To:

1. **Nila Kesuma Wardini,** *University of Harapan Medan*
2. **Zuwina Miraza,** *University of Harapan Medan*
3. **Wanda Anisa Nasution,** *University of Harapan Medan*
4. **Listiorini,** *University of Harapan Medan*
5. **Hafriz Rifki Hafas,** *University of Harapan Medan*

Corresponding Email: annishasuvero.24@gmail.com, zuwinamiraza@gmail.com
Corresponding Author: Nila Kesuma Wardini, University of Harapan Medan

Subject: Letter of Acceptance (LoA) ICOI 2023, Suan Sunandha Rajabhat University - Thailand

I am pleased to inform you that your papers submitted for 2023 International Conference in Organization Innovation (ICOI), July 25th – 27th 2023, in Suan Sunandha Rajabhat Univ – Thailand, has been accepted to be presented in the conference.

Papers Title:

- STRENGTHENING THE BANKING SECTOR IN INDONESIA: A PERSPECTIVE ON THE SPEED OF CAPITAL STRUCTURE ADJUSTMENT
- Paper No. 2023-ICOI-33

For your papers to be presented in the ICOI 2023 conference and included in the proceedings, your Payment has to reach us no later than June 12th 2023, otherwise it will be regarded as withdrawn automatically.

Attached with this LoA: (1) Invoice of Payment, (2) Invitation Letter, and (3) Poster ICOI 2023 Conference.

If you require any further information, please do not hesitate to contact the Indonesian Committee of ICOI via email icoi.contact@gmail.com ; or visit our website at http://icoi.fmi.or.id/

We look forward to seeing you at the conference.

Regards,

Dr. Frederick L. Dembowski
ICOI 2023 – Honorable Chair
President, IAOI Association USA
Web: https://iaoiusa.org/

Sri Gunawan, DBA.
ICOI 2023 – Conference Co-Chair
President, FMI Association Indonesia
Web: https://fmi.or.id/

มหาวิทยาลัยราชภัฏสวนสุนันทา
International college, Suan Sunandha Rajabhat University,
111/5 Khlong Yong, Phutthamonthon District, Nakhon Pathom
73170, Thailand
(TEL): +66(0) -2160-1200: (FAX):+66(0) -2160-1199

LETTER OF INVITATION

Date: May 26th, 2023

On behalf of the Conference Organizers, The 2023 ICOI Conference Committee, is pleased to extend our invitation to,

Name / University:

1. **Nila Kesuma Wardini,** *University of Harapan Medan*
2. **Zuwina Miraza,** *University of Harapan Medan*
3. **Wanda Anisa Nasution,** *University of Harapan Medan*
4. **Listiorini,** *University of Harapan Medan*
5. **Hafriz Rifki Hafas,** *University of Harapan Medan*

to attend the 2023 International Conference on Organizational Innovation (ICOI), and also to share and exchange research interests and applications with others conference participators in July 25th – 27th 2023, in Suan Sunandha Rajabhat University, Thailand.

Further information of the ICOI 2023 conference can be found at http://icoi.fmi.or.id/

Looking forward to seeing you in the 2023 ICOI in Suan Sunandha Rajabhat University - Thailand.

Dr. Charles Shieh

Executive Director
2023 ICOI the International Conference of
Organizational Innovation
https://icoi-international.iaoiusa.org
E-mail: charles@iaoiusa.org

2023 ICOI INTERNATIONAL CONFERENCE OF ORGANIZATIONAL INNOVATION

SUAN SUNANDHA RAJABHAT UNIVERSITY THAILAND   INTERNATIONAL ASSOCIATION OF ORGANIZATIONAL INNOVATION USA   FMI FORUM MANAJEMEN INDONESIA

⊕ https://icoi.fmi.or.id/   ✉ icoi.contact@gmail.com   25th - 27th July 2023 | Suan Sunandha Rajabhat University - Bangkok, Thailand

I N V O I C E

Date   : May 26th, 2023
Number   : 33/INV/ICOI-2023/Committee

To:

1. **Nila Kesuma Wardini,** *University of Harapan Medan*
2. **Zuwina Miraza,** *University of Harapan Medan*
3. **Wanda Anisa Nasution,** *University of Harapan Medan*
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5. **Hafriz Rifki Hafas,** *University of Harapan Medan*

Corresponding Email: annishasuvero.24@gmail.com, zuwinamiraza@gmail.com
Corresponding Author: Nila Kesuma Wardini, University of Harapan Medan

Total Amount:

- Rp. 2.650.000
  (Two Million Six Hundred and Fifty Thousand Rupiah)

Description:

- Payment – Conference Fee of ICOI 2023 conference
- For 1 (One) Papers submitted in the ICOI 2023 conference
- For 1 (One) Corresponding Author as Presenter, attending the ICOI 2023 conference
- Deadline of Payment : June 12th 2023 at 23.59 WIB

Please transfer your payment to:

- Bank = Mandiri
  Account Name = Tuwanku Aria Auliandri
  Account No. = 141 000 9831 488
  Bank Branch = Universitas Airlangga Surabaya

Regards,

Sri Gunawan, DBA
ICOI-2023 Conference Chair

Web = http://icoi.fmi.or.id/
Email = icoi.contact@gmail.com

2023 ICOI
INTERNATIONAL CONFERENCE OF ORGANIZATIONAL INNOVATION

SPONSOR Institutes — SUAN SUNANDHA RAJABHAT UNIVERSITY THAILAND | IAOI INTERNATIONAL ASSOCIATION OF ORGANIZATIONAL INNOVATION USA | FMI FORUM MANAJEMEN INDONESIA

25th–27th JULY 2023

SUAN SUNANDHA RAJABHAT UNIVERSITY
Bangkok, Thailand

▶ The Purpose of **ICOI 2023** to serve as a primary channel of knowledge sharing and the promotion of innovation internationally. An important goal of **ICOI 2023** is to promote learning from each other by exchanging ideas and news and building networks.

▶ Academic will be provided with an opportunity to present and discuss their papers in the area of **Marketing Management, Finance, Human Resources, Strategic Management, Entrepreneurship & Innovation, Supply Chain Management & Information Technology.**

CALL FOR PAPERS

Joint Conference between

Suan Sunandha Rajabhat University - Bangkok, Thailand
International Association of Organizational Innovation (IAOI) - USA
and Forum Manajemen Indonesia (FMI) - Indonesia

PUBLICATION OPPORTUNITIES

- All paper submitted to **ICOI 2023** will be sent to reviewers and evaluated based on originality, technical, and research content. Paper should be in English language (proofread) with no more than 7.000 words in total for each paper. Award for "Outstanding Paper" will be made.

- All Papers Accepted by **ICOI 2023** Committee will be published in Proceeding with ISBN number.

- Authors of selected excellent papers will be recommended by the Committee of **ICOI 2023**, to re-submit extended version of their paper, to the recommended journals indexed by Scopus, listed in Proquest databases and distributed by EBSCO host.

DEADLINE

▶ **Call for Papers** — March - June 2023
Review process takes about 10 working days and we would notify the acceptance as soon as review process is over.

▶ **Full Paper Submission Deadline** — 8th June 2023 `EXTENDED DEADLINE`

▶ **Notification of Acceptance** — 16th May - 8th June 2023 `EXTENDED DEADLINE`

▶ **Early Bird Registration & Payment Deadline** — 12th June 2023 `EXTENDED DEADLINE`

▶ ~~Regular Registration & Payment Deadline~~ — ~~8th June 2023~~

▶ **Conference Date** — 25th - 27th July 2023

Open for Co-Host Collaboration, by registering 5 papers from 1 Institution

REGISTRATION and PAYMENT DETAILS*

	Indonesian Participant (Disc. IDR 250.000 for FMI Member*)	Indonesian Student Participant	Worlwide Participant/ Non-Indonesian Participant
Early Bird Registration (up to 12th June 2023)	IDR 2.650.000	IDR 2.650.000	Please kindly email charles@iaoiusa.org for information of pricing and registration
~~Regular Registration (31th May - 8th June 2023)~~	~~IDR 3.150.000~~	~~IDR 2.650.000~~	
Listener Only (up to 4th July 2023)	IDR 1.950.000	IDR 1.950.000	

For PAPER SUBMISSION and more information, please contact:

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Strengthening the Banking Sector in Indonesia: A Perspective on the Speed of Capital Structure Adjustment

Nila Kesuma Wardini[1], Zuwina Miraza[*2], Wanda Anisa Nasution[3], Listiorini[4], Hafriz Rifki Hafas[5]

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Abstract

This paper aims to discuss the existence of banking sector in Indonesia in terms of its speed of capital structure adjustments in accordance with dynamic trade off theory as well as the determinants that affect the optimal capital structure in the period 2018-2022. The data used in this study comes from the financial statements of 39 banking companies listed on the Indonesia Stock Exchange (IDX) which are published on the IDX website www.idx.co.id. The determining factors are estimated by using several variables that influence the speed of capital structure adjustment (SOA), namely profitability, firm size, tangibility, firm growth and business risk. The data that has been collected is then tested with a regression technique with a significant level of 5%.

The result shows that banking corporation in IDX make adjustment to the best proportion of capital structure optimal capital structure with adjustment speed of 89%. This shows that the SOA of banks on the IDX is relatively faster than manufacturing companies in Indonesia by 64.73% Wamarna, et al. (2020). The test results show a significant positive relationship of profitability, firm size, and tangibility on SOA and there is a significant negative influence of firm growth on SOA. However, there is no negative effect of business risk on SOA.

Keywords: Profitability, Firm Size, Tangibility, Firm Growth, Business Risk, Speed of Capital St*ructure Adjustment, dynamic trade off theory, trade off theory*

INTRODUCTION

The global economy has been going through a lot over the past few years, with 2018 and the rest of 2019 looking good. However, in 2020, the economy experienced a downturn due to the global spread of the Covid-19 virus, which hit various countries hard, especially Indonesia. The tragic war between Russia and Ukraine was evident, as it had a worldwide influence, causing higher inflation rates in many countries. Covid-19 cases began to surge again towards the end of 2022, shocking the world and causing many businesses to not operate optimally. Events like these are believed to be the cause of the global recession in 2023. Finance Minister Srimulyani revealed that the United States is being overshadowed by the darkness of recession. Meanwhile, the International Monetary Fund (IMF) warned that tough challenges are coming for the global economy. In a world bank report entitled "Is a Global Recession Imminent?" contains predictions regarding the possibility of a recession in 2023 globally. This prediction feels obvious with several signal which are occur, such as the gradual increase in point of reference interest rates by the central banks of different countries in an attemp to minimize the level of inflation. Yudhi Sadewa, Head of the Board of Commissioners of the Deposit Insurance Corporation (LPS) Purbaya, said that the country's financial system continues to run normally amid the widespread spread of the Covid-19 virus. With a solid foundation and various policy options. According to the Financial System Stability Committee (KSSK) in Indonesia, the banking sector is doing quite well.

Financial Performance Report is one of the areas where banks face intense competition. Given that the general public will judge banks based on their financial performance reports and will favor banks that have lower risks. To stay afloat in today's economy and achieve their stated goals, businesses, and bankers in particular, need to up their game. To meet the demands of today's corporate environment, a balanced financial structure is essential. In terms of the rate at which a company's capital structure should change, profitability is the single most important determinant. If corporate earnings continue to fluctuate wildly, as they have in recent years, the rate of change in capital structure is expected to slow down. From the chart of book four banks in Indonesia's annual financial reports, we can see the increase and decrease in their profitability (in trillion rupiah).
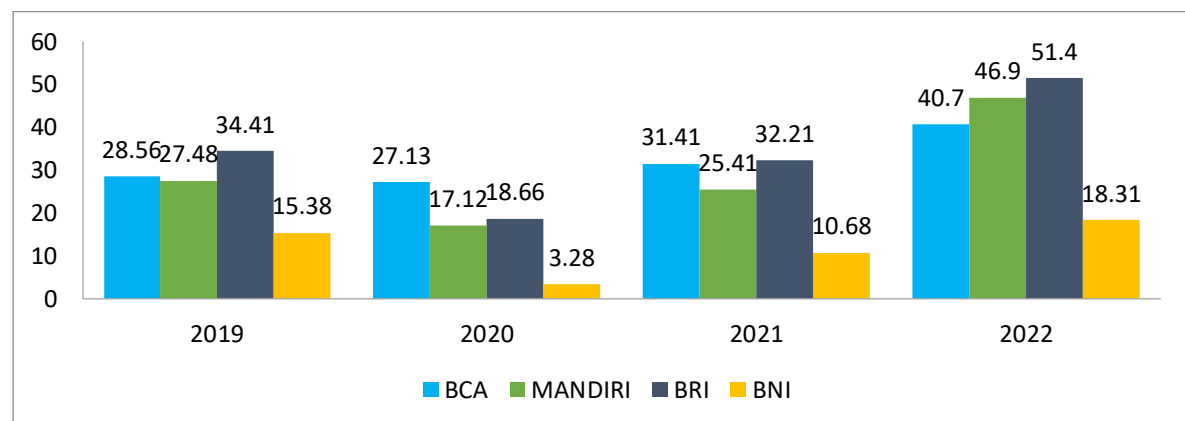

Figure 1. Profitability Level on Bank Buku Empat Indonesia

A company's rate of adjustment is fast, making the necessary changes to its capital structure in a timely manner to achieve the best results. But if the firm's adjustment rate is low, it likely means it is moving slowly relative to its ideal capital

structure. The costs associated with changes in the business will increase if the organization does not adapt quickly enough (R. Huang and Ritter, 2009). In Figure 1, it can be seen that the profitability of Indonesian four-book banks experienced continuous fluctuations in the period 2019-2022. Research like this can be utilized in the future to decipher economic signals and accelerate capital structure modifications. Therefore if the global crisis continues into next year, all businesses will be prepared for it and know exactly what to do to maximize their capital structure. Most previous researchers explored this variable in the non-financial sector, such as manufacturing firms. There is a dearth of studies verify the SOA of optimal capital structure in financial organizations. Therefore, researchers are interested in examining all banks listed on the Indonesia Stock Exchange to determine the factors that influence on the speed of adjustment optimal capital structure in the financial institution especially the banking sector.

THEORETICAL FRAMEWORK
Speed of Adjustment Capital Structure Theory
Trade off Theory

Trade-off theory introduced by Modigliani Miller in 1963, define that the optimal capital structure is set up by optimizing the advantages financing from debt (tax advantages for the organization) considering the risk of increasing interest rates and bankruptcy. (Brigham & Houston, 2011; Hirdinis, 2019). Based on this theory, if a company relies heavily on debt financing, its debt holders will demand larger fixed interest payments while the company's net income remains unclear. Brigham & Houston (2006) propose the Trade-off Theory where the benefits of debt financing are offset by the risks involved. Capital structure decisions can impact a firm's tax liability, bankruptcy exposure, and debt levels, all of which are addressed by this theory.

Dynamic trade-off theory

Dynamic trade-off theory states that firms will make adjustments over time towards their optimal capital structure (Abdeljawad et al. 2013). Under this framework, businesses will use the trade-of theory, which states that with a certain capital structure and value, there is an appropriate debt burden (debt ratio). This means that the corporation will continuously strive to optimize its leverage. This means that a company's leverage level will fluctuate over time as it moves towards its goal. While the direction and speed of the adjustment process are visibly observable, the purpose of these levers is unfortunately not observable in organizations (Darminto & Manurung, 2008).

Conceptual Framework and Hypothesis Development
Profitability and SOA

According to Prihadi (2020), profitability can be interpreted as the ability of organizations to generate profits from the activities they carry out. As stated by Kasmir (2019), Profitability is the ratio of profit to sales, which shows the company's a potentiality to generate benefits. This ratio can also describe conditions that indicate the level of success or achievement of a management goal by measuring quality, quantity and time in accordance with company plans. The evidence is reflected in the amount of sales revenue generated and the investment value formed. It shows the effectiveness of the business. According to the findings of R. Haron et al (2013), business profitability significantly affects the rate at which Malaysian companies can

make changes. Naveed et al. (2015) showed the opposite, suggesting that SOA capital structure suffers as a result of firm profitability. The findings of this study are discussed in terms of agency theory. Successful businesses reduce their SOA capital structure by using debt as a tool to control free cash flow. In their study of SOAs in Nigeria, Oino and Ukaegbu (2015) found that profitability significantly influenced the capital structure of these organizations for the better. SOA's capital structure is positively influenced by firm profitability, according to Nosita (2016). Profitability, according to Dewi and Ramli (2017), has broad implications for the choice of business capitalization strategy. The proxy of profitability in this study is Return on asset (ROA) ratio which is formulated with the following equation:

$$ROA = \frac{Net\ Profit}{Total\ Asset}$$

H1 : Profitability positively affects SOA.

Firm Size and SOA

According to Junaidi et al. (2016), company size can be determined from its total assets or the size of its assets by calculating the logarithm value of its assets. It is possible to categorize businesses of various sizes based on factors such as revenue, total assets, and shareholders' equity. To measure a firm size and value based on it reflects the market's perception of a company's future firm growth potential and profitability, the market capitalization was used so it can affected by factors namely; competitive advantage, innovation, and market share. Market capitalization is often considered more appropriate for assessing a firm's growth potential and value creation measures, especially for firms that are pay more attention on innovation and have a strong track record of introducing new services or products (Jung & Shegai, 2023). According to the trade-off hypothesis, a firm's leverage increases with its growth. According to the findings of Aybar-Arias et al. (2012), firm size give a positive and substantial impact on the degree to which businesses in Spain adapt to new circumstances. Research by R. Haron et al. (2013) corroborates these findings by showing that firm size has a favorable and substantial effect on adaptation time for Malaysian businesses. According to Warmana et al. (2020), firm size significantly affects SOA in a favorable way. The capital expenditures often used to measured the firm's growth opportunities (Choi & Park, 2019). But in this study, the firm size is formulated with the following equation:

$$Firm\ Size = Ln\ (Total\ Asset)$$

H2 : Firm size positively affects SOA.

Tangibility and SOA

Tangibility by Christi & Titik (2015), which draws parallels between fixed assets and current assets. Or, in another sense, tangible assets are assets that can be touched and immediately used for business benefits. Since a company's fixed assets can be employed as assurance for creditors to provide loans, the asset structure, or so-called tangible assets, is an important factor in deciding funding decisions, as stated by Brigham & Houston (2011). Companies that lack secured assets usually rely heavily on debt to fund operations. Asset structure, as defined by Syamsudin (2011) is the grouping of total assets into their constituent parts, such as liquid assets and immovable property. Palacin-Sânchez et al. (2013) found that the presence of physical

objects reduces the leverage value of loans. Tangibility has a favorable effect on capital structure, contrary to the findings of Ghoul et al. (2014). Nosita (2016) found that tangibility significantly improves SOA capital structure. According to Memona et al. (2019), the level of concreteness has a considerable impact on how quickly people can adapt. Research by Thuy et al. (2022) corroborates this, finding that tangibility significantly affects the level of capital structure modification. Tangibility is formulated with the following equation:

$$Tangibility = \frac{Fixed\ Asset}{Total\ Asset}$$

H3 : Tangibility positively affects SOA.

Firm Growth and SOA

Firm Growth ratio characterizes the increase in company income from year to year (Harahap, 2013). Increases in revenue, net income, EPS, and dividends per share all contribute to the upward trend of this ratio. Maintaining market share and maintaining the overall economy can be measured by the firm growth ratio, as explained by Fahmi (2012). The firm growth ratio, as defined by Kasmir (2019), is a measurement of resilience in the face of external economic and industry changes. Gross domestic product (GDP) growth has been shown to be positively correlated with the adjustment rate, as shown by De Haas and Peeters (2006) and Chipeta et al. (2007) found the opposite, concluding that firm growth is significantly negatively correlated with the adjustment rate. According to Drobetz et al. (2007), firm growth significantly benefits the capital structure of SOAs across Germany, France, Italy and the UK. Growth has a considerable beneficial effect on SOA since capital structure is defined by book value leverage, but a negative effect when capital structure is measured using funding value leverage, as shown by Mukherjee and Mahakud (2010). Susilawati et al. (2020) came to the same conclusion, showing that firm growth strongly affects the rate of adjustment. Firm growth has a favorable and substantial impact on SOA's capital structure, according to the study of Warmana, et al. (2020). Memona et al. (2021) suggest a firm's growth has a positive and substantial impact on its capital structure, give further credence to this idea. Tangibility in this study is formulated with the following equation:

$$Growth = \frac{Total\ Asset\ t - Total\ Asset\ t - 1}{Total\ Asset\ t - 1}$$

Description:
Total Asset t   = The company's total aset for the year
Total Asset t-1   = The company's total aset in the previous year

H4 : Firm growth positively affects SOA.

Business Risk and SOA

Business risk, as defined by Setyawan, et al. (2016), is the uncertainty that exists in the expected future return on assets. One of the dangers a company faces is the possibility of losing its assets, as described by Yunita and Tony Seno (2018). This risk arises when the company takes on too much debt and has to repay its loans at a high interest rate. In their recent article, Ratri and Ari (2017) define business risk as

the threat of a company's failure to generate enough money to pay its operating costs. Debt funding is usually avoided by high-risk businesses that favor more conservative methods. If a corporation takes on too much debt, it has a higher chance of failure. Trade-off hypothesis state that companies with significant earnings volatility have a harder time getting loans since it financial weakesess (Antoniou et al., 2008). When a company's profits are highly volatile, it may be difficult to raise money and make the necessary changes to its capital structure. Therefore, earnings volatility is negatively correlated with the service operating ratio.

Business risk give an adverse effect on SOA, as previously (Psillaki and Daskalakis, 2009; Ozkan's, 2001). Elsas and Florysiak's (2011) research on the other hand, suggests that organizations facing significant business risk are under greater pressure to adapt fastly their capital structure, so risk has a positive impact on SOA capital structure. Risk has a positive and substantial influence on SOA capital structure, according to Ramjee and Gwatidzo (2012). According to Hayati (2014), rapid changes in a company's capital structure are the result of poor earnings persistence due to high volatility. According to the results of this study, SOA capital structure is significantly and negatively affected by business risk. According to research conducted by Baum et al. (2017), SOA capital structure is significantly affected by risk. Warmana et al. (2020). found that risk has a positive and significant effect on SOA capital structure. Business risk in this study is formulated with the following equation:

$$Risk = \frac{EBIT}{Total\ Asset}$$

H5 : Business risk negatively affects SOA.

Based on the variables tested and the hypotheses that have been formulated, the relationship between variables in this study is shown in Figure II.1 in the form of the following conceptual framework:
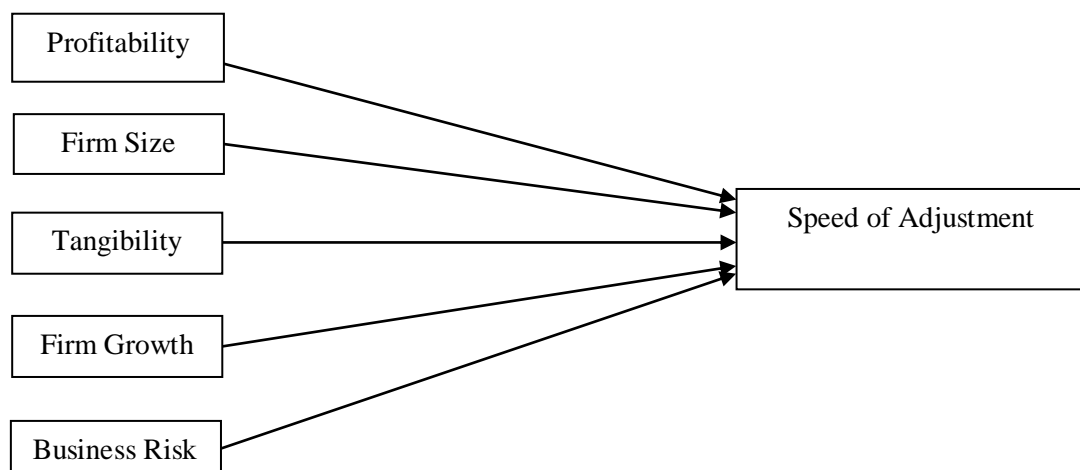

Figure 2. **Research Conceptual Framework**

METHODS
Population, Sampel Size and Sampling Technique

The population in this study are 46 banks listed on the Indonesia Stock Exchange (IDX), which issued financial reports for the period 2018-2022. The research sample was taken after fulfilling several criteria that apply to the application of the operational definition of variables.

Table 1. Number of Samples Based on Criteria

No	Criteria	Total
1	Number of Banks listed on IDX	46
2	Banks listed on IDX after 2018	4
3	Number of Banks that merged during the study period	3
	Samples that meet the criteria	**39**
	Observation period (in year)	**5**
	Total observation	**195**

Source of Data

This research data collection was carried out using a documentation approach which included searching academic journals, books, and other written sources, as well as collecting and documenting bank annual report material (annual report) for the 2018-2022 period. This research collected data from company's financial records in the IDX Fact Book 2018-2022.

Data Analysis

This research utilizes a quantitative approach to data analysis, with results presented in numerical form; calculations follow a tried and true methodology using the E-views software package. Panel data regression analysis is used here. The Panel Least Square method was run in this study to test the hypothesis using Eviews 10 software. This research uses various types of tests starting from the Chow test, Hausman test, Lagrange Multiplier (LM) test before choosing the right estimation model to continue the research. Then proceed with the classical assumption test which consists of a multicollinearity test where if the variable has a value <0.8, it indicates that there is no multicollinearity problem (Ghozali, 2011); and a heteroscedasticity test which if the t-count significance value of the regression results of the residual absolute value is more than 0.05, the regression model escapes the heteroscedasticity problem (Afifah, et al., 2017).

Furthermore, the mathematical model in this study was estimated based on the Fixed Effect Model as follow:

$$LEV^* = c + \beta1.PROF + \beta2.SIZE + \beta3.TANG + \beta4.GROWTH + \beta5.RISK + e$$

$$SOA = c + \beta1.PROF + \beta2.SIZE + \beta3.TANG + \beta4.GROWTH + \beta5.RISK + e$$

RESULT AND DISCUSSION

This study examines the influence of profitability, firm size, tangibility, firm growth and business risk variables on the speed of adjustment capital structure. Profitability is proxied by PROF, Firm size is proxied by SIZE, Tangibility is proxied by TANG, Firm growth remains GROWTH, and Business risk is proxied by RISK. Before testing the hypothesis, descriptive statistical analysis and multicollinearity testing are first carried out where in Table 4, each variable has a value <0.8 which indicates that there is no multicollinearity problem.

Table 2. Descriptive Statistical Analysis

Variables	Observation	Mean	Maximum	Minimum	Std. Dev.
PROF	195	0.006743	0.092300	-0.180600	0.026049
SIZE	195	20.06011	30.43950	14.09390	4.165574
TANG	195	0.025928	0.108000	0.001900	0.020899
GROWTH	195	0.145815	4.648200	-0.398000	0.387602
RISK	195	0.010369	0.122300	-0.195900	0.032939
SOA	195	0.895268	1.041300	0.608600	0.084753

*PROF = *Profitability,* SIZE = *Firm Size*, TANG = *Tangibility*, GROWTH = *Firm Growth*, RISK = *Business Risk*, SOA = *Speed of Adjustment*

Table 3 shows that profitability, firm growth and business risk have an average value of more than the standard deviation, which means that the data deviation in the research sample is relatively small. Meanwhile, firm size, tangibility and speed of adjustment have a value lower than the standard deviation, indicating that the data deviation in the research sample is relatively large.

Table 5 below obtained the probability value of each variable is uder the significant level (<0.05) and the value of t-count (t-statistic) > t-table (1.69236). Therefore, it can be concluded that Profitability, Firm Size, and Tangibility have a significant effect with a positive direction on the Speed of Adjustment Capital Structure.

Table. 4 Multicollinearity Test Results

	PROF	SIZE	TANG	GROWTH	RISK
PROF	1.000000				
SIZE	-0.026903	1.000000			
TANG	-0.005175	0.307284	1.000000		
GROWTH	0.031826	-0.122138	-0.151982	1.000000	
RISK	0.773626	-0.033031	-0.066553	-0.045332	1.000000

*PROF = *Profitability,* SIZE = *Firm Size*, TANG = *Tangibility*, GROWTH = *Firm Growth*, RISK = *Business Risk*, SOA = *Speed of Adjustment*

Table 5. Fixed Effect Model Test Result

Variable	Coefficient	SE	t-Statistic	Probability
PROF	0.360953	0.161246	2.238522	0.0266
SIZE	0.005535	0.001743	3.175964	0.0018
TANG	2.347853	0.285114	8.234793	0.0000
GROWTH	-0.026632	0.006536	-4.074620	0.0001
RISK	-0.239091	0.174851	-1.367395	0.1735

R^2	0.932342
Adjusted R^2	0.913075
F-statistic	48.39092
Durbin-Watson stat	1.505797

*Significance at the level 10%; ** Significance at the level 5%

Firm growth variable in Table 5 shows probability value <0.05 and t-count value (-4.074620) < table (-1.69236). This indicates that Firm growth significantly affects the Speed of Adjustment Capital Structure but in a negative direction. While the t-test on the Business Risk variable is obtained with a probability value of 0.1735 (> 0.05) and a t-count value (-1.367395) > t-table (-1.69236). Hence, it can be concluded that Business Risk has no negative effect on Speed of Adjustment Capital Structure.

Effect of Profitability on SOA

In terms of the rate at which a company's capital structure should change, profitability is the most important determinant. If the company's income continues to fluctuate wildly, as has happened in recent years, the rate of change in capital structure is expected to slow down. This profitability ratio is a measuring tool used to measure overall efficiency or effectiveness intended for high and low profits obtained in relation to investment and sales. The company can make a profit if it is said that the profitability ratio is good, vice versa.

In compliance with the regression output conducted with the Fixed Effect Model method in Table. 5, it was found that profitability has a significant and positive effect on SOA, stating that the first hypothesis is accepted with a probability value of 0.0266. This is in accordance with the dynamic trade-of theory, the higher bank's profit, the faster it can adjust its capital structure to the optimum level. In essence, the value of profitability indicates a good ability to adjust the capital structure.
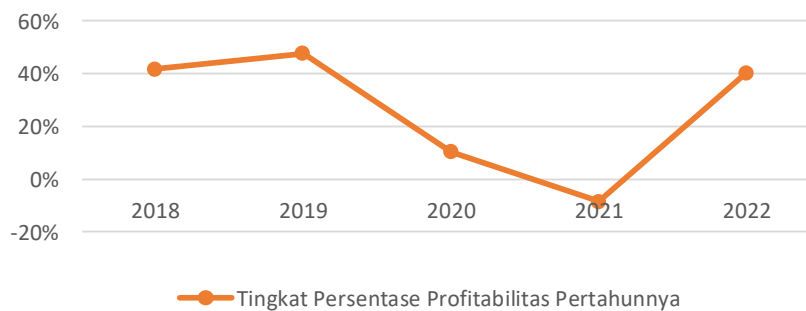

Figure 3. Level of Profitability in Banks Listed on the IDX

The average profitability in the period 2018 to 2022 is 26.30%, that is in a very adequate category, because it is above the minimum ROA obligation as stated by the determination of Bank Indonesia, regarding the minimum value of ROA is 6%. Figure 3 shows that banks listed on the IDX experienced a very drastic decline in ROA from 2020 to 2021, this happened due to the impact caused by covid-19 and the geopolitical tensions of Russia and Ukraine. However, ROA 2022 showed an increase again which indicated that banks were able to rise in bearing the risk of risky profits so that it had an impact on SOA's capital structure.

This output are suitable with previous study held on manufacturing companies by (Thuy et.al., 2022), (Memona et al., 2021), and (Suramaya Suci Kewal, 2019) which state that profitability significantly give positive effect on SOA. This is evidenced by the existence of profitability affecting the costs and/or benefits of capital structure adjustments. Profitable organizations have greater flexibility in making decisions and issuing securities of better quality and grades (Lemma and Negash, 2014). In accordance with Dynamic Trade-off Theory, increasing bank's profit, will speed up the adjusting of capital structure to reach the optimum level.

Effect of Firm Size on SOA

The natural logarithm (Ln) of a firm's average total assets is a common metric used to calculate its overall size. Total assets are used because it is believed that the size of the company has a direct correlation with how quickly the company can respond to changes in market conditions (Harahap, 2013).

In conformation with the regression results conducted with the Fixed Effect Model method in Table 5, it was found that firm size has a significant and positive effect on SOA, stating that the second hypothesis is accepted with a probability value of 0.0018. This is in line with the trade of theory dynamic company with a larger size will quickly make adjustments, otherwise the company with a smaller size will be slower to adjust its capital structure, so that the bank size is positively affect the speed of capital structure adjustment.
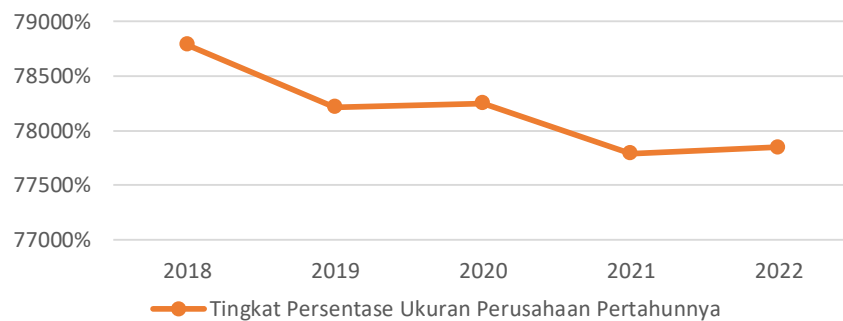

Figure 4. Level of Company Size in Banks Listed on the IDX

Based on the Figure diagram. 4 it can be seen that banking companies listed on the IDX had experienced a very drastic decrease in size from 2018 to 2022, this was due to the impact caused by covid-19 and the geopolitical tensions of Russia and Ukraine. However, banking companies are classified as being able to handle the conditions of this crisis, by showing an increase in size again in 2022, although it did not increase significantly, but it was able to have an impact on the speed of adjusting their capital structure.

The results of this study are in line with previous research conducted by Drobetz and Wanzenried (2006) who studied the capital structure of SOA in Switzerland stated that the potential growth of non-financial companies has a significant positive effect on the capital structure of SOA. He argued that firms adjust their capital structure faster when the capital structure deviates far enough from the target because some adjustment costs are fixed costs. Other previous studies with similar findings are Elsas and Florysiak (2011) in the United States, Mukherjee and Mahakud (2010) in

India, Aybar-Arias et al. (2012) in Spain, Naveed et al. (2015) in Pakistan, Thuy et al. (2022), and Memona et al. (2021).

According to Nosita (2016), the scale of the company has a very adverse effect on the capital structure of SOA. Similar results were also obtained by Lemma and Negash (2014) who reported that firm size has a positive effect on SOA capital structure when capital structure is measured by the long-term leverage ratio; firm size has a significant negative effect when capital structure is measured using the total leverage ratio.

Effect of Tangibility on SOA

Asset structure is one of the factors that influence capital structure. Asset structure is the amount of assets that can be used as collateral as measured by comparing fixed assets to total assets. Asset structure determines how much funds are allocated to each component of current assets and fixed assets. Asset structure is defined as the composition of the company's assets which will show how much of the company's assets can be used as collateral to obtain loans in order to quickly optimize its capital structure. Gaud et.al., (2003) in Atansil (2011) explains tangibility is a tangible asset owned by a company. Tangible assets have a higher value than intangible assets when bankruptcy occurs. When associated with the capital structure, the amount of tangible assets owned can be used as collateral by the company in increasing the proportion of its debt and accelerating the rate of the company's SOA capital structure.

In accordance with the regression results conducted with the Fixed Effect Model method in Table. 5, it was found that tangibility has a significant and positive effect on the speed of adjustment capital structure of banking companies listed on the IDX, stating that the third hypothesis is accepted with a probability value of 0.0000. This is in accordance with the dynamic trade-off, the company's ability to make changes as its asset structure becomes more complex. The ability to change the company's capital structure towards an optimal capital structure through the selection of various sources of financing is more achievable for businesses with higher asset firm growth rates.
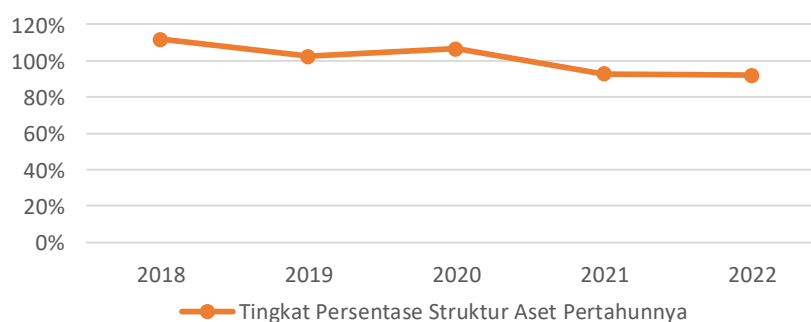

Figure 5. Level of Asset Structure in Banks Listed on the IDX

Based on fig. 5 it can be seen that the asset structure of banking companies listed on the IDX had decreased and then increased again, it happened because of the impact caused by covid-19 and the geopolitical tensions of Russia and Ukraine. However, banking companies are classified as being able to handle the conditions of this crisis, by showing an increase again even though it does not increase significantly but it is able to have an impact on the speed of adjusting their capital structure.

The results of this study are in line with previous research conducted on manufacturing companies by Thuy et al. (2022), (Memona et al., 2019), and Nosita (2016) which state that tangibility has a significant positive effect on the speed of adjustment capital structure. This is evidenced by the existence of fixed assets can be used as collateral in obtaining funding through debt. For companies that have a large amount of fixed assets, the company will tend to use larger debt so that the company can carry out operational activities properly and quickly in optimizing its capital structure.

Different research results were found by Houl et al. (2014), Mahakud & Mukherjee (2011), the company with high asset structure value will adjust the capital structure speed more slowly than the company with low asset structure. Asset structure (tangibility) reduces asset substitution problem, this means faster adjustment, it is measured as total fixed assets to total assets. Asset structure has a negative impact on the speed of adjustment which implies that rebalancing is slower in firms with high fixed assets. In accordance with Dynamic Trade off Theory which states that the higher the asset structure of the company, the slower the speed of adjustment.

Effect of Firm growth on SOA

Based on agency theory (Myers & Majluf, 1984) corporations may reduce debt levels if they get high growth potential, however, conflicts between agents and principals have the opportunity to raise problems of lack of investment and other financial problems. However, asymmetric information cost argues otherwise. Corporations may increase their debt composition in response to high growth opportunities.

Banks that have high growth rates will find it easier to change their leverage with various alternative sources of funding. Less developed banks have few alternatives, for example by trading debt for equity. This brings a negative signal, namely with asymmetric information and a decrease in company value. Banks with high growth rates will find it easier to make investments with the right choices, so they can quickly adjust their leverage towards optimal capital structure targets.

In accordance with the regression results conducted with the Fixed Effect Model method in Table. 5, it is found that firm growth has a significant and negative effect on the speed of adjustment capital structure of banking companies listed on the IDX stating that the fourth hypothesis is accepted with a probability value of 0.0001. This is in accordance with the trade of theory dynamic companies with greater asset growth will more quickly adjust their capital structure. Companies with low asset growth rates can only change the capital structure by swapping debt for equity, causing the
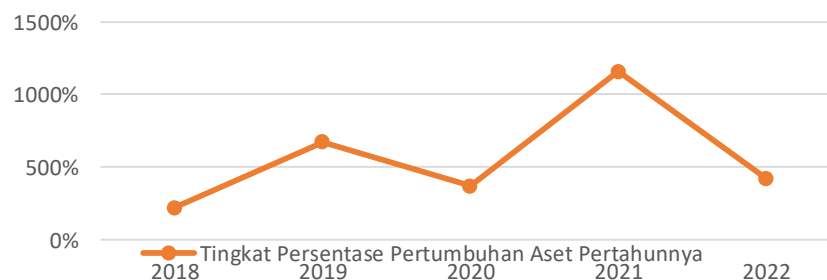

Figure. 6 Asset Growth Rate at Banks Listed on the IDX

Based on the picture. 6 it can be seen that the asset growth of banking companies listed on the IDX had increased in 2019 and then decreased in 2020, this occurred due to the impact of covid-19. Banking companies were able to reap a significant increase in 2021, which stated that banking companies were able to handle the Russian ukrainian geopolitical tension crisis very well. However, in 2022 asset growth declined again because geopolitical tensions were getting worse and covid-19 reappeared. However, banking companies listed on the IDX are able to handle the risks that occur by showing an increase again even though it does not increase significantly but it is able to have an impact on the speed of adjusting their capital structure.

The results of this study are in line with previous research conducted by Dewi and Ramli (2017), company growth has a significant impact on its capital structure. Susilawati et al. (2020) came to the same conclusion, showing that development greatly affects the Rate Of Adjustment. Growth has a favorable and substantial impact on SOA's capital structure, according to research by Warmana, et al. (2020). Memona et al. (2021) . The findings, showing the firm's growth has a positive and substantial impact on its capital structure, provide further credence to this idea. This is in accordance with the trade of theory dynamic, companies with a high level of asset growth will more easily change their capital structure by changing the composition of new and appropriate financing, so that asset growth has a positive effect on the speed of capital structure adjustment. R. Haron et al. (2013) found the opposite: that expansion has a substantial inverse relationship with the Speed of Adjustment of businesses in Malaysia. Growth, as found by Wetty (2013), has no meaningful impact on SOA capital structure. Lemma and Negash (2014) study which corroborates these findings found that growth does not have a major impact on SOA capital structure in Africa.

Effect of Business Risk on SOA

Rashid (2015) has empirically proven that when firm-specific risks and macroeconomic risks are low, it does not take a long time to reduce the volatility of capital structure adjustments. Companies with high profit volatility reduce electability in accessing capital funding which will ultimately reduce the speed of the optimal capital structure adjustment process. This implies that earnings volatility is inversely associated to SOA. In contrast to the regression results conducted with the Fixed Effect Model method in Table. 5, it is found that business risk does not negatively affect the speed of adjustment capital structure of banking companies listed on the IDX, stating that the fifth hypothesis is rejected with a probability value of 0.1735. This is consistent with the trade-off theory, banks with high earnings fluctuation have difficulty obtaining loans due to financial weaknesses, poor income and incompetence to pay their debts (Antoniou et.al., 2008) in Wamarna et al. (2008) in Wamarna et al. (2020)).
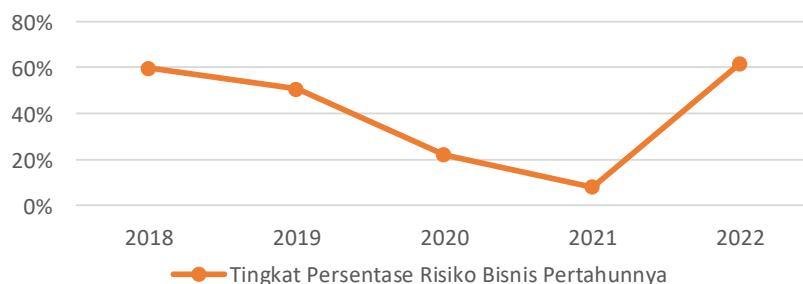

Figure 7. Level of Business Risk in Banks Listed on the IDX

Based on figure 7, it can be seen that banking companies are able to achieve business risk with the lowest percentage in 2021. And in 2022, business risk experienced a very high increase which was able to slow down SOA's capital structure. Companies with significant earnings volatility have a harder time getting loans due to weak financial conditions, low income, and inability to pay their obligations, according to the trade-off hypothesis (Antoniou et al., 2008). When a company's profits are highly volatile, it may be difficult to raise money and make the necessary changes to its capital structure. Therefore, business risk is negatively correlated with SOA capital structure.

Different results were found by Elsas and Florysiak (2011) on the other hand, suggesting that organizations facing significant business risk are under greater pressure to adjust their capital structure quickly, so risk has a positive impact on SOA capital structure. Risk has a positive and substantial influence on SOA capital structure, according to Ramjee and Gwatidzo (2012).

CONCLUSIONS
1. The findings show the influence between profitability, firm size, tangibility, and growth on the speed of adjustment capital structure of banks listed on the Indonesia Stock Exchange. While business risk has no effect on the speed of adjustment capital structure.
2. The value of profitability, firm size, and tangibility indicates that banks can adjust the speed of capital structure adjustment towards optimal capital quickly and have a significant positive impact on the speed of adjustment capital structure. While the increase in the value of growth will affect the decrease in the speed of adjustment capital structure of the company because the high value of the variable shows a negative relationship to the capital structure of SOA. The high value of business risk indicates that banks listed on the IDX have not been able to use their resources or have not been able to carry out operational activities efficiently so that it will result in a decrease in the SOA capital structure.

LIMITATIONS
The results of the study are expected to help the bank managers who are the sample of the study, namely all banks listed on the Indonesia Stock Exchange in providing a broader understanding of the determinants of the speed of capital structure adjustment. Furthermore, this study takes the main focus of the speed of bank capital structure adjustment.

There are several limitations in this study, namely there is no comparison journal or previous research related to the speed of adjustment capital structure in the banking sector (this research will be the first to be conducted in the banking sector), this study does not use macro variables and this research variable does not use dummy variables. I hope that future researchers can do what I have not been able to do in this study.

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