The Relevance of Capital Structure Determinants and Sharia Compliance in Indonesia's Dual Banking System

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Abstract

This study examines the relevance of conventional capital structure determinants and the role of Sharia compliance in explaining capital structure decisions within Indonesia's dual banking system. Conventional capital structure theories, such as the Trade-Off Theory and Pecking Order Theory, were developed in interest-based financial systems and may not fully explain financing behavior in Islamic banking, where Sharia principles restrict the use of interest-bearing debt. Using panel data from eight Indonesian banks—four Islamic and four conventional—listed on the Indonesia Stock Exchange during the 2019–2025 period, this study investigates the effects of profitability, firm size, growth opportunities, tangibility, and Sharia compliance on capital structure. Panel data regression analysis was conducted using the Fixed Effect Model (FEM) with White Cross-section Robust Standard Errors. The findings indicate that profitability, growth opportunities, tangibility, and Sharia compliance have positive relationships with capital structure, while firm size has a negative relationship. However, none of these variables exhibit statistically significant effects. These results suggest that capital structure decisions in Indonesian banking cannot be sufficiently explained by conventional determinants or Sharia compliance alone. Other institutional, regulatory, and firm-specific factors are likely to play a more important role in determining leverage decisions. This study contributes to the literature by providing empirical evidence from Indonesia's dual banking system and highlights the need for future research to incorporate additional variables that better capture the institutional characteristics of Islamic banking.

Keywords: Capital Structure, Sharia Compliance, Leverage, Islamic Banking, Dual Banking System.

Introduction

In developing a business, a company needs capital, which can come from either debt or equity. Capital sources can be internal or external. Internal funds come from additional capital from owners and accumulated profits. Meanwhile, external funds come from bonds, issuing shares, and loans from other parties. The mix of internal and external funds in a company is called the capital structure.

Capital structure plays an important role in balancing debt and equity to boost a company's profitability, especially in banking. To balance the two, certain theories are needed, such as the tradeoff theory (Kraus and Litzenberger, 1973), the pecking order theory (Myers and Majluf, 1984), and the agency theory (Jensen and Meckling, 1976). These three theories offer three different explanations for balancing debt and equity. Research conducted by (Mardianto, 2021) stated that profitability, company size, growth opportunities, tangibility, and dividends are determinants of capital structure in banking in Indonesia. However, these theories were formed based on conditions in the conventional environment, where interest rates and regulations may differ from the principles in Islamic Banking.

In the Islamic financial system, charging interest (riba) on loans is prohibited (Masdiana, 2025). Interest is considered a form of injustice, so Islamic finance follows the principles of sukuk and mudharabah. These principles are different from conventional banking. However, conventional and Islamic banking can operate side by side, under the supervision of the Financial Services Authority and Sharia compliance based on the fatwas of the National Sharia Council of the Indonesian Ulema Council. This situation provides a unique opportunity to test whether Sharia compliance affects capital structure and whether the performance of conventional banking can be applied to banking based on Sharia principles. These restrictions can significantly change funding decisions.

Although Islamic finance has been growing globally, its impact on capital structure is still unexplored, particularly the role of Sharia compliance in Indonesia's dual banking system. Some studies have compared Islamic and conventional companies in broader developing countries (Althaqeb, 2025; Ghenimi, 2025), but none have focused on a dual financial system with strong regulations, like the one in Indonesia. To address this gap, it's necessary to investigate whether the determinants of capital structure in conventional banking can be applied in the Sharia context, which acts as a structural constraint on the use of debt and equity. Indonesia offers two advantages for this research. First, there is government regulation on Islamic banking through the National Sharia Board of the Indonesian Ulema Council, which refers to sharia compliance fatwas (Hidayat, 2025). Second, the growth of Islamic banking in Indonesia has a higher growth rate than conventional banking, which is 8.54 percent YoY, compared to conventional banking at 5.9 percent YoY (Infobank Institute, 2025). Based on these factors, Indonesia is a suitable place to test whether conventional capital structures apply in a Sharia-segmented economy.

In this study, two research questions are proposed. First, do the determinants of conventional capital structure such as profitability, firm size, asset tangibility, and growth opportunities still hold in the context of Islamic banking? Second, does compliance with Sharia principles affect capital structure and its implications for stability and banking performance in Indonesia's dual banking system?

This study uses data from both Islamic and conventional banks in Indonesia for the period 2019 - 2025 to analyze capital composition, equity, and firm value. The study has two contributions. First, it contributes to the finance literature by testing the relevance of conventional capital structure theories, like the trade-off and pecking order theories, in the context of Islamic banking. With the prohibition of interest and the application of mudharabah, this research enriches our understanding of how Sharia principles influence capital structure decisions. Secondly, this study also provides practical benefits for the banking industry and regulators in formulating policies that support the stability and growth of Islamic banking.

Literature Review

In conventional models, the system offered does not involve calculations and behavior of Islamic corporate finance, which faces unique sharia regulations and institutions. As a country with the largest Muslim population in the world, the influence of the Islamic financial system in Indonesia is quite strong. So research on capital structure in the Islamic financial system is quite crucial.

Capital Structure Theory in Conventional Finance

Capital structure theory provides companies with alternatives to choose the mix between debt and equity to finance their operations and investments. (Modigliani, 1958) stated that in a perfect market, capital structure does not affect the company's value. Moreover, debt can increase the company's value. Later theories introduced several real-world factors to explain why companies adopt different strategies in determining debt and equity. These theories include the trade-off theory, pecking order theory, and agency theory, which are the most widely studied.

The Tradeoff Theory (Kraus, 1973) states that an optimal capital structure can be achieved by balancing equity and debt. The more beneficial debt is for a company, the more it will be maintained. According to Myers (1977), companies that use debt in their capital structure gain advantages. This view is supported by research (Muhammad, 2021), which confirms that debt can increase investment components. This is directly related to earnings per share, which impacts the company's value.

In Pecking Order theory (Myres, 1984), it is argued that companies are advised to use internal funds first. This is because internal funds are easier to obtain than external funds. Companies tend to have an easier time getting financing through retained earnings, then debt, and finally equity. In addition, the funding used is more efficient, and companies can limit the disclosure of their financial situation (Aditya, 2023). However, this theory cannot be applied to all companies. According to Meilani (2021), companies with high business risks, like banks, are advised to use debt as their source of funding.

Agency theory (Jensen, 1976) explains roles and potential conflicts. Shareholders play a role in setting limits and demanding hard work from managers. This system affects managers' behavior in making decisions about capital structure. The theory also mentions that debt can discipline management by limiting free cash flow, but it can potentially conflict with creditors.

Several studies form the basis of this investigation. Research carried out by (Asti, 2026) shows that company growth rate does not significantly affect capital structure. This is because profit growth is not always accompanied by company growth, so growth rate is not an indicator in determining capital structure. On the other hand, profitability has an inverse relationship with capital structure. If profitability increases, the level of capital structure will decrease.

According to Kelvin (2023), high debt usage can be a positive signal for a company because it shows the company's ability to secure external funding to support operational activities and business expansion. When a company can optimally utilize external capital, its growth opportunities will increase. Companies with high growth rates reflect their ability to run operations effectively and efficiently, which can improve company performance. According to Aziza (2026), company performance is not entirely influenced by the amount of fixed assets owned. Asset tangibility only shows the proportion of tangible assets in the company and does not necessarily reflect the company's ability to manage those assets productively in operational activities. Therefore, tangibility does not directly affect company performance.

In the conventional financial system, there are five determinants of capital structure: profitability, company size, growth opportunities, tangibility, and dividends, which are considered determinants of capital structure in banking in Indonesia (Mardianto, 2021). This study looks at whether these determinants are still relevant in the context of an interest-free Islamic financial system, especially in Indonesia, which has a dual banking system.

Conventional capital structure theory may not fit the Islamic financial system. This is due to several characteristics of the Islamic financial system: a) the absence of interest (riba) in its operations; b) Sharia principles prohibit uncertainty (gharar) and gambling (maysir); c) there is a profit-sharing system to strengthen relationships with investors (mudharabah and musyarakah) (Soemitra, 2017). These instruments often involve complex risk-sharing and guarantees, which can increase costs and reduce accessibility. As a result, Islamic banks are more cautious in applying capital structures (Muhammad, 2021). (Narayan, 2021) emphasizes that investment decisions influence the composition of a company's capital structure. Sharia companies rely more on their own capital (equity) and less on debt. Therefore, company growth depends more on internal funds than on borrowing.

However, other studies mention that Islamic banks in the Middle East can avoid interest-bearing debt and experience a 10% - 15% annual growth, which is more stable compared to conventional systems. This growth is supported by investments in the real sector, which can lead to lower financial distress (Widyantoro, 2025).

From all the arguments, this study looks into whether Sharia regulations result in lower debt levels and whether compliance with Sharia principles affects capital structure and banking performance in Indonesia's dual banking system.

Capital structure has been widely studied in various countries, but its application in Islamic banking is still limited. Most studies investigate the determinants of conventional capital structure that apply in Islamic banking, such as tangibility and growth opportunities (Kelvin, 2023). Most empirical research tests the tradeoff and pecking order theories in contexts where interest-bearing debt is encouraged through taxes (Althaqeeb, 2025). These studies were conducted in countries that adopt tax-free regulations for Islamic companies. Meanwhile, in Indonesia, the Islamic market is not entirely tax-free. There are income tax levies, and Islamic products such as certain mudharabah and murabahah structures are still subject to tax.

Other studies have identified capital structure in conventional systems, but its relevance in the Islamic financial system needs to be studied further (Alqahtani, 2019). There are still few studies that specifically examine the determinants of conventional capital structure in companies that follow Sharia regulations. Some research has discussed Sharia compliance applied in the banking sector, especially Islamic banking (Harahap, 2020) (Yunita, 2024). (Masdiana, 2025) stated that Islamic banking products also have highly competitive offerings. However, today's challenge is measuring the level of Sharia compliance in banking (Utami, 2021), because Sharia compliance is an important indicator considered by investors.

Existing research tends to focus on the Saudi Arabian and Malaysian markets, which have well-developed Sharia-compliant debt management and tax-free zones. These findings may not apply to countries like Indonesia, where the Sharia system limits the options for capital structure composition. As a result, our study addresses two central questions:

Q1: Do conventional determinants of capital structure, such as profitability, firm size, asset tangibility, and growth opportunities, still apply in the context of Islamic banking?

Q2: Does compliance with Sharia principles affect leverage and its impact on the stability and performance of banks in Indonesia's dual banking system?

Some studies acknowledge that Sharia compliance has a negative impact on leverage. Sharia companies face systemic financial constraints that limit their reliance on debt (Althaqeb, 2025). Sharia regulations in Indonesia make it easier to develop clear indicators about the role of Sharia to test its link with leverage. The goal is to provide empirical evidence on whether Sharia compliance affects banking stability and performance. By doing this, the research can make a significant contribution to both theory and practice. It examines whether the capital structure model applied in banking Conventional banking can inform investors, regulators, and financial institutions about financing behaviors that differ from Islamic banking within a dual banking system.

Hypothesis Development

This section develops two main hypotheses based on previous literature and relevant theoretical foundations. Referring to conventional capital structure theory, this study focuses on four main determinants, namely profitability, company size, growth opportunities, and tangibility. These four variables have been consistently shown to be significant in various empirical studies (Amanah, 2020). Therefore, this study examines whether these relationships at the firm level still hold in the context of Sharia-based companies:

H1: Determinants of conventional capital structure (profitability, company size, growth opportunities growth, and tangibility) positively affect leverage in the Indonesian market.

This hypothesis is based on empirical evidence stating that companies with more debt perform better and generate higher returns (Ima, 2024). Meanwhile, while H1 tests the relevance of conventional theory, the second hypothesis (H2) focuses on the role of Sharia compliance as a constraint in funding decisions. Several studies state that companies that comply with Sharia principles will have difficulty accessing debt (Tekdogen, 2025). However, other research finds that Sharia banks with high profitability actually achieve it by lowering their debt ratios (Widyantoro, 2025). Therefore, this study examines whether there is a significant difference in capital structure between Sharia and non-Sharia banking.

H2: Sharia compliance has a negative effect on capital structure; companies with high levels of sharia compliance tend to use less debt.

Findings (Pramayuda, 2024) explain that there has been an increase in profitability in Islamic banking in Indonesia, especially after mergers. (Bakry, 2025) adds that companies operating under sharia regulations generally have higher leverage. low, because it is influenced by sharia compliance and institutions, in addition to fundamental company factors.

This study aims to explain the relative role between conventional financial determinants and religion-based institutional constraints in determining capital structure. Moreover, the context of Indonesia, with its dual banking system and still shallow sharia bond market, provides a unique environment to test capital structure theory under conditions that are institutionally and religiously segmented.

Method

This study is built on the research by (Amanah, 2020) which states that the determinants of capital are profitability, company size, growth opportunities, and tangibility. Following their approach, we use panel data from both Islamic and conventional banking companies in Indonesia. The dataset comes from Islamic banks across Indonesia that are listed on the Indonesia Stock Exchange from 2019 to 2025.

The regression model is as follows:

$$Struktur\ Modal = \alpha + \beta_1 Profitabilitas_{it} + \beta_2\ Ukuran\ Perusahaan_{it} + \beta_3 Peluang\ Pertumbuhan_{it} + \beta_4 Tangibilitas$$

In testing the relationships between variables empirically, this study uses the Trade-Off Theory and the Pecking Order Theory as the main theoretical bases for explaining a company's capital structure decisions. According to the Pecking Order Theory, companies with high profitability tend to use internal funding before turning to external funding, so their use of debt is lower. Meanwhile, the

Trade-Off Theory explains that larger companies with highly tangible assets have a better ability to obtain funding through debt because their risk of bankruptcy is relatively lower and their assets can be used as collateral.

In addition, companies with high growth opportunities need more funding to support business expansion. In the context of Islamic companies, the level of Sharia compliance can also affect capital structure decisions because companies have to consider Sharia principles when determining their sources of funding.

The independent variables used are profitability, company size, growth opportunities, Sharia compliance, and tangibility. Meanwhile, the dependent variable is capital structure. Here's the formula for the calculation. In addition, companies with high growth opportunities need more funding to support business expansion. In the context of Islamic companies, the level of Sharia compliance can also affect capital structure decisions because companies have to consider Sharia principles when determining their sources of funding.

The independent variables used are profitability, company size, growth opportunities, Sharia compliance, and tangibility. Meanwhile, the dependent variable is capital structure. Here's the formula for the calculation.

Table 1. Variable and Formula For The Calculation

No	Variable	Category	Indicator
1	Leverage	Variabel Dependen	$DER = \frac{Total\ Hutang}{Total\ Ekuitas}$
2	Profitability	Variabel Independen	$ROA = \frac{Laba\ Bersih\ Setelah\ Pajak}{Total\ Aset} x\ 100\%$
3	Size	Variabel Independen	$Firm\ Size = In\ (Total\ Aset)$
4	Growth Opportunity	Variabel Independen	$GO = \frac{Total\ Aset_t - Total\ Aset_{t-1}}{Total\ Aset_{t-1}} x\ 100\%$
5	Tangibility	Variabel Independen	$Tangibility = \frac{Aset\ Tetap}{Total\ Aset}\ x\ 100\%$

This investigation uses descriptive and associative research methods. The descriptive research method is a research method to describe phenomena that occur currently or in the past. The associative research method aims to explain the cause-and-effect relationship between one variable and another. The data analysis techniques include descriptive statistics and panel data regression model analysis. In panel data regression for estimation, there are three models: (1) Common Effects Model; (2) Fixed Effects Model; and (3) Random Effects Model. After determining the panel data regression estimates, the next step is to select the panel data regression model. The selection of the panel data regression model consists of three tests, namely (1) Chow Test; (2) Hausman Test; (3) Lagrange Multiplier Test. The classical assumption tests on panel data are the autocorrelation test and heteroscedasticity test with certain provisions. The heteroscedasticity test is conducted if the panel data model is a fixed effect model. The autocorrelation test is conducted on time series data. The next testing is hypothesis testing, which includes the coefficient of determination, F-test, and t-test.

Results and Discussion

This research uses secondary data in the form of financial reports published from 2019 to 2025 by conventional and Islamic banks in Indonesia. The total population is 8, with 4 from Islamic banks and 4 from conventional banks. According to the sample selection criteria, they must have Islamic products and data available over a 7-year period. As a result, 56 data points were observed.

Table 2. Variable and Formula For The Calculation

No	Bank	Status
1.	Bank Muamalat	Syariah

2.	Bank Panin Dubai Syariah	Syariah
3.	BTPN Syariah	Syariah
4.	Bank Aladin	Syariah
5.	BTN	Konvensional
6.	Bank Sinarmas	Konvensional
7.	Cimb Niaga	Konvensional
8.	Bank Danamon	Konvensional

In selecting the sample, this study uses a purposive sampling method. Based on this approach, there are 8 banks in Indonesia that meet the criteria. Table 3 shows the descriptive statistics including mean, standard deviation, maximum, and median for 56 data points.

Table 3. Descriptive Statistics

	DER	GO	ROA	SC	SIZE	TANG
Mean	4.363927	0.161932	0.007947	0.414597	18.48434	0.026218
Median	3.346924	0.080713	0.006644	0.505811	17.85715	0.020059
Maximum	16.07858	2.012436	0.108023	0.910687	24.92726	0.135049
Minimum	0.035465	-0.159569	-0.319704	-0.004102	12.16650	0.003711
Std. Dev.	4.154999	0.338376	0.054200	0.259422	3.378786	0.022268

The descriptive statistical analysis results from Table 2.4 for the dependent variable, leverage, measured using the debt-to-equity ratio, which is the comparison between total debt and total assets, show an average of 43.63%. This indicates that, on average, banks in Indonesia are funded by external funds. The maximum capital structure value of 16.07858 was recorded by Bank Tabungan Negara in 2020, while the minimum value of 0.035465 was BTPN Syariah.

Descriptive statistical analysis for the growth opportunity variable shows an average value of 0.161932, with a median of 0.080713. The maximum growth opportunity of 2.012436 was from Aladdin Bank in 2021, while the minimum of -0.159569 came from Panin Dubai Syariah in 2021. For the profitability variable, measured using return on assets, the average is 0.007947 or 0.79%. This indicates that banks in Indonesia on average generate 0.79% from every asset they use. The maximum profitability value of 0.108023 or 10.80% was from Aladdin Bank in 2019, while the minimum of -0.319704 was from Aladdin Bank in 2023.

Next, based on descriptive statistical analysis for the company size variable, it shows an average of 18.48434, with a median value of 17.85715. The maximum company size of 24.92726 is Bank Muamalat in 2023, while the minimum value of 12.16650 is Bank Danamon in 2021. Analysis of the growth opportunity variable shows an average of 0.161932, with a median value of 0.080713. The company with the maximum value of 2.012436 is Bank Aladin in 2021, while the minimum value of -0.159569 is Bank Panin Dubai Syariah in 2021.

Based on the analysis of the tangibility variable, it shows an average of 0.026218, with a median value of 0.020059. The maximum tangibility value of 0.135049 was recorded by Bank Aladin in 2025, while the minimum value of 0.003711 was at Panin Dubai Syariah in 2024. The descriptive statistical analysis of the Sharia compliance variable, measured using the Islamic investment ratio, shows the composition of halal investments. It shows an average of 0.414597, with a median of 0.505811. The maximum value reached 0.910687 at Bank Tabungan Negara in 2021, while the minimum value of -0.004102 was from Bank Danamon in 2023.

Hypothesis Testing

Hypothesis testing was first carried out to choose the best regression model through the Chow Test and the Hausman Test. The Chow Test aims to compare the regression results between Common Effects and Fixed Effects. Meanwhile, the Hausman Test is conducted to compare Fixed Effects and Random Effects regression. Based on the results of the Chow and Hausman Tests, the model chosen in this study is the Fixed Effect Model (FEM). To get more optimal estimation results against the possibility of heteroskedasticity, the estimation was done using White Cross-section Standard Errors (Robust Standard Errors).

Based on the results from table 4, it was revealed that the growth opportunity variable has a probability value of 0.4412 < 0.05 and a coefficient value of 9.755302. This means that the growth opportunity variable has a positive but not significant effect on capital structure. In this study, profitability is measured using the Return On Asset ratio. The results for the profitability variable show a coefficient of 2.884808. The probability for the profitability variable shows 0.8006 > 0.05. This means that profitability has a positive but not significant effect on capital structure.

Table 4. Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.755302	3.659363	2.665847	0.0108
GO	-0.298387	0.383864	-0.777326	0.4412
ROA	-0.733000	2.884808	-0.254090	0.8006
SC	0.719216	0.578771	1.242660	0.2207
SIZE	-0.334826	0.201238	-1.663835	0.1034
TANG	21.11654	18.40908	1.147072	0.2577

The research results for the shariah compliance variable (shariah compliance) measured by the IIR (Islamic Investment Ratio) proxy have a coefficient of 0.719216. This shows that every increase in halal investment tends to increase leverage by 7.20%. It has a probability of 0.2207 > 0.05, which means that shariah compliance has a positive but not significant effect on capital structure. In this study, firm size has a probability of 0.1034 > 0.05. The coefficient for firm size is -0.334826. So, every increase of 1% will raise the capital structure by 33.49%. This indicates that firm size has a negative but not significant effect on capital structure.

The tangibility variable in this study has a coefficient of 21.11654. The probability result is 0.2577 > 0.05. This means that tangibility has a positive but not significant effect on capital structure.

The profitability variable has a positive but not significant effect on capital structure. This result shows that increased confidence can automatically attract funds from third parties. The average ROA in Indonesian banking is recorded at 0.79%. This indicates a fairly good probability level. Moreover, there is an Islamic bank with a maximum value of 1.80%, namely Bank Aladin. This aligns with the Trade-Off theory, which considers the benefits of debt in the composition of a company's capital structure. This study's results are consistent with research by Muhammad (2021) that profitability has a positive effect on capital structure.

The growth opportunity variable has a positive but not significant effect on capital structure. An increase in growth is usually followed by a higher level of debt usage. The average growth opportunity is at 16.19%, showing a fairly good level. The bank with the highest growth opportunity value is Bank Aladin in 2021. Company size has a negative but not significant effect on capital structure. The larger a company is, the greater its chance of obtaining external funding sources. The average growth opportunity is 18.48434, which means the company has quite substantial total assets. Meanwhile, the highest scale, at 24.92726, is Bank Muamalat in 2023.

Tangibility has a positive but insignificant effect on capital structure. It measures fixed assets financed by debt. The average value of 0.26% reflects that fixed assets compared to total assets in the sampled banks are still relatively low. The maximum tangibility value is 1.35%, which is Bank Aladin in 2025. These three determinants show that profitability, growth opportunities, and tangibility all have a positive effect on banking leverage in Indonesia.

The hypothesis testing results show that the Sharia compliance variable, proxied using the Islamic Investment Ratio (IIR), has a regression coefficient of 0.719216 with a probability value of 0.2207. The positive coefficient value indicates that Sharia compliance is positively related to leverage, meaning that an increase in the Islamic Investment Ratio (IIR) tends to be accompanied by an increase in leverage. However, the probability value being higher than the 5% significance level (0.2207 > 0.05) indicates that this effect is not statistically significant. So, the hypothesis stating that Sharia compliance affects leverage is not supported.

This shows that the proportion of investments that comply with sharia principles doesn't directly affect a bank's decision in determining its capital structure. Decisions about funding sources are probably more influenced by other factors, like the company's financial condition, company size, funding needs, or policies and regulations in the banking sector.

The positive relationship direction shows that the higher the Islamic Investment Ratio (IIR), the more leverage tends to increase. However, since this relationship is not statistically significant, this tendency can't really be generalized as a real effect. So, sharia compliance, as indicated by the Islamic Investment Ratio (IIR), can't yet be considered a factor that statistically affects leverage in banks during this study period.

Conclusion
This study analyzes the effect of profitability, growth opportunities, company size, tangibility, and Sharia compliance on capital structure in Indonesian banking during the 2019–2025 period. Based on the analysis results using the Fixed Effect Model (FEM) with White Cross-section Standard Errors estimation, it can be concluded that none of the variables studied have shown a significant impact on capital structure.
The research results confirm that profitability, growth opportunities, tangibility, and sharia compliance lead to a positive effect on capital structure, while company size has a negative effect. However, all variables have significance values above 5%, so statistically, these effects are not significant. This situation indicates that capital structure decisions in Indonesian banking during the study period cannot be clearly explained by these five variables.

Specifically, Sharia compliance, measured using the Islamic Investment Ratio (IIR), shows a positive relationship with capital structure, but it doesn't have a significant effect. This confirms that the level of compliance with Sharia principles hasn't yet become a factor that directly influences leverage decisions in Indonesian banking. So, capital structure policies are likely to be influenced by other factors, like the company's financial condition, funding needs, regulatory policies, and the dynamics of the banking industry.

Overall, this study shows that the determinants of capital structure, which include profitability, growth opportunities, company size, tangibility, and Sharia compliance, have not been able to significantly explain the variation in capital structure in banks in Indonesia during the 2019–2025 period. Therefore, future research is expected to develop the research model and add other more relevant variables so that it can comprehensively explain the factors influencing banks' capital structure.

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