE, AND LIQUIDITY ON THE CAPITAL STRUCTURE OF INFRASTRUCTURE SECTOR COMPANIES LISTED ON INDONESIAN STOCK EXCHANGE IN 2021-2023

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Abstract:

The purpose of this study is to determine how the influence of company size, profitability, asset structure, and liquidity on capital structure. This research focuses on infrastructure companies listed on the Indonesia Stock Exchange from 2021 to 2023. The research sample selection was carried out using purposive sampling technique, with a final observation count of 95. The data were compiled from Annual Financial Statements of infrastructure companies which were then processed using panel data regression analysis with Eviews 12 software. The results of this study reveal that company size has a positive impact on capital structure, profitability and liquidity have a negative impact on capital structure, while asset structure has no impact on capital structure. This research is expected to be a reference in decision making to improve capital structure through optimizing these factors, as well as providing valuable information for stakeholders in the decision making process.

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

BACKGROUND

The era of globalization has brought significant changes in business dynamics and business competition in various industrial sectors. This condition requires companies to have more effective and efficient financial management, especially in terms of capital structure which plays a vital role in the sustainability of company operations. A healthy capital structure reflects the company's ability to manage funding sources, internal or external, to face the challenges of global competition. The phenomenon of strengthening the capital structure can be seen in infrastructure sector companies in Indonesia that continue to strengthen their financial position through various capital management strategies and debt restructuring to achieve an optimal structure. Based on IDX Statistical Report Data, the infrastructure sector has an above-average leverage ratio in 2021 with a debt to equity ratio of 1.25, higher than the energy sector which is only 0.87 and the property and real estate sector of 0.72. Similarly, in 2023 the infrastructure sector amounted to 0.83, higher than the raw material sector of 0.63 and the industrial sector of 0.50. The infrastructure sector is 1 of 11 sectors listed on the Indonesia Stock Exchange (Idx.co.id, 2024).

Infrastructure development in Indonesia is one of the government's main focuses in driving economic growth. Based on data from the Indonesian Ministry of Finance, an investment of around IDR6,445 trillion is needed for infrastructure development in the 2021-2024 period. The large amount of funds needed cannot be met solely from the state budget, so it requires

active participation from the private sector and state-owned enterprises. This condition puts companies in the infrastructure sector in a strategic and challenging position in terms of capital structure management (Tempo.co, 2024).

Researchers found a research gap in the form of gaps or contradictions in previous research findings regarding firm size, profitability (return on assets), asset structure (fixed assets ratio), and liquidity (current ratio) on capital structure (debt to equity ratio). Therefore, the researcher focuses on the infrastructure sector, In terms of the capital structure of infrastructure issuers, debt is usually the main player (Kontan.co.id, 2024). This condition requires companies to have better financial management, in terms of capital structure which plays a vital role in the sustainability of company operations.

THEORETICAL FRAMEWORK

Agency Theory

Agency theory was proposed by Jensen & Meckling (1976). This theory concerns agency relationships, namely the relationship between shareholders (principal) and managers (agency) who are authorized to make decisions. Agency conflicts that occur in the company result in agency costs that have a negative impact on the company's financial performance. Based on the explanation of Jensen & Meckling (1976), agency costs are expenses borne by shareholders to control and monitor management activities so that their actions are in line with the company's interests.

Capital Structure

In the context of corporate financial management, each business entity has the discretion to implement a fully equity-based capital structure up to a proportion of 100%. However, the majority of entities tend to adopt a heterogeneous funding strategy by combining equity and debt instruments simultaneously. Given their basic characteristics as corporate entities, these entities have a defined ownership structure, where the interests of the capital owners are explicitly articulated in the equity component of the entity's capital structure (Sari et al., 2020). The way a company pays for its fixed assets is known as the capital structure. It includes short-term loans and long-term equity. According to Seto et al., (2023) the implementation of DER gives entities the ability to measure the balance between debt and capital components in financing their operational activities. The DER ratio can be calculated using the following formula:
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$$\text{DER} = \frac{\text{Total Liability}}{\text{Total Equity}}$$

Company Size

Company size, represented by SIZE, is an important indicator in determining the ease of access to capital markets. Large-scale companies have the advantage of easy access to the capital market, while small-scale companies face more obstacles in this regard. In an operational context, company size represents one of the determinant variables that correlates with the company's capacity to accumulate profits. Business entities with a more substantial operational scale generally have higher power in dealing with various business problems. This study uses the company size ratio = Ln (Total Assets). According to Riadi (2020), assets represent the accumulation of resources and wealth in the ownership of a business entity. Size can be calculated using the following formula:

$$SIZE = \text{Ln (Total Assets)}$$

Profitability

Profitability is a dominant aspect of business that can be systematically examined. Profit itself is an indicator that describes the ability of an entity to generate income through its routine business operations. Profitability is a parameter that measures the capacity of a business to generate profits, as well as an evaluation tool for management performance in creating profits through various investment and sales activities. This study uses the earnings power ratio or called Return on Assets (ROA). This calculation technique shows compatibility with the proxies adopted in the study (Pramana & Darmayanti, 2020). The following is the formula for determining the ROA ratio:

$$\text{ROA} = \frac{\text{Profit After Tax}}{\text{Total Assets}}$$

Asset Structure

The comparison between the company's total assets and its total fixed assets provides an overview of the company's asset structure (Meisyta et al., 2021). The assets of the entity at a certain time are referred to as the asset composition. This amount of assets can be used by the entity as collateral. Analyzing the proportion of a company's assets that are fixed assets is the essence of asset composition. Renalya & Purwasih (2022) stated that the following calculation, known as Fixed Asset Ratio (FAR), can be used to determine the entity's asset composition:

$$\text{FAR} = \frac{\text{Fixed Assets}}{\text{Total Assets}}$$

Liquidity

Liquidity ratios assess a company's capacity to meet short-term financial commitments as they fall due. A high liquidity ratio shows that liquid assets are more than enough to cover its short-

term obligations and run its business without external assistance. With sufficient internal funds available, the company does not need to rely on external financing such as loans from outside parties. With increased reliance on current assets for funding, the debt component in the company's capital structure will decrease under these conditions (Lianto et al., 2020). In this study using (CR). According to Maulani et al. (2023) By comparing current assets with current liabilities, one can assess the entity's ability to fulfill its obligations. The formula (CR) is:

$$\text{CR} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

HYPOTHESIS DEVELOPMENT

The Effect of Company Size on Capital Structure

Larger companies are easier to obtain other sources of funding than small, which is the size of the company. The use of loan financing is more common among larger companies than small companies (Kharismawati et al., 2024).

Jensen & Meckling (1976), mentioned that in larger companies, the separation between owners and managers can make agency costs high, but also provide incentives for managers to use debt as a tool to reduce excess cash and improve operational efficiency.

Capital structure is favorably affected by company size, in accordance with the research of Ramadhan et al. (2021). Salam & Sunarto (2022) concluded that capital structure is negatively affected by firm size. Meanwhile, there is no relationship between size and capital structure, Maulani *et al*. (2023). From the description above, the following hypothesis is obtained:

H1: Firm size has a positive effect on Capital Structure.

The Effect of Profitability on Capital Structure

Profitability describes an entity's capacity to generate profits to support investments. When a company is financially successful, it has more money to use in its operations rather than taking out loans or taking on more debt. This is because an increase in internal funds means more money to spend (Simangunsong & Purwaningsih, 2024).

As per Jensen & Meckling (1976), high corporate profitability can be used as a means to raise capital internally, which in turn will reduce the need for debt and the associated agency costs.

Andriansyah & Suharto (2020) Profitability, significantly affects the capital structure for the better. Miswanto *et al*. (2022) capital structure is negatively affected by profitability. Meanwhile, Hamzah (2021) proved that business capital structure is not affected by profitability. From the description, the hypothesis is obtained:

H2: Profitability negatively affects Capital Structure.

The Effect of Aset Structure on Capital Structure

Asset structure has a significant effect when determining how strategic the use of debt as capital is in an entity. According to Putra & Kindangen's perspective (2016), the company's asset

structure is the ratio of fixed assets to total assets. The larger the physical assets, the potentially stronger the collateral, which in turn can minimize the risk of potential financial difficulties.

As per agency theory, the mix of fixed and current assets in a firm's portfolio can influence the choices made about its capital structure. Creditors may feel more comfortable lending to high asset level firms as the security they offer is more assured. Managers can reduce agency costs associated with cash management by using fixed assets as collateral to obtain external financing, according to this argument (Jensen & Meckling, 1976).

Renalya & Purwasih (2022)) in their research showed that asset structure has a good and significant effect on capital structure. Puspitasari (2022) explained that asset structure has a bad and insignificant effect on capital structure. As for Celesta *et al*. (2023) showed that asset structure has no significant effect on capital structure. From the description, there is a hypothesis:

H3: Asset Structure has a positive effect on Capital Structure.

The Effect of Liquidity on Capital Structure
Liquidity is a crucial aspect that every entity needs to understand. The capacity of a large entity to pay its bills in the near future is positively correlated with overall solvency. This can make the entity not need to rely on financing through loans or debt (Brigham et al., 2019).

Jensen & Meckling (1976) explain that Quick ratio, current ratio, and other liquidity ratios are liquidity measures that influence decisions about capital structure. Low dependence on debt and flexibility in managing cash flow are the benefits of high liquidity for managers.

Ramadhan *et al*. (2021) presented the results of liquidity having a significant positive effect on capital structure. Setiawati & Veronica (2020) the results in their research concluded that liquidity has a significant adverse effect on capital structure. Meanwhile, Akbari & Arifin (2023)) found that liquidity has no significant effect on capital structure. The hypothesis is:

H4: Liquidity has a negative effect on Capital Structure.

METHOD

This research uses quantitative methods to analyze the causal relationship between research variables. Through descriptive statistical analysis methods, the research aims to provide a comprehensive description of the dependent variable and the independent variable, as well as evaluate the significance of the contribution of the independent variable to the dependent variable (Putra & Kindangen, 2016)

This study uses secondary data, which is information collected by researchers through indirect sources or previously available documentation. Referring to the definition of Sugiyono (2019), data collection is carried out by reviewing various literature sources such as books, journal articles, and other references to support and connect research concepts.

The annual reports of IDX Infrastructure entities for 2021-2023 can be accessed via the IDX web. The data required in this study include total assets, profit after tax, fixed assets, current assets, current liabilities, total liabilities, and total equity.

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This research adopts a quantitative analysis approach. All collected data will be analyzed and verified through hypothesis testing. Data analysis uses the help of the EViews version 12 program so that the resulting data measurements are more accurate. To analyze the data in this study, a panel data-based regression method was used. The panel data regression analysis method was chosen due to the characteristics of this research data integrating time series data.

RESULT

Descriptive Statistical Analysis

Table 1. Descriptive Statistical Analysis Results

	DER	SIZE		ROA	FAR	CR
		TA (Billion Rupiah)	Ln_TA			
Mean	1,214	28.278	29,305	0,053	0,363	2,531
Maximum	3,547	287.042	33,291	0,242	0,897	25,397
Minimum	0,003	34	24,256	0,001	0,001	0,139
Std. Dev.	0,936	54.828	2,119	0,045	0,299	3,621
Observations	95	95	95	95	95	95

Source: Data processed using *Eviews* 12, 2025

The Capital Structure (Y) variable has a minimum of 0.003, a maximum of 3.547 according to the results. The lowest value is in PT Maharaksa Biru Energi Tbk 2021 and the maximum is found in PT Sarana Menara Nusantara Tbk in 2022. Capital Structure variable with mean 1.215 and standard deviation 0.936. It appears that the sample is homogeneous or has little diversity because the standard deviation is smaller than the mean.

Company Size Variable (X1) is seen with a minimum of 24.256, a maximum of 33.291. The lowest PT Pertamina Geothermal Energy Tbk is 2021, while the highest PT Telkom Indonesia (Persero) Tbk is 2023. Company Size variable with a mean of 29.305 and a standard deviation of 2.119. It can be seen that the sample is homogeneous or has little diversity because the standard deviation is smaller than the mean.

The Profitability variable (X2) is seen with a minimum of 0.001, a maximum of 0.242. PT LCK Global Kedaton Tbk has the lowest value at 2023, while PT Paramita Bangun Sarana Tbk has the highest at 2023. Profitability variable with a mean value of 0.053 and a standard deviation of 0.045. It appears that the sample is homogeneous or has little diversity because the standard deviation is smaller than the mean.

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The Asset Structure variable (X3) is seen to have a minimum value of 0.001 and a maximum value of 0.897. PT Kencana Energi Lestari Tbk has the lowest value in 2021, while PT Bali Towerindo Sentra Tbk has the highest value in 2023. The Asset Structure variable has a mean value of 0.363 and a standard deviation of 0.299. This indicates

The Liquidity variable (X4) is seen with a minimum of 0.139, a maximum of 25,397. PT Maharaksa Biru Energi Tbk has the lowest value in 2022, while PT LCK Global Kedaton Tbk has the highest in 2023. The Liquidity variable has a mean value of 2.531 and a standard deviation of 3.621. It appears that the sample is not homogeneous or diversity with a standard deviation greater than the mean.

Panel Data Regression Model Selection Test

Chow Test

Table 2. Chow Test Results

Test cross-section fixed effects

Effects Test	*Statistic*	*d.f.*	*Prob.*
Cross-section F	12,799	(32,58)	0,000
Cross-section Chi-square	198,278	32	0,000

Source: Data processed using *Eviews* 12, 2025

The cross-section probability F is 0.000. The value of 0.000 <0.05, meaning that between the fixed effect model and the common effect model, the most appropriate is the fixed effect model.

Hausman Test

Table 3. Hausman Test Results

Test cross-section random effects

Test Summary	*Chi-Sq Statistic*	*Chi-Sq d.f.*	*Prob.*
Cross-section random	3,722	4	0,445

Source: Data processed using Eviews 12, 2025

It can be seen that the Cross-Section Random probability value obtained is 0.445. When viewed from the significance, 0.445> 0.05 means that the most suitable between Fixed Effect Model and Random Effect Model is Random Effect Model.

Lagrange Multiplier Test

Table 4. Lagrange Multiplier Results

Test hypothesis

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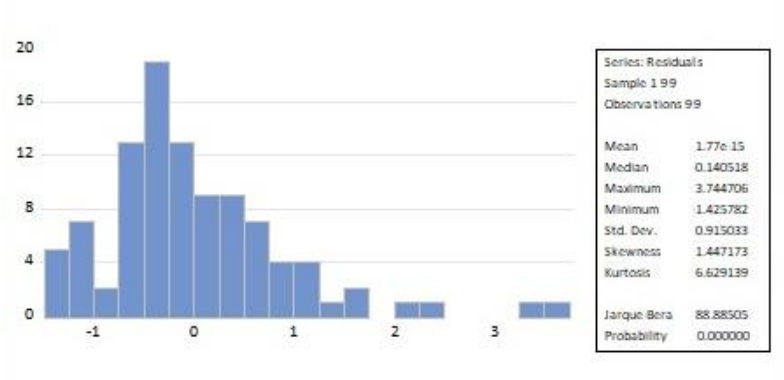
	Cross-section	*Period*	*Both*
Breusch-Pagan	46,702	0,775	47,477
	(0,000)	(0,379)	(0,000)

Source: Data processed using Eviews 12, 2025

It is concluded that the Breusch pagan cross section probability obtained is 0.000. The value of 0.000 <0.05 which means that the most appropriate model between Common Effect Model and Random Effect Model is Random Effect Model.

Uji Normalitas

Figure 1. Normality Test Results Before Outlier



Source: Data processed using Eviews 12, 2025

Normality testing resulted in a Jarque-Bera value of 88.885 with a probability of 0.000. Thus, the data used in this study is not normally distributed. Non-normally distributed data can be resolved with outliers. This study eliminated 4 extreme data using the outlier feature of EViews 12.

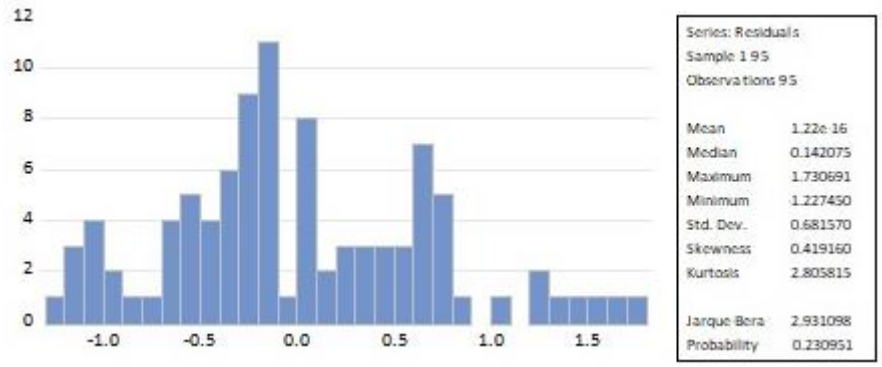
Table 5. Outlier Data Results

Observation	Coefficient	Std. Error	t-Statistic	Prob.
1	3,953	0,712	5,551	0,000
4	2,141	0,709	3,017	0,003
37	3,714	0,716	5,186	0,000
94	2,623	0,705	3,717	0,000

Source: Data processed using Eviews 12, 2025

Figure 2. Normality Test Results After Outlier

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Source: Data processed using Eviews 12, 2025

Based on Figure 2 above, the normality test results after outliers show that the Probability Jarque-Bera value is 0.2309, greater than 0.05. Therefore, it can be concluded that the data used in this study is normally distributed.

Multicollinearity Test

Table 6. Multicollinearity Test Results

	SIZE	ROA	FAR	CR
SIZE	1.000000			
ROA	-0.168	1.000000		
FAR	0.137	0.034	1.000000	
CR	-0.413	-0.065	-0.230	1.000000

Source: Data processed using Eviews 12, 2025

It is proven that no variable gets a value > 0.05 from other variables. So, it is said that each independent variable passes the multicollinearity test or does not have multicollinearity.

Heteroscedasticity Test

Table 7. Heteroscedasticity Test Results

Heteroskedastiticity Test: White

F-statistic	1,846	*Prob. F(14,80)*	0,045
*Obs*R-squared*	23,200	*Prob. Chi-Square(14)*	0,057

Source: Data processed using Eviews 12, 2025

As can be seen from Table 7, the results obtained from the heteroscedasticity test through the White test indicate that the Prob. Chi-Square value of 0.057 is greater than 0.05. Thus, the data in this study are free from symptoms of heteroscedasticity.

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Autocorrelation Test

Table 8. Autocorrelation Test Results

N	K	DL	DU	DW	4 - DU	4 - DL
95	4	1,579	1,754	2,021	2,246	2,421

Source: Data processed using Eviews 12, 2025

It can be seen from Table 8 that the DW value contained in the common effect model results is 2.021. DW value between DU and 4-DL $1.754 \leq 2.021 \leq 2.421$ (DU ≤ DW ≤ 4-DL). Thus, it is found that the regression model has no autocorrelation problem.

Panel Data Regression Analysis

Table 9. Panel Data Regression Analysis Results

Dependent Variable: DER

Method: Panel Least Squares

Periods included: 3

Total panel (unbalanced) observations: 95

Independent Variable	***Coefficient***	***t-Statistic***	***Prob.***
C	-4,368	-2,673	0,008
SIZE	0,207	3,773	0,000
ROA	-3,990	-2,636	0,009
FAR	-0,109	-0,281	0,778
CR	-0,079	-3,935	0,000

Source: Data processed using Eviews 12, 2025

From table 9, the following equation is obtained:

$DER_{it} = - 4,368 + 0,207SIZE_{it} - 3,990ROA_{it} + 0,109FAR_{it} – 0,079CR_{it} + \varepsilon_{it}$

Description:
Y = Capital Structure
α = Constant
β = Regression Coefficient
X_1 = Company Size
X_2 = Profitability
X_3 = Aset Structure
X_4 = Likuidity
ε = *error term*
i = Infrastructure Company
t = Period 2021 - 2023

Coefficient of Determination Test (R2)

Table 9 states that the adjusted R-square value is 0.321 which means that 32% of the capital structure is caused by firm size, profitability, asset structure, and liquidity.

Simultaneous Significance Test (F Test)

Table 9 shows the probability value of the F-Statistic is 0.0000. Value < 0.05. It means that company size, profitability, asset structure, and liquidity simultaneously affect the capital structure.

Partial Significance Test (T Test)

The result of T test concludes that the probability value of SIZE is 0.000 < 0.05, and the coefficient and tcount are 0.207 and 3.773, then the firm size has positive and significant effect on capital structure. ROA 0.009 < 0.05, and the coefficient and tcount -3.990 and -2.636, then profitability has a negative and significant effect on capital structure. FAR 0.778 > 0.05, and coefficient and tcount -0.109 and -0.281, then asset structure has no effect on capital structure. CR 0.000 < 0.05, and coefficient and tcount -0.079 and -3.935, then liquidity has negative and significant effect on capital structure.

DISCUSSION

The Effect of Company Size on Capital Structure

Based on hypothesis testing, it indicates that entity size has a positive impact on capital composition. This can be observed from the consistent pattern where business entities with higher scale have higher debt ratio. For example, PT PP Presisi Tbk (PPRE) with a SIZE of 29,581 in 2021 has a DER of 1.359, then when the SIZE increases to 29,657 in 2022, the DER also increases to 1.408. Similarly, PT Pertamina Geothermal Energy Tbk (PGEO) which has a SIZE of 24.385 in 2022 with a DER of 0.971, and when SIZE decreases to 24.255 in 2021, DER also decreases to 0.950. Large infrastructure companies such as PPRE, PT PP (Persero) Tbk (PTPP), and PT Jasa Marga (Persero) Tbk (JSMR) with SIZE values above 29 have an average DER of 2.20, while small companies such as PGEO, PT LCK Global Kedaton Tbk (LCKM), and PT Visi Telekomunikasi Infrastruktur Tbk (GOLD) with SIZE below 27 only have an average DER of 0.32. This confirms the positive effect of company scale on the capital composition of the infrastructure sector.

This study obtained results that support the research of Celesta *et al*. (2023) and Ramadhan *et al*. (2021) which indicate that firm scale has a positive impact on capital structure. This condition is due to the fact that entities with large dimensions have a more efficient capacity to access external financing than small-sized entities. This phenomenon is due to the fact that large entities have greater asset collateral so that they get higher trust from creditors. Companies that have a large size are considered to have a small risk of bankruptcy due to more comprehensive business diversification and more stable cash flow.

Large-scale companies generally increase the proportion of debt in their capital structure to fund various business development needs. This strategy provides benefits in the form of utilizing tax shields from tax-deductible interest expenses and serves as a monitoring

mechanism that is in line with agency theory. The strategic use of debt limits the free cash flow available to managers, thereby reducing agency conflicts between shareholders and management. Periodic debt repayment obligations also encourage managers to operate more efficiently to meet these financial commitments, which in turn improves the discipline of fund management and the efficiency of company operations (Mulyadi, 2023).

The Effect of Profitability on Capital Structure

Based on hypothesis testing, it indicates that profitability has a negative impact on capital structure. This can be seen from the tendency of companies with high profitability to reduce the use of debt in their capital composition. PT Cardig Aero Services Tbk (CASS) with ROA 0.171 in 2022 has DER 1.211, then when ROA increases to 0.222 in 2023, on the contrary, DER decreases to 0.859. Similarly, companies with lower profitability tend to use more debt in their capital structure, PT PP (Persero) Tbk (PTPP) with ROA 0.007 in 2021 has a DER of 2.878, and when ROA decreases to 0.006 in 2022, DER rises to 2.887. Companies with high profitability such as CASS, Gihon Telekomunikasi Indonesia Tbk (GHON), and PT Telkom Indonesia (Persero) Tbk (TLKM) which have ROA above 0.05 show an average DER of 0.88, while companies with low profitability with ROA below 0.03 such as PTPP, PT XL Axiata Tbk (EXCL), and PT PP Presisi Tbk (PPRE) have a higher average DER of 2.19. This confirms the negative effect of profitability on capital structure in the infrastructure sector.

This study obtained results that support the research of Miswanto *et al*. (2022) and Pramana & Darmayanti (2020) which support that entities with large profits reduce dependence on debt. Entities with a large level of profit have a greater ability to generate internal funds through retained earnings or own capital. When companies are able to generate high levels of profit, companies tend to reduce the proportion of debt in their capital structure due to the availability of high internal funding sources to finance company operations.

The results of this study support agency theory, where companies with high profitability have a greater ability to reduce the use of debt to minimize agency costs associated with debt decision making. The use of internal funds provides greater managerial freedom in allocating funding without close supervision from creditors (Paryanti & Mahardika, 2019).

The Effect of Asset Structure on Capital Structure

Based on hypothesis testing, it is revealed that asset structure has no impact on capital structure. Companies with a high or low proportion of fixed assets do not show a significant difference in their debt ratio. PT Inti Bangun Sejahtera Tbk (IBST) with FAR 0.605 in 2021 has a DER of 0.450, then when FAR increases to 0.650 in 2022, DER also increases to 0.601. In contrast to PT Citra Marga Nusaphala Persada Tbk (CMNP) with FAR 0.010 in 2022 has a DER of 0.562, and when FAR decreases to 0.008 in 2023, on the contrary, DER rises to 0.658. Companies with high asset structure such as IBST, PT Gihon Telekomunikasi Indonesia Tbk (GHON), and PT Telkom Indonesia (Persero) Tbk (TLKM) which have FAR above 0.59 show an average DER of 0.63, not much different compared to the group of companies with low asset structure such as CMNP, PT Nusa Raya Cipta Tbk (NRCA), and PT Kencana Energi Lestari Tbk (KEEN) with FAR below 0.05 have an average DER of 0.78. This confirms that asset structure does not affect the capital structure in the infrastructure sector.

This study obtained results that support the research of Celesta *et al*. (2023) and Pramana & Darmayanti (2020) which state that asset structure has no effect on capital structure. This could

be because the fixed assets owned by infrastructure companies are more specialized machinery that is only used in the construction industry, not assets such as land and buildings so that creditors or lenders find it difficult to provide loans or companies do not see assets as a determinant of their capital structure. In addition, companies can also still use retained earnings as operational funding.

The results of this study can be explained through agency theory where the relationship between asset structure and capital structure is not always in line due to the complexity in agency relationships between various parties. This shows that the company's capital structure decision is not only determined by the composition of its assets. In practice, companies with a high proportion of fixed assets do not always utilize these assets as collateral to obtain debt, because there are other considerations such as financial flexibility, management competence in generating cash flow, and long-term financial strategy (Afiah et al., 2023)

The Effect of Liquidity on Capital Structure

Based on hypothesis testing, liquidity has a negative impact on capital structure. Companies with higher liquidity levels tend to use less debt in their capital structure. PT LCK Global Kedaton Tbk (LCKM) with a CR of 14.532 in 2022 has a DER of 0.073, then when the CR increases to 25.397 in 2023, on the contrary, the DER drops to 0.039. Similarly, Tower Bersama Infrastructure Tbk (TBIG) with a CR of 0.408 in 2022 has a DER of 2.950, and when the CR decreases to 0.358 in 2021, the DER rises to 3.277. Companies with high CR such as LCKM, PT Pratama Widya Tbk (PTPW), and PT Cikarang Listrindo Tbk (POWR) which have CR above 2.90 show an average DER of only 0.39, while companies with low liquidity such as TBIG, PT Link Net Tbk (LINK), and PT XL Axiata Tbk (EXCL) which have CR below 0.50 show a much higher average DER of 2.27. This confirms the negative impact of liquidity on capital composition in the infrastructure sector.

This study obtained results that support the research of Maulani *et al*. (2023) and Puspitasari (2022) who found that liquidity negatively affects the capital structure. Companies with a high level of liquidity have sufficient current assets to finance their operational activities and short-term investments, thus reducing the need for external funding. When the company has sufficient internal funds, the priority of using funds will prioritize internal sources before utilizing external sources. Therefore, the greater the entity's liquidity level, the smaller the proportion of debt in its capital structure.

The results support agency theory that describes the differences in interests that occur between the principal and agent in funding decisions. Companies with high liquidity allow managers to use internal funds for investment without debt, reducing external supervision but also minimizing the risk of bankruptcy. This approach overcomes the underinvestment problem by allowing companies to run profitable projects without being restricted by creditor requirements, thus supporting long-term value and reducing agency conflicts between shareholders and creditors in investment policy (Susilawati, 2007).

CONCLUSION

Based on the analysis conducted, hypothesis testing, and interpretation of the results previously presented, several conclusions can be drawn:

1. Firm size has a positive impact on capital structure. Large entities have easier access to the capital market and have the ability to obtain loans on more favorable terms than small companies so that they will increase the proportion of debt in the company's capital composition.
2. Profitability has a negative impact on capital structure. A large level of profit means that the entity has a greater ability to generate internal funds through retained earnings, thus reducing dependence on external funding in the form of debt. Therefore, companies that have more profits have a tendency to utilize less external funds due to the availability of sufficient internal sources of funds to finance the company's operational needs.
3. Asset structure has no effect on capital structure. Although the company has a high proportion of fixed assets, this does not automatically determine the decision to use debt in the capital structure. This could be because the fixed assets owned by infrastructure companies are more specialized machines that are only used in the construction industry, not assets such as land and buildings so that creditors or lenders are difficult to provide loans or companies do not see assets as a determinant of their capital structure. Capital composition decision making is also more influenced by other factors such as financial flexibility, management competence in generating cash flow, and long-term financial strategy.
4. Liquidity negatively influences the capital structure. A company with a high level of liquidity has a greater ability to use internal funds to finance its operational activities. This makes the company tend to limit the use of debt in its capital structure because it has enough internal funds, thus reducing the proportion of debt in the capital structure.

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