

**BUKTI KORESPONDENSI**  
**ARTIKEL JURNAL INTERNASIONAL BEREPUTASI**

Judul artikel : Analysis of the Influence of Assets Structure, Earning Volatility, and Financial Flexibility on Capital Structure and Corporate Performance in Manufacturing Sector Companies on the IDX

Jurnal : Economic Studies Journal, 2024, Issue 1, 49-65.

Penulis : Muhammad Istan

<b>No</b>	<b>Perihal</b>	<b>Tanggal</b>
1	Bukti konfirmasi Submit artikel dan artikel yang disubmit	6 Mei 2023
2	Bukti konfirmasi review dari editor dan bagian yang direvisi oleh penulis	8 Mei 2023
3	Bukti komunikasi konfirmatif terkait syarat dan prosedur proses publikasi	9 Mei 2023
4	Bukti konfirmasi review beserta lampiran catatan reviewer dan bukti komunikasi revisi beserta file hasil revisi	31 Mei 2023
5	Bukti konfirmasi artikel diterima dengan LOA, penandatanganan letter of agreement, riwayat komunikasi prosedural menuju proses publikasi, dan konfirmasi publikasi artikel online	6 Juni 2023 – 4 Desember 2023
6	Bukti konfirmasi bahwa artikel sudah siap dipublikasikan dan lampiran artikel versi siap publikasi	5 Januari 2024

**Bukti Konfirmasi Submit Artikel dan  
Artikel yang Disubmit (6 Mei 2023)**



Muhammad Istan IAIN Curup <muhammadistan@iaincurup.ac.id>

---

## Manuscript Submission

24 pesan

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>

6 Mei 2023 pukul 12.43

Kepada: econ.studies@iki.bas.bg

Dear the editor of Economic Studies

I hope you are doing well. I am Dr. Muhammad Istan from Institut Agama Islam Negeri Curup, Indonesia. Via this email, I would like to submit one of my articles to Economic Studies. My article is titled "Analysis of the Influence of Assets Structure, Earning Volatility, and Financial Flexibility on Capital Structure and Corporate Performance in Manufacturing Sector Companies on the IDX". The article has been prepared according to the template of Economic Studies. The article is attached below. I hope that this submission can proceed to reviewing processes. I will be glad to receive any further information from you. Please let me know.

Best regards

Muhammad Istan



**Muhammad Istan Manuscript.docx**

133K

Muhammad Istan<sup>1</sup>

## **ANALYSIS OF THE INFLUENCE OF ASSETS STRUCTURE, EARNING VOLATILITY, AND FINANCIAL FLEXIBILITY ON CAPITAL STRUCTURE AND CORPORATE PERFORMANCE IN MANUFACTURING SECTOR COMPANIES ON THE IDX**

*Companies play a crucial role in improving a country's economy by providing jobs for many people. To enhance their performance in a competitive market, it is important for companies, particularly manufacturing firms, to pay attention to their capital structure and corporate performance. This has prompted researchers to analyze the effect of assets structure, earning volatility, and financial flexibility on capital structure and corporate performance in manufacturing sector companies listed on the Indonesia Stock Exchange (IDX). The study aims to determine whether asset structure, earning volatility, and financial flexibility have a significant influence on capital structure and corporate performance. The research method used is descriptive quantitative, with data collected from financial reports through purposive sampling of 58 companies. The data were analyzed using SPSS, and the analysis revealed that asset structure, financial flexibility, and earning volatility had a positive and significant effect on capital structure and corporate performance, with an influence value of 96.9% and 94.8%, respectively.*

*Keywords: Asset Structure, Earning Volatility, Financial Flexibility, Capital Structure, Corporate Performance JEL: G00 (according to <https://www.aeaweb.org/econlit/jelCodes.php?view=jel>)*

### **1. Introduction**

The levels of economic activities across nations are impacted in some way by companies as active industries (Lu et al., 2020). Therefore, it should not come as a surprise that every entrepreneur makes an effort to continue improving the standard of the company. The preceding way has an effect on raising the amount of money the business brings in (Anderson & McKenzie, 2022). One of the companies listed on the Indonesia Stock Exchange has manufacturing as its main focus of operations (Rosmianingrum et al., 2023). This company purchases raw materials from its suppliers to manufacture finished goods that are then sold to customers (Ariadi et al., 2021). However, several factors in the management of a company have the potential to affect significant aspects of a company's management, such as the capital structure and the corporation's performance (Laporšek et al., 2021).

According to Orlova et al. (2020), The arrangement of a company's financing, known as its capital structure, is a crucial element in ascertaining the proportion of debt and equity within it. More specifically, capital structure is used to compare long-term debt with equity in the company's capital (Dakua, 2019). Meanwhile, because this aspect or element is used to

---

<sup>1</sup> Muhammd Istan, Dr, Institut Agama Islam Negeri Curup, 085267073796, [muhammdistan@iaincurup.ac.id](mailto:muhammdistan@iaincurup.ac.id)

determine the level or measure of success of the company's performance in implementing various strategies to achieve the desired goals (Stubbs, 2019), corporate performance is also an important element for the company. This is because this aspect or element is used to determine the level or measure of success of the company's performance (Al-Gamrh et al., 2020).

There are several factors, such as the structure of the assets, the volatility of earnings, and flexible financing, that are suspected of affecting the capital structure and the performance of the corporation. The asset structure is the number of assets that can be used as collateral, and it is determined by comparing the total assets to the fixed assets (Delikanlı & Kılıç, 2021). Earnings volatility, also known as fluctuations in a company's profits, is a measure that can be used to get an overall picture of the risks associated with a company's day-to-day operations (Y. Chen et al., 2021). The ability of a company to carry out various actions effectively and related to the amount and time of cash flow is what is referred to as financial flexibility (Chang & Ma, 2019). This gives the managed company the ability to respond to a variety of unexpected challenges (Schleper et al., 2021).

Consequently, the investigator holds a keen interest in further investigating the examination of the impact of asset composition, earnings instability, and adaptable financing on the capital structure and business performance of manufacturing sector firms listed on the IDX. This investigation's objective is to ascertain whether or not the composition of a company's assets, the volatility of its earnings, and the availability of flexible financing have any bearing on the performance of a company's capital structure.

## **2. Literature Review**

### *2.1. Asset Structure*

Asset structure is an important concept in finance that refers to the composition of a company's assets. The asset structure of a company can affect its financial performance, risk, and valuation. One of the key concepts related to asset structure is the composition of assets. A company's assets can be categorized into two distinct types: current and non-current. Current assets have the ability to be converted into cash within a one-year timeframe, whereas non-current assets are anticipated to generate revenue for the enterprise over an extended period. Studies have shown that the asset structure of a company can affect its financial performance, with companies that have a higher proportion of non-current assets generally performing better than those with a higher proportion of current assets (Nguyen & Duong, 2021).

Another important concept related to asset structure is the balance between debt and equity. Companies can use debt or equity financing to acquire assets, and the asset structure of a company can be affected by the financing mix it uses. The ideal blend of financing for a corporation is contingent on multiple factors, such as the expenses associated with debt and equity, the tax rate, as well as the enterprise's risk profile. According to research, organizations with a larger share of debt financing have more financial leverage and risk, while those with a higher proportion of equity financing have a lower risk profile (Anagnostopoulou & Tsekrekos, 2017).

The capital structure theory is one of the most commonly researched asset structure theories. According to capital structure theory, a company's financing mix influences its cost of capital and hence its value. A company's ideal capital structure optimizes its value by balancing the costs of debt and equity. Numerous research endeavors have been executed to scrutinize the correlation between asset composition and worth, with some indicating that enterprises possessing a greater proportion of non-current assets are assigned a greater valuation (Hu et al., 2015; Koironen, 2014; Yao et al., 2015).

Contemporary investigations have also delved into the influence of asset composition on enterprise performance. A study by Carbó-Valverde et al. (2022) found that companies with a higher proportion of non-current assets tend to have higher financial performance. Meanwhile, those with a greater percentage of current assets tend to exhibit weaker financial performance. The authors suggest that this may be due to the fact that companies with a higher proportion of non-current assets tend to have higher capital expenditure, which can lead to higher revenue growth and profitability.

The concept of asset structure is an important one in finance, with implications for a company's financial performance, risk, and valuation. The optimal asset structure for a company depends on various factors, including the composition of assets and the financing mix it uses. Recent research has highlighted the importance of asset structure for firm performance and valuation, and further studies in this area are likely to yield important insights into the optimal management of asset structure in companies.

## *2.2. Earning Volatility*

Earning volatility is an important concept in finance and accounting as it measures the variability of a company's earnings over a certain period of time (Eiler et al., 2022). Current research endeavors analyze the impact of earnings instability on stock returns. The researchers find that investors are willing to pay a higher price for enterprises that possess more stable earnings, and that this correlation persists even after regulating for other variables, such as earnings expansion and the scope of the firm (Asness et al., 2019). The examination additionally illustrates that companies with more erratic earnings undergo more pronounced drops in stock prices when the market is under pressure. A separate investigation observes that the adverse influence of liquidity on stock returns is more substantial for firms that exhibit higher earnings volatility (Vatavu, 2015). This suggests that investors in emerging markets are more sensitive to earnings risk when assessing liquidity risk. In contrast, a study by Harjoto and Jo (2015) revealed that firms with more fluctuating profits are more likely to participate in CSR efforts to mitigate the negative effect of earnings volatility on their reputation and stakeholder relations. The research discovers a positive association between earnings volatility and CSR performance, implying that companies utilize CSR to offset the detrimental effects of earnings volatility. The above studies suggest that earning volatility has significant implications for firms' financial and non-financial performance, as well as for investors' valuation and risk assessment. However, the findings are mixed and highlight the need for further research to better understand the complex relationship between earning volatility, firm characteristics, and market dynamics.

Another current research endeavor examines the effect of earnings instability on business investments. The study concludes that companies with more erratic earnings often adopt more

cautious investment strategies, as they encounter heightened ambiguity and risk when making investment decisions (Tran, 2019). The author suggests that this relationship may reflect firms' desire to avoid costly financial distress, as well as their limited ability to access external financing when earnings are volatile. In a similar vein, a study by Hanlon et al. (2017) revealed that firms with more volatile earnings are more likely to reduce their dividend payouts, as they face greater financial uncertainty and need to conserve cash for future investments or operational needs. The study finds a negative relationship between earnings volatility and dividend payout ratios, suggesting that investors should pay attention to earnings risk when assessing the sustainability of firms' dividend policies. Also, a study by Tallman et al. (2018) demonstrated that firms with more volatile earnings may face greater pressure to innovate and adapt to changing market conditions, as they need to diversify their revenue streams and maintain their competitive advantage. The investigation determines a direct correlation between earnings instability and innovation efficacy, suggesting that firms use innovation as a means of mitigating the negative consequences of earnings risk.

Taken together, the aforesaid studies highlight the diverse implications of earnings volatility for firms' financial and non-financial outcomes, as well as for investors' valuation and risk assessment. The findings suggest that earning volatility should be considered as an important factor when evaluating firms' performance, investment, dividend, and innovation decisions. However, the mixed evidence also suggests the need for further research to better understand the mechanisms underlying these relationships and their implications for different stakeholders.

### *2.3. Financial Flexibility*

Financial flexibility is an important concept in finance that refers to a firm's ability to adjust its financing and investment decisions in response to changing market conditions and opportunities. One study by Ferrando et al. (2017) exhibited that firms with greater financial flexibility are better able to invest in growth opportunities, as they have more options to raise capital and manage their financial risk. The research discovers a positive association between financial flexibility and business investment levels, implying that financial flexibility is a key predictor of corporate development potential. Another study by La Rocca et al. (2019) informed that enterprises possessing greater financial adaptability are more capable of mitigating the repercussions of economic downturns, as they have more resources to adjust their operations and financing decisions. The authors suggest that financial flexibility can help firms maintain their competitive advantage and resilience in the face of market turbulence.

In contrast, Teece et al. (2016) argued that firms with greater financial flexibility are more likely to invest in innovation, as they have more resources and options to manage the risk and uncertainty associated with innovation. According to the findings, there is a positive association between financial flexibility and innovation performance, implying that financial flexibility is an essential factor of organizations' long-term development and competitiveness. Overall, these studies suggest that financial flexibility is an important concept in finance that has significant implications for firms' performance, value creation, and resilience. The results, however, emphasize the need for more study to better understand the processes behind the link between financial flexibility and company actions, as well as the situations under which financial flexibility is most advantageous.

Another study by Zhang et al. (2021) explores the effect of financial flexibility on corporate social responsibility (CSR) performance in businesses. The authors contend that organizations with higher financial flexibility are more inclined to participate in CSR activities because they have more resources and alternatives for managing CSR costs and risks. The investigation uncovers a positive correlation between financial adaptability and CSR efficacy, suggesting that financial adaptability can aid enterprises in harmonizing their financial and societal objectives, while simultaneously generating sustained value for stakeholders. Subsequently, Islam et al. (2022) argue that firms with greater financial flexibility are more likely to pay dividends, as they have more resources and options to manage their financial risk and maintain their financial flexibility. They discovered a positive association between financial flexibility and dividend payment, implying that financial flexibility might assist enterprises in maintaining financial soundness and signaling their worth to investors. However, it is important to note that financial flexibility is not without its potential drawbacks. A study by Hoberg et al. (2014) indicated that firms with greater financial flexibility may be more prone to take on risky investments, as they have more resources and options to manage the risks and costs associated with such investments. The research discovers a positive association between financial flexibility and risk-taking behavior in organizations, implying that financial flexibility might enhance firms' exposure to risk and uncertainty.

Overall, the above studies suggest that financial flexibility is a complex and multifaceted concept that can have both positive and negative implications for firms' performance, value creation, and risk exposure. Further research is needed to better understand the conditions under which financial flexibility is most valuable, and to identify the mechanisms that can help firms effectively manage their financial flexibility in a changing market environment.

#### *2.4. Capital Structure*

The configuration of debt and equity financing employed by a company to sustain its operations and investments is commonly known as its capital structure (Amosh et al., 2022). As a fundamental principle in corporate finance, the capital structure holds significant consequences for a company's cost of capital, financial risk, and overall efficacy. The pecking order theory, which posits that enterprises prefer to finance their investments with internal funds, such as retained earnings, followed by debt, and finally equity, is a crucial concept in the study of capital structure. A study conducted by Das et al. (2019) examines the pecking order theory in the context of Indian firms. The authors offer backing for the pecking order theory, asserting that Indian firms mainly rely on internal funds as a funding source, followed by debt and then equity. Another crucial concept in capital structure is the trade-off hypothesis, which suggests that firms weigh the benefits and costs of debt and equity financing to determine their optimal capital structure. A study conducted by Akbar et al. (2020) explores the trade-off theory in the context of Pakistani firms. According to the authors, Pakistani enterprises have an ideal debt-to-equity ratio that combines the tax advantages of debt financing with the costs of financial crisis.

In addition, a study by Ogunmuyiwa et al. (2020) examines the influence of capital structure on the performance of companies in Nigeria. The authors discover a link between debt financing and business performance, implying that debt financing may boost firm growth and profitability. They do, however, discover a negative link between debt financing and business financial risk, implying that excessive debt might raise enterprises' vulnerability to financial

trouble.

Furthermore, a study by Hashim and Amrah (2016) explores the influence of ownership structure on the capital structure of firms in Oman. The authors discover that family-owned enterprises had lower levels of debt financing than non-family-owned firms, implying that family ownership may influence capital structure choices. Overall, the aforementioned studies highlight the importance of capital structure in corporate finance and offer valuable insights into the concepts, theories, and findings related to this topic. However, further research is needed to better understand the factors that influence firms' capital structure decisions and to identify the optimal mix of debt and equity financing for different types of firms in different market environments.

The other concept related to capital structure is the signaling theory, which suggests that firms' financing choices can convey information to the market about the firm's future prospects. A study by Xu et al. (2021) find that Firms with larger levels of debt tend to have better stock returns, implying that debt financing might communicate to the market strong future prospects. Another important concept is the agency theory, which suggests that conflicts of interest can arise between the firm's owners (shareholders) and its managers, leading to suboptimal decisions about capital structure. A study by Lemma (2015) find that companies with higher degrees of institutional ownership tend to have lower levels of debt financing. This suggests that institutional investors may play a role in addressing agency problems related to capital structure decisions. Furthermore, a study carried out by Tang and Moro (2020) find that Firms that are financially restricted tend to depend more on short-term debt and equity financing, indicating that financial restrictions may have a major influence on business financing decisions.

Overall, the above studies provide valuable insights into the concepts, theories, and findings related to capital structure in different market environments. However, further research is needed to better understand the complex relationships between firms' financing choices, market conditions, and firm performance. Additionally, future research can explore the impact of new financing options, such as crowdfunding and digital finance, on firms' capital structure decisions.

### *2.5. Corporate Performance*

Corporate performance is a multi-dimensional concept that refers to how well a company performs in achieving its objectives, creating value for stakeholders, and generating profits (Wang et al., 2017). Financial performance is a commonly used metric for evaluating the success of a corporation, with several financial ratios, including return on assets (ROA), return on equity (ROE), and earnings per share (EPS), being utilized to assess it. A study by Kim et al. (2020) finds a positive relationship between ESG performance and financial performance, suggesting that firms that prioritize ESG factors tend to perform better financially.

Another concept related to corporate performance is corporate social responsibility (CSR), which refers to the extent to which companies contribute to social and environmental causes beyond their financial obligations. A study by Galant and Cadez (2017) finds there is a favorable correlation between financial performance and corporate social responsibility (CSR), suggesting that CSR could enhance the reputation, patronage and ultimately economic

benefits of organizations. Moreover, a study executed by Abdelwhab et al. (2019) finds a link between knowledge management techniques and business performance, implying that good knowledge management may lead to improved decision-making, innovation, and competitive advantage. Furthermore, Shahwan (2015) finds a positive correlation between the quality of corporate governance and financial performance, suggesting that sound corporate governance practices can improve financial reporting accuracy, alleviate agency problems, and ultimately enhance shareholder wealth. Overall, the aforesaid studies provide valuable insights into the complex relationships between different factors and corporate performance. However, further research is needed to better understand the causal mechanisms underlying these relationships and to explore the impact of different contextual factors such as industry, market conditions, and firm size on corporate performance.

Another important concept related to corporate performance is innovation, which refers to the ability of companies to develop and implement new products, services, and processes. A study by Gök and Peker (2017) finds a positive association between innovation and financial success, implying that innovative organizations outperform in terms of financial performance owing to their capacity to adapt to changing market circumstances and satisfy client requirements. Subsequently, a study by Yin et al. (2020) examines the impact of environmental innovation on the financial performance of Chinese firms. The authors discover a positive relationship between environmental innovation and financial performance, implying that companies that invest in sustainable practices perform better financially due to their ability to attract environmentally conscious customers, reduce costs, and improve their reputation. Moreover, a study by Chaudhry et al. (2019) find a positive relationship between customer orientation and financial performance, suggesting that firms that prioritize customer needs tend to perform better financially due to their ability to create loyal customers and increase sales. Continuously, a study by Wang et al. (2017) finds a positive association between ethical leadership and financial performance, implying that organizations with ethical leaders outperform their competitors financially owing to their capacity to establish a culture of trust, accountability, and social responsibility.

In short, the literature on corporate performance highlights the complex and multifaceted nature of this concept, which can be influenced by various factors such as financial, social, environmental, and ethical factors. The findings of these studies suggest that firms that prioritize innovation, sustainability, customer orientation, and ethical leadership tend to perform better financially and create value for their stakeholders. However, further research is needed to explore the underlying mechanisms and contextual factors that influence these relationships.

#### *2.6. Theoretical Interplay among Assets Structure, Earning Volatility, Financial Flexibility, and Capital Structure*

The interplay among asset structure, earning volatility, financial flexibility, and capital structure has been a topic of interest among researchers in finance and accounting in recent years. The relationship between these four factors is complex and multidimensional, and several studies have attempted to shed light on the mechanisms that drive this interplay.

One significant discovery in the academic literature is the strong correlation between asset structure and capital structure. Multiple research studies have indicated that companies with

a greater percentage of fixed assets tend to exhibit greater leverage ratios (e.g., Dakua, 2019; Rahayu and Saifi, 2020). The interrelation between asset structure and capital structure is a significant finding in the existing literature. Several studies have concluded that firms with a higher proportion of fixed assets are more likely to have greater leverage ratios. This connection is explained by the ability of fixed assets to act as collateral for debt financing, which can lower borrowing costs and enhance the firm's debt capacity. However, the connection between asset structure and financial flexibility remains less distinct. Certain studies have identified a negative correlation between asset structure and financial flexibility (e.g., Agrawal, 2020; Islam et al., 2022), while others have found a positive relationship (e.g., Panda et al., 2021). This inconsistency in the findings may be due to differences in the measurement of financial flexibility, as well as the heterogeneity of the firms and industries under study.

Earning volatility is another important factor that can affect the interplay among asset structure, financial flexibility, and capital structure. Increased earnings volatility may heighten the likelihood of default and restrict the firm's capacity to acquire external financing (e.g., Dierker et al., 2019; McCann et al., 2019). Therefore, firms with high earning volatility may choose to maintain lower leverage ratios and higher levels of liquidity to mitigate this risk (e.g., Begenau, 2020; Khan et al., 2020). Financial flexibility is also an important factor that can affect the interplay among these four factors. Several studies have found that firms with higher financial flexibility tend to have lower leverage ratios and higher levels of liquidity (e.g., Islam et al., 2022; Panda et al., 2021). This is due to the fact that having financial flexibility can act as a buffer against unforeseen disturbances and enhance the firm's capacity to obtain external financing in times of need.

Overall, the interplay among asset structure, earning volatility, financial flexibility, and capital structure is a complex and multifaceted phenomenon that is influenced by various internal and external factors. The findings in the literature suggest that firms should carefully manage their asset structure, earning volatility, financial flexibility, and capital structure to ensure that they are well-positioned to achieve their financial goals and create value for their stakeholders.

### *2.7. Theoretical Interplay among Assets Structure, Earning Volatility, Financial Flexibility, and Corporate Performance*

Several studies have explored the theoretical interplay among asset structure, earning volatility, financial flexibility, and corporate performance. According to a study carried out by Liu et al. (2022), financially constrained firms have a stronger link between higher asset tangibility and lower debt ratios. This relationship suggests that firms with more tangible assets may face lower debt ratios, implying that such assets may serve as collateral and reduce borrowing costs. Additionally, a higher proportion of tangible assets is positively associated with better financial performance, as found by their study. Another study by Habib and Hasan (2019) investigated the relationship between asset structure and financial performance in the context of emerging economies. The results of their research indicate a favorable correlation between asset tangibility and financial performance within emerging economies. This observation aligns with the fundamental principles of the pecking order theory of capital structure. The study additionally emphasizes the significance of acknowledging the influence of institutional variables in molding the connection between asset configuration and financial

performance.

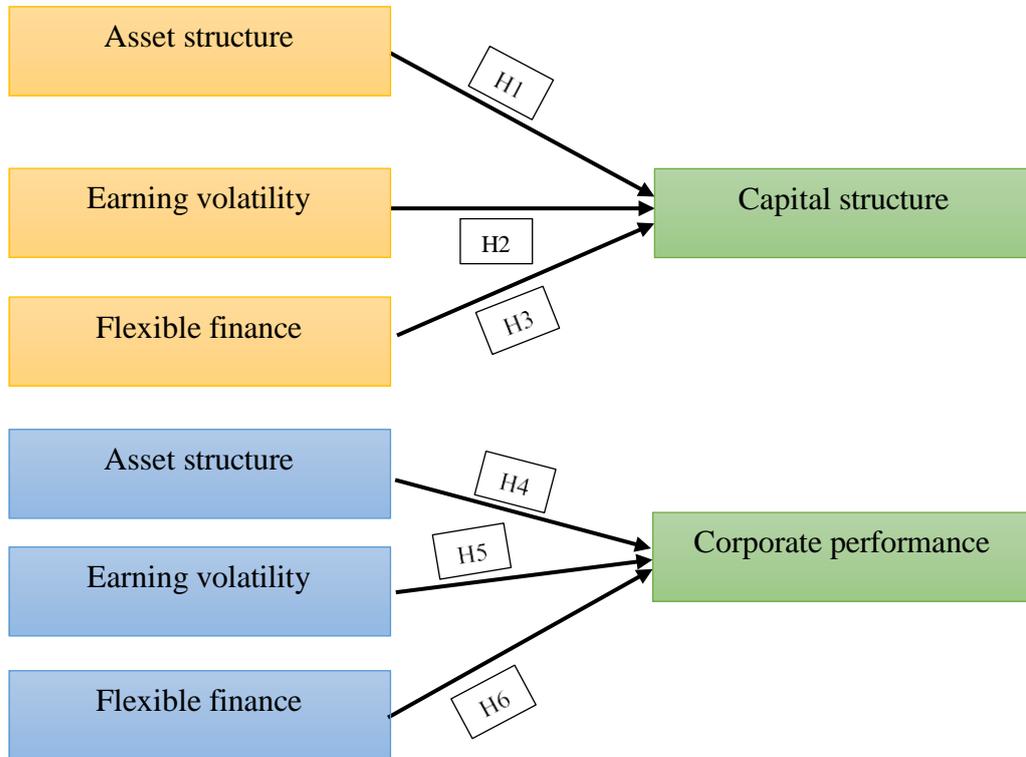
In terms of earning volatility, a study by Hudson and Muradoglu (2020) examined the relationship between earning volatility and financial performance in the Turkish context. Their discoveries indicate that enterprises with reduced earning instability exhibit enhanced financial performance, consistent with the principles of the signaling theory of capital structure. Additionally, their research revealed that financial adaptability regulates the association between earning volatility and financial performance, implying that organizations with elevated financial flexibility are better equipped to navigate the adverse repercussions of earning instability on financial performance. Subsequently, a study undertaken by Chao and Huang (2022) found that financial flexibility positively affects corporate performance, and this relationship is more pronounced in firms with higher asset tangibility. The study accentuates the significance of acknowledging the function of asset configuration in the connection between financial adaptability and corporate performance.

Overall, the studies mentioned earlier suggest that the theoretical interplay among asset structure, earning volatility, financial flexibility, and corporate performance is complex and multidimensional. While there is no universal model that can explain this interplay, the findings from these studies suggest that there are significant implications for firms' financial decision-making processes.

### **3. Method**

This study was conducted using a descriptive quantitative method, which means that the findings, which are presented in the form of numbers, are communicated using descriptions or sentences that are simple to grasp (Bloomfield & Fisher, 2019). Documenting the financial reports of manufacturing companies from 2019 to 2022 was the method that was used to collect the necessary data for the study. This study was carried out on 58 manufacturing companies that were chosen for participation through the process of purposive sampling. After that, the data that were collected were analyzed using SPSS's regression analysis tool. The following constitutes the theoretical framework for this study:

*Figure 1. Theoretical Framework*



### *3.1. Hypotheses*

H1: Assets structure has an influence on capital structure.

H2: earning volatility has an influence on capital structure.

H3: flexible finances have an impact on capital structure.

H4: Assets structure has an influence on corporate performance.

H5: Earning volatility has an influence on corporate performance.

H6: Flexible finance has an impact on corporate performance.

## **4. Results and Discussion**

After the analysis is carried out, the data is obtained as follows:

### *4.1. Normality Test*

The normality test was performed in order to gain insight into whether or not the data followed a normal distribution. The findings of the research indicate that:

**Table 1. Normality Test Data with Capital Structure Dependent Variables**

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		58
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	1.51060016
Most Extreme Differences	Absolute	.148
	Positive	.136
	Negative	-.148
Test Statistic		.148
Asymp. Sig. (2-tailed)		.006 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

The data were considered to be normally distributed because the sig. the Kolmogorov Smirnov value was greater than 0.05, which could be deduced from the information presented above.

Based on the aforementioned data, the Kolmogorov-Smirnov test yielded a significance value exceeding 0.05, signifying that the data adheres to a normal distribution.

**Table 2. Normality Test Data with Corporate Performance Bound Variables**

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		58
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	2.02268009
Most Extreme Differences	Absolute	.142
	Positive	.131
	Negative	-.142
Test Statistic		.142
Asymp. Sig. (2-tailed)		.007 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

#### 4.2. Multicollinearity Test

The purpose of conducting this test was to establish whether or not the data distribution exhibited multicollinearity. The following is a list of the outcomes of the test for multicollinearity:

**Table 3. Multicollinearity Test Data with Capital Structure Dependent Variables**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-10.249	3.189		-3.214	.002		
	Asset structure	-.126	.052	-.082	-2.402	.020	.496	2.014
	Earning volatility	.385	.078	.264	4.956	.000	.205	4.886
	Flexible finance	.917	.061	.799	14.986	.000	.204	4.892
a. Dependent Variable: capital structure								

It can be inferred from the above-presented data that the VIF value was under 10 and the tolerance value was over 10, thereby indicating an absence of multicollinearity in the data.

**Table 4. Multicollinearity Test Data with Corporate Performance Dependent Variables**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.033	4.270		-.008	.994		
	Asset structure	.052	.070	.033	.739	.463	.496	2.014
	Earning volatility	-.126	.104	-.083	-1.212	.231	.205	4.886
	Flexible finance	1.216	.082	1.024	14.851	.000	.204	4.892
a. Dependent Variable: corporate performance								

According to the information provided by the data above. The VIF value was less than 10, and the tolerance value was greater than 10. Hence, it could be concluded that the data did not exhibit multicollinearity.

#### 4.3. Regression Test

A regression test was carried out in order to ascertain whether or not the research hypotheses should be accepted. The following is a list of the findings from the regression test:

**Table 5. Test Data H1, H2, and H3**

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-10.249	3.189		-3.214	.002
	Asset structure	.126	.052	.082	2.402	.001
	Earning volatility	.385	.078	.264	4.956	.000
	Flexible finance	.917	.061	.799	14.986	.000

a. Dependent Variable: capital structure

The data presented above demonstrates that the structure of assets, the volatility of earnings, and the flexibility of financial resources all had positive and significant impacts on capital structure. Accordingly, H1, H2, and H3 were accepted. The findings of the current study can be explained through the pecking order theory of capital structure. According to this theory, companies prefer internal financing over external financing, and debt financing is favored over equity financing (Guizani, 2020). This preference for internal financing is due to the lower cost and reduced risk associated with it. In contrast, external financing requires companies to pay a premium for funds and is associated with higher risk. In light of the pecking order theory, the positive impact of asset structure, earnings volatility, and financial flexibility on capital structure can be attributed to the fact that they enhance a company's ability to generate internal funds. By having a more tangible asset structure, a company can access lower-cost debt financing, reducing the overall risk of external financing. Similarly, a company with lower earnings volatility is less risky and can access more favorable financing terms. Finally, a company with high financial flexibility can better navigate financial distress and access lower-cost financing.

The results of the present study were consistent with the findings revealed by Chen et al. (2019). They found that the asset structure was one factor that influenced the capital. Therefore, managers of companies ought to pay significant attention to the management of their companies, particularly aspects of assets structure, earning volatility, and flexible finances. This was due to the fact that these factors had an impact on the capital structure, which would later be used in the operation of the company. In recent years, scholars have extensively researched the impact of asset structure, earnings volatility, and financial flexibility on capital structure. For instance, Kyissima et al. (2020) investigated the relationship between asset tangibility and capital structure among Chinese firms and found a significant positive correlation. Similarly, Chang and Ma (2019) examined the effect of financial flexibility on capital structure in Chinese listed companies and concluded that financial flexibility had a positive impact on capital structure. Therefore, the findings of the current study add to the growing body of literature on the importance of managing asset structure, earnings volatility, and financial flexibility to optimize capital structure. Managers

should pay close attention to these factors as they impact the capital structure of the company, which in turn affects its overall performance and success.

**Table 6. Model Summary of H1, H2, dan H3**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.984 <sup>a</sup>	.969	.967	1.55199
a. Predictors: (Constant), flexible finance, Assets structure, earning volatility				
b. Dependent Variable: capital structure				

Based on the information presented above, it was clear that the factors such as financial flexibility, asset structure, and earnings volatility had a 96.9% impact on capital structure. In light of the fact that the composition of the company's capital played a significant part in the development of the business, it was essential that careful consideration be given to the aforementioned aspects within each indicator (Galati et al., 2019).

**Table 7. Hypothesis Test Data H4, H5, and H6**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.033	4.270		-.008	.994
	Asset structure	.052	.070	.033	.039	.003
	Earning volatility	1.016	.104	.083	1.212	.031
	Flexible finance	1.216	.082	1.024	14.851	.000
a. Dependent Variable: corporate performance						

Due to the fact that the sig value was less than 0.05, the data presented above suggested that the Asset structure, Earnings volatility, and Flexible Finances all had a positive and significant impact on the overall performance of the corporation. The H5, H6, and H7 heuristics were all validated as a result of this. The findings of this study were consistent with the findings of a study that was carried out by Harris and Roark (2019). According to their findings, one of the ways to evaluate the performance of a corporation is to look at the value of the corporation, and the value of the corporation can be influenced in a number of different ways. One of these ways is by the asset structure of the corporation (Dang et al., 2019).

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.973 <sup>a</sup>	.948	.945	2.07811
a. Predictors: (Constant), financial flexible, Assets structure, earning volatility				
b. Dependent Variable: corporate performance				

According to the data presented above, the asset structure, the volatility of earnings, and the flexibility of financial resources each had a 94.8% impact on the performance of the corporation. Therefore, the management of the company needed to have the ability to properly manage each of these aspects in order for the company to be able to increase its income and

provide benefits to those who are together.

## 5. Conclusion

Manufacturing companies have an important part to play in the process of transforming raw materials into finished products that are ready for use. Additionally, because of its sizable population, Indonesia undoubtedly has a very high level of overall consumption of finished goods. In spite of this, every manufacturing company needs to have a clear strategy for managing the company in order to ensure that both the capital structure and corporate performance are either remaining the same or improving. This is necessary because of the intense level of competition in the industry. According to the findings of the research, the structure of a company's assets, as well as its financial flexibility and earning volatility, have a positive and significant impact on both the corporate performance and the capital structure, respectively, with the influential values of 96.9% and 94.8%.

The author anticipates that the outcomes of this study could potentially serve as a valuable source of inspiration for entrepreneurs to continually enhance their operational efficacy and take into account all critical aspects that play a pivotal role in the organization, such as corporate performance and capital structure. The author aspires that the findings of this investigation could contribute to the scholarly discourse and serve as a platform for future research initiatives. Moreover, the author hopes that the findings could offer readers and researchers an added perspective that could broaden their understanding and insight into the subject matter.

## References

- Abdelwhab Ali, A., Panneer selvam, D. D. D., Paris, L., & Gunasekaran, A. (2019). Key factors influencing knowledge sharing practices and its relationship with organizational performance within the oil and gas industry. *Journal of Knowledge Management*, 23(9), 1806–1837.
- Agrawal, A. (2020). Modified total interpretive structural model of corporate financial flexibility. *Global Journal of Flexible Systems Management*, 21(4), 369–388.
- Akbar, M., Hussain, S., Ahmad, T., & Hassan, S. (2020). *Corporate governance and firm performance in Pakistan: Dynamic panel estimation*.
- Al Amosh, H., Khatib, S. F., Alkurdi, A., & Bazhair, A. H. (2022). Capital structure decisions and environmental, social and governance performance: Insights from Jordan. *Journal of Financial Reporting and Accounting*, ahead-of-print.
- Al-Gamrh, B., Ku Ismail, K. N. I., Ahsan, T., & Alquhaif, A. (2020). Investment opportunities, corporate governance quality, and firm performance in the UAE. *Journal of Accounting in Emerging Economies*, 10(2), 261–276.
- Anagnostopoulou, S. C., & Tsekrekos, A. E. (2017). The effect of financial leverage on real and accrual-based earnings management. *Accounting and Business Research*, 47(2), 191–236.
- Anderson, S. J., & McKenzie, D. (2022). Improving business practices and the boundary of the entrepreneur: A randomized experiment comparing training, consulting, insourcing, and outsourcing. *Journal of Political Economy*, 130(1), 157–209.
- Ariadi, G., Surachman, Sumiati, & Rohman, F. (2021). The effect of lean and agile supply chain strategy on financial performance with mediating of strategic supplier integration & strategic customer integration: Evidence from bottled drinking-water industry in Indonesia. *Cogent Business & Management*, 8(1), 1930500.
- Asness, C. S., Frazzini, A., & Pedersen, L. H. (2019). Quality minus junk. *Review of Accounting Studies*, 24(1), 34–112.
- Begenau, J. (2020). Capital requirements, risk choice, and liquidity provision in a business-cycle model. *Journal of Financial Economics*, 136(2), 355–378.

- Bloomfield, J., & Fisher, M. J. (2019). Quantitative research design. *Journal of the Australasian Rehabilitation Nurses Association*, 22(2), 27–30.
- Carbó-Valverde, S., Cuadros-Solas, P. J., & Rodríguez-Fernández, F. (2022). Entrepreneurial, institutional and financial strategies for FinTech profitability. *Financial Innovation*, 8(1), 1–36.
- Chang, H.-Y., & Ma, C.-A. (2019). Financial flexibility, managerial efficiency and firm life cycle on firm performance: An empirical analysis of Chinese listed firms. *Journal of Advances in Management Research*, 16(2), 168–180.
- Chao, C.-H., & Huang, C.-J. (2022). Firm performance following actual share repurchases: Effects of investment crowding out and financial flexibility. *Pacific-Basin Finance Journal*, 73, 101738.
- Chaudhry, N. I., Aftab, I., Arif, Z., Tariq, U., & Roomi, M. A. (2019). Impact of customer-oriented strategy on financial performance with mediating role of HRM and innovation capability. *Personnel Review*, 48(3), 631–643.
- Chen, Y., Kumara, E. K., & Sivakumar, V. (2021). Investigation of finance industry on risk awareness model and digital economic growth. *Annals of Operations Research*, 1–22.
- Chen, Z., Harford, J., & Kamara, A. (2019). Operating leverage, profitability, and capital structure. *Journal of Financial and Quantitative Analysis*, 54(1), 369–392.
- Dakua, S. (2019). Effect of determinants on financial leverage in Indian steel industry: A study on capital structure. *International Journal of Finance & Economics*, 24(1), 427–436.
- Dang, H. N., Vu, V. T. T., Ngo, X. T., & Hoang, H. T. V. (2019). Study the impact of growth, firm size, capital structure, and profitability on enterprise value: Evidence of enterprises in Vietnam. *Journal of Corporate Accounting & Finance*, 30(1), 144–160.
- Das, G., Agarwal, J., Malhotra, N. K., & Varshneya, G. (2019). Does brand experience translate into brand commitment?: A mediated-moderation model of brand passion and perceived brand ethicality. *Journal of Business Research*, 95, 479–490.
- Delikanlı, İ., & Kılıç, S. (2021). Factors influencing SMEs' capital structure: A comparative analysis from Turkey. *Small Enterprise Research*, 28(1), 57–74.
- Dierker, M., Lee, I., & Seo, S. W. (2019). Risk changes and external financing activities: Tests of the dynamic trade-off theory of capital structure. *Journal of Empirical Finance*, 52, 178–200.
- Eiler, L. A., Miranda-Lopez, J., & Tama-Sweet, I. (2022). The impact of IFRS on earnings management: Evidence from Mexico. *Journal of Accounting in Emerging Economies*, 12(1), 77–96.
- Ferrando, A., Marchica, M.-T., & Mura, R. (2017). Financial flexibility and investment ability across the Euro area and the UK. *European Financial Management*, 23(1), 87–126.
- Galant, A., & Cadez, S. (2017). Corporate social responsibility and financial performance relationship: A review of measurement approaches. *Economic Research-Ekonomiska Istraživanja*, 30(1), 676–693.
- Galati, A., Sakka, G., Crescimanno, M., Tulone, A., & Fiore, M. (2019). What is the role of social media in several overtones of CSR communication? The case of the wine industry in the Southern Italian regions. *British Food Journal*.
- Gök, O., & Peker, S. (2017). Understanding the links among innovation performance, market performance and financial performance. *Review of Managerial Science*, 11, 605–631.
- Guizani, M. (2020). Testing the pecking order theory of capital structure: The case of Islamic financing modes. *Future Business Journal*, 6(1), 1–12.
- Habib, A., & Hasan, M. M. (2019). Corporate life cycle research in accounting, finance and corporate governance: A survey, and directions for future research. *International Review of Financial Analysis*, 61, 188–201.
- Hanlon, M., Maydew, E. L., & Saavedra, D. (2017). The taxman cometh: Does tax uncertainty affect corporate cash holdings? *Review of Accounting Studies*, 22, 1198–1228.
- Harjoto, M. A., & Jo, H. (2015). Legal vs. normative CSR: Differential impact on analyst dispersion, stock return volatility, cost of capital, and firm value. *Journal of Business Ethics*, 128, 1–20.
- Harris, C., & Roark, S. (2019). Cash flow risk and capital structure decisions. *Finance Research Letters*, 29, 393–397.
- Hashim, H. A., & Amrah, M. (2016). Corporate governance mechanisms and cost of debt: Evidence of family and non-family firms in Oman. *Managerial Auditing Journal*, 31(3), 314–336.
- Hoberg, G., Phillips, G., & Prabhala, N. (2014). Product market threats, payouts, and financial flexibility. *The Journal of Finance*, 69(1), 293–324.
- Hu, F., Percy, M., & Yao, T. (2015). Asset revaluations and earnings management: Evidence from Australian companies. *Corporate Ownership and Control*, 13(1), 930–939.
- Hudson, R., & Muradoglu, Y. G. (2020). Personal routes into behavioural finance. *Review of Behavioral Finance*.

- Islam, R., Haque, Z., & Moutushi, R. H. (2022). Earnings quality and financial flexibility: A moderating role of corporate governance. *Cogent Business & Management*, 9(1), 2097620.
- Khan, K., Qu, J., Shah, M. H., Bah, K., & Khan, I. U. (2020). Do firm characteristics determine capital structure of Pakistan listed firms? A quantile regression approach. *The Journal of Asian Finance, Economics and Business*, 7(5), 61–72.
- Kim, D. W., Trimi, S., Hong, S. G., & Lim, S. (2020). Effects of co-creation on organizational performance of small and medium manufacturers. *Journal of Business Research*, 109, 574–584.
- Koiranen, J. (2014). *Fair value adoption in Central and Eastern Europe-Do firms apply fair value accounting to tangible non-current assets under IFRS?*
- Kyissima, K. H., Xue, G. Z., Yapatake Kossele, T. P., & Abeid, A. R. (2020). Analysis of capital structure stability of listed firms in China. *China Finance Review International*, 10(2), 213–228.
- La Rocca, M., Staglianò, R., La Rocca, T., Cariola, A., & Skatova, E. (2019). Cash holdings and SME performance in Europe: The role of firm-specific and macroeconomic moderators. *Small Business Economics*, 53, 1051–1078.
- Laporšek, S., Dolenc, P., Grum, A., & Stubelj, I. (2021). Ownership structure and firm performance—The case of Slovenia. *Economic Research-Ekonomska Istraživanja*, 34(1), 2975–2996.
- Lemma, T. T. (2015). Corruption, debt financing and corporate ownership. *Journal of Economic Studies*.
- Liu, Y., Liu, Y., & Wei, Z. (2022). Property rights protection, financial constraint, and capital structure choices: Evidence from a Chinese natural experiment. *Journal of Corporate Finance*, 73, 102167.
- Lu, Y., Wu, J., Peng, J., & Lu, L. (2020). The perceived impact of the Covid-19 epidemic: Evidence from a sample of 4807 SMEs in Sichuan Province, China. *Environmental Hazards*, 19(4), 323–340.
- Mangesti Rahayu, S., & Saifi, M. (2020). The reciprocal relationship between profitability and capital structure and its impacts on the corporate values of manufacturing companies in Indonesia. *International Journal of Productivity and Performance Management*, 69(2), 236–251.
- McCann, L., Hutchison, N., & Adair, A. (2019). External funding of major capital projects in the UK Higher Education sector: Issues of demand, supply and market timing? *Journal of Property Research*, 36(1), 97–130.
- Nguyen, A. H., & Duong, C. T. (2021). Earnings management and new listings: Evidence from Vietnam. *Asian Academy of Management Journal*, 26(2), 27–51.
- Ogunmuyiwa, M. S., Aladegoroye, O. R., & Abosede, A. J. (2020). Funding of Micro Scale Enterprises: Is Cooperative Financing Helpful? *Izvestiya*, 4, 430–443.
- Orlova, S., Harper, J. T., & Sun, L. (2020). Determinants of capital structure complexity. *Journal of Economics and Business*, 110, 105905.
- Panda, A. K., Nanda, S., Hegde, A. A., & Yadav, A. K. K. (2021). Receptivity of capital structure with financial flexibility: A study on manufacturing firms. *International Journal of Finance & Economics*.
- Rosmianingrum, D. A., Mohammed, N. F., Bujang, I., & Leo, L. (2023). IFRS adoption, stock price synchronicity and firm-specific information in Indonesia stock market. *Cogent Business & Management*, 10(1), 2170520. <https://doi.org/10.1080/23311975.2023.2170520>
- Schleper, M. C., Gold, S., Trautrim, A., & Baldock, D. (2021). Pandemic-induced knowledge gaps in operations and supply chain management: COVID-19's impacts on retailing. *International Journal of Operations & Production Management*, 41(3), 193–205.
- Shahwan, T. M. (2015). The effects of corporate governance on financial performance and financial distress: Evidence from Egypt. *Corporate Governance*, 15(5), 641–662.
- Stubbs, W. (2019). Strategies, practices, and tensions in managing business model innovation for sustainability: The case of an Australian BCorp. *Corporate Social Responsibility and Environmental Management*, 26(5), 1063–1072.
- Tallman, S., Luo, Y., & Buckley, P. J. (2018). Business models in global competition. *Global Strategy Journal*, 8(4), 517–535.
- Tang, Y., & Moro, A. (2020). Trade credit in China: Exploring the link between short term debt and payables. *Pacific-Basin Finance Journal*, 59, 101240.
- Teece, D., Peteraf, M., & Leih, S. (2016). Dynamic capabilities and organizational agility: Risk, uncertainty, and strategy in the innovation economy. *California Management Review*, 58(4), 13–35.
- Tran, Q. T. (2019). Economic policy uncertainty and corporate risk-taking: International evidence. *Journal of Multinational Financial Management*, 52, 100605.
- Vatavu, R. (2015). Audience silhouettes: Peripheral awareness of synchronous audience kinesics for social television. *TVX 2015 - Proceedings of the ACM International Conference on Interactive Experiences for TV and Online Video*. Query date: 2021-09-25 20:32:38, 13–22. <https://doi.org/10.1145/2745197.2745207>

- Wang, D., Feng, T., & Lawton, A. (2017). Linking ethical leadership with firm performance: A multi-dimensional perspective. *Journal of Business Ethics, 145*, 95–109.
- Xu, H., Xu, X., & Yu, J. (2021). The impact of mandatory CSR disclosure on the cost of debt financing: Evidence from China. *Emerging Markets Finance and Trade, 57*(8), 2191–2205.
- Yao, D. F. T., Percy, M., & Hu, F. (2015). Fair value accounting for non-current assets and audit fees: Evidence from Australian companies. *Journal of Contemporary Accounting & Economics, 11*(1), 31–45.
- Yin, S., Shao, Y., Wu, A., Wang, H., Liu, X., & Wang, Y. (2020). A systematic review of paste technology in metal mines for cleaner production in China. *Journal of Cleaner Production, 247*, 119590.

**Bukti Konfirmasi Review dari Editor dan  
Bagian yang Direvisi Oleh Penulis (8 Mei  
2023)**

**Economic Studies journal** <econ.studies@iki.bas.bg>  
Kepada: Muhammad Istan IAIN Curup <muhammadistan@iaincurup.ac.id>

8 Mei 2023 pukul 03.44

We do not accept papers with colored figures.

[Kutipan teks disembunyikan]

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>  
Kepada: Economic Studies journal <econ.studies@iki.bas.bg>

8 Mei 2023 pukul 22.14

Dear the editor of Economic Studies

I hope you are doing well. Thank you for the response you gave me and for the notes you shared. Via this email, I would like to resubmit my manuscript whose colored figure has been edited in black color. The manuscript is attached below. I hope that this manuscript can proceed to further processes. Thank you.

Best regards

Muhammad Istan

[Kutipan teks disembunyikan]

---

 **(edited) Muhammad Istan Manuscript.docx**

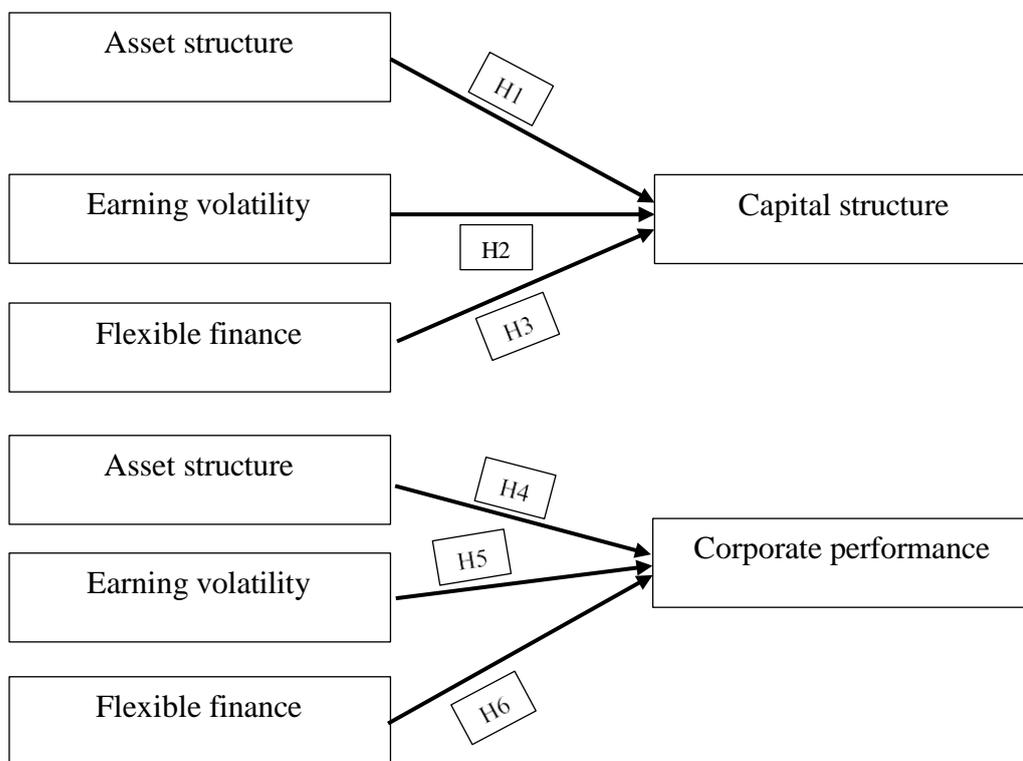
131K

---

**Economic Studies journal** <econ.studies@iki.bas.bg>  
Kepada: Muhammad Istan IAIN Curup <muhammadistan@iaincurup.ac.id>

9 Mei 2023 pukul 16.25

*Figure 1. Theoretical Framework*



*3.1. Hypotheses*

H1: Assets structure has an influence on capital structure.

H2: earning volatility has an influence on capital structure.

H3: flexible finances have an impact on capital structure.

H4: Assets structure has an influence on corporate performance.

H5: Earning volatility has an influence on corporate performance.

H6: Flexible finance has an impact on corporate performance.

**4. Results and Discussion**

After the analysis is carried out, the data is obtained as follows:

*4.1. Normality Test*

**Bukti komunikasi konfirmatif terkait  
syarat dan prosedur proses publikasi (9  
Mei 2023)**

Dear authors,

Thank you for your paper.

Do you confirm that you are aware that since March 1<sup>st</sup>, 2023, Economic Studies Journal introduces an ARTICLE PROCESSING CHARGE (APC) for authors? The standard APC amounts to €200.

The authors pay the charge only after the final acceptance of a manuscript. For more details see <https://www.iki.bas.bg/en/economic-studies-journal-0>

**Be advised that your paper will not be considered for reviewing without your confirmation that you agree to pay APC when the time for it comes.**

Regards

Diana Dimitrova  
Journal Secretary

[Kutipan teks disembunyikan]

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>  
Kepada: Economic Studies journal <econ.studies@iki.bas.bg>

9 Mei 2023 pukul 21.22

*Dear the editor of Economic Studies*

I agree with the APC as you explained in the previous email. Thank you.

Best regards

Muhammad Istan

[Kutipan teks disembunyikan]

**Bukti konfirmasi review beserta lampiran  
catatan reviewer dan bukti komunikasi  
revisi beserta file hasil revisi (31 Mei  
2023)**

**Economic Studies journal** <econ.studies@iki.bas.bg>

31 Mei 2023 pukul 17.32

Kepada: Muhammad Istan IAIN Curup <muhammadistan@iaincurup.ac.id>

Hello,

I am sending the review of your paper, presented for publication in Economic Studies journal.

**The deadline for your decision concerning your paper is 2 weeks.**

Regards

Diana Dimitrova

[Kutipan teks disembunyikan]

---

 **1\_en.docx**  
25K

## REVIEW

<b>Title of the article</b>	<b>ANALYSIS OF THE INFLUENCE OF ASSETS STRUCTURE, EARNING VOLATILITY, AND FINANCIAL FLEXIBILITY ON CAPITAL STRUCTURE AND CORPORATE PERFORMANCE IN MANUFACTURING SECTOR COMPANIES ON THE IDX</b>
-----------------------------	---

### I. TECHNICAL REQUIREMENTS

Requirement	YES	NO
1. Size of the article:	V	
• main text (without references and annexes) - not less than 15 standard pages (27000 characters with spaces)	V	
• whole article (with references and annexes) - not more than 40 standard pages (72000 characters with spaces)	V	
2. Tables and figures in black & white	V	
3. References (list at the end of the article and citation in the text) in Harvard style. Should include ONLY sources that are cited inside the text.	V	
4. Abstract in English	V	
5. Keywords and JEL codes	V	

### II. COMMON REMARKS

Questions and comments	BOLD one of the alternatives
1. Congruity to the sciences field	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
2. Actuality of the research	<input type="checkbox"/> Appropriate <input type="checkbox"/> <b>Basically appropriate</b> <input type="checkbox"/> Inappropriate
3. Level of the investigation of the chosen problem	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
4. The research aim and tasks congruence between the title and content of the article	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
5. Appropriateness of the research methods used	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
6. The quality of the scientific literature analysis	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
7. The scientific level of the research	<input type="checkbox"/> Appropriate <input type="checkbox"/> <b>Basically appropriate</b> <input type="checkbox"/> Inappropriate

Questions and comments	BOLD one of the alternatives
8. Validity of the research findings and conclusions	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
9. Fullness of the reference and bibliography list; freshness of the sources	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
10. Appropriateness of the summary	<input type="checkbox"/> Appropriate <input type="checkbox"/> <b>Basically appropriate</b> <input type="checkbox"/> Inappropriate
11. Language correctness	<input type="checkbox"/> Appropriate <input type="checkbox"/> <b>Basically appropriate</b> <input type="checkbox"/> Inappropriate
12. Rating of this paper in comparison to similar papers published in top-rated scientific journals	<input type="checkbox"/> Top 20% <input type="checkbox"/> <b>Above average</b> <input type="checkbox"/> Below average <input type="checkbox"/> Bottom 20%

### III. EVALUATION OF THE ARTICLE SUBMISSION

Questions and comments	BOLD one of the alternatives
13. Formulation of the article title	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
14. Annotation of the article	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
15. Length of the article	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
16. Length of the summary	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
17. Presentation of tables and pictures	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate
18. Bibliography list presentation	<input type="checkbox"/> <b>Appropriate</b> <input type="checkbox"/> Basically appropriate <input type="checkbox"/> Inappropriate

### IV. COMMENTS

The objective, approach/methodology and findings/results could be more clearly defined in the abstract. Key words and JEL classification are relevant to the article's text and topic, but JEL classification numbers should be extended.

All tables are titled and numbered correctly. The source of information for the data included therein is duly indicated below the relevant table.

The author(s) has cited in good faith all informational, statistical and literary sources used. The manuscript includes a list of 60 references with all the works cited.

The author(s) should apply the Harvard Style. The text needs minor language editing as well as formatting. In conclusion, the author talks about critical aspects that can be considered. In the statement itself, these critical aspects are not explicitly identified and it is not clear what is meant.

## **V. CONCLUSION**

- Propose to accept
- Propose to accept after some small corrections**
- Propose to accept after thorough corrections
- Propose to reject

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>

1 Juni 2023 pukul 10.48

Kepada: Economic Studies journal &lt;econ.studies@iki.bas.bg&gt;

Dear Diana Dimitrova, the editor of Economic Studies

I hope you're doing well. Thank you very much for the feedback on my paper titled "Analysis of the Influence of Assets Structure, Earning Volatility, and Financial Flexibility on Capital Structure and Corporate Performance in Manufacturing Sector Companies on the IDX". With this email, I would like to submit my revision result. The file is attached below. The revision has been made according to the reviewer's comments and suggestions. Within the attached file, all parts revised are highlighted in yellow. I have also proofread the whole paper to ensure the accuracy and clarity of wordings. I hope that this revision could meet the yardstick of Economic Studies. To the editor and reviewers, thank you very much.

Also, I would like to ask if it would be possible that my paper could be published in the current volume or the volume of June. Is there a way I could get it published soon? I am ready for any additional requirements (including fee or something if it should). I really hope that I could have it published soon because I am demanded by the deadline of reporting this research to the university I am currently teaching as a requirement related to my profession. I really hope that you could help me with this case. Anything.. let me know. Thank you so much.

Best regards

Muhammad Istan

---

 **Revision result (M Istan).docx**  
131K



Muhammad Istan<sup>1</sup>

## **ANALYSIS OF THE INFLUENCE OF ASSETS STRUCTURE, EARNING VOLATILITY, AND FINANCIAL FLEXIBILITY ON CAPITAL STRUCTURE AND CORPORATE PERFORMANCE IN MANUFACTURING SECTOR COMPANIES ON THE IDX**

*Companies play a crucial role in improving a country's economy by providing jobs for many people. To enhance their performance in a competitive market, it is important for companies, particularly manufacturing firms, to pay attention to their capital structure and corporate performance. This has prompted the researcher to analyze the effect of assets structure, earning volatility, and financial flexibility on capital structure and corporate performance in manufacturing sector companies listed on the Indonesia Stock Exchange (IDX). The objective of the study was to examine the impact of asset structure, earning volatility, and financial flexibility on capital structure and corporate performance in manufacturing sector companies listed on the Indonesia Stock Exchange (IDX). The research method employed in the study was descriptive quantitative. The data for the study were collected from financial reports of 58 companies using purposive sampling. The collected data were then analyzed using SPSS. The results of the analysis indicated that asset structure, financial flexibility, and earning volatility had a positive and significant influence on both capital structure and corporate performance. The influence value for capital structure was found to be 96.9%, while the influence value for corporate performance was 94.8%. This study suggests that optimizing asset structure, managing income volatility, and enhancing financial flexibility are crucial for manufacturing companies to improve capital structure and corporate performance.*

*Keywords: Asset Structure, Earning Volatility, Financial Flexibility, Capital Structure, Corporate Performance JEL: G00, G17, G32, and G34 (according to <https://www.aeaweb.org/econlit/jelCodes.php?view=jel>)*

### **1. Introduction**

The levels of economic activities across nations are impacted in some way by companies as active industries (Lu et al., 2020). Therefore, it should not come as a surprise that every entrepreneur tries to continue improving the standard of the company. The preceding way has an effect on raising the amount of money the business brings in (Anderson and McKenzie, 2022). One of the companies listed on the Indonesia Stock Exchange has manufacturing as its main focus of operations (Rosmianingrum et al., 2023). This company purchases raw materials from its suppliers to manufacture finished goods that are then sold to customers (Ariadi et al., 2021). However, several factors in the management of a company have the potential to affect significant aspects of a company's management, such as the capital structure and the corporation's performance (Laporšek et al., 2021).

---

<sup>1</sup> Muhammd Istan, Dr, Institut Agama Islam Negeri Curup, 085267073796, [muhammdistan@iaincurup.ac.id](mailto:muhammdistan@iaincurup.ac.id)

According to Orlova et al. (2020), The arrangement of a company's financing, known as its capital structure, is a crucial element in ascertaining the proportion of debt and equity within it. More specifically, capital structure is used to compare long-term debt with equity in the company's capital (Dakua, 2019). Meanwhile, because this aspect or element is used to determine the level or measure of success of the company's performance in implementing various strategies to achieve the desired goals (Stubbs, 2019), corporate performance is also an important element for the company. This is because this aspect or element is used to determine the level or measure of success of the company's performance (Al-Gamrh et al., 2020).

There are several factors, such as the structure of the assets, the volatility of earnings, and flexible financing, that are suspected of affecting the capital structure and the performance of the corporation. The asset structure is the number of assets that can be used as collateral, and it is determined by comparing the total assets to the fixed assets (Delikanlı and Kılıç, 2021). Earnings volatility, also known as fluctuations in a company's profits, is a measure that can be used to get an overall picture of the risks associated with a company's day-to-day operations (Chen et al., 2021). The ability of a company to carry out various actions effectively and related to the amount and time of cash flow is what is referred to as financial flexibility (Chang and Ma, 2019). This gives the managed company the ability to respond to a variety of unexpected challenges (Schleper et al., 2021).

Consequently, the investigator holds a keen interest in further investigating the examination of the impact of asset composition, earnings instability, and adaptable financing on the capital structure and business performance of manufacturing sector firms listed on the IDX. This investigation's objective is to ascertain whether or not the composition of a company's assets, the volatility of its earnings, and the availability of flexible financing have any bearing on the performance of a company's capital structure.

## **2. Literature Review**

### *2.1. Asset Structure*

Asset structure is an important concept in finance that refers to the composition of a company's assets. The asset structure of a company can **influence** its financial performance, risk, and valuation. One of the key concepts related to asset structure is the composition of assets. A company's assets can be categorized into two distinct types: current and non-current. Current assets **could be** converted into cash within a one-year timeframe, whereas non-current assets are anticipated to generate revenue for the enterprise over an extended period. Studies have shown that the asset structure of a company can affect its financial performance, with companies that have a higher proportion of non-current assets generally performing better than those with a higher proportion of current assets (Nguyen and Duong, 2021).

Another important concept related to asset structure is the balance between debt and equity. Companies can use debt or equity financing to acquire assets, and the asset structure of a company can be affected by the financing mix it uses. The ideal blend of financing for a corporation is contingent on multiple factors, such as the expenses associated with debt and equity, the tax rate, as well as the enterprise's risk profile. According to research,

organizations with a larger share of debt financing have more financial leverage and risk, while those with a higher proportion of equity financing have a lower risk profile (Anagnostopoulou and Tsekrekos, 2017).

The capital structure theory is one of the most commonly researched asset structure theories. According to capital structure theory, a company's financing mix influences its cost of capital and hence its value. A company's ideal capital structure optimizes its value by balancing the costs of debt and equity. Numerous research endeavors have been executed to scrutinize the correlation between asset composition and worth, with some indicating that enterprises possessing a greater proportion of non-current assets are assigned a greater valuation (Hu et al., 2015; Koironen, 2014; Yao et al., 2015).

Contemporary investigations have also delved into the influence of asset composition on enterprise performance. A study by Carbó-Valverde et al. (2022) found that companies with a higher proportion of non-current assets tend to have higher financial performance. Meanwhile, those with a greater percentage of current assets tend to exhibit weaker financial performance. The authors suggest that this may be due to the fact that companies with a higher proportion of non-current assets tend to have higher capital expenditure, which can lead to higher revenue growth and profitability.

The concept of asset structure is an important one in finance, with implications for a company's financial performance, risk, and valuation. The optimal asset structure for a company depends on various factors, including the composition of assets and the financing mix it uses. Recent research has highlighted the importance of asset structure for firm performance and valuation, and further studies in this area are likely to yield important insights into the optimal management of asset structure in companies.

## *2.2. Earning Volatility*

Earning volatility is an important concept in finance and accounting as it measures the variability of a company's earnings over a certain period of time (Eiler et al., 2022). Current research endeavors analyze the impact of earnings instability on stock returns. The researchers find that investors are willing to pay a higher price for enterprises that possess more stable earnings, and that this correlation persists even after regulating for other variables, such as earnings expansion and the scope of the firm (Asness et al., 2019). The examination additionally illustrates that companies with more erratic earnings undergo more pronounced drops in stock prices when the market is under pressure. A separate investigation observes that the adverse influence of liquidity on stock returns is more substantial for firms that exhibit higher earnings volatility (Vatavu, 2015). This suggests that investors in emerging markets are more sensitive to earnings risk when assessing liquidity risk. In contrast, a study by Harjoto and Jo (2015) revealed that firms with more fluctuating profits are more likely to participate in CSR efforts to mitigate the negative effect of earnings volatility on their reputation and stakeholder relations. The research discovers a positive association between earnings volatility and CSR performance, implying that companies utilize CSR to offset the detrimental effects of earnings volatility. The above studies suggest that earning volatility has significant implications for firms' financial and non-financial performance, as well as for investors' valuation and risk assessment. However, the findings

are mixed and highlight the need for further research to better understand the complex relationship between earning volatility, firm characteristics, and market dynamics.

Another current research endeavor examines the effect of earnings instability on business investments. The study concludes that companies with more erratic earnings often adopt more cautious investment strategies, as they encounter heightened ambiguity and risk when making investment decisions (Tran, 2019). The author suggests that this relationship may reflect firms' desire to avoid costly financial distress, as well as their limited ability to access external financing when earnings are volatile. In a similar vein, a study by Hanlon et al. (2017) revealed that firms with more volatile earnings are more likely to reduce their dividend payouts, as they face greater financial uncertainty and need to conserve cash for future investments or operational needs. The study finds a negative relationship between earnings volatility and dividend payout ratios, suggesting that investors should pay attention to earnings risk when assessing the sustainability of firms' dividend policies. Also, a study by Tallman et al. (2018) demonstrated that firms with more volatile earnings may face greater pressure to innovate and adapt to changing market conditions, as they need to diversify their revenue streams and maintain their competitive advantage. The investigation determines a direct correlation between earnings instability and innovation efficacy, suggesting that firms use innovation as a means of mitigating the negative consequences of earnings risk.

Taken together, the aforesaid studies highlight the diverse implications of earnings volatility for firms' financial and non-financial outcomes, as well as for investors' valuation and risk assessment. The findings suggest that earning volatility should be considered as an important factor when evaluating firms' performance, investment, dividend, and innovation decisions. However, the mixed evidence also suggests the need for further research to better understand the mechanisms underlying these relationships and their implications for different stakeholders.

### *2.3. Financial Flexibility*

Financial flexibility is an important concept in finance that refers to a firm's ability to adjust its financing and investment decisions in response to changing market conditions and opportunities. One study by Ferrando et al. (2017) exhibited that firms with greater financial flexibility are better able to invest in growth opportunities, as they have more options to raise capital and manage their financial risk. The research discovers a positive association between financial flexibility and business investment levels, implying that financial flexibility is a key predictor of corporate development potential. Another study by La Rocca et al. (2019) informed that enterprises possessing greater financial adaptability are more capable of mitigating the repercussions of economic downturns, as they have more resources to adjust their operations and financing decisions. The authors suggest that financial flexibility can help firms maintain their competitive advantage and resilience in the face of market turbulence.

In contrast, Teece et al. (2016) argued that firms with greater financial flexibility are more likely to invest in innovation, as they have more resources and options to manage the risk and uncertainty associated with innovation. According to the findings, there is a positive association between financial flexibility and innovation performance, implying that financial flexibility is an essential factor of organizations' long-term development and competitiveness.

Overall, these studies suggest that financial flexibility is an important concept in finance that has significant implications for firms' performance, value creation, and resilience. The results, however, emphasize the need for more study to better understand the processes behind the link between financial flexibility and company actions, as well as the situations under which financial flexibility is most advantageous.

Another study by Zhang et al. (2021) explores the effect of financial flexibility on corporate social responsibility (CSR) performance in businesses. The authors contend that organizations with higher financial flexibility are more inclined to participate in CSR activities because they have more resources and alternatives for managing CSR costs and risks. The investigation uncovers a positive correlation between financial adaptability and CSR efficacy, suggesting that financial adaptability can aid enterprises in harmonizing their financial and societal objectives, while simultaneously generating sustained value for stakeholders. Subsequently, Islam et al. (2022) argue that firms with greater financial flexibility are more likely to pay dividends, as they have more resources and options to manage their financial risk and maintain their financial flexibility. They discovered a positive association between financial flexibility and dividend payment, implying that financial flexibility might assist enterprises in maintaining financial soundness and signaling their worth to investors. However, it is important to note that financial flexibility is not without its potential drawbacks. A study by Hoberg et al. (2014) indicated that firms with greater financial flexibility may be more prone to take on risky investments, as they have more resources and options to manage the risks and costs associated with such investments. The research discovers a positive association between financial flexibility and risk-taking behavior in organizations, implying that financial flexibility might enhance firms' exposure to risk and uncertainty.

Overall, the above studies suggest that financial flexibility is a complex and multifaceted concept that can have both positive and negative implications for firms' performance, value creation, and risk exposure. Further research is needed to better understand the conditions under which financial flexibility is most valuable, and to identify the mechanisms that can help firms effectively manage their financial flexibility in a changing market environment.

#### *2.4. Capital Structure*

The configuration of debt and equity financing employed by a company to sustain its operations and investments is commonly known as its capital structure (Amosh et al., 2022). As a fundamental principle in corporate finance, the capital structure holds significant consequences for a company's cost of capital, financial risk, and overall efficacy. The pecking order theory, which posits that enterprises prefer to finance their investments with internal funds, such as retained earnings, followed by debt, and finally equity, is a crucial concept in the study of capital structure. A study conducted by Das et al. (2019) examines the pecking order theory in the context of Indian firms. The authors offer backing for the pecking order theory, asserting that Indian firms mainly rely on internal funds as a funding source, followed by debt and then equity. Another crucial concept in capital structure is the trade-off hypothesis, which suggests that firms weigh the benefits and costs of debt and equity financing to determine their optimal capital structure. A study conducted by Akbar et al. (2020) explores the trade-off theory in the context of Pakistani firms. According to the authors, Pakistani enterprises have an ideal debt-to-equity ratio that combines the tax advantages of debt financing with the costs of financial crisis.

In addition, a study by Ogunmuyiwa et al. (2020) examines the influence of capital structure on the performance of companies in Nigeria. The authors discover a link between debt financing and business performance, implying that debt financing may boost firm growth and profitability. They do, however, discover a negative link between debt financing and business financial risk, implying that excessive debt might raise enterprises' vulnerability to financial trouble.

Furthermore, a study by Hashim and Amrah (2016) explores the influence of ownership structure on the capital structure of firms in Oman. The authors discover that family-owned enterprises had lower levels of debt financing than non-family-owned firms, implying that family ownership may influence capital structure choices. Overall, the aforementioned studies highlight the importance of capital structure in corporate finance and offer valuable insights into the concepts, theories, and findings related to this topic. However, further research is needed to better understand the factors that influence firms' capital structure decisions and to identify the optimal mix of debt and equity financing for different types of firms in different market environments.

The other concept related to capital structure is the signaling theory, which suggests that firms' financing choices can convey information to the market about the firm's future prospects. A study by Xu et al. (2021) find that Firms with larger levels of debt tend to have better stock returns, implying that debt financing might communicate to the market strong future prospects. Another important concept is the agency theory, which suggests that conflicts of interest can arise between the firm's owners (shareholders) and its managers, leading to suboptimal decisions about capital structure. A study by Lemma (2015) find that companies with higher degrees of institutional ownership tend to have lower levels of debt financing. This suggests that institutional investors may play a role in addressing agency problems related to capital structure decisions. Furthermore, a study carried out by Tang and Moro (2020) find that Firms that are financially restricted tend to depend more on short-term debt and equity financing, indicating that financial restrictions may have a major influence on business financing decisions.

Overall, the above studies provide valuable insights into the concepts, theories, and findings related to capital structure in different market environments. However, further research is needed to better understand the complex relationships between firms' financing choices, market conditions, and firm performance. Additionally, future research can explore the impact of new financing options, such as crowdfunding and digital finance, on firms' capital structure decisions.

### *2.5. Corporate Performance*

Corporate performance is a multi-dimensional concept that refers to how well a company performs in achieving its objectives, creating value for stakeholders, and generating profits (Wang et al., 2017). Financial performance is a commonly used metric for evaluating the success of a corporation, with several financial ratios, including return on assets (ROA), return on equity (ROE), and earnings per share (EPS), being utilized to assess it. A study by Kim et al. (2020) finds a positive relationship between ESG performance and financial performance, suggesting that firms that prioritize ESG factors tend to perform better financially.

Another concept related to corporate performance is corporate social responsibility (CSR), which refers to the extent to which companies contribute to social and environmental causes beyond their financial obligations. A study by Galant and Cadez (2017) finds there is a favorable correlation between financial performance and corporate social responsibility (CSR), suggesting that CSR could enhance the reputation, patronage and ultimately economic benefits of organizations. Moreover, a study executed by Abdelwhab et al. (2019) finds a link between knowledge management techniques and business performance, implying that good knowledge management may lead to improved decision-making, innovation, and competitive advantage. Furthermore, Shahwan (2015) finds a positive correlation between the quality of corporate governance and financial performance, suggesting that sound corporate governance practices can improve financial reporting accuracy, alleviate agency problems, and ultimately enhance shareholder wealth. Overall, the aforesaid studies provide valuable insights into the complex relationships between different factors and corporate performance. However, further research is needed to better understand the causal mechanisms underlying these relationships and to explore the impact of different contextual factors such as industry, market conditions, and firm size on corporate performance.

Another important concept related to corporate performance is innovation, which refers to the ability of companies to develop and implement new products, services, and processes. A study by Gök and Peker (2017) finds a positive association between innovation and financial success, implying that innovative organizations outperform in terms of financial performance owing to their capacity to adapt to changing market circumstances and satisfy client requirements. Subsequently, a study by Yin et al. (2020) examines the impact of environmental innovation on the financial performance of Chinese firms. The authors discover a positive relationship between environmental innovation and financial performance, implying that companies that invest in sustainable practices perform better financially due to their ability to attract environmentally conscious customers, reduce costs, and improve their reputation. Moreover, a study by Chaudhry et al. (2019) find a positive relationship between customer orientation and financial performance, suggesting that firms that prioritize customer needs tend to perform better financially due to their ability to create loyal customers and increase sales. Continuously, a study by Wang et al. (2017) finds a positive association between ethical leadership and financial performance, implying that organizations with ethical leaders outperform their competitors financially owing to their capacity to establish a culture of trust, accountability, and social responsibility.

In short, the literature on corporate performance highlights the complex and multifaceted nature of this concept, which can be influenced by various factors such as financial, social, environmental, and ethical factors. The findings of these studies suggest that firms that prioritize innovation, sustainability, customer orientation, and ethical leadership tend to perform better financially and create value for their stakeholders. However, further research is needed to explore the underlying mechanisms and contextual factors that influence these relationships.

## *2.6. Theoretical Interplay among Assets Structure, Earning Volatility, Financial Flexibility, and Capital Structure*

The interplay among asset structure, earning volatility, financial flexibility, and capital structure has been a topic of interest among researchers in finance and accounting in recent

years. The relationship between these four factors is complex and multidimensional, and several studies have attempted to shed light on the mechanisms that drive this interplay.

One significant discovery in the academic literature is the strong correlation between asset structure and capital structure. Multiple research studies have indicated that companies with a greater percentage of fixed assets tend to exhibit greater leverage ratios (e.g., Dakua, 2019; Rahayu and Saifi, 2020). The interrelation between asset structure and capital structure is a significant finding in the existing literature. Several studies have concluded that firms with a higher proportion of fixed assets are more likely to have greater leverage ratios. This connection is explained by the ability of fixed assets to act as collateral for debt financing, which can lower borrowing costs and enhance the firm's debt capacity. However, the connection between asset structure and financial flexibility remains less distinct. Certain studies have identified a negative correlation between asset structure and financial flexibility (e.g., Agrawal, 2020; Islam et al., 2022), while others have found a positive relationship (e.g., Panda et al., 2021). This inconsistency in the findings may be due to differences in the measurement of financial flexibility, as well as the heterogeneity of the firms and industries under study.

Earning volatility is another important factor that can affect the interplay among asset structure, financial flexibility, and capital structure. Increased earnings volatility may heighten the likelihood of default and restrict the firm's capacity to acquire external financing (e.g., Dierker et al., 2019; McCann et al., 2019). Therefore, firms with high earning volatility may choose to maintain lower leverage ratios and higher levels of liquidity to mitigate this risk (e.g., Begenau, 2020; Khan et al., 2020). Financial flexibility is also an important factor that can affect the interplay among these four factors. Several studies have found that firms with higher financial flexibility tend to have lower leverage ratios and higher levels of liquidity (e.g., Islam et al., 2022; Panda et al., 2021). This is due to the fact that having financial flexibility can act as a buffer against unforeseen disturbances and enhance the firm's capacity to obtain external financing in times of need.

Overall, the interplay among asset structure, earning volatility, financial flexibility, and capital structure is a complex and multifaceted phenomenon that is influenced by various internal and external factors. The findings in the literature suggest that firms should carefully manage their asset structure, earning volatility, financial flexibility, and capital structure to ensure that they are well-positioned to achieve their financial goals and create value for their stakeholders.

### *2.7. Theoretical Interplay among Assets Structure, Earning Volatility, Financial Flexibility, and Corporate Performance*

Several studies have explored the theoretical interplay among asset structure, earning volatility, financial flexibility, and corporate performance. According to a study carried out by Liu et al. (2022), financially constrained firms have a stronger link between higher asset tangibility and lower debt ratios. This relationship suggests that firms with more tangible assets may face lower debt ratios, implying that such assets may serve as collateral and reduce borrowing costs. Additionally, a higher proportion of tangible assets is positively associated with better financial performance, as found by their study. Another study by Habib and Hasan (2019) investigated the relationship between asset structure and financial performance in the

context of emerging economies. The results of their research indicate a favorable correlation between asset tangibility and financial performance within emerging economies. This observation aligns with the fundamental principles of the pecking order theory of capital structure. The study additionally emphasizes the significance of acknowledging the influence of institutional variables in molding the connection between asset configuration and financial performance.

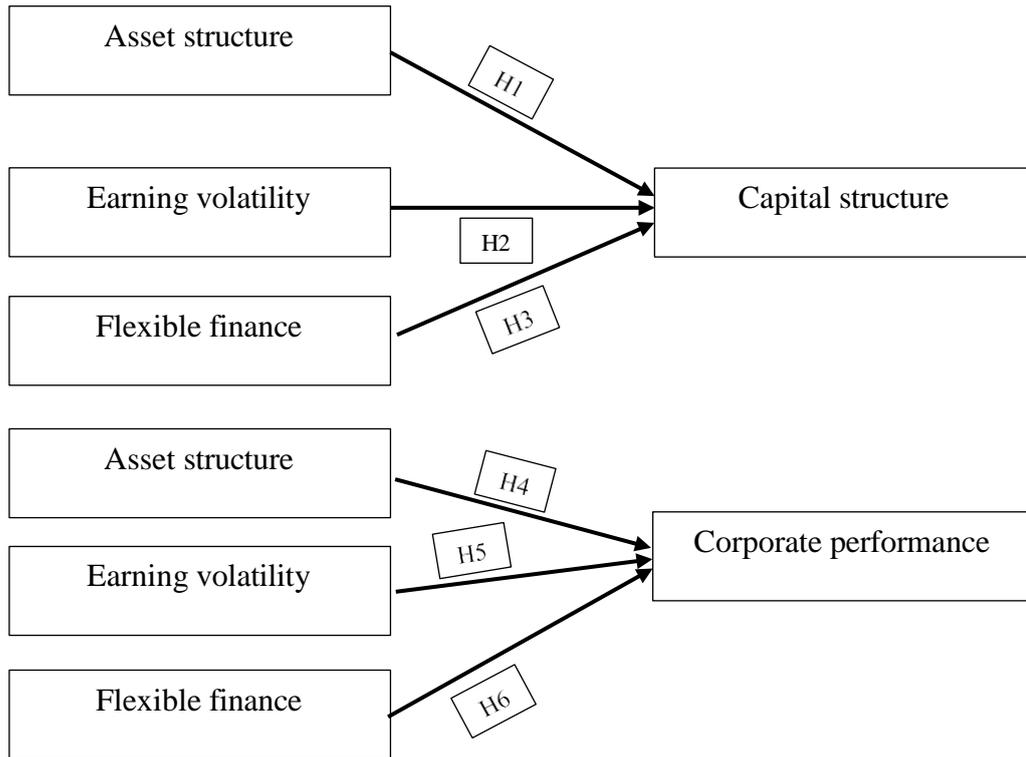
In terms of earning volatility, a study by Hudson and Muradoglu (2020) examined the relationship between earning volatility and financial performance in the Turkish context. Their discoveries indicate that enterprises with reduced earning instability exhibit enhanced financial performance, consistent with the principles of the signaling theory of capital structure. Additionally, their research revealed that financial adaptability regulates the association between earning volatility and financial performance, implying that organizations with elevated financial flexibility are better equipped to navigate the adverse repercussions of earning instability on financial performance. Subsequently, a study undertaken by Chao and Huang (2022) found that financial flexibility positively affects corporate performance, and this relationship is more pronounced in firms with higher asset tangibility. The study accentuates the significance of acknowledging the function of asset configuration in the connection between financial adaptability and corporate performance.

Overall, the studies mentioned earlier suggest that the theoretical interplay among asset structure, earning volatility, financial flexibility, and corporate performance is complex and multidimensional. While there is no universal model that can explain this interplay, the findings from these studies suggest that there are significant implications for firms' financial decision-making processes.

### **3. Method**

This study was conducted using a descriptive quantitative method, which means that the findings, which are presented in the form of numbers, are communicated using descriptions or sentences that are simple to grasp (Bloomfield and Fisher, 2019). Documenting the financial reports of manufacturing companies from 2019 to 2022 was the method that was used to collect the necessary data for the study. This study was carried out on 58 manufacturing companies that were chosen for participation through the process of purposive sampling. After that, the data that were collected were analyzed using SPSS's regression analysis tool. The following constitutes the theoretical framework for this study:

*Figure 1. Theoretical Framework*



### 3.1. Hypotheses

H1: Assets structure has an influence on capital structure.

H2: earning volatility has an influence on capital structure.

H3: flexible finances have an impact on capital structure.

H4: Assets structure has an influence on corporate performance.

H5: Earning volatility has an influence on corporate performance.

H6: Flexible finance has an impact on corporate performance.

## 4. Results and Discussion

After the analysis is carried out, the data is obtained as follows:

#### 4.1. Normality Test

The normality test was performed in order to gain insight into whether or not the data followed a normal distribution. The findings of the research indicate that:

**Table 1. Normality Test Data with Capital Structure Dependent Variables**

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		58
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	1.51060016
Most Extreme Differences	Absolute	.148
	Positive	.136
	Negative	-.148
Test Statistic		.148
Asymp. Sig. (2-tailed)		.006 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

The data were considered to be normally distributed because the sig. the Kolmogorov Smirnov value was greater than 0.05, which could be deduced from the information presented above.

Based on the aforementioned data, the Kolmogorov-Smirnov test yielded a significance value exceeding 0.05, signifying that the data adheres to a normal distribution.

**Table 2. Normality Test Data with Corporate Performance Bound Variables**

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		58
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	2.02268009
Most Extreme Differences	Absolute	.142
	Positive	.131
	Negative	-.142
Test Statistic		.142
Asymp. Sig. (2-tailed)		.007 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

#### 4.2. Multicollinearity Test

The purpose of conducting this test was to establish whether or not the data distribution exhibited multicollinearity. The following is a list of the outcomes of the test for multicollinearity:

**Table 3. Multicollinearity Test Data with Capital Structure Dependent Variables**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error				Beta	Tolerance
1	(Constant)	-10.249	3.189		-3.214	.002		
	Asset structure	-.126	.052	-.082	-2.402	.020	.496	2.014
	Earning volatility	.385	.078	.264	4.956	.000	.205	4.886
	Flexible finance	.917	.061	.799	14.986	.000	.204	4.892
a. Dependent Variable: capital structure								

It can be inferred from the above-presented data that the VIF value was under 10 and the tolerance value was over 10, thereby indicating an absence of multicollinearity in the data.

**Table 4. Multicollinearity Test Data with Corporate Performance Dependent Variables**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error				Beta	Tolerance
1	(Constant)	-.033	4.270		-.008	.994		
	Asset structure	.052	.070	.033	.739	.463	.496	2.014
	Earning volatility	-.126	.104	-.083	-1.212	.231	.205	4.886
	Flexible finance	1.216	.082	1.024	14.851	.000	.204	4.892
a. Dependent Variable: corporate performance								

According to the information provided by the data above. The VIF value was less than 10, and the tolerance value was greater than 10. Hence, it could be concluded that the data did not exhibit multicollinearity.

#### 4.3. Regression Test

A regression test was carried out in order to ascertain whether or not the research hypotheses should be accepted. The following is a list of the findings from the regression test:

**Table 5. Test Data H1, H2, and H3**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-10.249	3.189		-3.214	.002
	Asset structure	.126	.052	.082	2.402	.001
	Earning volatility	.385	.078	.264	4.956	.000
	Flexible finance	.917	.061	.799	14.986	.000

a. Dependent Variable: capital structure

The data presented above demonstrates that the structure of assets, the volatility of earnings, and the flexibility of financial resources all had positive and significant impacts on capital structure. Accordingly, H1, H2, and H3 were accepted. The findings of the current study can be explained through the pecking order theory of capital structure. According to this theory, companies prefer internal financing over external financing, and debt financing is favored over equity financing (Guizani, 2020). This preference for internal financing is due to the lower cost and reduced risk associated with it. In contrast, external financing requires companies to pay a premium for funds and is associated with higher risk. In light of the pecking order theory, the positive impact of asset structure, earnings volatility, and financial flexibility on capital structure can be attributed to the fact that they enhance a company's ability to generate internal funds. By having a more tangible asset structure, a company can access lower-cost debt financing, reducing the overall risk of external financing. Similarly, a company with lower earnings volatility is less risky and can access more favorable financing terms. Finally, a company with high financial flexibility can better navigate financial distress and access lower-cost financing.

The results of the present study were consistent with the findings revealed by Chen et al. (2019). They found that the asset structure was one factor that influenced the capital. Therefore, managers of companies ought to pay significant attention to the management of their companies, particularly aspects of assets structure, earning volatility, and flexible finances. This was due to the fact that these factors had an impact on the capital structure, which would later be used in the operation of the company. In recent years, scholars have extensively researched the impact of asset structure, earnings volatility, and financial flexibility on capital structure. For instance, (Kyissima et al., 2020) investigated the relationship between asset tangibility and capital structure among Chinese firms and found a

significant positive correlation. Similarly, (Chang and Ma, 2019) examined the effect of financial flexibility on capital structure in Chinese listed companies and concluded that financial flexibility had a positive impact on capital structure. Therefore, the findings of the current study add to the growing body of literature on the importance of managing asset structure, earnings volatility, and financial flexibility to optimize capital structure. Managers should pay close attention to these factors as they impact the capital structure of the company, which in turn affects its overall performance and success.

**Table 6. Model Summary of H1, H2, dan H3**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.984 <sup>a</sup>	.969	.967	1.55199
a. Predictors: (Constant), flexible finance, Assets structure, earning volatility				
b. Dependent Variable: capital structure				

Based on the information presented above, it was clear that the factors such as financial flexibility, asset structure, and earnings volatility had a 96.9% impact on capital structure. In light of the fact that the composition of the company's capital played a significant part in the development of the business, it was essential that careful consideration be given to the aforementioned aspects within each indicator (Galati et al., 2019).

**Table 7. Hypothesis Test Data H4, H5, and H6**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.033	4.270		-.008	.994
	Asset structure	.052	.070	.033	.039	.003
	Earning volatility	1.016	.104	.083	1.212	.031
	Flexible finance	1.216	.082	1.024	14.851	.000
a. Dependent Variable: corporate performance						

Due to the fact that the sig value was less than 0.05, the data presented above suggested that the Asset structure, Earnings volatility, and Flexible Finances all had a positive and significant impact on the overall performance of the corporation. The H5, H6, and H7 heuristics were all validated as a result of this. The findings of this study were consistent with the findings of a study that was carried out by Harris and Roark (2019). According to their findings, one of the ways to evaluate the performance of a corporation is to look at the value of the corporation, and the value of the corporation can be influenced in a number of different ways. One of these ways is by the asset structure of the corporation (Dang et al., 2019).

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.973 <sup>a</sup>	.948	.945	2.07811
a. Predictors: (Constant), financial flexible, Assets structure, earning volatility				
b. Dependent Variable: corporate performance				

According to the data presented above, the asset structure, the volatility of earnings, and the flexibility of financial resources each had a 94.8% impact on the performance of the corporation. Therefore, the management of the company needed to have the ability to properly manage each of these aspects in order for the company to be able to increase its income and provide benefits to those who are together.

## 5. Conclusion

Manufacturing companies have an important part to play in the process of transforming raw materials into finished products that are ready for use. Additionally, because of its sizable population, Indonesia undoubtedly has a very high level of overall consumption of finished goods. In spite of this, every manufacturing company needs to have a clear strategy for managing the company in order to ensure that both the capital structure and corporate performance are either remaining the same or improving. This is necessary because of the intense level of competition in the industry. According to the findings of the research, the structure of a company's assets, as well as its financial flexibility and earning volatility, have a positive and significant impact on both the corporate performance and the capital structure, respectively, with the influential values of 96.9% and 94.8%.

The author suggests that the outcomes of this study could potentially serve as a valuable source of inspiration for entrepreneurs to continually enhance their operational efficacy and take into account corporate performance and capital structure as the important aspects that play pivotal roles in an organization. The author aspires that the findings of this investigation could contribute to the scholarly discourse and serve as a platform for future research initiatives. Moreover, the author hopes that the findings could offer readers and researchers an added perspective that could broaden their understanding and insight into the subject matter.

## References

- Abdelwhab Ali, A., Panneer selvam, D.D.D., Paris, L., Gunasekaran, A., 2019. Key factors influencing knowledge sharing practices and its relationship with organizational performance within the oil and gas industry. *Journal of Knowledge Management* 23, 1806–1837.
- Agrawal, A., 2020. Modified total interpretive structural model of corporate financial flexibility. *Global Journal of Flexible Systems Management* 21, 369–388.
- Akbar, M., Hussain, S., Ahmad, T., Hassan, S., 2020. Corporate governance and firm performance in Pakistan: Dynamic panel estimation.
- Al Amosh, H., Khatib, S.F., Alkurdi, A., Bazhair, A.H., 2022. Capital structure decisions and environmental, social and governance performance: insights from Jordan. *Journal of Financial Reporting and Accounting*.
- Al-Gamrh, B., Ku Ismail, K.N.I., Ahsan, T., Alquhaif, A., 2020. Investment opportunities, corporate governance quality, and firm performance in the UAE. *Journal of Accounting in Emerging Economies* 10, 261–276.
- Anagnostopoulou, S.C., Tsekrekos, A.E., 2017. The effect of financial leverage on real and accrual-based earnings management. *Accounting and Business Research* 47, 191–236.
- Anderson, S.J., McKenzie, D., 2022. Improving business practices and the boundary of the entrepreneur: A randomized experiment comparing training, consulting, insourcing, and outsourcing. *Journal of Political Economy* 130, 157–209.

- Ariadi, G., Surachman, Sumiati, Rohman, F., 2021. The effect of lean and agile supply chain strategy on financial performance with mediating of strategic supplier integration & strategic customer integration: Evidence from bottled drinking-water industry in Indonesia. *Cogent Business & Management* 8, 1930500.
- Asness, C.S., Frazzini, A., Pedersen, L.H., 2019. Quality minus junk. *Review of Accounting Studies* 24, 34–112.
- Begenau, J., 2020. Capital requirements, risk choice, and liquidity provision in a business-cycle model. *Journal of Financial Economics* 136, 355–378.
- Bloomfield, J., Fisher, M.J., 2019. Quantitative research design. *Journal of the Australasian Rehabilitation Nurses Association* 22, 27–30.
- Carbó-Valverde, S., Cuadros-Solas, P.J., Rodríguez-Fernández, F., 2022. Entrepreneurial, institutional and financial strategies for FinTech profitability. *Financial Innovation* 8, 1–36.
- Chang, H.-Y., Ma, C.-A., 2019. Financial flexibility, managerial efficiency and firm life cycle on firm performance: An empirical analysis of Chinese listed firms. *Journal of Advances in Management Research* 16, 168–180.
- Chao, C.-H., Huang, C.-J., 2022. Firm performance following actual share repurchases: Effects of investment crowding out and financial flexibility. *Pacific-Basin Finance Journal* 73, 101738.
- Chaudhry, N.I., Aftab, I., Arif, Z., Tariq, U., Roomi, M.A., 2019. Impact of customer-oriented strategy on financial performance with mediating role of HRM and innovation capability. *Personnel Review* 48, 631–643.
- Chen, Y., Kumara, E.K., Sivakumar, V., 2021. Investigation of finance industry on risk awareness model and digital economic growth. *Annals of Operations Research* 1–22.
- Chen, Z., Harford, J., Kamara, A., 2019. Operating leverage, profitability, and capital structure. *Journal of financial and quantitative analysis* 54, 369–392.
- Dakua, S., 2019. Effect of determinants on financial leverage in Indian steel industry: A study on capital structure. *International Journal of Finance & Economics* 24, 427–436.
- Dang, H.N., Vu, V.T.T., Ngo, X.T., Hoang, H.T.V., 2019. Study the impact of growth, firm size, capital structure, and profitability on enterprise value: Evidence of enterprises in Vietnam. *Journal of Corporate Accounting & Finance* 30, 144–160.
- Das, G., Agarwal, J., Malhotra, N.K., Varshneya, G., 2019. Does brand experience translate into brand commitment?: A mediated-moderation model of brand passion and perceived brand ethicality. *Journal of Business Research* 95, 479–490.
- Delikanlı, İ., Kılıç, S., 2021. Factors influencing SMEs' capital structure: a comparative analysis from Turkey. *Small Enterprise Research* 28, 57–74.
- Dierker, M., Lee, I., Seo, S.W., 2019. Risk changes and external financing activities: Tests of the dynamic trade-off theory of capital structure. *Journal of Empirical Finance* 52, 178–200.
- Eiler, L.A., Miranda-Lopez, J., Tama-Sweet, I., 2022. The impact of IFRS on earnings management: evidence from Mexico. *Journal of Accounting in Emerging Economies* 12, 77–96.
- Ferrando, A., Marchica, M.-T., Mura, R., 2017. Financial flexibility and investment ability across the Euro area and the UK. *European Financial Management* 23, 87–126.
- Galant, A., Cadez, S., 2017. Corporate social responsibility and financial performance relationship: A review of measurement approaches. *Economic research-Ekonomska istraživanja* 30, 676–693.
- Galati, A., Sakka, G., Crescimanno, M., Tulone, A., Fiore, M., 2019. What is the role of social media in several overtones of CSR communication? The case of the wine industry in the Southern Italian regions. *British Food Journal*.
- Gök, O., Peker, S., 2017. Understanding the links among innovation performance, market performance and financial performance. *Review of managerial science* 11, 605–631.
- Guizani, M., 2020. Testing the pecking order theory of capital structure: the case of Islamic financing modes. *Future Business Journal* 6, 1–12.
- Habib, A., Hasan, M.M., 2019. Corporate life cycle research in accounting, finance and corporate governance: A survey, and directions for future research. *International Review of Financial Analysis* 61, 188–201.
- Hanlon, M., Maydew, E.L., Saavedra, D., 2017. The taxman cometh: Does tax uncertainty affect corporate cash holdings? *Review of Accounting Studies* 22, 1198–1228.
- Harjoto, M.A., Jo, H., 2015. Legal vs. normative CSR: Differential impact on analyst dispersion, stock return volatility, cost of capital, and firm value. *Journal of Business Ethics* 128, 1–20.
- Harris, C., Roark, S., 2019. Cash flow risk and capital structure decisions. *Finance Research Letters* 29, 393–397.
- Hashim, H.A., Amrah, M., 2016. Corporate governance mechanisms and cost of debt: Evidence of family and non-family firms in Oman. *Managerial Auditing Journal* 31, 314–336.
- Hoberg, G., Phillips, G., Prabhala, N., 2014. Product market threats, payouts, and financial flexibility. *The Journal of Finance* 69, 293–324.

- Hu, F., Percy, M., Yao, T., 2015. Asset revaluations and earnings management: Evidence from Australian companies. *Corporate Ownership and Control* 13, 930–939.
- Hudson, R., Muradoglu, Y.G., 2020. Personal routes into behavioural finance. *Review of Behavioral Finance*.
- Islam, R., Haque, Z., Moutushi, R.H., 2022. Earnings quality and financial flexibility: A moderating role of corporate governance. *Cogent Business & Management* 9, 2097620.
- Khan, K., Qu, J., Shah, M.H., Bah, K., Khan, I.U., 2020. Do firm characteristics determine capital structure of Pakistan listed firms? A quantile regression approach. *The Journal of Asian Finance, Economics and Business* 7, 61–72.
- Kim, D.W., Trimi, S., Hong, S.G., Lim, S., 2020. Effects of co-creation on organizational performance of small and medium manufacturers. *Journal of Business Research* 109, 574–584.
- Koironen, J., 2014. Fair value adoption in Central and Eastern Europe-Do firms apply fair value accounting to tangible non-current assets under IFRS?
- Kyissima, K.H., Xue, G.Z., Yapatake Kosselle, T.P., Abeid, A.R., 2020. Analysis of capital structure stability of listed firms in China. *China Finance Review International* 10, 213–228.
- La Rocca, M., Staglianò, R., La Rocca, T., Cariola, A., Skatova, E., 2019. Cash holdings and SME performance in Europe: The role of firm-specific and macroeconomic moderators. *Small Business Economics* 53, 1051–1078.
- Laporšek, S., Dolenc, P., Grum, A., Stubelj, I., 2021. Ownership structure and firm performance—The case of Slovenia. *Economic Research-Ekonomska Istraživanja* 34, 2975–2996.
- Lemma, T.T., 2015. Corruption, debt financing and corporate ownership. *Journal of Economic Studies*.
- Liu, Yixin, Liu, Yu, Wei, Z., 2022. Property rights protection, financial constraint, and capital structure choices: Evidence from a Chinese natural experiment. *Journal of Corporate Finance* 73, 102167.
- Lu, Y., Wu, J., Peng, J., Lu, L., 2020. The perceived impact of the Covid-19 epidemic: evidence from a sample of 4807 SMEs in Sichuan Province, China. *Environmental Hazards* 19, 323–340.
- Mangesti Rahayu, S., Saifi, M., 2020. The reciprocal relationship between profitability and capital structure and its impacts on the corporate values of manufacturing companies in Indonesia. *International Journal of Productivity and Performance Management* 69, 236–251.
- McCann, L., Hutchison, N., Adair, A., 2019. External funding of major capital projects in the UK Higher Education sector: issues of demand, supply and market timing? *Journal of Property Research* 36, 97–130.
- Nguyen, A.H., Duong, C.T., 2021. Earnings management and new listings: Evidence from Vietnam. *Asian Academy of Management Journal* 26, 27–51.
- Ogunmuyiwa, M.S., Aladegoroye, O.R., Abosede, A.J., 2020. Funding of Micro Scale Enterprises: Is Cooperative Financing Helpful? *Izvestiya* 430–443.
- Orlova, S., Harper, J.T., Sun, L., 2020. Determinants of capital structure complexity. *Journal of Economics and Business* 110, 105905.
- Panda, A.K., Nanda, S., Hegde, A.A., Yadav, A.K.K., 2021. Receptivity of capital structure with financial flexibility: a study on manufacturing firms. *International Journal of Finance & Economics*.
- Rosmianingrum, D.A., Mohammed, N.F., Bujang, I., Leo, L., 2023. IFRS adoption, stock price synchronicity and firm-specific information in Indonesia stock market. *Cogent Business & Management* 10, 2170520. <https://doi.org/10.1080/23311975.2023.2170520>
- Schleper, M.C., Gold, S., Trautrim, A., Baldock, D., 2021. Pandemic-induced knowledge gaps in operations and supply chain management: COVID-19's impacts on retailing. *International Journal of Operations & Production Management* 41, 193–205.
- Shahwan, T.M., 2015. The effects of corporate governance on financial performance and financial distress: evidence from Egypt. *Corporate Governance* 15, 641–662.
- Stubbs, W., 2019. Strategies, practices, and tensions in managing business model innovation for sustainability: The case of an Australian BCorp. *Corporate Social Responsibility and Environmental Management* 26, 1063–1072.
- Tallman, S., Luo, Y., Buckley, P.J., 2018. Business models in global competition. *Global Strategy Journal* 8, 517–535.
- Tang, Y., Moro, A., 2020. Trade credit in China: Exploring the link between short term debt and payables. *Pacific-Basin Finance Journal* 59, 101240.
- Teece, D., Peteraf, M., Leih, S., 2016. Dynamic capabilities and organizational agility: Risk, uncertainty, and strategy in the innovation economy. *California management review* 58, 13–35.
- Tran, Q.T., 2019. Economic policy uncertainty and corporate risk-taking: International evidence. *Journal of Multinational Financial Management* 52, 100605.

- Vatavu, R., 2015. Audience silhouettes: Peripheral awareness of synchronous audience kinesics for social television. TVX 2015 - Proceedings of the ACM International Conference on Interactive Experiences for TV and Online Video 13–22. <https://doi.org/10.1145/2745197.2745207>
- Wang, D., Feng, T., Lawton, A., 2017. Linking ethical leadership with firm performance: A multi-dimensional perspective. *Journal of business ethics* 145, 95–109.
- Xu, H., Xu, X., Yu, J., 2021. The impact of mandatory CSR disclosure on the cost of debt financing: Evidence from China. *Emerging Markets Finance and Trade* 57, 2191–2205.
- Yao, D.F.T., Percy, M., Hu, F., 2015. Fair value accounting for non-current assets and audit fees: Evidence from Australian companies. *Journal of Contemporary Accounting & Economics* 11, 31–45.
- Yin, S., Shao, Y., Wu, A., Wang, H., Liu, X., Wang, Y., 2020. A systematic review of paste technology in metal mines for cleaner production in China. *Journal of Cleaner Production* 247, 119590.

**Bukti Konfirmasi Artikel Diterima  
dengan LOA, Penandatanganan Letter of  
Agreement, Riwayat Komunikasi  
Prosedural Menuju Proses Publikasi, dan  
Konfirmasi Publikasi Artikel Online (5  
Januari 2024)**

---

**Economic Studies journal** <econ.studies@iki.bas.bg>  
Kepada: Muhammad Istan IAIN Curup <muhammadistan@iaincurup.ac.id>

6 Juni 2023 pukul 17.53

Hello,

**The final conclusion of the reviewers is that *your paper is accepted for publishing in Economic Studies journal.***

The paper will be directed for publishing in one of the next issues of the journal ONLY under the conditions described in the attached letter.

**Please follow the steps there and send back the filled in letter with the necessary information not later than 15.06.2023.**

Please note that if you need an original invoice, it can be issued only to the person or organization who has ordered the payment.

Regards

Diana Dimitrova

[Kutipan teks disembunyikan]

---

 **letter\_acceptance.pdf**  
759K

## LETTER OF ACCEPTANCE

The Editorial Board of "ECONOMIC STUDIES" journal (ISSN 0205-3292) certifies that the paper entitled "*Analysis of the Influence of Assets Structure, Earning Volatility, and Financial Flexibility on Capital Structure and Corporate Performance in Manufacturing Sector Companies on the IDX*" with authors Muhammad Istan, submitted for publication in Economic Studies journal, has been reviewed by independent reviewer (double blind reviewing) and the final conclusion is that *the paper is accepted for publishing in Economic Studies journal*.

The paper will be directed for publishing in one of the next issues of the journal under the following conditions:

### 1. Consent for publication and distribution

The authors grant the exclusive right to publish and distribute the accepted article titled above. The paper could be published in Economic Studies journal (printed version) and included into the section "Archive" of the journal web site. The paper could be disseminated in printed and electronic version to the libraries and scientific databases. The authors declare that the paper is an original work and has neither been published in any peer-reviewed journal nor is under consideration for publication by any other journal, and that all trademark use within the manuscript has been credited to its owner or written permission to use the name has been granted. The author(s) declare that the abidance by the copyright and plagiarism laws is authors' responsibility. In addition, the author(s) acknowledges that all images such as tables, screenshots, graphics, etc., do not have a copyright that is held by a third party, and all used data & objects from other sources are cited.

Names of the (corresponding) author:	Date:	Signature:

### 2. Payment of Article Processing Charge

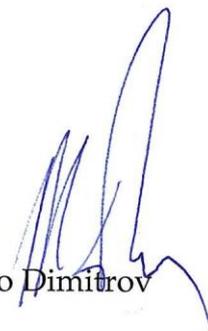
The above mentioned paper will be published in Economic Studies journal only after the payment of Article Processing Charge (APC) is received. To pay the fee you will be issued a pro forma invoice, for which you need to send us the following information:

- ✓ Name/Institution
- ✓ Address
- ✓ Post code, Town
- ✓ Country
- ✓ VAT-ID

Payment of APC should be made by bank transfer only.

Chief Editor

Prof. Dr. Mitko Dimitrov



---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>

6 Juni 2023 pukul 20.26

Kepada: Economic Studies journal &lt;econ.studies@iki.bas.bg&gt;

Dear Diana Dimitrova

Thank you very much for the LOA you just sent. I am preparing the letter of agreement and the details of information. I will send them back to you tomorrow. I hope to receive an invoice from you soon.

I am sorry to ask you again about this case. This article is part of my career requirement as a senior lecturer at IAIN Curup and the publication due, in order to be submitted to the campus I work, is in this month, June. Will it be possible if my article is published in issue 5 (the current issue) of Economic Studies?

I am sorry if my request sounds too personal. I am looking forward to hearing from you soon. I really appreciate further information you will let me know. Thank you so much.

Best regards

Muhammad Istan

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>

6 Juni 2023 pukul 20.31

Kepada: Economic Studies journal &lt;econ.studies@iki.bas.bg&gt;

Dear Diana Dimitrova

Would you inform me anything about VAI-ID? I still get no clear information about how much VAI I have to prepare. Anyway, I am ready for any tax following the publication fee of my paper. Please let me know about it.

best regards

Muhammad Istan

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>

7 Juni 2023 pukul 10.16

Kepada: Economic Studies journal &lt;econ.studies@iki.bas.bg&gt;

Dear Diana Dimitrova

The following attachment is the signed letter of agreement informed together with LOA as you sent it to me yesterday. Concerning the identity's details, the following is the details:

Name/Institution: Muhammad Istan / Institut Agama Islam Negeri Curup

Address: Jl. Dr. AK Gani No. 01, Curup, Dusun Curup, Kec. Curup Utara, Kabupaten Rejang Lebong, Bengkulu 39119

Post Code, Town: 39119, Curup

Country: Indonesia

NPWP (Taxpayer Identification Number): 14.698.974.4-327.000

I am looking forward to hearing from you about the invoice and the bank details. Thank you so much.

Best regards

Muhammad Istan

---

 **Letter of agreement.pdf**  
340K

---

**Economic Studies journal** <econ.studies@iki.bas.bg>

7 Juni 2023 pukul 15.19

Kepada: Muhammad Istan IAIN Curup &lt;muhammadistan@iaincurup.ac.id&gt;

## LETTER OF ACCEPTANCE

The Editorial Board of "ECONOMIC STUDIES" journal (ISSN 0205-3292) certifies that the paper entitled "*Analysis of the Influence of Assets Structure, Earning Volatility, and Financial Flexibility on Capital Structure and Corporate Performance in Manufacturing Sector Companies on the IDX*" with authors Muhammad Istan, submitted for publication in Economic Studies journal, has been reviewed by independent reviewer (double blind reviewing) and the final conclusion is that *the paper is accepted for publishing in Economic Studies journal*.

The paper will be directed for publishing in one of the next issues of the journal under the following conditions:

### 1. Consent for publication and distribution

The authors grant the exclusive right to publish and distribute the accepted article titled above. The paper could be published in Economic Studies journal (printed version) and included into the section "Archive" of the journal web site. The paper could be disseminated in printed and electronic version to the libraries and scientific databases. The authors declare that the paper is an original work and has neither been published in any peer-reviewed journal nor is under consideration for publication by any other journal, and that all trademark use within the manuscript has been credited to its owner or written permission to use the name has been granted. The author(s) declare that the abidance by the copyright and plagiarism laws is authors' responsibility. In addition, the author(s) acknowledges that all images such as tables, screenshots, graphics, etc., do not have a copyright that is held by a third party, and all used data & objects from other sources are cited.

Names of the (corresponding) author:	Date:	Signature:
Muhammad Istan	06-07-2023	

### 2. Payment of Article Processing Charge

The above mentioned paper will be published in Economic Studies journal only after the payment of Article Processing Charge (APC) is received. To pay the fee you will be issued a pro forma invoice, for which you need to send us the following information:

- ✓ Name/Institution
- ✓ Address
- ✓ Post code, Town
- ✓ Country
- ✓ VAT-ID

Payment of APC should be made by bank transfer only.

Chief Editor

Prof. Dr. Mitko Dimitrov



Hello,

I am sending **proforma invoice** to proceed with the payment of the fee for publication an article in Economic Studies journal.

Please note that if you need an original invoice, it can be issued only to the person or organisation who has ordered the payment.

Regards

Diana Dimitrova

[Kutipan teks disembunyikan]



**Invoice-proforma\_APC-new.pdf**

396K

---

**Economic Studies journal** <econ.studies@iki.bas.bg>

7 Juni 2023 pukul 15.20

Kepada: Muhammad Istan IAIN Curup <muhammadistan@iaincurup.ac.id>

Hello,

It is not possible to publish your paper before issue 8/2023, which will be in the end of 2023/

Regards

Diana Dimitrova

[Kutipan teks disembunyikan]

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>

7 Juni 2023 pukul 16.28

Kepada: Economic Studies journal <econ.studies@iki.bas.bg>

Dear Diana Dimitrova

Thank you for the invoice. hmmm I really hope I can get it to be published this June because the deadline of submission requirement for applying to my professor program is on the 31st of June 2023. However, it's ok. Thank you. I will make an APC payment soon.

Best regards

Muhammad Istan

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>

7 Juni 2023 pukul 17.24

Kepada: Economic Studies journal <econ.studies@iki.bas.bg>

Dear Diana Dimitrova

As infromed from your previous email, my article might be published in the issue 8. Would you please let me know of which month the 8th issue will be released?

Thank you

Muhammad Istan

---

**Economic Studies journal** <econ.studies@iki.bas.bg>

7 Juni 2023 pukul 17.37

Kepada: Muhammad Istan IAIN Curup <muhammadistan@iaincurup.ac.id>

Late November - early December 2023

[Kutipan teks disembunyikan]

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>

7 Juni 2023 pukul 21.42

Kepada: Economic Studies journal <econ.studies@iki.bas.bg>

Dear Diana Dimitrova

Thank you. I will be waiting until the date as scheduled.

Muhammad Istan

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>

8 Juni 2023 pukul 12.08

Kepada: Economic Studies journal <econ.studies@iki.bas.bg>

Dear Diana Dimitrova

I hope you are doing well. I have just transfer the APC via bank of 200 Euro. The following is the proof of transfer.

Sincerely

Muhammad Istan

---

 **Proof of transfer.pdf**  
650K

---

**Economic Studies journal** <econ.studies@iki.bas.bg>  
Kepada: Muhammad Istan IAIN Curup <muhammadistan@iaincurup.ac.id>

9 Juni 2023 pukul 20.52

Hello,

Your payment is received. Your paper will be directed for publishing in Economic Studies journal in one of its next issues.

Regards

Diana Dimitrova

[Kutipan teks disembunyikan]

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>  
Kepada: Economic Studies journal <econ.studies@iki.bas.bg>

9 Juni 2023 pukul 21.24

Dear Diana Dimitrova

Thank you very much for your help and facilities. I am looking forward to have it published in the upcoming issue/s.

Kind regards  
Muhammd Istan

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>  
Kepada: Economic Studies journal <econ.studies@iki.bas.bg>

3 Desember 2023 pukul 19.33

Dear the editor of Economic Studies Journal

I hope you are doing well. I am sorry for bothering you. In this email, I would like to ask about the publication of my article entitled "ANALYSIS OF THE INFLUENCE OF ASSETS STRUCTURE, EARNING VOLATILITY, AND FINANCIAL FLEXIBILITY ON CAPITAL STRUCTURE AND CORPORATE PERFORMANCE IN MANUFACTURING SECTOR COMPANIES ON THE IDX". On June 7, 2023, the editor of economic studies informed me that my article will be published in (Late November - early December 2023). However, after I checked the latest publication in the archive of economic s studies at <https://www.iki.bas.bg/en/node/4675/?width=600&height=400&iframe=true&ajax=1> , I have not found my published article. Would you please kindly let me know of it? Thank you

Best regards  
Muhammad Istan

---

**Economic Studies journal** <econ.studies@iki.bas.bg>  
Kepada: Muhammad Istan IAIN Curup <muhammadistan@iaincurup.ac.id>

4 Desember 2023 pukul 03.39

Hello,

Your paper is planned to be published in issue 1/2024.

Regards

Diana Dimitrova

[Kutipan teks disembunyikan]

**Bukti Konfirmasi Bahwa Artikel Sudah  
Siap Dipublikasikan dan Lampiran  
Artikel Versi Siap Publikasi (5 Januari  
2024)**

---

**Economic Studies journal** <econ.studies@iki.bas.bg>  
Kepada: Muhammad Istan IAIN Curup <muhammadistan@iaincurup.ac.id>

5 Januari 2024 pukul 17.08

Hello,

I am sending the **last version of your paper for final approval** if everything is ok with it?

Please check it carefully and if needed make comments in the file.

Regards

Diana Dimitrova

[Kutipan teks disembunyikan]

---

 **11\_Muhammad-Istan.pdf**  
686K

---

**Muhammad Istan IAIN Curup** <muhammadistan@iaincurup.ac.id>  
Kepada: Economic Studies journal <econ.studies@iki.bas.bg>

5 Januari 2024 pukul 17.38

Dear Diana Dimitrova

I hope you are doing well. Thank you so much for the given file of galley proof. I have checked the file, and I consider that everything has been ideally written and templated. I agree that the latest galley proof could be used as the file to be published. Thank you.

Best regards  
Muhammad Istan

## ANALYSIS OF THE INFLUENCE OF ASSETS STRUCTURE, EARNING VOLATILITY, AND FINANCIAL FLEXIBILITY ON CAPITAL STRUCTURE AND CORPORATE PERFORMANCE IN MANUFACTURING SECTOR COMPANIES ON THE IDX<sup>2</sup>

*Companies play a crucial role in improving a country's economy by providing jobs for many people. To enhance their performance in a competitive market, it is important for companies, particularly manufacturing firms, to pay attention to their capital structure and corporate performance. This has prompted the researcher to analyze the effect of asset structure, earning volatility, and financial flexibility on capital structure and corporate performance in manufacturing sector companies listed on the Indonesia Stock Exchange (IDX). The objective of the study was to examine the impact of asset structure, earning volatility, and financial flexibility on capital structure and corporate performance in manufacturing sector companies listed on the Indonesia Stock Exchange (IDX). The research method employed in the study was descriptive quantitative. The data for the study were collected from financial reports of 58 companies using purposive sampling. The collected data were then analyzed using SPSS. The results of the analysis indicated that asset structure, financial flexibility, and earning volatility had a positive and significant influence on both capital structure and corporate performance. The influence value for capital structure was found to be 96.9%, while the influence value for corporate performance was 94.8%. This study suggests that optimizing asset structure, managing income volatility, and enhancing financial flexibility are crucial for manufacturing companies to improve capital structure and corporate performance.*

*Keywords: Asset Structure; Earning Volatility; Financial Flexibility; Capital Structure; Corporate Performance*

*JEL: G00; G17; G32; G34*

### 1. Introduction

The levels of economic activities across nations are impacted in some way by companies as active industries (Lu et al., 2020). Therefore, it should not come as a surprise that every entrepreneur tries to continue improving the standard of the company. The preceding way

---

<sup>1</sup> Muhammd Istan, Dr, Institut Agama Islam Negeri Curup, 085267073796, e-mail: muhammdistan@iaincurup.ac.id.

<sup>2</sup> This paper should be cited as: Istan, M. (2024). Analysis of the Influence of Assets Structure, Earning Volatility, and Financial Flexibility on Capital Structure and Corporate Performance in Manufacturing Sector Companies on the IDX. – *Economic Studies (Ikonicheski Izsledvania)*, 33(1), pp. 178-194.



has an effect on raising the amount of money the business brings in (Anderson and McKenzie, 2022). One of the companies listed on the Indonesia Stock Exchange has manufacturing as its main focus of operations (Rosmianingrum et al., 2023). This company purchases raw materials from its suppliers to manufacture finished goods that are then sold to customers (Ariadi et al., 2021). However, several factors in the management of a company have the potential to affect significant aspects of a company's management, such as the capital structure and the corporation's performance (Laporšek et al., 2021).

According to Orlova et al. (2020), The arrangement of a company's financing, known as its capital structure, is a crucial element in ascertaining the proportion of debt and equity within it. More specifically, capital structure is used to compare long-term debt with equity in the company's capital (Dakua, 2019). Meanwhile, because this aspect or element is used to determine the level or measure of success of the company's performance in implementing various strategies to achieve the desired goals (Stubbs, 2019), corporate performance is also an important element for the company. This is because this aspect or element is used to determine the level or measure of success of the company's performance (Al-Gamrh et al., 2020).

There are several factors, such as the structure of the assets, the volatility of earnings, and flexible financing, that are suspected of affecting the capital structure and the performance of the corporation. The asset structure is the number of assets that can be used as collateral, and it is determined by comparing the total assets to the fixed assets (Delikanlı and Kılıç, 2021). Earnings volatility, also known as fluctuations in a company's profits, is a measure that can be used to get an overall picture of the risks associated with a company's day-to-day operations (Chen et al., 2021). The ability of a company to carry out various actions effectively and related to the amount and time of cash flow is what is referred to as financial flexibility (Chang and Ma, 2019). This gives the managed company the ability to respond to a variety of unexpected challenges (Schleper et al., 2021).

Consequently, the investigator holds a keen interest in further investigating the examination of the impact of asset composition, earnings instability, and adaptable financing on the capital structure and business performance of manufacturing sector firms listed on the IDX. This investigation's objective is to ascertain whether or not the composition of a company's assets, the volatility of its earnings, and the availability of flexible financing have any bearing on the performance of a company's capital structure.

## **2. Literature Review**

### *2.1. Asset Structure*

Asset structure is an important concept in finance that refers to the composition of a company's assets. The asset structure of a company can influence its financial performance, risk, and valuation. One of the key concepts related to asset structure is the composition of assets. A company's assets can be categorized into two distinct types: current and non-current. Current assets could be converted into cash within a one-year timeframe, whereas non-current assets are anticipated to generate revenue for the enterprise over an extended period.

Studies have shown that the asset structure of a company can affect its financial performance, with companies that have a higher proportion of non-current assets generally performing better than those with a higher proportion of current assets (Nguyen and Duong, 2021).

Another important concept related to asset structure is the balance between debt and equity. Companies can use debt or equity financing to acquire assets, and the asset structure of a company can be affected by the financing mix it uses. The ideal blend of financing for a corporation is contingent on multiple factors, such as the expenses associated with debt and equity, the tax rate, as well as the enterprise's risk profile. According to research, organizations with a larger share of debt financing have more financial leverage and risk, while those with a higher proportion of equity financing have a lower risk profile (Anagnostopoulou and Tsekrekos, 2017).

The capital structure theory is one of the most commonly researched asset structure theories. According to capital structure theory, a company's financing mix influences its cost of capital and hence its value. A company's ideal capital structure optimizes its value by balancing the costs of debt and equity. Numerous research endeavours have been executed to scrutinize the correlation between asset composition and worth, with some indicating that enterprises possessing a greater proportion of non-current assets are assigned a greater valuation (Hu et al., 2015; Koiranen, 2014; Yao et al., 2015).

Contemporary investigations have also delved into the influence of asset composition on enterprise performance. A study by Carbó-Valverde et al. (2022) found that companies with a higher proportion of non-current assets tend to have higher financial performance. Meanwhile, those with a greater percentage of current assets tend to exhibit weaker financial performance. The authors suggest that this may be due to the fact that companies with a higher proportion of non-current assets tend to have higher capital expenditure, which can lead to higher revenue growth and profitability.

The concept of asset structure is an important one in finance, with implications for a company's financial performance, risk, and valuation. The optimal asset structure for a company depends on various factors, including the composition of assets and the financing mix it uses. Recent research has highlighted the importance of asset structure for firm performance and valuation, and further studies in this area are likely to yield important insights into the optimal management of asset structure in companies.

## *2.2. Earning Volatility*

Earning volatility is an important concept in finance and accounting as it measures the variability of a company's earnings over a certain period of time (Eiler et al., 2022). Current research endeavours to analyze the impact of earnings instability on stock returns. The researchers found that investors are willing to pay a higher price for enterprises that possess more stable earnings and that this correlation persists even after regulating for other variables, such as earnings expansion and the scope of the firm (Asness et al., 2019). The examination additionally illustrates that companies with more erratic earnings undergo more pronounced drops in stock prices when the market is under pressure. A separate investigation observes

that the adverse influence of liquidity on stock returns is more substantial for firms that exhibit higher earnings volatility (Vatavu, 2015). This suggests that investors in emerging markets are more sensitive to earnings risk when assessing liquidity risk. In contrast, a study by Harjoto and Jo (2015) revealed that firms with more fluctuating profits are more likely to participate in CSR efforts to mitigate the negative effect of earnings volatility on their reputation and stakeholder relations. The research discovers a positive association between earnings volatility and CSR performance, implying that companies utilize CSR to offset the detrimental effects of earnings volatility. The above studies suggest that earning volatility has significant implications for firms' financial and non-financial performance, as well as for investors' valuation and risk assessment. However, the findings are mixed and highlight the need for further research to better understand the complex relationship between earning volatility, firm characteristics, and market dynamics.

Another current research endeavour examines the effect of earnings instability on business investments. The study concludes that companies with more erratic earnings often adopt more cautious investment strategies, as they encounter heightened ambiguity and risk when making investment decisions (Tran, 2019). The author suggests that this relationship may reflect firms' desire to avoid costly financial distress, as well as their limited ability to access external financing when earnings are volatile. In a similar vein, a study by Hanlon et al. (2017) revealed that firms with more volatile earnings are more likely to reduce their dividend payouts, as they face greater financial uncertainty and need to conserve cash for future investments or operational needs. The study finds a negative relationship between earnings volatility and dividend payout ratios, suggesting that investors should pay attention to earnings risk when assessing the sustainability of firms' dividend policies. Also, a study by Tallman et al. (2018) demonstrated that firms with more volatile earnings may face greater pressure to innovate and adapt to changing market conditions, as they need to diversify their revenue streams and maintain their competitive advantage. The investigation determines a direct correlation between earnings instability and innovation efficacy, suggesting that firms use innovation as a means of mitigating the negative consequences of earnings risk.

Taken together, the aforesaid studies highlight the diverse implications of earnings volatility for firms' financial and non-financial outcomes, as well as for investors' valuation and risk assessment. The findings suggest that earning volatility should be considered as an important factor when evaluating firms' performance, investment, dividend, and innovation decisions. However, the mixed evidence also suggests the need for further research to better understand the mechanisms underlying these relationships and their implications for different stakeholders.

### *2.3. Financial Flexibility*

Financial flexibility is an important concept in finance that refers to a firm's ability to adjust its financing and investment decisions in response to changing market conditions and opportunities. One study by Ferrando et al. (2017) exhibited that firms with greater financial flexibility are better able to invest in growth opportunities, as they have more options to raise capital and manage their financial risk. The research discovers a positive association between financial flexibility and business investment levels, implying that financial flexibility is a key

predictor of corporate development potential. Another study by La Rocca et al. (2019) informed that enterprises possessing greater financial adaptability are more capable of mitigating the repercussions of economic downturns, as they have more resources to adjust their operations and financing decisions. The authors suggest that financial flexibility can help firms maintain their competitive advantage and resilience in the face of market turbulence.

In contrast, Teece et al. (2016) argued that firms with greater financial flexibility are more likely to invest in innovation, as they have more resources and options to manage the risk and uncertainty associated with innovation. According to the findings, there is a positive association between financial flexibility and innovation performance, implying that financial flexibility is an essential factor of organizations' long-term development and competitiveness. Overall, these studies suggest that financial flexibility is an important concept in finance that has significant implications for firms' performance, value creation, and resilience. The results, however, emphasize the need for more study to better understand the processes behind the link between financial flexibility and company actions, as well as the situations under which financial flexibility is most advantageous.

Another study by Zhang et al. (2021) explores the effect of financial flexibility on corporate social responsibility (CSR) performance in businesses. The authors contend that organizations with higher financial flexibility are more inclined to participate in CSR activities because they have more resources and alternatives for managing CSR costs and risks. The investigation uncovers a positive correlation between financial adaptability and CSR efficacy, suggesting that financial adaptability can aid enterprises in harmonizing their financial and societal objectives, while simultaneously generating sustained value for stakeholders. Subsequently, Islam et al. (2022) argue that firms with greater financial flexibility are more likely to pay dividends, as they have more resources and options to manage their financial risk and maintain their financial flexibility. They discovered a positive association between financial flexibility and dividend payment, implying that financial flexibility might assist enterprises in maintaining financial soundness and signalling their worth to investors. However, it is important to note that financial flexibility is not without its potential drawbacks. A study by Hoberg et al. (2014) indicated that firms with greater financial flexibility may be more prone to take on risky investments, as they have more resources and options to manage the risks and costs associated with such investments. The research discovers a positive association between financial flexibility and risk-taking behaviour in organizations, implying that financial flexibility might enhance firms' exposure to risk and uncertainty.

Overall, the above studies suggest that financial flexibility is a complex and multifaceted concept that can have both positive and negative implications for firms' performance, value creation, and risk exposure. Further research is needed to better understand the conditions under which financial flexibility is most valuable and to identify the mechanisms that can help firms effectively manage their financial flexibility in a changing market environment.

#### 2.4. *Capital Structure*

The configuration of debt and equity financing employed by a company to sustain its operations and investments is commonly known as its capital structure (Amosh et al., 2022). As a fundamental principle in corporate finance, the capital structure holds significant consequences for a company's cost of capital, financial risk, and overall efficacy. The pecking order theory, which posits that enterprises prefer to finance their investments with internal funds, such as retained earnings, followed by debt, and finally equity, is a crucial concept in the study of capital structure. A study conducted by Das et al. (2019) examines the pecking order theory in the context of Indian firms. The authors offer backing for the pecking order theory, asserting that Indian firms mainly rely on internal funds as a funding source, followed by debt and then equity. Another crucial concept in capital structure is the trade-off hypothesis, which suggests that firms weigh the benefits and costs of debt and equity financing to determine their optimal capital structure. A study conducted by Akbar et al. (2020) explores the trade-off theory in the context of Pakistani firms. According to the authors, Pakistani enterprises have an ideal debt-to-equity ratio that combines the tax advantages of debt financing with the costs of the financial crisis.

In addition, a study by Ogunmuyiwa et al. (2020) examines the influence of capital structure on the performance of companies in Nigeria. The authors discover a link between debt financing and business performance, implying that debt financing may boost firm growth and profitability. They do, however, discover a negative link between debt financing and business financial risk, implying that excessive debt might raise enterprises' vulnerability to financial trouble.

Furthermore, a study by Hashim and Amrah (2016) explores the influence of ownership structure on the capital structure of firms in Oman. The authors discovered that family-owned enterprises had lower levels of debt financing than non-family-owned firms, implying that family ownership may influence capital structure choices. Overall, the aforementioned studies highlight the importance of capital structure in corporate finance and offer valuable insights into the concepts, theories, and findings related to this topic. However, further research is needed to better understand the factors that influence firms' capital structure decisions and to identify the optimal mix of debt and equity financing for different types of firms in different market environments.

The other concept related to capital structure is the signalling theory, which suggests that firms' financing choices can convey information to the market about the firm's future prospects. A study by Xu et al. (2021) found that Firms with larger levels of debt tend to have better stock returns, implying that debt financing might communicate to the market strong future prospects. Another important concept is the agency theory, which suggests that conflicts of interest can arise between the firm's owners (shareholders) and its managers, leading to suboptimal decisions about capital structure. A study by Lemma (2015) found that companies with higher degrees of institutional ownership tend to have lower levels of debt financing. This suggests that institutional investors may play a role in addressing agency problems related to capital structure decisions. Furthermore, a study carried out by Tang and Moro (2020) found that Firms that are financially restricted tend to depend more on short-term debt and equity financing, indicating that financial restrictions may have a major influence on business financing decisions.

*Istan, M. (2024). Analysis of the Influence of Assets Structure, Earning Volatility, and Financial Flexibility on Capital Structure and Corporate Performance in Manufacturing Sector Companies on the IDX.*

---

Overall, the above studies provide valuable insights into the concepts, theories, and findings related to capital structure in different market environments. However, further research is needed to better understand the complex relationships between firms' financing choices, market conditions, and firm performance. Additionally, future research can explore the impact of new financing options, such as crowdfunding and digital finance, on firms' capital structure decisions.

### *2.5. Corporate Performance*

Corporate performance is a multi-dimensional concept that refers to how well a company performs in achieving its objectives, creating value for stakeholders, and generating profits (Wang et al., 2017). Financial performance is a commonly used metric for evaluating the success of a corporation, with several financial ratios, including return on assets (ROA), return on equity (ROE), and earnings per share (EPS), being utilized to assess it. A study by Kim et al. (2020) finds a positive relationship between ESG performance and financial performance, suggesting that firms that prioritize ESG factors tend to perform better financially.

Another concept related to corporate performance is corporate social responsibility (CSR), which refers to the extent to which companies contribute to social and environmental causes beyond their financial obligations. A study by Galant and Cadez (2017) finds there is a favourable correlation between financial performance and corporate social responsibility (CSR), suggesting that CSR could enhance the reputation, patronage and ultimately economic benefits of organizations. Moreover, a study executed by Abdelwhab et al. (2019) finds a link between knowledge management techniques and business performance, implying that good knowledge management may lead to improved decision-making, innovation, and competitive advantage. Furthermore, Shahwan (2015) finds a positive correlation between the quality of corporate governance and financial performance, suggesting that sound corporate governance practices can improve financial reporting accuracy, alleviate agency problems, and ultimately enhance shareholder wealth. Overall, the aforesaid studies provide valuable insights into the complex relationships between different factors and corporate performance. However, further research is needed to better understand the causal mechanisms underlying these relationships and to explore the impact of different contextual factors such as industry, market conditions, and firm size on corporate performance.

Another important concept related to corporate performance is innovation, which refers to the ability of companies to develop and implement new products, services, and processes. A study by Gök and Peker (2017) finds a positive association between innovation and financial success, implying that innovative organizations outperform in terms of financial performance owing to their capacity to adapt to changing market circumstances and satisfy client requirements. Subsequently, a study by Yin et al. (2020) examines the impact of environmental innovation on the financial performance of Chinese firms. The authors discover a positive relationship between environmental innovation and financial performance, implying that companies that invest in sustainable practices perform better financially due to their ability to attract environmentally conscious customers, reduce costs,

and improve their reputation. Moreover, a study by Chaudhry et al. (2019) find a positive relationship between customer orientation and financial performance, suggesting that firms that prioritize customer needs tend to perform better financially due to their ability to create loyal customers and increase sales. Continuously, a study by Wang et al. (2017) finds a positive association between ethical leadership and financial performance, implying that organizations with ethical leaders outperform their competitors financially owing to their capacity to establish a culture of trust, accountability, and social responsibility.

In short, the literature on corporate performance highlights the complex and multifaceted nature of this concept, which can be influenced by various factors such as financial, social, environmental, and ethical factors. The findings of these studies suggest that firms that prioritize innovation, sustainability, customer orientation, and ethical leadership tend to perform better financially and create value for their stakeholders. However, further research is needed to explore the underlying mechanisms and contextual factors that influence these relationships.

#### *2.6. Theoretical Interplay among Assets Structure, Earning Volatility, Financial Flexibility, and Capital Structure*

The interplay among asset structure, earning volatility, financial flexibility, and capital structure has been a topic of interest among researchers in finance and accounting in recent years. The relationship between these four factors is complex and multidimensional, and several studies have attempted to shed light on the mechanisms that drive this interplay.

One significant discovery in the academic literature is the strong correlation between asset structure and capital structure. Multiple research studies have indicated that companies with a greater percentage of fixed assets tend to exhibit greater leverage ratios (e.g., Dakua, 2019; Rahayu and Saifi, 2020). The interrelation between asset structure and capital structure is a significant finding in the existing literature. Several studies have concluded that firms with a higher proportion of fixed assets are more likely to have greater leverage ratios. This connection is explained by the ability of fixed assets to act as collateral for debt financing, which can lower borrowing costs and enhance the firm's debt capacity. However, the connection between asset structure and financial flexibility remains less distinct. Certain studies have identified a negative correlation between asset structure and financial flexibility (e.g., Agrawal, 2020; Islam et al., 2022), while others have found a positive relationship (e.g., Panda et al., 2021). This inconsistency in the findings may be due to differences in the measurement of financial flexibility, as well as the heterogeneity of the firms and industries under study.

Earning volatility is another important factor that can affect the interplay among asset structure, financial flexibility, and capital structure. Increased earnings volatility may heighten the likelihood of default and restrict the firm's capacity to acquire external financing (e.g., Dierker et al., 2019; McCann et al., 2019). Therefore, firms with high earning volatility may choose to maintain lower leverage ratios and higher levels of liquidity to mitigate this risk (e.g., Begenau, 2020; Khan et al., 2020). Financial flexibility is also an important factor that can affect the interplay among these four factors. Several studies have found that firms

*Istan, M. (2024). Analysis of the Influence of Assets Structure, Earning Volatility, and Financial Flexibility on Capital Structure and Corporate Performance in Manufacturing Sector Companies on the IDX.*

---

with higher financial flexibility tend to have lower leverage ratios and higher levels of liquidity (e.g., Islam et al., 2022; Panda et al., 2021). This is due to the fact that having financial flexibility can act as a buffer against unforeseen disturbances and enhance the firm's capacity to obtain external financing in times of need.

Overall, the interplay among asset structure, earning volatility, financial flexibility, and capital structure is a complex and multifaceted phenomenon that is influenced by various internal and external factors. The findings in the literature suggest that firms should carefully manage their asset structure, earning volatility, financial flexibility, and capital structure to ensure that they are well-positioned to achieve their financial goals and create value for their stakeholders.

### *2.7. Theoretical Interplay among Assets Structure, Earning Volatility, Financial Flexibility, and Corporate Performance*

Several studies have explored the theoretical interplay among asset structure, earning volatility, financial flexibility, and corporate performance. According to a study carried out by Liu et al. (2022), financially constrained firms have a stronger link between higher asset tangibility and lower debt ratios. This relationship suggests that firms with more tangible assets may face lower debt ratios, implying that such assets may serve as collateral and reduce borrowing costs. Additionally, a higher proportion of tangible assets is positively associated with better financial performance, as found by their study. Another study by Habib and Hasan (2019) investigated the relationship between asset structure and financial performance in the context of emerging economies. The results of their research indicate a favourable correlation between asset tangibility and financial performance within emerging economies. This observation aligns with the fundamental principles of the pecking order theory of capital structure. The study additionally emphasizes the significance of acknowledging the influence of institutional variables in molding the connection between asset configuration and financial performance.

In terms of earning volatility, a study by Hudson and Muradoglu (2020) examined the relationship between earning volatility and financial performance in the Turkish context. Their discoveries indicate that enterprises with reduced earning instability exhibit enhanced financial performance, consistent with the principles of the signalling theory of capital structure. Additionally, their research revealed that financial adaptability regulates the association between earning volatility and financial performance, implying that organizations with elevated financial flexibility are better equipped to navigate the adverse repercussions of earning instability on financial performance. Subsequently, a study undertaken by Chao and Huang (2022) found that financial flexibility positively affects corporate performance, and this relationship is more pronounced in firms with higher asset tangibility. The study accentuates the significance of acknowledging the function of asset configuration in the connection between financial adaptability and corporate performance.

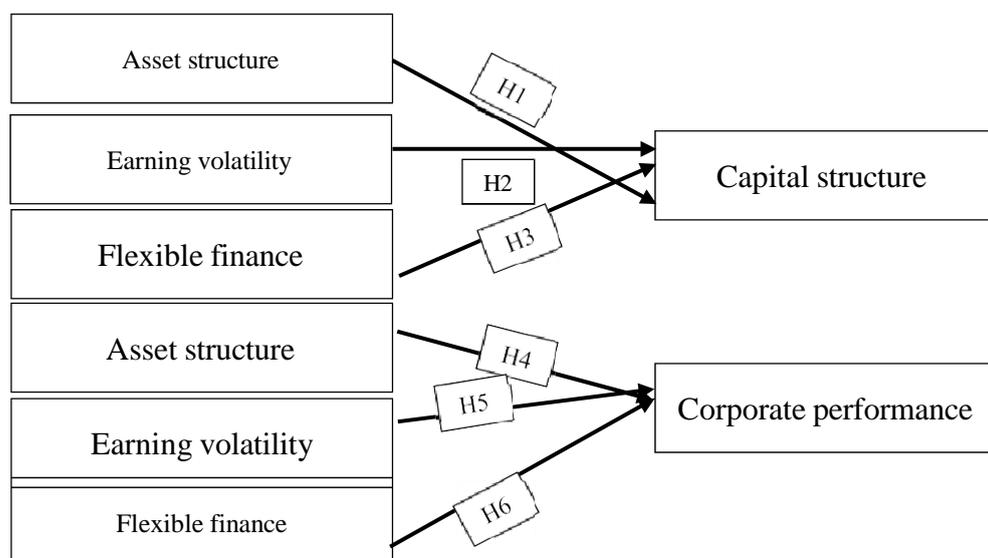
Overall, the studies mentioned earlier suggest that the theoretical interplay among asset structure, earning volatility, financial flexibility, and corporate performance is complex and multidimensional. While there is no universal model that can explain this interplay, the

findings from these studies suggest that there are significant implications for firms' financial decision-making processes.

### 3. Method

This study was conducted using a descriptive quantitative method, which means that the findings, which are presented in the form of numbers, are communicated using descriptions or sentences that are simple to grasp (Bloomfield and Fisher, 2019). Documenting the financial reports of manufacturing companies from 2019 to 2022 was the method that was used to collect the necessary data for the study. This study was carried out on 58 manufacturing companies that were chosen for participation through the process of purposive sampling. After that, the data that were collected were analyzed using SPSS's regression analysis tool. The following constitutes the theoretical framework for this study:

*Figure 1. Theoretical Framework*



#### 3.1. Hypotheses

- H1: Assets structure has an influence on capital structure.
- H2: earning volatility has an influence on capital structure.
- H3: flexible finances have an impact on capital structure.
- H4: Assets structure has an influence on corporate performance.
- H5: Earning volatility has an influence on corporate performance.
- H6: Flexible finance has an impact on corporate performance.

#### 4. Results and Discussion

After the analysis is carried out, the data is obtained as follows:

##### 4.1. Normality Test

The normality test was performed in order to gain insight into whether or not the data followed a normal distribution. The findings of the research indicate that:

**Table 1. Normality Test Data with Capital Structure Dependent Variables**

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		58
Normal Parameters <sup> a,b</sup>	Mean	.0000000
	Std. Deviation	1.51060016
Most Extreme Differences	Absolute	.148
	Positive	.136
	Negative	-.148
Test Statistic		.148
Asymp. Sig. (2-tailed)		.006 <sup> c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

The data were considered to be normally distributed because the sig. the Kolmogorov Smirnov value was greater than 0.05, which could be deduced from the information presented above.

Based on the aforementioned data, the Kolmogorov-Smirnov test yielded a significance value exceeding 0.05, signifying that the data adheres to a normal distribution.

**Table 2. Normality Test Data with Corporate Performance Bound Variables**

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		58
Normal Parameters <sup> a,b</sup>	Mean	.0000000
	Std. Deviation	2.02268009
Most Extreme Differences	Absolute	.142
	Positive	.131
	Negative	-.142
Test Statistic		.142
Asymp. Sig. (2-tailed)		.007 <sup> c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

#### 4.2. Multicollinearity Test

The purpose of conducting this test was to establish whether or not the data distribution exhibited multicollinearity. The following is a list of the outcomes of the test for multicollinearity:

**Table 3. Multicollinearity Test Data with Capital Structure Dependent Variables**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-10.249	3.189		-3.214	.002		
	Asset structure	-.126	.052	-.082	-2.402	.020	.496	2.014
	Earning volatility	.385	.078	.264	4.956	.000	.205	4.886
	Flexible finance	.917	.061	.799	14.986	.000	.204	4.892

a. Dependent Variable: capital structure

It can be inferred from the above-presented data that the VIF value was under 10 and the tolerance value was over 10, thereby indicating an absence of multicollinearity in the data.

**Table 4. Multicollinearity Test Data with Corporate Performance Dependent Variables**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.033	4.270		-.008	.994		
	Asset structure	.052	.070	.033	.739	.463	.496	2.014
	Earning volatility	-.126	.104	-.083	-1.212	.231	.205	4.886
	Flexible finance	1.216	.082	1.024	14.851	.000	.204	4.892

a. Dependent Variable: corporate performance

According to the information provided by the data above. The VIF value was less than 10, and the tolerance value was greater than 10. Hence, it could be concluded that the data did not exhibit multicollinearity.

#### 4.3. Regression Test

A regression test was carried out in order to ascertain whether or not the research hypotheses should be accepted. The following is a list of the findings from the regression test:

Istan, M. (2024). *Analysis of the Influence of Assets Structure, Earning Volatility, and Financial Flexibility on Capital Structure and Corporate Performance in Manufacturing Sector Companies on the IDX.*

**Table 5. Test Data H1, H2, and H3**

Model		Coefficients <sup>a</sup>			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-10.249	3.189		-3.214	.002
	Asset structure	.126	.052	.082	2.402	.001
	Earning volatility	.385	.078	.264	4.956	.000
	Flexible finance	.917	.061	.799	14.986	.000

a. Dependent Variable: capital structure

The data presented above demonstrates that the structure of assets, the volatility of earnings, and the flexibility of financial resources all had positive and significant impacts on capital structure. Accordingly, H1, H2, and H3 were accepted. The findings of the current study can be explained through the pecking order theory of capital structure. According to this theory, companies prefer internal financing over external financing, and debt financing is favoured over equity financing (Guizani, 2020). This preference for internal financing is due to the lower cost and reduced risk associated with it. In contrast, external financing requires companies to pay a premium for funds and is associated with higher risk. In light of the pecking order theory, the positive impact of asset structure, earnings volatility, and financial flexibility on capital structure can be attributed to the fact that they enhance a company's ability to generate internal funds. By having a more tangible asset structure, a company can access lower-cost debt financing, reducing the overall risk of external financing. Similarly, a company with lower earnings volatility is less risky and can access more favourable financing terms. Finally, a company with high financial flexibility can better navigate financial distress and access lower-cost financing.

The results of the present study were consistent with the findings revealed by Chen et al. (2019). They found that the asset structure was one factor that influenced the capital. Therefore, managers of companies ought to pay significant attention to the management of their companies, particularly aspects of asset structure, earning volatility, and flexible finances. This was due to the fact that these factors had an impact on the capital structure, which would later be used in the operation of the company. In recent years, scholars have extensively researched the impact of asset structure, earnings volatility, and financial flexibility on capital structure. For instance, (Kyissima et al., 2020) investigated the relationship between asset tangibility and capital structure among Chinese firms and found a significant positive correlation. Similarly, (Chang and Ma, 2019) examined the effect of financial flexibility on capital structure in Chinese listed companies and concluded that financial flexibility had a positive impact on capital structure. Therefore, the findings of the current study add to the growing body of literature on the importance of managing asset structure, earnings volatility, and financial flexibility to optimize capital structure. Managers should pay close attention to these factors as they impact the capital structure of the company, which in turn affects its overall performance and success.

**Table 6. Model Summary of H1, H2, dan H3**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.984 <sup>a</sup>	.969	.967	1.55199
a. Predictors: (Constant), flexible finance, Assets structure, earning volatility				
b. Dependent Variable: capital structure				

Based on the information presented above, it was clear that factors such as financial flexibility, asset structure, and earnings volatility had a 96.9% impact on capital structure. In light of the fact that the composition of the company's capital played a significant part in the development of the business, it was essential that careful consideration be given to the aforementioned aspects within each indicator (Galati et al., 2019).

**Table 7. Hypothesis Test Data H4, H5, and H6**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.033	4.270		-.008	.994
	Asset structure	.052	.070	.033	.039	.003
	Earning volatility	1.016	.104	.083	1.212	.031
	Flexible finance	1.216	.082	1.024	14.851	.000
a. Dependent Variable: corporate performance						

Due to the fact that the sig value was less than 0.05, the data presented above suggested that the Asset structure, Earnings volatility, and Flexible Finances all had a positive and significant impact on the overall performance of the corporation. The H5, H6, and H7 heuristics were all validated as a result of this. The findings of this study were consistent with the findings of a study that was carried out by Harris and Roark (2019). According to their findings, one of the ways to evaluate the performance of a corporation is to look at the value of the corporation, and the value of the corporation can be influenced in a number of different ways. One of these ways is by the asset structure of the corporation (Dang et al., 2019).

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.973 <sup>a</sup>	.948	.945	2.07811
a. Predictors: (Constant), financial flexible, Assets structure, earning volatility				
b. Dependent Variable: corporate performance				

According to the data presented above, the asset structure, the volatility of earnings, and the flexibility of financial resources each had a 94.8% impact on the performance of the corporation. Therefore, the management of the company needed to have the ability to properly manage each of these aspects in order for the company to be able to increase its income and provide benefits to those who are together.

## 5. Conclusion

Manufacturing companies have an important part to play in the process of transforming raw materials into finished products that are ready for use. Additionally, because of its sizable population, Indonesia undoubtedly has a very high level of overall consumption of finished goods. In spite of this, every manufacturing company needs to have a clear strategy for managing the company in order to ensure that both the capital structure and corporate performance are either remaining the same or improving. This is necessary because of the intense level of competition in the industry. According to the findings of the research, the structure of a company's assets, as well as its financial flexibility and earning volatility, have a positive and significant impact on both the corporate performance and the capital structure, respectively, with the influential values of 96.9% and 94.8%.

The author suggests that the outcomes of this study could potentially serve as a valuable source of inspiration for entrepreneurs to continually enhance their operational efficacy and take into account corporate performance and capital structure as the important aspects that play pivotal roles in an organization. The author aspires that the findings of this investigation could contribute to the scholarly discourse and serve as a platform for future research initiatives. Moreover, the author hopes that the findings could offer readers and researchers an added perspective that could broaden their understanding and insight into the subject matter.

## References

- Abdelwhab Ali, A., Panneer selvam, D.D.D., Paris, L., Gunasekaran, A. (2019). Key factors influencing knowledge sharing practices and its relationship with organizational performance within the oil and gas industry. – *Journal of Knowledge Management* 23, pp. 1806-1837.
- Agrawal, A. (2020). Modified total interpretive structural model of corporate financial flexibility. – *Global Journal of Flexible Systems Management* 21, pp. 369-388.
- Akbar, M., Hussain, S., Ahmad, T., Hassan, S. (2020). Corporate governance and firm performance in Pakistan: Dynamic panel estimation.
- Al Amosh, H., Khatib, S. F., Alkurdi, A., Bazhair, A. H. (2022). Capital structure decisions and environmental, social and governance performance: insights from Jordan. – *Journal of Financial Reporting and Accounting*.
- Al-Gamr, B., Ku Ismail, K.N.I., Ahsan, T., Alquhaif, A. (2020). Investment opportunities, corporate governance quality, and firm performance in the UAE. – *Journal of Accounting in Emerging Economies*, 10, pp. 261-276.
- Anagnostopoulou, S. C., Tsekrekos, A. E. (2017). The effect of financial leverage on real and accrual-based earnings management. – *Accounting and Business Research*, 47, pp. 191-236.
- Anderson, S. J., McKenzie, D. (2022). Improving business practices and the boundary of the entrepreneur: A randomized experiment comparing training, consulting, insourcing, and outsourcing. – *Journal of Political Economy* 130, pp. 157-209.
- Ariadi, G., Surachman, Sumiati, Rohman, F. (2021). The effect of lean and agile supply chain strategy on financial performance with mediating of strategic supplier integration & strategic customer integration: Evidence from bottled drinking-water industry in Indonesia. – *Cogent Business & Management* 8, 1930500.
- Asness, C. S., Frazzini, A., Pedersen, L. H. (2019). Quality minus junk. – *Review of Accounting Studies*, 24, pp. 34-112.
- Begenau, J. (2020). Capital requirements, risk choice, and liquidity provision in a business-cycle model. – *Journal of Financial Economics* 136, pp. 355-378.
- Bloomfield, J., Fisher, M. J. (2019). Quantitative research design. – *Journal of the Australasian Rehabilitation Nurses Association* 22, pp. 27-30.
- Carbó-Valverde, S., Cuadros-Solas, P. J., Rodríguez-Fernández, F. (2022). Entrepreneurial, institutional and financial strategies for FinTech profitability. – *Financial Innovation* 8, pp. 1-36.
- Chang, H.-Y., Ma, C.-A. (2019). Financial flexibility, managerial efficiency and firm life cycle on firm performance: An empirical analysis of Chinese listed firms. – *Journal of Advances in Management Research* 16, pp. 168-180.

- Chao, C.-H., Huang, C.-J. (2022). Firm performance following actual share repurchases: Effects of investment crowding out and financial flexibility. – *Pacific-Basin Finance Journal* 73, 101738.
- Chaudhry, N. I., Aftab, I., Arif, Z., Tariq, U., Roomi, M. A. (2019). Impact of customer-oriented strategy on financial performance with mediating role of HRM and innovation capability. – *Personnel Review* 48, pp. 631-643.
- Chen, Y., Kumara, E.K., Sivakumar, V. (2021). Investigation of finance industry on risk awareness model and digital economic growth. – *Annals of Operations Research* 1-22.
- Chen, Z., Harford, J., Kamara, A. (2019). Operating leverage, profitability, and capital structure. – *Journal of financial and quantitative analysis*, 54, pp. 369-392.
- Dakua, S. (2019). Effect of determinants on financial leverage in Indian steel industry: A study on capital structure. – *International Journal of Finance & Economics*, 24, pp. 427-436.
- Dang, H. N., Vu, V. T. T., Ngo, X. T., Hoang, H. T. V. (2019). Study the impact of growth, firm size, capital structure, and profitability on enterprise value: Evidence of enterprises in Vietnam. – *Journal of Corporate Accounting & Finance*, 30, pp. 144-160.
- Das, G., Agarwal, J., Malhotra, N. K., Varshneya, G. (2019). Does brand experience translate into brand commitment?: A mediated-moderation model of brand passion and perceived brand ethicality. – *Journal of Business Research*, 95, pp. 479-490.
- Delikanlı, İ., Kılıç, S. (2021). Factors influencing SMEs' capital structure: a comparative analysis from Turkey. – *Small Enterprise Research* 28, pp. 57-74.
- Dierker, M., Lee, I., Seo, S. W. (2019). Risk changes and external financing activities: Tests of the dynamic trade-off theory of capital structure. – *Journal of Empirical Finance* 52, pp. 178-200.
- Eiler, L. A., Miranda-Lopez, J., Tama-Sweet, I. (2022). The impact of IFRS on earnings management: evidence from Mexico. – *Journal of Accounting in Emerging Economies*, 12, pp. 77-96.
- Ferrando, A., Marchica, M.-T., Mura, R. (2017). Financial flexibility and investment ability across the Euro area and the UK. – *European Financial Management* 23, pp. 87-126.
- Galant, A., Cadez, S. (2017). Corporate social responsibility and financial performance relationship: A review of measurement approaches. – *Economic research-Ekonomiska istraživanja*, 30, pp. 676-693.
- Galati, A., Sakka, G., Crescimanno, M., Tulone, A., Fiore, M. (2019). What is the role of social media in several overtones of CSR communication? The case of the wine industry in the Southern Italian regions. – *British Food Journal*.
- Gök, O., Peker, S. (2017). Understanding the links among innovation performance, market performance and financial performance. – *Review of managerial science*, 11, pp. 605-631.
- Guizani, M. (2020). Testing the pecking order theory of capital structure: the case of Islamic financing modes. – *Future Business Journal*, 6, pp. 1-12.
- Habib, A., Hasan, M. M. (2019). Corporate life cycle research in accounting, finance and corporate governance: A survey, and directions for future research. – *International Review of Financial Analysis*, 61, pp. 188-201.
- Hanlon, M., Maydew, E. L., Saavedra, D. (2017). The taxman cometh: Does tax uncertainty affect corporate cash holdings?. – *Review of Accounting Studies*, 22, pp. 1198-1228.
- Harjoto, M. A., Jo, H. (2015). Legal vs. normative CSR: Differential impact on analyst dispersion, stock return volatility, cost of capital, and firm value. – *Journal of Business Ethics*, 128, pp. 1-20.
- Harris, C., Roark, S. (2019). Cash flow risk and capital structure decisions. – *Finance Research Letters*, 29, pp. 393-397.
- Hashim, H. A., Amrah, M. (2016). Corporate governance mechanisms and cost of debt: Evidence of family and non-family firms in Oman. – *Managerial Auditing Journal*, 31, pp. 314-336.
- Hoberg, G., Phillips, G., Prabhala, N. (2014). Product market threats, payouts, and financial flexibility. – *The Journal of Finance*, 69, pp. 293-324.
- Hu, F., Percy, M., Yao, T. (2015). Asset revaluations and earnings management: Evidence from Australian companies. – *Corporate Ownership and Control*, 13, pp. 930-939.
- Hudson, R., Muradoglu, Y. G. (2020). Personal routes into behavioural finance. – *Review of Behavioral Finance*.
- Islam, R., Haque, Z., Moutushi, R. H. (2022). Earnings quality and financial flexibility: A moderating role of corporate governance. – *Cogent Business & Management*, 9, 2097620.
- Khan, K., Qu, J., Shah, M.H., Bah, K., Khan, I. U. (2020). Do firm characteristics determine capital structure of Pakistan listed firms? A quantile regression approach. – *The Journal of Asian Finance, Economics and Business*, 7, pp. 61-72.
- Kim, D. W., Trimi, S., Hong, S. G., Lim, S. (2020). Effects of co-creation on organizational performance of small and medium manufacturers. – *Journal of Business Research*, 109, pp. 574-584.
- Koironen, J. (2014). Fair value adoption in Central and Eastern Europe-Do firms apply fair value accounting to tangible non-current assets under IFRS?
- Kyissima, K. H., Xue, G. Z., Yapatake Kosselle, T. P., Abeid, A. R. (2020). Analysis of capital structure stability of listed firms in China. – *China Finance Review International*, 10, pp. 213-228.
- La Rocca, M., Staglianò, R., La Rocca, T., Cariola, A., Skatova, E. (2019). Cash holdings and SME performance in Europe: The role of firm-specific and macroeconomic moderators. – *Small Business Economics*, 53, pp. 1051-1078.
- Laporšek, S., Dolenc, P., Grum, A., Stubelj, I. (2021). Ownership structure and firm performance – The case of Slovenia. – *Economic Research-Ekonomiska Istraživanja*, 34, pp. 2975-2996.

*Istan, M. (2024). Analysis of the Influence of Assets Structure, Earning Volatility, and Financial Flexibility on Capital Structure and Corporate Performance in Manufacturing Sector Companies on the IDX.*

---

- Lemma, T. T. (2015). Corruption, debt financing and corporate ownership. – *Journal of Economic Studies*.
- Liu, Yixin, Liu, Yu, Wei, Z. (2022). Property rights protection, financial constraint, and capital structure choices: Evidence from a Chinese natural experiment. – *Journal of Corporate Finance*, 73, 102167.
- Lu, Y., Wu, J., Peng, J., Lu, L. (2020). The perceived impact of the Covid-19 epidemic: evidence from a sample of 4807 SMEs in Sichuan Province, China. – *Environmental Hazards*, 19, pp. 323-340.
- Mangesti Rahayu, S., Saifi, M. (2020). The reciprocal relationship between profitability and capital structure and its impacts on the corporate values of manufacturing companies in Indonesia. – *International Journal of Productivity and Performance Management*, 69, pp. 236-251.
- McCann, L., Hutchison, N., Adair, A. (2019). External funding of major capital projects in the UK Higher Education sector: issues of demand, supply and market timing?. – *Journal of Property Research*, 36, pp. 97-130.
- Nguyen, A. H., Duong, C. T. (2021). Earnings management and new listings: Evidence from Vietnam. – *Asian Academy of Management Journal*, 26, pp. 27-51.
- Ogunmuyiwa, M. S., Aladegoroye, O. R., Abosede, A. J. (2020). Funding of Micro Scale Enterprises: Is Cooperative Financing Helpful?. – *Izvestiya*, pp. 430-443.
- Orlova, S., Harper, J. T., Sun, L. (2020). Determinants of capital structure complexity. – *Journal of Economics and Business*, 110, 105905.
- Panda, A. K., Nanda, S., Hegde, A. A., Yadav, A. K. K. (2021). Receptivity of capital structure with financial flexibility: a study on manufacturing firms. – *International Journal of Finance & Economics*.
- Rosmianingrum, D. A., Mohammed, N. F., Bujang, I., Leo, L. (2023). IFRS adoption, stock price synchronicity and firm-specific information in Indonesia stock market. – *Cogent Business & Management*, 10, 2170520. <https://doi.org/10.1080/23311975.2023.2170520>.
- Schleper, M. C., Gold, S., Trautrim, A., Baldock, D. (2021). Pandemic-induced knowledge gaps in operations and supply chain management: COVID-19's impacts on retailing. – *International Journal of Operations & Production Management*, 41, pp. 193-205.
- Shahwan, T. M. (2015). The effects of corporate governance on financial performance and financial distress: evidence from Egypt. – *Corporate Governance*, 15, pp. 641-662.
- Stubbs, W. (2019). Strategies, practices, and tensions in managing business model innovation for sustainability: The case of an Australian BCorp. – *Corporate Social Responsibility and Environmental Management*, 26, pp. 1063-1072.
- Tallman, S., Luo, Y., Buckley, P. J. (2018). Business models in global competition. – *Global Strategy Journal*, 8, pp. 517-535.
- Tang, Y., Moro, A. (2020). Trade credit in China: Exploring the link between short term debt and payables. – *Pacific-Basin Finance Journal*, 59, 101240.
- Teece, D., Peteraf, M., Leih, S. (2016). Dynamic capabilities and organizational agility: Risk, uncertainty, and strategy in the innovation economy. – *California management review*, 58, pp. 13-35.
- Tran, Q. T. (2019). Economic policy uncertainty and corporate risk-taking: International evidence. – *Journal of Multinational Financial Management*, 52, 100605.
- Vatavu, R. (2015). Audience silhouettes: Peripheral awareness of synchronous audience kinesics for social television. TVX 2015 – Proceedings of the ACM International Conference on Interactive Experiences for TV and Online Video 13-22. <https://doi.org/10.1145/2745197.2745207>.
- Wang, D., Feng, T., Lawton, A. (2017). Linking ethical leadership with firm performance: A multi-dimensional perspective. – *Journal of business ethics*, 145, pp. 95-109.
- Xu, H., Xu, X., Yu, J. (2021). The impact of mandatory CSR disclosure on the cost of debt financing: Evidence from China. – *Emerging Markets Finance and Trade*, 57, pp. 2191-2205.
- Yao, D. F. T., Percy, M., Hu, F. (2015). Fair value accounting for non-current assets and audit fees: Evidence from Australian companies. – *Journal of Contemporary Accounting & Economics*, 11, pp. 31-45.
- Yin, S., Shao, Y., Wu, A., Wang, H., Liu, X., Wang, Y. (2020). A systematic review of paste technology in metal mines for cleaner production in China. – *Journal of Cleaner Production*, 247, 119590.