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THE EFFECT OF PROFITABILITY, LIQUIDITY, FIRM SIZE, AND ASSET STRUCTURE ON CAPITAL STRUCTURE

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Abstract

Capital structure is a critical financial decision, particularly for mining companies with high capital requirements and significant business risk. Inconsistent findings in prior studies regarding the determinants of capital structure highlight the need for further research. This study examines the effects of profitability, liquidity, firm size, and asset structure on the capital structure of mining companies listed on the Indonesia Stock Exchange during 2019-2023. The sample was selected using purposive sampling based on criteria such as being listed mining companies that publish annual financial statements and report profits. Based on these criteria, 25 companies were selected, with an observation period of five years, resulting in 125 observations. The analytical methods applied include multiple linear regression and descriptive statistics, using SPSS version 27 as the primary statistical tool. The results indicate that profitability, liquidity, and asset structure have a significant negative effect on capital structure, while firm size does not. This study finds that mining companies' financing decisions are broadly consistent with the pecking order theory, particularly with respect to profitability and liquidity. The negative effect of asset structure reflects the capital-intensive and high-risk characteristics of the mining industry, especially during 2019-2023, when the COVID-19 pandemic and heightened global economic volatility led firms to adopt more cautious debt policies. In addition, these findings provide practical guidance for management in determining optimal financing policies and assist investors in evaluating risks and making investment decisions.

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

INTRODUCTION

Companies require capital as a crucial element to ensure the continuity of their operations, alongside human resources, machinery, materials, and other supporting factors (Oktaviana & Taqwa, 2021). Business capital can be met through internal or external funding. Each company has different perspectives and preferences when choosing its primary source of funding; therefore, companies must consider various factors, as these sources will impact the company's future performance (Gabriela & Jonnardi, 2024). Capital structure determines how a company's financing needs are met, using a combination of internal and external long-term funding (Nuridah et al., 2023).

This study focuses on the mining sector, as Indonesian mining companies possess a competitive edge in the global market, given that Indonesia ranks among the world's leading producers of various mining commodities. Mining companies are considered high-risk due to fluctuations in global commodity prices and the exploration risks they undertake. However, in 2019, 2020, and 2023, Indonesian mining-sector exports declined by 14,99%, 20,75%, and 20,62%, respectively (Saputri et al., 2024). In addition, this sector also experienced a decline in revenue due to declining export conditions, such as PT Bukit Asam Tbk and PT Aneka Tambang, which reported a decrease in net profit of 51.7% and 19.45% (Rhamadanty, 2024). The mining sector not only faces pressure from declining exports and commodity prices, but also from increased uncertainty since the COVID-19 pandemic and rising global economic volatility. Supply chain disruptions, fluctuations in energy demand, and changes in international trade policies have led to instability in mining commodity prices, which directly affect the financial performance and market value of mining companies. These pressures are reflected in the mining sector index, which recorded negative growth of 12,83%, partly driven by a decline in coal trading due to oversupply in the global market, thereby suppressing selling prices and corporate margins (Suryahadi, 2020).

This condition is exacerbated by the mining industry's capital-intensive, large-scale dependence on fixed assets, such as heavy equipment and mining infrastructure. The high proportion of fixed assets increases the need for long-term financing and financial risk, particularly when revenues and cash flows come under pressure. Therefore, mining companies are required to manage their capital structure more prudently in order to maintain operational sustainability and financial stability amid global economic uncertainty. In this context, understanding internal company factors, such as profitability, liquidity, asset structure, growth rate, tax rate, and firm size, becomes important in explaining capital structure decisions in mining companies.

Profitability measures a firm's ability to generate profits over a given period, considering its level of sales, resources, and equity (Ekinanda et al., 2021; Puspita et al., 2025). Profitability is an important indicator of how effectively a firm's management performs its duties. This is evidenced by profits derived from investment income and sales. Firms with higher profitability tend to rely less on debt, as retained earnings provide sufficient internal financing. Consequently, such firms are more attractive to investors.

This study uses return on equity (ROE) because this ratio directly links a firm's net income to its equity, thereby better reflecting the firm's overall operational performance and providing a clear picture of how much profit is generated from the available capital. The higher the ROE, the better the firm's financial condition, as it indicates the firm's ability to deliver strong returns on capital to its owners. High profitability usually reduces a firm's reliance on external financing, as

retained earnings can be used to fund operations and investments. Thus, more profitable firms tend to have a lower proportion of debt in their capital structure, whereas less profitable firms may rely more on external financing. Studies by Nuridah et al. (2023) find that profitability has a negative and significant effect on capital structure, whereas studies by Puspita & Dewi (2019) and Mariani (2021) find that profitability has a positive and significant effect on capital structure.

Liquidity is the firm's ability to meet current liabilities or short-term obligations using available liquid funds. High liquidity in a firm reflects the size of its internal cash reserves, which means it will prioritize using internal funds over external debt (Wulandari & Artini, 2019). This condition creates a positive perception among investors, as the firm is considered capable of managing its finances well, making the investment appear safer and lower-risk. This study uses the current ratio to assess a firm's ability to meet its short-term financial obligations. The current ratio provides a general overview of the firm's short-term financial stability. In general, a high current ratio usually indicates good financial performance and the ability to gain creditors' trust. In addition, this ratio is used by investors to assess the firm's liquidity when deciding whether to invest their capital. Firms with ample liquidity generally borrow less and rely more on internal funds, thus impacting their capital structure (Ifvananto & Kusumawati, 2024). The results of the study by (Dharmadi & Putri, 2018) indicate that liquidity has a positive effect on capital structure. Meanwhile, the studies by Wulandari & Artini (2019) and Paramitha & Putra (2020) state that liquidity has a negative and significant effect on capital structure.

Firm size means how big a business is, usually calculated the total amount of assets it owns, logarithmic firm size, market value of shares, among other indicators (Ekinanda et al., 2021; P et al., 2022). A larger firm can positively affect stock prices, as investors tend to perceive large firms as more capable of delivering stable investment returns. In addition, larger firms are generally more stable in managing various operational risks and potential crises. Large firms also tend to find it easier to diversify their operations, both in terms of products and markets, thereby minimizing the risk of business failure or bankruptcy. This situation directly increases the confidence of investors and financial institutions in the firm, as perceived investment risks are lower and return prospects are clearer.

As a result, a firm's access to external financing sources, such as loans, becomes easier and more flexible. The ease of obtaining external funds allows the firm to manage the composition of debt and equity more optimally, thereby influencing decisions related to the firm's capital structure and long-term financing strategies (Z.A et al., 2021). The natural logarithm of total assets is used to measure firm size. Total assets are chosen because they can comprehensively reflect the overall scale of the business, while using the natural logarithm helps reduce the variability of very large

data. The studies by Wulandari & Artini (2019) and Oktaviantari & Baskara (2019) reveal that firm size has a positive and significant effect on capital structure. Meanwhile, Mariani (2021) finds that firm size has a significant negative effect on capital structure.

The asset structure indicates how much of a firm's total assets consists of fixed assets, which may determine the allocation of financing to each component. Asset structure can affect capital structure, as firms with substantial non-current assets often find it easier to obtain debt, since these assets can serve as collateral for loans to fund operations. Firms with a large fixed asset composition have easier access to funding sources other than their own capital (Novwedayaningayu & Hirawati, 2020). In addition, the asset structure also plays a role in assessing a firm's ability to obtain long-term financing, which ultimately affects the determination of the firm's capital structure (Khotimah, 2023).

The fixed asset ratio is used to measure the asset structure because it provides an overview of how much a firm relies on fixed assets in its operations and financing relative to current assets. This ratio also indicates how efficiently the firm uses its fixed assets to generate revenue. From the perspective of trade-off theory, firms with a high proportion of fixed assets tend to have higher debt levels, as fixed assets can serve as collateral, thereby reducing creditors' risk and bankruptcy costs. Accordingly, an increase in fixed assets may encourage greater use of debt in a firm's capital structure. However, empirical findings regarding the effect of asset structure on capital structure are inconsistent. Studies by Wulandari & Artini (2019) and Solihatun et al. (2023) found a positive and significant relationship between asset and capital structures, consistent with trade-off theory. In contrast, research by (Novianti & Budyastuti, 2022) reported a negative relationship between asset structure and capital structure.

These findings indicate that an increase in fixed assets does not necessarily lead to higher debt levels, as firms may choose to avoid financial risk and the high fixed costs associated with debt use, which can theoretically be linked to corporate strategies for managing financial risk. These differing results suggest that the influence of asset structure on capital structure is not universal and may be affected by industry conditions, firm characteristics, and the level of economic uncertainty.

Although previous studies indicate that financial variables influence capital structure, existing empirical findings remain inconsistent. For instance, Poetri et al. (2024) report that profitability has a positive and significant effect on capital structure, whereas Ekinanda et al. (2021) find no significant effect. Regarding liquidity, Ifvananto & Kusumawati (2024) show that liquidity negatively affects capital structure, while Hanbo & Zulaikha (2022) state that liquidity has no effect on capital structure. For firm size, Solihatun et al. (2023) find that firm size does not affect capital structure; this result contrasts with the findings of Andika & Sedana (2019)Click or tap here to enter

text. who report a positive and significant effect of firm size on capital structure. Meanwhile, for asset structure, several studies find a positive effect on capital structure (Paramitha & Putra, 2020) and (Novwedayaningayu & Hirawati, 2020), whereas (Khotimah, 2023) finds no significant effect. These inconsistencies indicate the need for further research.

In addition, this study differs from previous research conducted by (Andika & Sedana, 2019), which examined only the effects of profitability, asset structure, and firm size on capital structure without including liquidity as an independent variable. However, liquidity is an important factor that reflects a company's ability to meet short-term obligations and the stability of its financial condition. Firms with a high level of liquidity tend to rely more on internal financing and use lower levels of debt, which may influence their capital structure (Ifvananto & Kusumawati, 2024). Furthermore, this study fills a research gap not only in terms of the object and period but also from a theoretical perspective. Unlike previous studies, which were generally conducted in the manufacturing sector with relatively more liquid assets and lower risk levels, this research examines the determinants of capital structure in mining companies, which are capital-intensive and high-risk, particularly during the 2019-2023 period encompassing the COVID-19 pandemic and heightened global economic volatility, an area that remains underexplored. The characteristics of the mining industry and this period of uncertainty may influence corporate financing preferences and the relevance of the capital structure theories applied, whether pecking order or trade-off. In crisis situations, limited access to external financing and increased financial risk may encourage firms to prioritize internal funding. Thus, this study does not merely replicate previous research but contributes to enriching the theoretical understanding of corporate financing behaviour in industries with specific characteristics and during crisis periods. Therefore, this study aims to analyse the effects of profitability, liquidity, firm size, and asset structure on the capital structure of mining companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period.

RESEARCH METHODS

Objects of Research, Data Types, and Data Sources

Secondary data is employed in this study. Data from mining businesses used in this study were stocks that were listed on the Indonesia Stock Exchange between 2019 and 2023. The secondary data for company financial reports serves as the study's main source, obtained by downloading financial and annual reports from the Indonesia Stock Exchange website or the company's official website.

Operational Definition and Sample Measurement

Capital structure (Y) is the dependent variable in this study, whereas profitability (X1), liquidity (X2), firm size (X3), and asset structure (X4) are the independent factors.

Profitability

The profitability ratio measures a company's ability to generate profits. In this research, profitability is assessed by Return on Equity. According to (Fahmi, 2017), The formula that can be used to calculate this ratio is:

$$\text{Return on Equity} = \frac{\text{Net Profit After Tax}}{\text{Total Equity}} \quad (1)$$

Liquidity

Company liquidity measures how well a company can cover its short-term liabilities when they're due. Within this research, the current ratio is used to measure liquidity. As stated by (Kasmir, 2019), Liquidity can be applied with the following formula:

$$\text{Current Ratio} = \frac{\text{Current Aseets}}{\text{Current Liabilities}} \quad (2)$$

Firm Size

The dimensions of a corporate refers to how big a business is, which is determined by the total value of its assets (Ekinanda et al., 2021). According to (Nuridah et al., 2023), firm size may be formulated as follows:

$$\text{Firm Size} = \text{Natural Logarithm of Total Assets} \quad (3)$$

Asset Structure

Asset composition refers to the division of assets into current and long-term assets. In this study, asset structure is measured by the fixed asset ratio. According to (Chandra & Fortuna, 2024), The fixed asset ratio is calculated as follows:

$$\text{Fixed Asset Ratio} = \frac{\text{Fixed Assets}}{\text{Total Assets}} \quad (4)$$

Capital Structure

One crucial component of a business's financial architecture is its capital structure, describing the manner in which the organization finances its activities (Kusuma & Dermawan, 2024). In this study, capital structure is measured using the solvency ratio, the debt-to-equity ratio. According to (Kasmir, 2019), the debt-to-equity ratio can be calculated using the following formula:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}} \quad (5)$$

Data Analysis Methods

The research uses a quantitative method to systematically examine the relationships among variables. Quantitative analysis refers to the processing of numerical data that can be evaluated and interpreted through mathematical or statistical calculations (Sugiyono, 2017). The analytical approach used in this study is multiple linear regression, which allows for the simultaneous testing

of the effects of several independent variables on a single dependent variable. In this study, there are four independent variables, including profitability, liquidity, firm size, and asset structure, which are hypothesized to affect the dependent variable, capital structure. This method not only assesses the significance of relationships but also the direction and magnitude of each variable's effect while controlling for the influence of other variables. This approach is suitable for cross-sectional and time-series data, allowing comprehensive analysis of relationship patterns. In addition, multiple linear regression produces statistical indicators such as R^2, the F-statistic, and p-values, providing a solid basis for interpreting the results and practical implications for managerial decision-making and performance evaluation. Although Ordinary Least Squares has limitations, such as sensitivity to heteroskedasticity, autocorrelation, and outliers, it is chosen because the study data are pooled, combining observations across multiple firms and time periods into a single model. To ensure the reliability of the results, classical assumption tests were conducted prior to regression analysis, including tests for normality, multicollinearity, autocorrelation, and heteroscedasticity. Using the following equation, the multiple regression model can be expressed:

$$Y = \alpha + \beta 1\ ROE + \beta 2\ CR + \beta 3\ SIZE + \beta 4\ FAR + e \quad (6)$$

Information:

α	= Constant
Y	= Dependent Variable
β1,2,3,4,...i	= Regression Coefficients
ROE	= Profitability
CR	= Liquidity
SIZE	= Firm Size
FAR	= Asset Structure
e	= Standard Error

RESULTS AND DISCUSSION

Descriptive Statistics

The analytical method known as descriptive statistics is employed to summarize data through several indicators, including the mean, standard deviation, maximum and minimum values, frequency, range, kurtosis, and skewness (Ghozali, 2021). The outcomes of this study's descriptive analysis were generated using IBM SPSS version 27 for Windows.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	125	.00024	1.24660	.2094238	.24472295
CR	125	.23149	10.07431	2.0287594	1.57390667
SIZE	125	25.65904	32.75780	29.3219146	1.48936970
FAR	125	.00580	.89381	.3575437	.27559151

DER	125	.09654	3.04976	.9235661	.59284703
Valid N (listwise)	125				

Source: Data processed by the author

According to Table 1, the analysis of 125 samples indicates that the capital structure variable has a mean of 0.9235661, a standard deviation of 0.59284703, a minimum of 0.09654, and a maximum of 3.04976. The profitability variable ranges from 0,00024 to 1,24660, with a standard deviation of 0,24472295 and an average of 0,2094238. The liquidity variable has a mean of 2,0287594, a standard deviation of 1,57390667, a minimum of 0,23149, and a maximum of 10,07431. The firm size variable has a mean value of 29,3219146, a standard deviation of 1,48936970, a minimum of 25,65904, and a maximum of 32,75780. Meanwhile, the asset structure variable ranges from 0.00580 to 0.89381, with a mean of 0.3575437 and a standard deviation of 0.27559151.

Classical Assumption Test

Normality Test

The Kolmogorov-Smirnov test is used in this study to determine the data's normality. The result shows that the data have a normal distribution at the 0,200 significance level, which is greater than 0,05 (0,200 > 0,05).

Multicollinearity Test

All independent variables in this study had tolerance values greater than 0.10, as indicated by the tolerance computations. Additionally, the VIF value of each independent variable is less than 10. Thus, multicollinearity is not present among the independent variables in the regression model.

Autocorrelation Test

Based on the autocorrelation assessment using the Durbin-Watson technique, a DW value of 0.790 was obtained. According to (Sunyoto, 2016) if the DW value is greater than 2, there is negative autocorrelation. If the DW value is between -2 and 2, there is no autocorrelation, and the model is free of it. If the DW value is less than -2, there is positive autocorrelation. Since this value falls within the range -2 < 0,790 < 2, the finding implies that autocorrelation is not a problem for the regression model.

Heteroscedasticity Test

The heteroscedasticity test's findings, conducted using the Glesser method in this study, demonstrate that the significance of each independent variable is more than 0,05. Hence, the regression model's heteroscedasticity has no effect.

Multiple Linear Regression Analysis

Regression analysis in this study was conducted to determine the effect of Profitability

(ROE), Liquidity (CR), Company Size (SIZE), and Asset Structure (FAR) on Capital Structure (DER). Data processing was performed using SPSS version 27 software, yielding the following results.

Table 2. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.427	1.002		-.426	.671
	ROE	-.160	.043	-.266	-3.728	.000
	CR	-.854	.074	-.708	-11.475	.000
	SIZE	-.004	.033	-.009	-.130	.897
	FAR	-.235	.049	-.335	-4.785	.000

Source: Data processed by the author

The multiple linear regression equation created for this investigation is as follows:

$$Y = -0{,}427 - 0{,}160\ ROE - 0{,}854\ CR - 0{,}004\ SIZE - 0{,}235\ FAR + e \quad (7)$$

The constant -0,427 indicates that when all independent variables are set to zero, the capital structure is predicted to decline by 0,427 units. The profitability coefficient of -0,160 indicates that a one-unit increase in profitability is expected to reduce capital structure by 0,160 units, assuming the other variables remain constant. The liquidity coefficient of -0.854 indicates that a one-unit increase in liquidity reduces capital structure by 0.854 units, assuming other factors remain unchanged. The coefficient for firm size is -0.004, indicating that a one-unit increase in firm size is associated with a 0.004-unit decrease in capital structure, holding other variables constant. The asset structure coefficient of -0.235 indicates that a one-unit increase in asset structure corresponds to a 0.235-unit decrease in capital structure, assuming no changes in other variables.

Hypothesis Testing

F-Test

The F-test assesses the overall fit of the regression model. If the F-test significance value is less than 0,05, the regression model is considered fit. Conversely, if the F-test significance value is greater than 0,05, the regression model is considered unfit and unable to significantly explain the relationships between variables.

Table 3. F-Test Statistics

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.367	4	9.092	37.693	.000[b]
	Residual	28.945	120	.241		
	Total	65.311	124			

Source: Data processed by the author

The result explained previously shows that the calculated F statistic, 37,693, exceeds the F table value of 2,447 at the significance level 0,000, which is below 0,05. This suggests that the dependent variable and the independent factors are significantly correlated. As a result, the first hypothesis (H1) is validated.

t-Test

The partial effect of each independent variable on the dependent variable was determined using a t-test. In this study, the t-test examined whether profitability, liquidity, firm size, and asset structure significantly influenced capital structure. The results of the individual parameter significance test (t-test) are presented in Table 4.

Table 4. t-Test Statistics

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.427	1.002		-.426	.671
	ROE	-.160	.043	-.266	-3.728	.000
	CR	-.854	.074	-.708	-11.475	.000
	SIZE	-.004	.033	-.009	-.130	.897
	FAR	-.235	.049	-.335	-4.785	.000

Source: Data processed by author

According to the table above, we can conclude that the profitability variable's t-value, based on the t-test results, is -3728, which exceeds the critical t-value of 1,79, and 0,000 < 0,05 is the significance level. The results indicate that profitability significantly affects capital structure, confirming H_2. With a significance threshold of 0,000 < 0,05, the liquidity variable's t-value is -11,475, which is also higher than the t-table 1,979. It suggests that capital structure is significantly impacted by liquidity, and H3 is approved. The significance value is 0,897 > 0,05 and the t-value for the firm size variable is 0,130, which is lower than the t-table value of 1,979. This implies that capital structure is not much impacted by business size, so H_4 is rejected. The asset structure has a significance level of 0,000 < 0,05. The t-table value is 1,979, which is lower than the variable's t-value t 4,785. Therefore, asset structure significantly affects capital structure; H_5 is accepted.

Coefficient of Determination

The coefficient of determination (R^2) is generally used to assess the extent to which a regression model explains variation in the dependent variable. R2 values range from zero to one. The calculation results are presented in Table 5 below.

Table 5. Results of the Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.746[a]	.557	.542	.49112554

Source: Data processed by author

According to the preceding table, the independent variables can account for 54,2% of the variance in the dependent variable, capital structure, with an Adjusted R Square value of 0,542. Other variables not included in this regression model affect the remaining 45,8%.

DISCUSSION

The Influence of Profitability, Liquidity, Firm Size, and Asset Structure on Capital Structure

Based on the simultaneous test, profitability, liquidity, firm size, and asset structure jointly affect the capital structure of mining companies. This is indicated by an F-statistic of 37,693 with a p-value of 0,000, which is statistically significant at the 0,05 level. This suggests that a company's financing decisions do not rely on a single factor, but rather result from the interaction of various internal characteristics. For example, a highly profitable company does not necessarily rely predominantly on internal funding, as liquidity and asset structure also influence these decisions. Likewise, firm size plays a role in determining financing capacity and strategy, meaning that all these variables are interconnected in shaping the overall capital structure policy.

These findings are in line with previous research by (Kusuma & Dermawan, 2024). In the manufacturing sector, a company's internal factors simultaneously influence its capital structure. Although the sectors differ, the relevance of the findings remains high because the variables analysed are the same, namely the company's internal characteristics. In other words, companies tend to manage their capital structure by considering a combination of various internal factors, rather than focusing on a single financial aspect.

In the capital-intensive mining industry, which requires long-term investments, carries high operational risks, and faces commodity price volatility, particularly during the 2019–2023 period encompassing the COVID-19 pandemic and global economic fluctuations, companies tend to be more cautious in determining their funding strategies. Therefore, although not all variables show significant partial effects, the simultaneous test confirms that internal characteristics collectively influence capital structure. Theoretically, these findings support the pecking order theory, which states that companies prioritize internal funds over external financing. Thus, the capital structure policy of mining companies should consider internal conditions comprehensively, rather than relying on a single financial indicator.

The Influence of Profitability on Capital Structure

Preliminary assumptions for the analysis of statistical data are acknowledged; evidence shows that capital structure is influenced by profitability. This is supported by a significance value of 0,000, below the 0,05 threshold, and a t-value of -3,728. A negative coefficient indicates that higher profitability decreases the company's capital structure, and conversely, lower profitability increases it. The results of descriptive statistical analysis on this variable show that the minimum value is 0,00024, the maximum value is 1,24660, and the mean is 0,2094238. This average profitability is generally considered favourable because it indicates that the company can earn a net profit of 20,94% of its total equity.

A significant level of profitability suggests the company has strong potential to generate profits from its operations, reducing its reliance on debt financing. Profitable companies tend to finance their operations and investments internally through retained earnings, reducing their dependence on external funding. Consequently, high profitability provides an internal source of funds that helps meet financing needs without increasing debt, thereby lowering the capital structure of the business (Dharmadi & Putri, 2018).

This finding aligns with the pecking order theory proposed by Myers & Majluf (1984), which states that companies tend to prioritize internal funds over external financing. Higher profitability indicates a greater ability of the company to use retained earnings as its primary source of funding before resorting to debt. A healthy financial structure and low reliance on debt are often considered to reflect prudent financial management and lower financial risk, potentially increasing investor confidence in the company. Therefore, high profitability not only reflects good financial performance but also contributes to a company's capital structure by reducing the use of debt in financing (Muslimah et al., 2020). Accordingly, these results indicate the conditional dominance of the pecking order theory, particularly in higher-profitability firms that rely more on internal financing than on debt. The findings of this investigation are consistent with the findings reported by (Oktaviana & Taqwa, 2021).

The Influence of Liquidity on Capital Structure

The statistical analysis results confirm the hypothesis that liquidity influences capital structure. This is demonstrated by a significance 0,000, which is below 0,05, with a t-value of -11,475. The negative trend indicates that higher liquidity is associated with a lower capital structure, and vice versa. The descriptive statistical analysis shows a minimum of 0,23149, a maximum of 10,07431, and a mean of 2,0287594. This indicates that the liquidity of mining companies in 2019-2023 was considered adequate, as their current assets exceeded their current liabilities, demonstrating a strong ability to meet short-term obligations.

Furthermore, companies with substantial liquidity typically enjoy greater financial flexibility to make strategic decisions, such as investing or expanding into more profitable ventures (Khotimah, 2023). Firms with sufficient cash reserves tend to use their available funds to reduce debt by settling existing obligations, thereby lowering the debt-to-equity ratio and, consequently, the capital structure. The results align with the pecking order hypothesis, firms having a lot of liquidity tend to reduce their dependence on external (Wulandari & Artini, 2019).

Therefore, the results of this study align with the pecking order theory, which states that companies with sufficient liquidity tend to reduce their reliance on external debt. This theory emphasizes prioritizing internal funding sources, such as retained earnings, before resorting to external financing, including debt and equity. This finding aligns with the work of (Ifvananto & Kusumawati, 2024), which shows that liquidity negatively affects capital structure. Accordingly, these findings indicate the conditional dominance of the pecking order theory, particularly under high-liquidity conditions.

The Influence of Firm Size on Capital Structure

The results of the statistical analysis indicate that firm size does not have a significant effect on capital structure. This is supported by a significance value of 0,897, which is above the 0,05 threshold, suggesting that variations in company size do not substantially influence financing decisions. Descriptive statistics show that firm size ranges from 25,65904 to 32,75780, with a mean value of 29,3219146, indicating that the sampled firms are generally classified as large-scale companies.

The absence of a significant relationship between firm size and capital structure suggests that both large and small firms tend to follow similar financing preferences. This behaviour can be explained by the pecking order theory, which emphasizes that financing decisions are driven primarily by the availability of internal funds rather than firm characteristics such as size. Firms generally prioritize the use of internal financing, such as retained earnings, before considering external funding sources, regardless of their scale (Muslimah et al., 2020).

Moreover, the lack of influence of firm size on capital structure may be attributed to heightened economic uncertainty over the past several years. Global economic volatility driven by geopolitical tensions and further intensified by the COVID-19 pandemic has increased market risks, disrupted supply chains, and created uncertainty in mining commodity prices. Under such conditions, firms tend to adopt more conservative financing strategies in which risk considerations outweigh the potential benefits of increased debt, even for larger firms (Widigdya et al., 2024).

Therefore, an increase in firm size does not necessarily lead to higher leverage or greater use of debt financing. This finding indicates that financing decisions are shaped more by risk

conditions and internal financial capacity than by company scale. The result is consistent with the findings of (Solihatun et al., 2023), who also report that firm size does not significantly affect capital structure.

The Influence of Asset Structure on Capital Structure

The hypothesis in this study, which states that asset structure influences capital structure, was accepted. This is indicated by a significance value of 0,000, less than 0,05, and a t-coefficient of -4,785. This negative relationship indicates that an increase in asset structure is generally accompanied by a decrease in capital structure, and conversely, a decrease in asset structure tends to be accompanied by an increase in capital structure. The results of the descriptive analysis show that the asset structure variable has a minimum value of 0,00580, a maximum value of 0,89381, and an average of 0,3575437. This average indicates that, overall, the company has a moderate fixed-asset-to-total-asset ratio. This condition indicates that the company does not rely entirely on fixed assets in its total asset structure, but also has a significant current asset component.

Although companies with larger assets have a greater opportunity to obtain external financing because they can leverage assets as collateral for loans, this does not necessarily lead to increased debt financing due to the risks associated with external financing (Laily et al., 2022). The use of debt creates an obligation to pay interest and principal, which can create future financial burdens, especially if the company's cash flow is unstable. Therefore, companies with sufficient internal financing options tend to avoid debt to minimize additional financial risk (Geofanny & Fitra, 2024). Furthermore, companies with a large asset base generally have stable revenue and cash flow, enabling them to finance their operations and investments independently without relying on external financing. This aligns with the pecking order theory, which prioritizes internal financing before seeking external financing.

Therefore, while a substantial asset structure can facilitate access to debt, it does not automatically lead to a higher capital structure, as companies remain cautious in using external financing to safeguard long-term financial health. These results indicate the conditional dominance of the pecking order theory in explaining capital structure decisions, as firms with substantial asset structures still prioritize internal financing. This evidence supports the conclusion drawn by (Nabila & Rahmawati, 2023), who also found that capital structure was significantly and negatively influenced by asset structure.

CONCLUSION

Analysis and discussion of the effects of firm size, asset composition, liquidity, and profitability on mining companies' capital structure indicate that profitability significantly influences capital structure, indicating strong profitability. Profitability reflects solid financial

health and additionally helps reduce the reliance on debt financing. Liquidity also influences capital structure: more liquid firms typically use internal funds for operations, leading to a lower debt-to-equity ratio and a more conservative capital structure. In contrast, firm size has no substantial impact on capital structure, indicating that size is not a decisive factor in these companies' capital structure decisions. Lastly, the structure of a company's assets influences its capital structure: a firm's larger asset base typically yields stable income and cash flow, enabling it to finance its activities independently and reducing its dependence on external debt, thereby lowering its capital structure. This study still has several shortcomings, so the researcher hopes that future research can address several issues, such as extending the research period to better reflect optimal conditions, expanding the research sample, not just to the mining sector but also to other sectors, and adding other independent variables that may influence capital structure, such as tax rates, growth rates, etc.

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