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Capital structure phenomenon in Indonesia

Axel Giovanni[1], Devi Wahyu Utami[2] and Ibnu Nur Hamzah[3]

[1,2] Management Study Program, Faculty of Economics, Tidar University, Magelang City, Indonesia

[3] Master Degree Program in Agricultural Economics, Swedish University of Agricultural Sciences, Almas Allé 8, 750 07 Uppsala, Sweden

Abstract

This study aims to provide empirical evidence regarding the capital structure phenomenon in non-financial sector companies in Indonesia. The study population was all non-financial companies listed on the Indonesia Stock Exchange for the 2014-2018 period. The research sample of 1,770 companies obtained through the purposive sampling method. This research uses descriptive study method. The result of this study show that the basic industry and chemical sectors have the highest average use of debt than other non-financial sectors in the 2014-2018 period. Meanwhile, the consumer goods industry is the non-financial sector, with the lowest average debt utilization level in the 2014-2018 period. This study sees that, in general, the company's capital structure changes with changes in macroeconomic conditions.

Keywords— Capital structure; descriptive study; phenomenon

Abstrak

Penelitian ini bertujuan untuk memberikan bukti empiris mengenai fenomena struktur modal pada perusahaan sektor non-keuangan di Indonesia. Populasi penelitian meliputi seluruh perusahaan non-keuangan yang terdaftar di Bursa Efek Indonesia periode 2014-2018. Sampel penelitian sebanyak 1.770 perusahaan diperoleh melalui metode *purposive sampling*. Penelitian ini menggunakan metode studi deskriptif. Hasil studi menunjukkan bahwa sektor industri dasar dan kimia memiliki rata-rata penggunaan utang tertinggi dibandingkan sektor non-keuangan lainnya pada periode 2014-2018. Sedangkan industri barang konsumsi merupakan sektor non-keuangan dengan rata-rata tingkat penggunaan utang terendah pada periode 2014-2018. Studi ini melihat bahwa secara umum struktur modal perusahaan berubah seiring dengan perubahan kondisi makroekonomi.

Kata kunci— Struktur modal; statistika deskriptif; fenomena

I. INTRODUCTION

Capital structure is a fundamental financial decision for a company. Companies need financing for various purposes such as project investment financing, debt payments, achieving optimal leverage levels, making acquisitions, financing R&D activities, and meeting working capital needs (Stamou et al., 2020). Yildirim et al. (2018) define the capital structure as a composition in using debt and equity-related to the company's capability to meet stakeholder needs. The capital structure represents the optimal composition regarding debt and equity to meet the investment needs both as financial considerations both in the short and long term and affects the company's business activities (Saif-Alyousfi et al., 2020; Vo, 2017; Bolarinwa & Adegboye 2020; Khémiri & Noubbigh 2018).

Capital structure is one factor for maintaining financial balance and maximizing company value (Mangesti Rahayu et al., 2019). Capital structure concerning the company's future funding sources, liquidity, risk characteristics, capital cost, return rate, and firm value (Bajaj et al., 2020). The capital structure is used for project investment financing, making acquisitions, financing R&D activities, and meeting working capital needs (Stamou et al., 2020). Therefore, determining the optimal and appropriate capital structure composition is very

important to mitigate financial risks and minimize the possibility of financial difficulties (Mishra & Dasgupta, 2019).

The composition of the capital structure that is not appropriate can increase the risk of corporate financial difficulties (Rani et al., 2019). This condition can be represented by companies' performance in the property, real estate, and building construction sectors. Reporting from Bisnis.com (2019), the construction sub-sector is a sub-sector with high leverage. One of the companies in the property, real estate, and building construction sector is PT Plaza Indonesia Mandiri. Reporting from CNN Indonesia (2020), PT Plaza Indonesia Mandiri recorded a loss of Rp 22.5 billion. Meanwhile, interest-bearing debt at the company increased from the first quarter of 2019, amounting to Rp 13.5 trillion to Rp 20.05 trillion in the first quarter of 2020. Based on the JLL Global Capital Flows report, the volume of real estate transactions in the Asia Pacific decreased by 26 percent to become the US $ 34 billion in the first quarter of 2020. Thus, it is evident that capital structure decisions, especially the proportion of debt use, are important decisions that affect company performance.

The phenomenon of capital structure, in general, can be explained through trade-off theory, agency theory, and pecking order theory. Trade-off theory explains the optimal composition of debt to maximize benefits by considering the costs arising from the use of debt (Detthamrong et al., 2017; Orlova et al., 2020). Trade-off theory considers aspects of agency cost. Agency cost is born from the agency theory paradigm (Jensen & Meckling, 1976), which describes its separation of ownership and control. Agency cost on the capital structure describes the impact of taxes and risks on leverage. The conflict between shareholders and managers results in agency costs. This conflict occurs when there is a possibility that the company's management can manipulate and hide financial information and various strategic information from shareholders (Pacheco & Tavares, 2015). Pecking order theory explains the preference for a capital structure where a company has a hierarchy in determining funding sources (Myers, 1984; Myers & Majluf, 1984). The existence of asymmetric information encourages company management to use internal sources of funds first and external sources in debt and issuance of equity as the last option (Hang et al., 2018).

Macroeconomic conditions influence capital structure decisions (Cook & Tang, 2010; Hackbarth et al., 2006; Korajczyk & Levy, 2003). Companies that have the goal of maximizing profits will see how macroeconomic conditions for consideration of business expansion or not. Right macroeconomic states can allow a company to increase its income by using leverage. Still, if macroeconomic conditions are not supportive, leverage can become a burden to the company. Previous research findings indicate that companies respond to the right macroeconomic conditions by adjusting their capital structure more quickly than in bad macroeconomic conditions.

Macroeconomic conditions can affect the company's capital structure because rational companies try to maximize their profits. Right macroeconomic conditions can signal that the company's market is getting bigger so that there are opportunities for the company to increase its demand. The decision on the form of the company's capital structure can change if the company sees this opportunity by considering the cost of capital and the expected return rate. Companies tend to increase their leverage level when macroeconomic conditions are right (Cook & Tang, 2010; Hackbarth et al., 2006). However, how firms respond to changing macroeconomic conditions can depend on their previous financial capacity (Korajczyk & Levy, 2003).

Studies on capital structure in Indonesia generally focus on the determinants and consequences of capital structure (Zulaecha & Mulvitasari, 2019; Kartika & Hasanudin, 2019; Tutliha & Rahayu, 2019; Lestari & Ardiana, 2019; Salma & Riska, 2020; Hidayat, 2019). In addition, descriptive research on capital structure is still limited to the elaboration of one business sector in Indonesia (Krisna Dewi et al., 2017; Tamam & Wibowo, 2018; Nita Septiani & Suaryana, 2018; Dewiningrat & Mustanda, 2018; Rico Andika & Sedana, 2019). Descriptive research on the topic of capital structure in all non-financial sectors in Indonesia is still limited, so further research is needed. This study aims to provide empirical evidence regarding the capital structure phenomenon in non-financial sector companies in Indonesia. This study further examines the pattern of corporate debt structure from a macroeconomic perspective.

II. RESEARCH METHODOLOGY

This research uses a descriptive study designed to represent a population's characteristics based on the information collected (Sekaran & Bougie, 2016; Donald R. Cooper & Pamela S. Schindler, 2014). In this study, the population includes all non-financial companies that have been listed on the Indonesia Stock Exchange in 2014-2018. The list of non-financial company sectors and definitions of business sectors can be described in

table 1. The sampling method was carried out by a purposive sampling method to obtain samples that match the specified criteria. The sampling criteria include a) Non-financial companies listed on the Indonesia Stock Exchange consecutively in the 2014-2018 period. b) Non-financial companies that publish audited financial reports for the period 2014-2018, respectively. c) Non-financial companies have complete capital structure measurement data for the 2014-2018 period. Based on these criteria, a research sample of 1,765 observations was obtained from 353 companies. The estimation results of the research sample are shown in table 2.

Table 1. Definition of Business Sector

Sector	Definition
Agriculture	The industrial sector's raw material supply sector includes the food crops, livestock, plantation, fishery, forestry, and service sectors directly related to these fields.
Basic industry and chemicals	A sector with a business scope of processing raw materials and basic chemicals into semi-finished and finished goods will then be processed in other economic sectors.
Consumer goods industry	The processing business sector, which transforms raw materials and semi-finished materials into finished goods, is generally used for personal consumption or household consumption.
Infrastructure, utilities, and transportation	The business sector includes energy supply, infrastructure building, transportation, telecommunication facilities, and other supporting services. Infrastructure buildings include non-building and houses.
Mining	A business sector in the mining and quarrying sector such as coal mining, oil and natural gas, rock quarrying, mineral mining, salt mining and extracting, gypsum mining.
Miscellaneous industry	The miscellaneous industry is the business sector, including manufacturing light and heavy machinery and their supporting components.
Property, real estate, and building construction	The construction sector includes building, renovating, demolishing houses and buildings, and real estate includes buying, renting, selling, and operating residential and non-residential buildings.
Trade, service, and investment	The business sector includes trade in small parties (retail) and large parties and the service business sector such as restaurants, hotels and inns, computers and their components, media and advertising and printing.

Source: Indonesia Stock Exchange (2020)

Table 2. Research Sample Estimation Results

Sector	Number of Samples
Agriculture	14
Basic industry and chemicals	54
Consumer goods industry	36
Infrastructure, utilities, and transportation	48
Mining	39
Miscellaneous industry	34
Property, real estate, and building construction	50
Trade, service, and investment	78
Total research sample	353
Total observations during the 2014-2018 period	1.765

Source: processed financial statements (2020)

Capital structure in this study is proxied by the ratio of debt to capital according to the book written by Baker & Martin (2011).

$$Debt\ to\ capital\ ratio = \frac{Total\ Debt}{Total\ Capital} \qquad (1)$$

Macroeconomic data in this study are investment interest rates, working capital interest rates, and economic growth. Interest rate data is used to see how the cost of capital is in condition, while economic growth is to describe the expected return rate obtained from an investment. This data is taken from Bank Indonesia and presented in percent.

The research data is secondary data. The list of companies in the non-financial sector is obtained through the Indonesia Stock Exchange website. Meanwhile, the debt to capital ratio data is obtained through the Bloomberg data provider site. The data analysis technique was carried out using descriptive statistics. Descriptive statistical analysis was chosen to provide a summary and informative data presentation (Lind et al., 2019). This study's descriptive statistical components consist of the maximum value, minimum value, standard deviation, and mean.

III. RESULT AND DISCUSSION

The descriptive statistics present the maximum value, minimum value, standard deviation, and the mean representing non-financial sector companies capital structure for the 2014-2018 period. The maximum value represents the highest proportion of debt use. The minimum value represents the proportion of the lowest level of debt utilization. The standard deviation value shows the amount of fluctuation in the debt use ratio data. The mean value indicates the average debt use ratio. The mean value is used to conclude the corporate sector with the highest and lowest use of debt. The trend of using debt in each sector can be explained as follows:

A. Agriculture

Based on descriptive statistical analysis, the value of the standard deviation of debt ratio data in agricultural sector companies in 2014-2018 shows a value of 17.22, 18.10, 20.25, 22.86, and 25.98, respectively. The standard deviation value indicates an upward trend. It is shown that the debt-to-equity ratio data is increasingly fluctuating. The mean value shows the average debt use ratio in the agricultural sector, namely 41.34, 47.19, 45.76, 43.12, and 51.35 in 2014-2018 period. The average proportion of debt use has fluctuated, where the highest average proportion of debt use occurred in 2018, with a mean value of 51.35 percent. It means that the company uses a larger proportion of debt than equity to meet its investment financing.

Table 3. Descriptive Statistics Results of Agricultural Sector (in percent)

Agriculture	2014	2015	2016	2017	2018
Standard Deviation	17.22	18.10	20.25	22.86	25.98
Mean	41.34	47.19	45.76	43.12	51.35

Source: processed data (2020)

Wulandari (2019) revealed that agricultural sector companies, especially in the plantation sub-sector, prefer to use capital from third parties in the form of debt to meet investment financing. Companies tend to use large debt offset by larger company sizes to diversify their business and avoid possible financial difficulties.

B. Basic Industry and Chemicals

Debt ratio data in the basic industry and chemicals sector for 2014-2018 is increasingly fluctuating. The magnitude of fluctuation in the debt ratio data in this sector is shown by increasing standard deviation value in 2014-2018 with 46.73, 47.17, 46.96, 48.29, and 61.28. Meanwhile, the average value of the level of use of debt in the 2014-2018 period is indicated by 50.00, 48.87, 46.68, 46.47, and 49.38. In general, company capital in the basic industry and chemicals sector uses a lower proportion of debt than company equity. The debt can prove this opinion to equity ratio below 50 percent.

Mahaningrum & Merkusiwati (2020) revealed that the higher level of debt utilization would increase companies' financial burden in the basic industry and chemicals sector. Conversely, debt in a low proportion provides investors information that the company is in a healthy condition. The high debt level is considered to reduce company value and increase companies' potential in the basic industry and chemical sector to experience financial difficulties.

Table 4. Descriptive Statistics Results of Basic Industry and Chemicals Sector (in percent)

Basic industry and chemicals	2014	2015	2016	2017	2018
Standard Deviation	46.73	47.17	46.96	48.29	61.28
Mean	50.00	48.87	46.68	46.47	49.38

Source: processed data (2020)

C. Consumer Goods Industry

The level of use of corporate debt in the consumer goods industry for the 2014-2018 period can be shown by the standard deviation and the mean value in table 5. The standard deviation shows the values of 25.08, 26.30, 17.65, 17.73, and 18.92. In general, the standard deviation value had decreased from 2014 by 25.08 percent to 18.92 percent in 2018. The average level of debt used in the consumer goods industry sector also shows a downward trend. The average levels of debt utilization are indicated by the mean values of 34.60, 34.27, 29.87, 27.14, and 25.68. The decline in the mean value in 2014 from 34.60 to 25.68 in 2018 strengthens that the level of corporate debt use in the consumer goods industry sector decreases.

Sari & Hartono (2020) revealed that when a company in the consumer goods industry sector has a large debt, it should pay off a considerable interest expense. It will impact more significant inflows of funds in line with the smaller taxes paid by companies so that the potential for companies in the consumer goods industry sector is experiencing lower difficulties in line with the increasing use of debt. For companies, increasing debt use must be balanced with maximum utilization to increase its profitability capability.

Table 5. Descriptive Statistics Results of Consumer Goods Industry Sector (in percent)

Consumer goods industry	2014	2015	2016	2017	2018
Standard Deviation	25.08	26.30	17.65	17.73	18.92
Mean	34.60	34.27	29.87	27.14	25.68

Source: processed data (2020)

D. Infrastructure, Utilities, and Transportation

The capital structure of companies in the infrastructure, utilities, and transportation sectors can be explained through descriptive statistics in table 6. The standard deviation value shows the level of fluctuation in capital structure data in 2014-2018, namely 59.60, 21.03, 20.76, 22.82, and 70.23. The most considerable data fluctuation occurred in 2018 with a standard deviation value of 70.23.

Table 6. Descriptive Statistics Results of Infrastructure, Utilities, and Transportation Sectors (in percent)

Infrastructure, utilities, and transportation	2014	2015	2016	2017	2018
Standard Deviation	59.60	21.03	20.76	22.82	70.23
Mean	54.36	43.31	42.64	40.42	52.57

Source: processed data (2020)

The mean value indicates the average level of debt utilization in the infrastructure, utilities, and transportation sectors in the 2014-2018 period with 54.36, 43.31, 42.64, 40.42, and 52.57. The average use of debt was relatively high in 2014 and 2018, with mean values of 54.36 and 52.57. This value indicates that the level of debt level is higher than equity in the composition of the company's capital structure.

According to Kartika & Hasanudin (2019), the high leverage level will increase companies' risk in the infrastructure, utility, and transportation sectors experiencing financial difficulties. The debt level in a high

proportion represents the company's dependence on debt funding sources, increasing its possibility of experiencing default.

E. Mining

The descriptive statistical analysis results show that the level of debt in mining sector companies is fluctuating. The large standard deviation values can prove it in the 2014-2018 period with 31.13, 53.92, 49.10, 26.75, and 28.68. The mean value in 2014-2018 was 41.99, 46.23, 47.01, 36.40, and 37.69. The mean value below 50.00 indicates that the level of debt utilization by mining sector companies is lower than the level of equity in the composition of the company's capital structure. Based on this value, the average level of debt utilization is quite volatile because, in 2014-2018, there was an increase and decrease in the level of debt used in this sector.

The average use of debt below 50 percent indicates that the use of debt in mining companies is lower than equity. Kurniasanti & Musdholifah (2018) revealed that mining companies prefer low-risk funding sources by increasing their profitability capabilities. Companies with large debt ratios will increase the risk of default and trigger financial difficulties.

Table 7. Descriptive Statistics Results of Mining Sector (in percent)

Mining	2014	2015	2016	2017	2018
Standard Deviation	31.13	53.92	49.10	26.75	28.68
Mean	41.99	46.23	47.01	36.40	37.69

Source: processed data (2020)

F. Miscellaneous Industry

Based on the descriptive statistical component calculation in table 8, the debt use ratio fluctuated in 2014-2018. It can be shown by the standard deviation values of 28.10, 31.89, 41.39, 48.55, and 58.19, which indicate an increase in the 2014-2018 period. Meanwhile, the mean value states the average level of debt used in various industrial sectors, namely 43.47, 45.63, 47.65, 44.76, and 45.29 in the 2014-2018 period. This value shows that the average level of debt used in various industrial sectors is lower than the level of equity in the composition of the company's capital structure. The highest average level of use of debt occurred in 2016 with a mean value of 47.65.

A low level of debt use will reduce the company's risk miscellaneous industry sector is experiencing financial difficulties. According to Febriyan & Prasetyo (2019), a high debt utilization level impacts higher interest payments. When the use of debt is not balanced with high sales performance, it will cause the potential for default on company obligations. Thus, the use of high debt can potentially increase the risk of a company facing financial difficulties (Nukmaningtyas & Worokinasih, 2018).

Table 8. Descriptive Statistics Results of Miscellaneous Industry Sector (in percent)

Miscellaneous industry	2014	2015	2016	2017	2018
Standard Deviation	28.10	31.89	41.39	48.55	58.19
Mean	43.47	45.63	47.65	44.76	45.29

Source: processed data (2020)

G. Property, Real Estate, and Building Construction

Fluctuations in capital structure data in the property, real estate, and building construction sectors can be represented by standard deviation values of 18.47, 16.54, 17.88, 18.72, and 20.18 in the 2014-2018 period. Compared to other non-financial sectors, the fluctuation of capital structure data in the property, real estate, and building construction sectors is relatively low. Meanwhile, the average level of debt utilization can be shown through the mean value in the 2014-2018 period of 30.61, 28.71, 29.69, 30.98, and 31.76. The mean value lower

than 50.00 indicates that the level of debt in the property, real estate, and building construction sector companies is lower than the level of equity in the composition of the company's capital structure.

Table 9. Descriptive Statistics Results of Property, Real Estate, and Building Construction Sectors (in percent)

Property, real estate, and building construction	2014	2015	2016	2017	2018
Standard Deviation	18.47	16.54	17.88	18.72	20.18
Mean	30.61	28.71	29.69	30.98	31.76

Source: processed data (2020)

Zulaecha & Mulvitasari (2019) dan Lestari & Ardiana (2019) revealed that the use of debt harms financial difficulties in property, real estate, and building construction companies. The level of use of debt is one factor that can provide information about the company's health condition. The higher the use of debt, the more significant its financial burden (Lestari & Ardiana, 2019) is interest costs. A low level of debt usage impacts the loan interest rate to below so that the ability to generate profits from the use of debt is even greater. It will improve the performance and sustainability of the company.

H. Trade, Service, and Investment

The level of debt used in the trade, service, and investment sectors can be explained by the standard deviation and mean values in table 10. The standard deviation shows 22.66, 23.15, 23.76, 24.06, and 25.52 in the 2014-2018 period. The standard deviation value increase shows a more significant fluctuation in the capital structure data in the trade, services, and investment sectors. The mean values in the 2014-2018 period were 35.72, 34.69, 33.61, 33.29, and 32.04. Based on this value, the average level of debt utilization in the trade, services, and investment sectors tends to decline.

Table 10. Descriptive Statistics Results of Trade, Service and Investment Sectors (in percent)

Trade, service, and investment	2014	2015	2016	2017	2018
Standard Deviation	22.66	23.15	23.76	24.06	25.52
Mean	35.72	34.69	33.61	33.29	32.04

Source: processed data (2020)

According to Priyatnasari & Hartono (2019), The high proportion of debt use can minimize financial difficulties in the trade, service, and investment sectors. Using debt, the company will bear the interest expense, which can be a tax deduction factor. Thus, the greater the use of debt, the more profit flows the company receives, so the possibility of experiencing financial difficulties is relatively low.

I. Average of Debt to Capital Ratio in Non-financial Sector

In 2014 and 2018, the infrastructure, utilities, and transportation sectors became the non-financial sector with the highest average use of debt with debt to capital ratios of 54.36 and 52.57 percent. Meanwhile, in 2015, 2016, and 2017, the highest average level of debt utilization was shown by the basic industry and chemical sector, miscellaneous industrial sectors, and the basic industry and chemicals sector with debt to capital ratio values of 48.87, 47.65, and 46.47 percent respectively. In general, the highest average level of debt utilization in the 2014-2018 period is shown by the basic industry and chemicals sector with a debt to capital ratio of 48.28 percent.

Meanwhile, the lowest average use of debt in 2014-2016 was shown by the property, real estate, and construction sectors with debt to capital ratios of 30.61 percent, 28.71 percent, and 29.69 percent. In 2017 and 2018, the lowest average use of debt was shown by the consumer goods industry sector, with a debt to capital ratio of 27.14 percent and 25.68 percent. Overall, the lowest average level of debt utilization in the 2014-2018 period is shown by the consumer goods industry sector with a debt to capital ratio of 30.31 percent.

Table 11. Descriptive Statistics Results of Non-financial sector (in percent)

|	2014	2015	2016	2017	2018	Mean
Agriculture	41.34	47.19	45.76	43.12	51.35	45.75
Basic industry and chemicals	50.00	48.87	46.68	46.47	49.38	48.28
Consumer goods industry	34.60	34.27	29.87	27.14	25.68	30.31
Infrastructure, utilities, and transportation	54.36	43.31	42.64	40.42	52.57	46.66
Mining	41.99	46.23	47.01	36.40	37.69	41.86
Miscellaneous industry	43.47	45.63	47.65	44.76	45.29	45.36
The property, real estate, and building construction	30.61	28.71	29.69	30.98	31.76	30.35
Trade, service, and investment	35.72	34.69	33.61	33.29	32.04	33.87
Maximum Value	54.36	48.87	47.65	46.47	52.57	48.28
Minimum value	30.61	28.71	29.69	27.14	25.68	30.31

Source: processed data (2020)
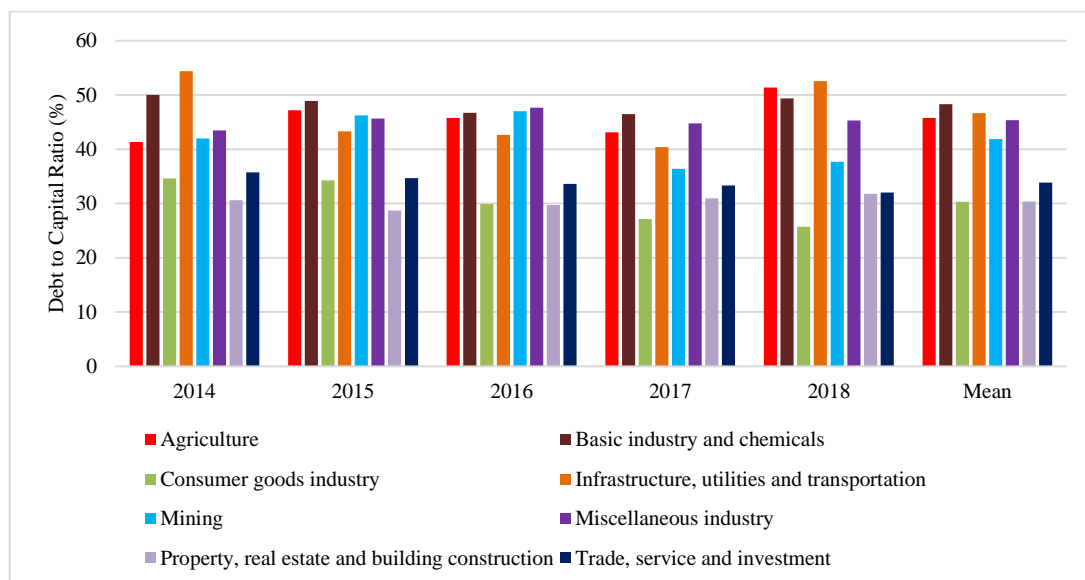
Fig. 1. Graph of Average Total Debt to Total Capital Ratio in the Non-Financial Sector

J. Company Debt Structure and Macroeconomic Conditions

This study looks at the pattern of the company's debt structure on average, showing a decline from 2014 - 2017 in line with the slowdown in economic growth at the beginning of that period. In that period, Indonesia's economic growth still showed a downward trend when viewed from 2012, which reached 6.03 percent. Meanwhile, in 2018, economic growth was at the level of 5.17 percent. When compared with changes in the company's debt structure in this period, it can be seen that the company tends to reduce its debt structure. The decline in the debt structure was also followed by lower average interest rates for investment and working capital loans.

The continuing downward trend in working capital credit and investment rates credit, was accompanied by a trend of economic growth that has increased slowly since 2015, making its debt structure increase again in 2018. The average debt structure in 2018 increased after experiencing a decline since 2014 and has been higher

compared to the debt structure in 2016. Increasing the debt structure can contribute to economic growth in line with the sustainability of economic growth. The company gets a rate of return commensurate with the cost of capital incurred from debt. However, if not, the company will revise its debt structure again to reduce the capital burden.

Table 12. Interest Rates (SB), Economic Growth, and Company Debt Structure

	2012	2013	2014	2015	2016	2017	2018
SB Working Capital Credit			12.81	12.46	11.36	10.68	10.34
SB Investment Credit			12.37	12.12	11.21	10.55	10.38
Economic growth	6.03	5.56	5.01	4.88	5.03	5.07	5.17
Debt Structure			41.51	41.11	40.36	37.82	40.72

Source: Bank Indonesia and company financial report processing results (2020)

IV. CONCLUSION

This study aims to provide empirical evidence regarding the capital structure phenomenon in non-financial sector companies in Indonesia. Based on the results of descriptive statistical analysis, each company sector has various levels of debt utilization. The basic industry and chemical sectors have the highest average use of debt than other non-financial sectors in the 2014-2018 period. Meanwhile, the consumer goods industry is the non-financial sector, with the lowest average debt utilization level in the 2014-2018 period. This study sees that, in general, the company's capital structure changes with changes in macroeconomic conditions. Thus the research objectives have been achieved. This study contributes ideas that are useful for decision making on the use of debt to finance investment for companies in the non-financial sector.

This research is limited to the use of descriptive statistical analysis. Future research is expected to provide empirical evidence on behavioral finance's role, such as herding behavior explaining capital structure variability.

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