

## **The Influence Of Inflation, Market Size and Company Size On Capital Structure in The Indonesian Stock Exchange**

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### **Abstract**

This research is quantitative research. The aim of this research is to find out whether The Influence Of Inflation, Market size And Company Size On Capital Structure On The Indonesian Stock Exchange on the Indonesian Stock Exchange. 12 corporate bonds were obtained from 11 issuing banking sector companies as samples. The CR variable has a positive but insignificant effect on the DER ratio of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period. The SIZE variable has a positive and significant effect on the DER of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange. Market Size variable has a negative and significant effect on the DER of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange. All independent variables consisting of; Company Size (SIZE), Inflation, and Interest Rate (IR) together significantly affect the Capital Structure (DER) of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange

**Keywords:** Inflation, Interest Rates, Company Size, Capital Structure

### **Introduction**

Economic expansion in the current globalized period has made competition for all businesses more fierce over time. In order to boost the company's worth and benefit shareholders, management must effectively run their business. Businesses must develop new innovations in their products and boost their competitiveness in light of the modern business world's rapid development, which has resulted in the rise of new firms and more advanced technology, which can lead to fiercer competition.

Management must implement a number of strategies that can support the company's operations in order to meet objectives and ensure the company's existence. One of the key choices the management of the organization must make when putting this plan into practice is the policy on financial decisions. A company's financial choices are crucial since managers are tasked with ensuring the well-being of shareholders. Investment, finance, and dividend policy decisions are among the financial decisions that fall under the purview of corporate managers, according to Ross et al. (2015). Dividend policies, financing choices, and investment choices all have an impact on one another. A business must have enough money to support its investment activities if it chooses to make an investment. Bonds, new shares, and retained earnings are the sources of investment finance. Retained earnings, which essentially rely on the company's dividend policies, are one source of funding for investments. In the event that the business requires a large amount of retained earnings in the future, the dividend payout ratio will be small.

In the meantime, the company's dividend payment ratio will rise if future growth prospects are modest because retained earnings will be needed for the company's future development. Making the right funding selections is crucial to a company's success. Funding is essential in the business world to support the operations and investment activities of the organization. The company's external funding sources and internal funding sources are the two sources of this funding. financing sources created by the business to satisfy its internal requirements (such as retained earnings) are known as internal financing sources. External funding sources, on the other hand, come from capital sources outside the business (such as debt and the issuance of additional shares). The activities that the company can engage in, the degree of financial risk, and the cost of capital are all significantly impacted by funding decisions.

Ross et al. (2015) define capital structure as the combination of long-term debt and equity capital that a business uses to finance its investment and operating activities. Since the mix of debt and equity capital financing has an impact on both profitability and the company's value, capital structure is one of the most crucial matters for the business. Ross et al. (2015) claim that debt financing can boost ROE and EPS in terms of profitability. However, if the capital structure employs excessive debt, the business will have to deal with the risk of financial distress.

In 2020, as a result of the Covid-19 pandemic, many companies had very large debts and finally filed for debt restructuring in order to improve the company's financial condition. One of the companies that carried out restructuring was Indonesia stock exchange which is engaged in the manufacturing and infrastructure industries. In 2020, Indonesia stock exchange Tbk has recorded debt of IDR 10.18 trillion, which is short-term debt. Currently, Indonesia stock exchange is processing a debt restructuring of IDR 10 trillion which is targeted to be completed next year in order to improve the company's financial statements. Indonesia stock exchange wants to restructure its debt because the company's debt is more dominated by US dollar debt compared to its rupiah debt, which is what causes a very high Inflation difference. In September 2020, Indonesia stock exchange had recorded debt of US\$ 669 million or around IDR 9.45 trillion, while its rupiah debt was IDR 254 billion (Aldin, 2020). (Katadata.co.id – 12/17/2020)

In 2021, the Indonesia Stock Exchange increased its capital by issuing new Series D shares through a non-preferential capital increase (PMTHMETD). When implementing PMTHMETD. However, BNBR issued an additional 297,811,781 shares at a price of IDR 500 per share. Thus, BNBR could receive funds of up to IDR 148.90 billion. BNBR management plans to allocate funds to restructure the company's debt. Currently, two major creditors are in the restructuring process: the Rp8 trillion debt to Glencore International AG, which will be the focus of BNBR this year, and the Rp1.5 trillion debt to Eurofa Capital Investment Co., which the company currently controls. Intensive negotiations for restructuring (Julian, 2021). (Investasi.kontan.co.id - 31/03/2021) PT Tower Bersama Infrastructure Tbk (TBIG) is a company that is the largest telecommunications tower provider in Indonesia. In 2020, TBIG issued debt securities worth US\$350 million, or approximately IDR4.87 trillion. The bonds will have an interest rate of 4.25% and will mature in five years (2025). The net proceeds to be received by TBIG from the 2025 bond issue will be US\$345.1 million, or approximately Rs 4.72 trillion, which will be reduced by underwriting fees and commissions and other costs and expenses. TBIG will use the proceeds from the bond issuance to repay the full balance of the bank's revolving credit facility (Facility B), amounting to US\$300 million or approximately Rp 4.1 trillion, as well as to repay a portion of the balance of its Revolving Credit Facility (RLF), amounting to US\$200 million or

approximately Rp 2.7 trillion in 2017. The refinancing amounts of Facility B and the RLF facility in 2017 are still available and can be reborrowed (Ariyaanti, 2020). (Market.bisnis.com - 01/16/2020)

The capital structure is very important for the company, because the capital structure considerably affects the company's financial situation. Based on the theory of compromise or the theory of balancing, there are two types of capital structure, namely the structure of optimal capital and not the optimal structure of capital. An optimal capital structure is one that optimizes the balance between debt and equity. If a company is under-leveraged or over-leveraged, then the capital structure is said to be suboptimal. Underleveraging can be interpreted as meaning that a company is using too little debt and therefore is also under-profitable. Overleveraging can be interpreted as meaning that a company that uses too much leverage will get into financial difficulties. Based on previous studies conducted by Nariman (2016), Ulfah et al. (2019), Quoc Trung Trinh et al. (2020) stated that market size has a positive impact on DER, which differs from the study conducted by Friday E and Nkwede (2016) who stated that market size has a negative impact on DER. On the other hand, a study by Meghananda et al. (2021) showed that market size does not affect DER. Campbell and Taksler Studies (2003) Colin-Dufressne et al. (2001), which stipulates that the Sizan market explains the differences in the propagation of obligations.

The Inflation or Inflation is the value of a country's currency expressed in the currency of another country used for trade transactions. Manurung (2016:9) defines the foreign Inflation as the foreign Inflation against the Rupiah and Indonesian people are more familiar with the foreign Inflation in the form of the US dollar Inflation. Inflation movements will affect the company's profits where raw materials imported from other countries will experience an increase in production costs and a decrease in profits. This will cause a decrease in interest in the company's shares and a decrease in the price of 26 company shares so that the Inflation has a negative effect (Martalena& Malinda, 2019:40-41).

According to Yanuar (2018:287-293), the Inflation consists of:

1. The nominal Inflation is the price of one unit of foreign currency in terms of the domestic currency.
2. The real Inflation is the value used to exchange (compare) the relative prices of domestic goods and services with the prices of foreign goods and services.
3. The Inflation plays an important role in achieving monetary stability and supporting economic activities. The Inflation is the price in exchange and in the exchange between 2 different currencies, there will be a comparison of the value or price between the two currencies. This comparison of values is called the Inflation. The Inflation strengthens or appreciates, so the foreign currency is cheaper (Yanuar, 2018: 287-291). Foreign Inflation can be measured in two ways, namely indirect quote and direct quote. The function of the indirect quote is to show how much foreign currency is needed to exchange 1 unit of domestic currency. While the function of the direct quote is to show how much domestic currency is needed to exchange into a unit of foreign currency.

If the Rupiah Inflation issued is small to obtain US Dollars compared to the amount of Rupiah issued in the previous period to obtain US Dollars, it means that the Rupiah Inflation has strengthened (appreciated) against the US Dollar. Conversely, if the amount of Rupiah issued

to obtain US Dollars is more compared to the previous period, the Rupiah Inflation has weakened (depreciated) (Yanuar, 2018:291).

A very sharp increase in the US Dollar Inflation against the Rupiah will cause instability in the stock market, and have a major impact on issuers who have debts in US Dollars while the issuer's products are sold locally. However, issuers who have an export market share will receive a positive impact from the increase in the US Dollar Inflation, in this case it means that issuers who are negatively affected by the increase in the US Dollar Inflation will experience a decrease in their stock prices. Likewise, issuers who are positively affected by the increase in the US Dollar Inflation will experience an increase in their stock prices.

One of the external factors originating from outside the company that is widely observed because it is related to economic activities as an investor's consideration in investing is the interest rate. According to Hadi Ismanto (2019:24) "Interest is the reward received by the borrower for the money he has lent, while the interest rate is a ratio expressed as a percentage charged to the amount of the loan that incurs interest".

According to Sadono Sukirno (2016:387) "Interest is the reward obtained as a result of savings expressed as a percentage of the amount of savings made." Meanwhile, Shestopaloff (2009) in Ismanto (2019:24) argues that "Interest is part of a loan that must be paid to the creditor by the debtor as a price for using the loan money". The interest rate is set by Bank Indonesia and published to the public through the results of the board of governors' meeting as a reference interest rate that describes monetary policy (Ardiana, 2018). Market size consists of the Federal Fund Rate as the interest rate placed by commercial banks in the American central reserve lending and borrowing affairs and the Bank Indonesia Interest Rate as the interest rate used as a reference for monetary policy set by BI.

Types of Market size based on their form according to Arnold (2008) in Ismanto (2019:24) consist of:

1. Nominal Interest Rate  
Nominal Interest Rate or Nominal Interest Rate is the interest that must be paid by the debtor to the creditor that has been agreed upon by both parties at the time of the contract.
2. Real Interest Rate
3. Real Interest Rate or Real Interest Rate is the interest rate paid in the market or the market interest rate. The real interest rate is the same as the nominal interest rate minus the inflation rate. However, when inflation is equal to zero, then the real interest rate is the same as the nominal interest rate.

Types of Market size based on their nature consist of:

1. Deposit Interest  
Deposit interest is the interest rate paid by banks to customers on savings made. Usually banks provide additional interest to customers who save their funds in the form of deposits.
2. Loan Interest/Credit Interest  
Loan interest is the interest rate paid by customers to the bank on loans made. Usually banks provide additional interest to make a profit (credit interest is greater than deposit interest).

### Function of Interest Rates

The function of Market size according to Sunariyah (2013:80) is as follows:

1. To attract investors to invest their funds to make investments.
2. To assist the government in controlling direct funds or investments in economic sectors.
3. As a reference for monetary policy by controlling the supply and demand for the amount of money circulating in the economy.
4. To assist the government in increasing production and controlling inflation by manipulating interest rates.

### Factors Affecting Interest Rates

According to Kasmir (2010:137) in (Riyadi, 2018) the factors that affect Market size are as follows:

1. Funding needs, when the bank is short of funds but loan demand increases, the bank will usually increase the deposit interest rate to meet the shortage.
2. Profit target, when the bank has a lot of funds but loan demand is low, the bank will usually lower the loan interest rate to reduce the deposit funds in the bank.
3. Collateral quality, when the collateral provided is increasingly liquid, the loan interest rate is lower and vice versa.
4. Government policy, determining the interest rate for both loan interest and deposit interest must not be more than what is limited by the government.
5. Term, when the loan term is longer, the loan interest rate is higher.
6. Company reputation, a company that has a good reputation greatly determines the amount of loan interest that will be charged later.
7. Competitive products, competitive products are usually given low loan Market size because the interest returns are considered smooth.
8. Good relationship, customers who have a good relationship with the bank, usually determine their Market size differently from ordinary customers.
9. Competition, when the bank experiences a shortage of funds, the bank must be able to compete with similar companies to determine the level of deposit interest rates.
10. Third party guarantee, the guarantee party bears all risks imposed on the loan recipient...

According to Sang Ayu Made et al (2021: 95) company size indicates the size of the company which can be seen from the level of sales, number of workers or the amount of assets owned by the company. According to Alfred and Helin (2020: 605) company size describes the size of a company which is indicated by the total assets owned by the company. In accordance with Indonesia stock exchange concerning guidelines regarding the form and content of statements in the context of public offerings by medium and small companies, it states that a large company is a legal entity established in Indonesia that has total assets of no more than IDR 100,000,000,000.00 (one hundred billion rupiah), is not affiliated or controlled by a company that is not a medium or small company, and is not a mutual fund.

Meanwhile, a public offering by a medium or small company is a public offering in relation to securities offered by a medium or small company, where the total value of the securities offered is not more than IDR 40,000,000,000.00 (four billion rupiah). So, the size of the company according to the decision of Indonesia stock exchange can be interpreted as a measure by



classifying the size of the company in various ways, including expressed in total assets, stock market value, and others.

Company Size Criteria Law No. 20 of 2008 categorizes company size into 4 categories, namely micro businesses, small businesses, medium businesses, and large businesses. The classification of the company size is based on the total assets owned and the total annual sales of the company. Law No. 20 of 2008 defines micro, small, medium and large businesses as follows:

1. Micro businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro businesses as regulated in this law.
2. Small businesses are independent productive economic businesses carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled or part of either directly or indirectly a medium or large business that meets the criteria for small businesses as referred to in this law.
3. Medium businesses are independent productive economic businesses carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled or part of either directly or indirectly a small or large business with the amount of net assets or annual sales results as regulated in this law.
4. Large businesses are productive economic businesses carried out by business entities with net assets or annual sales results greater than medium-sized businesses, which include state-owned or private national businesses, joint ventures, and foreign businesses carrying out economic activities in Indonesia.

## Method

Research is basically aimed at showing the truth And something solving method problem on variable Which researched. Method research is a way or procedure used to conduct research so as to be able to answer the formulation of the problem and objective study.

This type of research uses quantitative research methods, namely research that is used to answer the problem through technique measurement Which careful to variables certain so that, produce conclusions Which can generalized, regardless of the context of time and situation and the type of data Which collected especially data quantitative according to Bintarti (2015). Quantitative research is widely used especially for developing theory in a scientific discipline. The use of measurement accompanied by analysis statically in research implies that this research use method quantitative.

Approach in study This use approach descriptive with the aim of describing the object of research or research result. Descriptive sense is a method that works for describe or provide an overview of the object under study through data or sample Which has collected as exists (Sugiyono 2016:8).

Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn (Sugiyono, 2017:80). The population in this study is corporate bonds in the banking sector traded on the Indonesia Stock Exchange (IDX) during the 2015-2020 period.

The sample is part of the number and characteristics possessed by the population (Sugiyono, 2017:81). Sampling in this study will use the purposive sampling technique, namely the technique of determining samples with certain considerations and criteria from researchers

only that can be used as certain research samples (Sugiyono, 2017:81). The reason for selecting the sample of corporate bonds in the banking sector is because it dominates the issuance of corporate bonds in Indonesia. The Criteria for Selecting Research Samples are determined as follows:

1. Corporate bonds in the banking sector traded on the Indonesia Stock Exchange during the 2021-2023 period.
2. Corporate bonds in the banking sector that have not matured during the 2021-2023 period.
3. Corporate bonds in the banking sector that pay coupons in a fixed rate during the period 2021-2023.
4. Banks that issue bonds have complete financial reports during the period 2021-2023.

Based on the sampling criteria above, 22 corporate bonds were obtained from 11 issuing banking sector companies as samples.

The type of data used in this study is quantitative data. Based on its source, the data used is secondary data with the type of panel data. which consists of cross-section data and time series data. The use of panel data in observation has several advantages, namely first, panel data which is a combination of two time series of data and cross-sections can provide more data so that it will produce a greater level of freedom. Second, combining information from time series and cross-section data can solve problems that arise when there is a variable problem omitted.

## Result and Discussion

The banking sector companies used as objects are companies listed on the Indonesia Stock Exchange (IDX) that have published annual reports and annual financial reports for the 2021-2023 period. The sampling method used is a sampling determination technique with certain considerations and criteria from researchers that can be used as research samples (purposive sampling). The total number of samples used in this study was 11 banking sector companies with 22 bond series and 132 observation data studied. The following is a list of companies and bond series issued during the 2021-2023 period, including: Table 4.1. Bond Series that are the Object of Research

Before further analyzing the results of the estimation of the determinants of Capital Structure (DER) and bonds and their implications for Yield to Maturity (YTM) and economic growth of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange (IDX) during the period 2021-2023 by considering external and internal factors of the company, it is necessary to first describe the description of the statistical data of each variable used in the study. The description of the statistical data of all variables used in this study is shown in table 1. The description of the statistical data consists of mean, median, maximum, minimum, standard deviation, skewness, kurtosis and Jarque-Berra statistics and p-value. The mean, median, maximum, and minimum values for each variable used in the study have different numbers

	CR	DER	FOREX	IR	ROA	SIZE	YTM
Mean	0.210902	6.184270	9.537724	0.052083	0.013340	32.33996	0.215158
Median	0.215630	5.735105	9.535889	0.048750	0.008700	32.25520	0.166667
Maximum	0.395946	14.74845	9.580593	0.075000	0.043300	34.95208	0.500000
Minimum	0.104772	2.713604	9.505693	0.037500	0.000100	30.12911	0.050000
Std. Dev.	0.062929	2.199611	0.025052	0.012414	0.011619	0.802966	0.154851
Skewness	0.655886	1.023402	0.395929	0.744029	0.876536	0.348817	1.062288
Kurtosis	3.409916	3.847530	2.072162	2.378518	2.618064	5.867224	2.561847
Jarque-Bera	10.38827	26.99241	8.183574	14.30305	17.70524	47.89216	25.88192
Probability	0.005549	0.000001	0.016709	0.000784	0.000143	0.000000	0.000002
Sum	27.83911	816.3237	1258.980	6.875000	1.760900	4268.875	28.40079
Sum Sq. Dev.	0.518771	633.8160	0.082216	0.020190	0.017686	84.46279	3.141214
Observations	132	132	132	132	132	132	132

Figure 1. The Description Of The Statistical Data

Standard deviation as a measure to measure dispersion or spread of data shows fluctuating numbers. The largest standard deviation value is experienced by the Capital Structure (DER) variable, which is 2.199621, which means that the DER variable has a higher level of risk (volatility) compared to other variables. Meanwhile, variable has the lowest level of risk (volatility), which is 0.011619. Skewness is a measure of the asymmetry of the distribution of statistical data around the average (mean). The skewness of a symmetrical distribution (normal distribution) is zero. Positive skewness indicates that the distribution of the data has a long tail on the right side (long right tail) and negative skewness has a long tail on the left side (long left tail). All research variables, consisting of; INFLATION, MARKET SIZE AND COMPANY SIZE have positive values. Kurtosis measures the height of a distribution. The kurtosis of normally distributed data is 3. If the kurtosis exceeds 3, then the data distribution is said to be leptokurtic to normal. If the kurtosis is less than 3, the data distribution is flat (platykurtic) compared to normally distributed data. The variables DER, CR, economic growth and SIZE have kurtosis values of more than 3, while the variables MARKET SIZE, and SIZE have kurtosis values of less than 3. Jarque-Bera (JB) is a statistical test to determine whether the data used in the study is normally distributed. This test measures the difference in skewness and kurtosis of the data and is compared with if the data is normal. With  $H_0$  in normally distributed data, the JB test is distributed with a degree of freedom of 2. Probability indicates the possibility of the JB value exceeding (in absolute value) the observed value under the null hypothesis. The statistical results show that all research variables, which are used in this study by applying a panel data regression model during the 2021-2023 period, conclude that with  $\alpha = 5\%$ , which means  $H_0$  is accepted and the data is normally distributed.



Redundant Fixed Effects Tests  
Equation: Untitled  
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	34.643491	(21,105)	0.0000
Cross-section Chi-square	273.304530	21	0.0000

Figure 2. Chow Test dengan DER as Dependent Variable

Based on the calculation results it can be concluded that from the chow-test, it can be seen that the probability values of the F test and chi-square test are smaller than  $\alpha = 0.05$  (5%), so that  $H_0$  is rejected and  $H_1$  is accepted, which means that the fixed effect model is better used in estimating the panel data regression method than the common effect model.

### The Effect of Inflation on Capital Culture

Based on the T test, variable CRs have a duty during the 2021 period and have a positive but unnecessary effect on reporting the Der in the bank section transferred to the Indonesian Stock Exchange (IDX). It is shown. 2023. It stipulates that variable CRs will affect Der, a bank department company from 2021 to 2023, and will be transferred to the Indonesian Stock Exchange (IDX). The decrease in the current ratio value is due to decreased cash and cash equivalents. Judging from the value of the cash ratio, it has decreased and the increase is due to increasing debt and decreasing cash and cash equivalents.

### Effect of SIZE on Capital Culture

Based on the t-test, it is shown that the SIZE variable has a positive and significant effect on the DER of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange (IDX) during the period 2021-2023, where the probability value of the t-statistic (0.0000) is less than  $\alpha = 0.05$ , which means that  $H_0$  is rejected. The partial coefficient of SIZE of 1.7624 can be interpreted to mean that every 10 percent increase in SIZE, holding other factors constant, will increase the DER of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange (IDX) during the period. the period 2021-2023 by 17.62 percent. The empirical result of this study has a hypothesis of research stipulating that fluctuations on the subject of bank sectors that have relocated to the Indonesian Stock Exchange (IDX) will create obligations from 2021 to 2023. I am..

### The Influence of Market Size on Capital Culture

Based on the t-test, it is shown that the variable market size has a negative and significant impact on the DER of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange (IDX) in the period 2021-2023. The probability value of the t-statistic (0.0000) is less than  $\alpha = 0.05$ , which means that  $H_0$  is rejected. The partial coefficient on market size -14.5278 can be interpreted as meaning that, assuming other factors are constant, every 10% increase in market size has the effect of lowering the DER of sector banking companies that issue bonds and are listed on the stock exchange. The Indonesia Stock Exchange (IDX) stock price in the period

2021-2023 is 140.53 percent. Experienced results of this research are research in which the market - scale variables affect banks in the banking department, release their duty, and are listed on the Indonesian Stock Exchange (IDX) from 2021 to 2023. Conforming to the hypothesis.

In the case of adjustment quality tests measured by the determined coefficient (R<sup>2</sup>), the coefficient indicates the coefficient of 0.937202. Exchange (IDX) during the 2021 to 2023 period can be explained. Inflation, market size, 93.72 % corporate size, but the rest is 6.28 %, which can be explained with other variables that have not been considered in this research model. In the case of adjusted determined coefficient (adjusted by R<sup>2</sup>), the coefficient is 0.9217. In other words, after examining the freedom of the fixed effect model used, all independent variables used in this study can explain the changes generated by the structure of capital. (DER) Obligation (Der) A company in a banking department that has issued duty and is listed in 2021 to 2023 in Indonesian scholarships (IDX)

## Conclusion

1. The variable has a positive but insignificant influence on the report of the banking sector, which produces obligations and is transferred to the Indonesian Stock Exchange (IDX) during the period 2021-2023. The empirical results of this study are not consistent with the research hypothesis that the CR variable has an impact on the DER of banking sector firms that issue bonds and are listed on the Indonesia Stock Exchange (IDX) during the period 2021-2023. .
2. The SIZE variable has a positive and significant impact on the DER of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange (IDX) in the period 2021-2023. The empirical results of this study are consistent with the research hypothesis that the SIZE variable affects the DER of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange (IDX) in the period 2021-2023.
3. The Market Size variable has a negative and significant effect on the DER of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period. The empirical results of this study are consistent with the research hypothesis that the fluctuating market size affects the DER of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange (IDX) during the period 2021–2023.
4. All independent variables, including company size (SIZE), inflation (market size), and interest rate (IR), significantly affect the capital structure (DER) of banking sector companies that issue bonds and are listed on the Indonesia Stock Exchange during the period 2021–2023. Of the variables that have a significant influence, the Interest Rate (IR) variable is the variable that has the most dominant influence on the DER of banking sector companies that issue Bonds and are listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period, while the SIZE variable is the variable with the smallest influence. For the goodness-of-fit test measured by the coefficient of determination (R<sup>2</sup>) shows a coefficient figure of 0.937202, which means that the variation in changes in the ups and downs of the Capital Structure (DER) of banking sector companies that issue Bonds and are listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period can be explained by; Company Size (SIZE), Inflation (MARKET SIZE), and Interest Rate (IR) by 93.72 percent, while the rest, which is 6.28 percent, can be

explained by other variables not examined in this research model. Regarding the adjusted coefficient of determination ( $R^2$  adjusted), the coefficient figure is 0.9217, which means that after taking into account the degrees of freedom of the fixed effects model used, all the independent variables used in this study are able to explain the changes occurring in the capital structure (DER) of banking sector companies that issued bonds and are listed on the Indonesia Stock Exchange (IDX) during the period 2021-2023..

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