

Strengthening The Capital Structure–Performance Link: Evidence On The Moderating Effect of Corporate Governance

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Abstract

This study aims to analyze the effect of capital structure on firm performance, considering the moderating role of corporate governance. Capital structure is a strategic financial decision related to the composition of debt and equity used to finance the firm, which in turn affects profitability, operational efficiency, and firm value. However, prior studies show inconsistent results regarding this relationship, indicating the presence of contingency factors such as corporate governance. This study employs a quantitative approach with a causal research design. The population comprises manufacturing companies listed on the Indonesia Stock Exchange during 2021–2025. Using a purposive sampling technique, 84 companies were selected, yielding 420 firm-year observations. Secondary data were obtained from financial statements and annual reports, and analyzed using panel data regression combined with Moderated Regression Analysis (MRA) to test the moderating role of corporate governance. The results show that capital structure (proxied by DAR and DER) has no significant effect on firm performance (proxied by ROA), while corporate governance (the number of directors, the number of commissioners, and institutional ownership) is unable to moderate the relationship between capital structure and firm performance among manufacturing companies listed on the Indonesia Stock Exchange.

Keywords: Capital Structure, Firm Performance, Corporate Governance, Finance, Manufacturing Companies

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh struktur modal terhadap kinerja perusahaan dengan mempertimbangkan peran moderasi tata kelola perusahaan. Struktur modal merupakan keputusan keuangan strategis terkait komposisi utang dan ekuitas dalam pembiayaan perusahaan yang berpengaruh terhadap profitabilitas, efisiensi operasional, dan nilai perusahaan. Namun, penelitian terdahulu menunjukkan hubungan yang belum konsisten, sehingga diduga terdapat

faktor kontingensi berupa tata kelola perusahaan. Penelitian ini menggunakan pendekatan kuantitatif dengan desain kausalitas. Populasi penelitian adalah perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2021–2025. Melalui teknik purposive sampling diperoleh 84 perusahaan dengan 420 observasi. Data sekunder berupa laporan keuangan dan laporan tahunan dianalisis menggunakan regresi data panel dan Moderated Regression Analysis (MRA) untuk menguji peran moderasi tata kelola perusahaan. Hasil penelitian menunjukkan bahwa struktur modal (DAR dan DER) tidak berpengaruh signifikan terhadap kinerja perusahaan (ROA), sementara tata kelola perusahaan (jumlah direksi, jumlah komisaris, dan kepemilikan institusional) tidak mampu memoderasi hubungan antara struktur modal dan kinerja perusahaan pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia.

Kata Kunci: *Struktur Modal, Kinerja Perusahaan, Tata Kelola Perusahaan, Keuangan, Perusahaan Manufaktur*

INTRODUCTION

Capital structure is one of the important strategic financial decisions in a company because it relates to determining the source of funding used to support business operations and expansion. Weston (2007) states that the financial structure refers to the financing of the company's assets. Decisions regarding capital structure are important because they will affect financial risk, capital costs, and overall company performance. Companies that are able to determine the optimal capital structure will have a greater chance of increasing profitability and company value.

In financial theory, the relationship between capital structure and a company's performance is explained through several approaches, such as Trade-Off Theory, Pecking Order Theory, and Agency Theory. Trade-off theory explains that companies can benefit from the use of debt through tax shields, but excessive use of debt can increase the risk of bankruptcy. Meanwhile, Pecking Order Theory explains that companies tend to use internal funding sources first before using debt and issuing shares. Agency theory emphasizes that funding decisions are also influenced by conflicts of interest between managers, shareholders, and creditors.

Empirically, the relationship between capital structure and company performance still shows mixed results. Several studies have found that the use of debt can improve company performance because it encourages managerial discipline and efficiency in the use of funds (Arhinful et al., 2025; Sayidah & Assagaf, 2020). However, other research shows that the use of high debt actually decreases the performance of companies because it increases interest expenses and financial risks (Boshnak H, 2023; Ngatno et al., 2021; Nikhil et al., 2024; Xuan Nguyen et al., 2025). The inconsistency of the results of this

study shows that the relationship between the capital structure and the company's performance is not direct, but can be influenced by other factors.

Conceptually, corporate governance is directed to create a balance of interests between the company's investors and other stakeholders in the company's organization (Ngatno et al., 2021). Corporate governance is a system that regulates and controls the company so that it runs effectively, transparently, and accountably. Good corporate governance is believed to be able to reduce agency conflicts, increase oversight of management, and ensure that funding decisions are made efficiently and responsibly (Ferriswara et al., 2022; Ngatno et al., 2021). From the perspective of agency theory, managers have the possibility to make decisions that are more oriented to personal interests than to the interests of shareholders, for example through practice empire building (Arhinful et al., 2025). On the other hand, managers can also prioritize the interests of shareholders which ultimately have the potential to harm creditors due to suboptimal investment decisions. The implementation of good corporate governance is expected to be able to limit opportunistic management behavior, so that companies can make investment decisions more effectively to increase company value. Thus, corporate governance can act as a moderation variable that strengthens or weakens the influence of capital structure on company performance.

This study uses manufacturing companies on the Indonesia Stock Exchange as the object of research because the manufacturing sector has a large contribution to national economic growth and the characteristics of relatively high funding needs. According to (Kementerian Perindustrian, 2025), The manufacturing sector plays a role as the backbone of the national economy. Manufacturing companies operate in a challenging business environment in funding decisions, especially related to capital structure, as these decisions have an impact on capital costs, financial flexibility, bankruptcy risk levels, and company value (Styawati et al., 2026). On the other hand, the implementation of corporate governance in the manufacturing sector is an important aspect because high operational complexity can increase the potential for agency conflicts. Thus, manufacturing companies are considered relevant to examine the influence of capital structure on company performance and the role of moderation of corporate governance in this relationship.

Previous research on the role of corporate governance as a moderation variable still shows limitations, as most of them only test the direct influence of capital structure on company performance without considering the role of corporate governance comprehensively. The results of previous research also still show inconsistencies, especially in the context of companies in developing countries such as Indonesia, so that there is a research gap that needs to be studied further. This research is important because it makes a theoretical contribution through the expansion of the study of the relationship between capital structure and company performance by including corporate governance as a moderation variable, as well as practical contributions in the form of input for company management and investors in understanding the importance of corporate governance to support the effectiveness of capital structure decisions. Based on this description, this study aims to test (1) whether the capital structure affects the company's performance, and (2) whether the company's governance moderates the influence of the capital structure on the company's performance.

Company Performance

Company performance is an overview of the company's ability to generate profits and manage resources efficiently, which is reflected in Return on Assets (ROA). ROA shows the company's ability to generate profits based on the total assets it owns; the higher the value of the ROA, the more effective the company is in utilizing its assets to generate profits. Ferriswara et al. (2022) explains that companies with good asset capabilities tend to have healthier financial conditions, while improper funding decisions can reduce the company's ability to generate profits and increase the company's risk (Nikhil et al., 2024). Previous research has shown different results regarding the relationship between capital structure and company performance: Ngatno et al. (2021) & Arhinful et al. (2025) found that the capital structure had a positive effect on the company's ROA and ROE, on the contrary Opoku-Asante et al. (2022) & Ferriswara et al. (2022) found that the capital structure has a negative relationship to the company's performance.

Structure Modal

The capital structure is the composition of the company's funding sources derived from debt and equity. An optimal capital structure can help companies reduce the cost of capital, increase profitability, and maintain the company's financial stability. Boateng et al. (2022) explained that the optimal capital structure is a combination of debt and equity that is able to maximize the company's value through improving the company's financial and operational performance. In addition, Arhinful et al. (2025) stating that the optimal capital structure allows the company to achieve a balance between risk and return so as to be able to increase the overall value of the company.

In financial theory, following Boateng et al. (2022) There are several theories that explain the structure of capital. Trade Off Theory explains that the company will determine the optimal capital structure by considering the benefits of using debt in the form of tax shields and the risk of financial distress due to excessive debt use (Kraus & Litzenberger, 1973). This theory emphasizes the importance of balancing the benefits and costs of debt to achieve maximum company value. In addition, the Pecking Order Theory explains that companies prefer internal funding sources over external funding; if internal funding is insufficient, the company will choose debt first before issuing new shares (Kraus & Litzenberger, 1973; Xuan Nguyen et al., 2025). Capital structure indicators are measured using the Debt-to-Equity Ratio (DER) and Debt to Asset Ratio (DAR). DER shows the ratio of total debt to own capital, whereas DAR shows the proportion of total assets financed by debt; the higher the value of DER and DAR indicates the greater the use of debt in the company's funding structure.

Previous research has shown different results regarding the influence of capital structure on company performance. Ferriswara et al. (2022) found that capital structure has a positive relationship to company performance as measured using ROA and ROE. However, research Nikhil et al. (2024) It shows that high leverage actually has a negative impact on the company's profitability, especially in companies with high levels of profitability. Meanwhile, Dao & Ta (2020) Through a meta-analysis study, it was found that capital structure tends to have a negative relationship with company performance so that companies need to determine the composition of debt and equity optimally.

H1: Capital structure affects the company's performance.

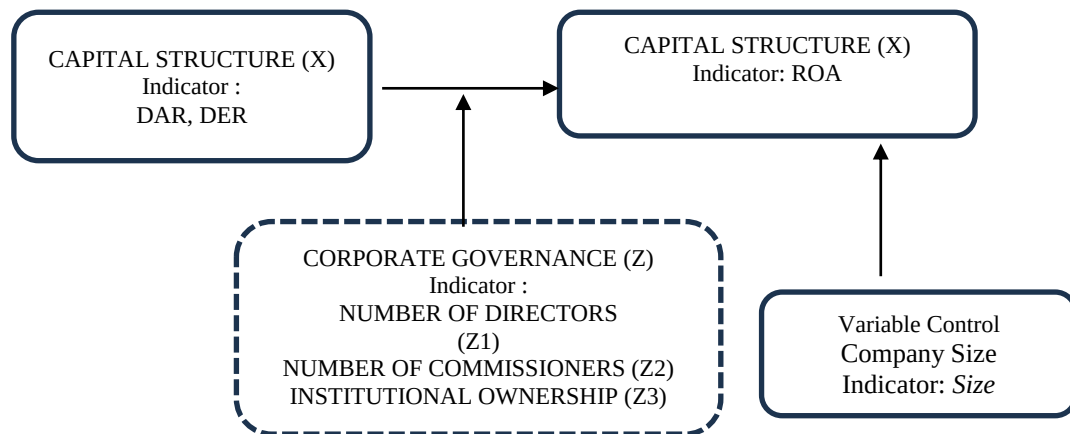
Corporate Governance

Corporate governance is a system that regulates the relationship between management, the board of commissioners, shareholders, and other stakeholders in order to achieve the company's goals effectively and transparently. Good corporate governance aims to create a company that is healthy, transparent, accountable, and able to increase investor confidence. According to Ferriswara et al. (2022), Corporate governance has an important role in improving company performance and company value because good governance gives a positive signal to investors regarding the quality of the company. Agency Theory developed by (Jensen & Meckling, 1976) and supported Dao & Ta (2020) Explains that corporate governance is necessary to reduce conflicts of interest between management and shareholders; good governance is able to reduce agency costs and increase company efficiency.

Several previous studies have shown different results regarding the influence of corporate governance on company performance and its influence in moderating the relationship between capital structure and company performance. Ngatno et al. (2021) Found that the size of the Board of Commissioners as an indicator of corporate governance as a corporate governance mechanism that is able to strengthen the relationship between the capital structure and the company's performance. Ferriswara et al. (2022) It found that corporate governance has a significant but negative impact on the company's performance because the implementation of independent commissioners and independent audit committees has not been optimal. Research Mahrani & Soewarno (2018) shows that the Good Corporate Governance (GCG) mechanism has a positive effect on the performance of the research company Khaira Afiani & Bernawati (2019) shows that institutional ownership has a negative effect on the value of the company, while the independent commissioner has a positive effect on the value of the company. Thus, corporate governance is an important factor that can affect the effectiveness of company management and increase company performance and value.

H2: Corporate governance strengthens the relationship between capital structure and corporate performance.

This study measures the degree of influence between capital structure variables on company performance moderated by corporate governance. The research model used is presented in Figure 1.



Full line = direct influence; Dotted line = moderation effect

Figure 1. Research model

RESEARCH METHODS

Research Design

This study uses a quantitative method with a causal research approach. The quantitative approach is used because this study aims to objectively test the relationship between variables through numerical measurement and statistical analysis, while the causality approach is used to explain the cause-and-effect relationship between capital structure as an independent variable to the company's performance as a dependent variable, as well as test whether corporate governance plays a role as a moderation variable that strengthens or weakens the relationship.

Population and Sample

The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2025. Manufacturing companies are chosen because they have characteristics of capital structures that are more relevant to analyze than the financial sector which has special regulations and funding structures.

The sampling technique is carried out by the purposive sampling method based on certain criteria as presented in Table 1.

Table 1. Research Sample Criteria

No	Sampling Criteria	Number of Companies
1	Manufacturing companies listed on the IDX in 2021	281
2	Companies that are not listed consecutively during the period 2021–2025	(24)
3	Companies that do not publish complete financial statements and annual reports	(5)
4	Companies that incurred losses during the study period	(115)
5	Companies that do not have complete data related to capital structure, corporate governance, and company performance	(11)
6	Companies that present financial statements other than Rupiah	(32)
7	Companies that are inconsistent in presenting GCG/corporate governance reports	(10)
Number of companies that meet the sample criteria		84 companies

Source: Data processed (2026)

Based on *the purposive sampling technique* with the criteria that have been set, 84 manufacturing companies were obtained that met the research criteria during the 2021–2025 period. With an observation period of five years, the total research observations amounted to 420 observations.

Data Types and Sources

This research uses secondary data, namely data obtained indirectly through published documents, because this research uses historical information available in the company's official report. The data sources in this study include annual *financial reports*,

annual reports, the official website of the Indonesia Stock Exchange (www.idx.co.id), and the official website of each company.

Research Variables

The independent variable in this study is the capital structure, which is the composition of the company's funding derived from debt and equity, measured using Debt to Assets Ratio (DAR) and Debt to Equity Ratio (DER) with the following formula (Ngatno et al., 2021):

$$DAR = \text{Total Debt} / \text{Total Assets}$$

$$DER = \text{Total Debt} / \text{Total Equity}$$

DAR is used because it is able to show how much the company uses debt compared to its total assets, while DER is used because it is able to show how much the company uses debt compared to its own capital in financing its operational activities.

The dependent variable in this study is the company's performance, namely the company's ability to generate profits from its resources, measured using Return on Assets (ROA) with the formula (Ngatno et al., 2021):

$$ROA = \text{Net Profit} / \text{Total Assets}$$

ROA is chosen because it reflects the company's effectiveness in making a profit from the total assets it owns.

The moderation variable in this study is corporate governance (GCG), which is a mechanism for corporate supervision and control that aims to improve the accountability and efficiency of company management (Ngatno et al., 2021). This variable is measured using a proxy in the form of: (a) the number of directors, namely the number of members of the board of directors (people); (b) the number of the Board of Commissioners, namely the number of members of the Commissioner (persons); and (c) institutional ownership, which is the number of shares owned by institutional investors divided by the total outstanding shares. Control variables are used to control the influence of other variables outside the main model so that the results of the research are more accurate, namely firm size as measured by the natural logarithm of total assets.

Data analysis is carried out in stages with the help of the statistical software Eviews. The first stage is descriptive statistics, which are used to provide an overview of the characteristics of the research data such as minimum, maximum, mean, and standard deviation.

The second stage is panel data regression, used because the research data is in the form of a combination of cross section and time series. The panel regression models tested included the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), with the selection of the best model being carried out through the Chow test, Hausman test, and Lagrange Multiplier test. The basic regression model to test the influence of capital structure on the company's performance is formulated as follows:

$$ROA_{it} = \alpha + \beta_1 DAR_{it} + \beta_2 DER_{it} + \beta_3 (DAR_{it} \times DIR_{it}) + \beta_4 (DAR_{it} \times KOM_{it}) + \beta_5 (DAR_{it} \times KI_{it}) + \beta_6 (DER_{it} \times DIR_{it}) + \beta_7 (DER_{it} \times KOM_{it}) + \beta_8 (DER_{it} \times KI_{it}) + \beta_9 SIZE + \varepsilon_{it} \quad (1)$$

Remarks: ROA_{it} = company performance i in period t; DAR_{it}, DER_{it} = the capital structure of the company i in period t; SIZE = company size; α = constant; β_1 – β_9 = regression coefficient; ε_{it} = error term.

The third stage is the Multicollinearity test to test whether or not there is a relationship between constructs in a variable. The fourth stage is the Moderated Regression Analysis (MRA) test, used to test the role of corporate governance moderation in the relationship between capital structure and company performance through the interaction between DAR, DER, and GCG proxies, with the following model:

$$ROA_{it} = \alpha + \beta_1 DAR_{it} + \beta_2 DIR_{it} + \beta_3 KOM_{it} + \beta_4 KI_{it} + \beta_5 (DAR_{it} \times DIR_{it}) + \beta_6 (DAR_{it} \times KOM_{it}) + \beta_7 (DAR_{it} \times KI_{it}) + \beta_8 SIZE_{it} + \varepsilon_{it} \quad (2)$$

$$ROA_{it} = \alpha + \beta_1 DER_{it} + \beta_2 DIR_{it} + \beta_3 KOM_{it} + \beta_4 KI_{it} + \beta_5 (DER_{it} \times DIR_{it}) + \beta_6 (DER_{it} \times KOM_{it}) + \beta_7 (DER_{it} \times KI_{it}) + \beta_8 SIZE_{it} + \varepsilon_{it} \quad (3)$$

Remarks: ROA = *Return on Assets of the company* i in the period t (Y); DAR_{it} = *Debt to Asset Ratio* (X1); DER_{it} = *Debt to Equity Ratio* (X2); DIR_{it} = Number of Directors (Z1); KOM_{it} = Number of Board of Commissioners (Z2); KI_{it} = Institutional Ownership (Z3); DAR×DIR, DER×DIR, DAR×KOM, DER×KOM, DAR×KI, DER×KI = the interaction variable between the capital structure and each of the company's governance proxies; SIZE = Company Size; α = constant; β_1 – β_8 = regression coefficient; ε_{it} = error term.

The last stage is the hypothesis test, carried out through a t-test (partial), an F test (simultaneous), and a coefficient of determination (R^2) to measure the model's ability to explain dependent variables.

RESULT AND DISCUSSION

The presentation of the results of the data test in this study is described based on the testing stages starting from the descriptive statistical test, followed by model selection testing (Chow test and Hausman test) to get the most suitable regression model, then multicollinearity test and influence testing through t-test and F test.

Descriptive Statistics

Table 2. Descriptive Statistics

Variabel	Sampel	Indikator	Mean	Minimum	Maximum	Std. Dev.
X1	420	DAR	34,300	1,86	202,25	19,026
X2	420	DER	64,309	1	646,6	66,656
Y	420	ROA	8,791	0,06	36,36	6,734
Z1	420	DIR	5,169	2	12	2,309
Z2	420	KOM	4,302	2	11	1,787
Z3	420	KI	78,551	0,1906	99,943	25,989
Control	420	Size	15,216	10,9917	19,199	1,546

Source: Data processed (2026)

Based on Table 2, the Debt to Asset Ratio (DAR) as a proxy for the capital structure has an average value of 34,300 with a standard deviation of 19,026 which is smaller than the average, indicating a relatively homogeneous level of leverage based on assets. The Debt-to-Equity Ratio (DER) averaged 64.309 with a standard deviation of 66.656 which is larger than the average, indicating a fairly high variation in equity based on equity between companies. The Return on Assets (ROA) as a proxy for the company's performance has an average of 8,791 with a standard deviation of 6,734, indicating a relatively low data variation. In the moderation variable, the number of directors (DIR) has an average of 5,169 people and the average number of commissioners (KOM) is 4,302

people, both show a relatively homogeneous data distribution. The institutional ownership (IP) variable has an average of 78.551% with a standard deviation of 25.989, indicating that most of the company's shares are owned by institutional investors with relatively low data variation.

Model Selection (Chow Test and Hausman Test)

Table 3. Model Selection Test Results

Uji	FEM	REM
Prob.	0,0000	0,0017
Remarks	< 0,05	< 0,05

Source: Data processed (2026)

The results of the Chow test resulted in a probability of 0.0000 (< 0.05), so H_0 (Common Effect Model is better) was rejected and the Fixed Effect Model (FEM) was chosen. The Hausman test yielded a probability of 0.0017 (< 0.05), so H_0 (Random Effect Model Consistency) was also rejected, and FEM was chosen as the most appropriate model to use. Because the Chow test and the Hausman test consistently select FEM, the test is not proceeded to the Lagrange Multiplier test because it is no longer required in the model selection process.

Multicollinearity Test

The multicollinearity test aims to find out whether there is a high correlation between independent variables in the research model. The model is declared free from multicollinearity problems if the value of the correlation coefficient between independent variables is less than 0.90 (Ghozali, 2013).

Table 4. Multicollinearity Test (Capital Structure Variable)

Correlation	DER	DAR
DER	1	
DAR	0,7468	1

Source: Data processed (2026)

Table 5. Multicollinearity Test (Corporate Governance Variable)

Correlation	KI	DIR	KOM
KI	1	–	–
DIR	0,2372	1	–
KOM	0,0788	0,4688	1

Source: Data processed (2026)

Based on Table 4 and Table 5, the value of the correlation coefficient between DER and DAR is 0.7468 (< 0.90), so that there is no multicollinearity between the two independent variables. Meanwhile, for the moderation variable, the highest correlation value was only 0.4688 (between DIR and KOM), which is still relatively low. Thus, the model is free from the problem of multicollinearity between moderation variables.

The Influence of Capital Structure on Company Performance

The results of the capital structure test on the company's performance are shown in Table 6, which shows that the capital structure proxied with Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) does not have a significant effect on the performance of companies proxied with Return on Assets (ROA).

Table 6. Regression Results of the Influence of Capital Structure on Company Performance

Variable	Coefficient	t-Statistic	Prob.
C	-41,61471	-2,445577	0,0150
DAR	0,042437	0,422135	0,6732
DER	-0,018545	-0,646847	0,5182
DAR×DIR	-0,008525	-0,903647	0,3668
DAR×KOM	0,005217	0,438746	0,6611
DAR×KI	-0,000140	-0,149438	0,8813
DER×DIR	0,003995	1,371205	0,1713

DER×KOM	-0,005373	-1,126198	0,2609
DER×KI	1,92E-05	0,069521	0,9446
SIZE	3,372994	3,018145	0,0027
R-squared	0,841565	F-statistic	18,87969
Adjusted R-squared	0,796989	Prob(F-statistic)	0,000000

Source: Data processed (2026)

Based on the estimated results, the DAR variable has a coefficient of 0.042437 with a probability of 0.6732 (> 0.05), while the DER has a coefficient of -0.018545 with a probability of 0.5182 (> 0.05). Thus, the hypothesis that the capital structure has an effect on the company's performance is unacceptable. These results indicate that the increase in the proportion of debt use, both measured through total assets and own capital, has not been able to significantly increase or decrease the profitability of manufacturing companies, so that the companies in the research sample have not received considerable economic benefits from the use of debt.

Theoretically, the Trade-off Theory explains that the use of debt can increase the value of the company through tax benefits (tax shield), but only to the optimal level of debt (Kraus & Litzenberger, 1973; Xuan Nguyen et al., 2025). When the company is below or even exceeds the optimal level, the benefits of using debt will be offset by increased financial distress costs and agency costs, so that the effect on profitability will be insignificant. The results of this study can also be explained through the Pecking Order Theory which states that companies prioritize internal funding over external funding (Xuan Nguyen et al., 2025). If the companies in the sample have a relatively good ability to generate profits, the need for investment funding is met more from retained earnings than debt, so that variations in leverage levels are not the main factor determining changes in ROA.

From the empirical side, the results of this study show that the effectiveness of the use of debt proceeds is more important than the amount of debt itself. The debt earned by the company is likely to be used more for short-term operational needs or financing that has not been able to generate a higher rate of return than the cost of the debt, so the increase in leverage has not been able to increase the efficiency of the company's asset

use. These results are in line with research (Anozie et al., 2023) dan (Gemilang & Wiyono, 2022) that total debt to total equity has no effect on the company's performance. These findings show that the company's performance is more influenced by other factors such as the size of the company, as seen from the Size control variable which has a significant positive effect on ROA, so that the size of the company is actually one of the more decisive factors than the capital structure.

Based on the results of the Fixed Effect Model (FEM) estimate in the main model, an F-statistic value of 18.87969 with a Prob(F-statistic) of 0.0000 (< 0.05) was obtained, so that simultaneously the variables of DAR, DER, interaction of capital structure with the number of directors, number of commissioners, institutional ownership, and company size (Size) together had a significant effect on the company's performance. The Adjusted R-squared value in the main model is 0.796989, which means that about 79.70% of the variation in the company's performance can be explained by the variables in the research model, while the remaining 20.30% is influenced by other factors outside the model. The Adjusted R-squared values in the DAR and DER models were 0.790651 and 0.797829, respectively, indicating that the explanatory ability of the model remained high even though the moderation variables were analyzed separately.

The Role of Corporate Governance Moderation

The results of the Moderated Regression Analysis (MRA) are shown in Table 7 and Table 8.

Table 7. MRA Test Results – Capital Structure (DAR) and Corporate Governance on Company Performance

Variable	Coefficient	t-Statistic	Prob.
C	-35,34052	-2,082756	0,0380
DAR	-0,029870	-0,398615	0,6904
DIR	-0,302264	-0,739318	0,4602
KOM	0,082345	0,178731	0,8583
KI	0,002125	0,069600	0,9446

DAR×DIR	0,008491	0,940873	0,3475
DAR×KOM	-0,004084	-0,449371	0,6535
DAR×KI	3,25E-05	0,050902	0,9594
SIZE	2,966910	2,623471	0,0091

Source: Data processed (2026)

Table 8. MRA Test Results – Capital Structure (DER) and Corporate Governance on Company Performance

Variable	Coefficient	t-Statistic	Prob.
C	-40,59230	-2,408563	0,0166
DER	-0,006683	-0,397319	0,6914
DIR	-0,215221	-0,803524	0,4223
KOM	0,451330	1,176615	0,2402
KI	0,001625	0,069388	0,9447
DER×DIR	0,002992	1,675009	0,0949
DER×KOM	-0,005757	-1,914654	0,0564
DER×KI	-2,37E-05	-0,163337	0,8704
SIZE	3,256183	2,903647	0,0039

Source: Data processed (2026)

In the DAR model, the DAR×DidiDin's interaction has a coefficient of 0.008491 with a probability of 0.3475 (> 0.05) so it is not significant. In the DER model, the DER×DidiD's interaction has a positive coefficient of 0.002992 with a probability of 0.0949, which is still greater than the significance level of 5%, so statistically it has not been able to prove the existence of a moderation effect. This result shows that the number of board members has not been able to strengthen or weaken the influence of *leverage* on the company's profitability (Ngatno et al., 2021). Jensen & Meckling (1976) *Agency Theory*, dewan direksi berperan menjalankan fungsi pengelolaan sekaligus bertanggung jawab dalam pengambilan keputusan strategis, termasuk keputusan struktur modal, namun efektivitas fungsi tersebut tidak hanya ditentukan oleh jumlah anggota direksi,

melainkan juga kualitas kompetensi, pengalaman, independensi, dan koordinasi.(Jensen & Meckling, 1976)

In the DAR model, the DAR×Commissioner interaction variable has a coefficient of -0.004084 with a probability of 0.6535 , so it is not significant. In the DER model, the DER×Commissioner interaction variable has a negative coefficient of -0.005757 with a probability of 0.0564 , slightly above the 5% significance limit, so the moderation hypothesis is not yet acceptable. These findings show that the increase in the number of commissioners has not been able to increase the effectiveness of the supervisory function on the company's capital structure policy; The success of supervision is not only determined by the number of members of the Board of Commissioners, but is also influenced by other factors such as the efficiency of operational management (Feni Nola et al., 2025) . According to Agency Theory, the board of commissioner's functions to reduce conflicts of interest between management and shareholders through a monitoring mechanism (Jensen & Meckling, 1976), However, if the monitoring function has not run optimally, the decision to use debt is still determined by the management policy. A negative interaction coefficient indicates a tendency that the larger the number of commissioners, the weaker the leverage relationship with the ROA, which can occur because the larger size of the board of commissioners often causes coordination to be less effective (Feni Nola et al., 2025; Repinalia et al., 2026).

In the DAR model, the DAR×Institutional Ownership interaction has a coefficient of 0.0000325 with a probability of 0.9594 , while in the DER model, the DER×Institutional Ownership interaction has a coefficient of -0.0000237 with a probability of 0.8704 . Both values are well above the 5% significance level, so the moderation hypothesis is not supported. This finding shows that the amount of share ownership by institutions has not been able to strengthen or weaken the influence of capital structure on the company's profitability, so that institutional investors in manufacturing companies as a sample have not carried out an effective monitoring function on the company's funding decisions. These results are in line with research (Handayani et al., 2022), which shows that institutional ownership has not been able to fully function as a mechanism to improve the efficiency of the company's asset utilization.

In theory, Agency Theory explains that institutional investors have better resources, information, and monitoring capabilities than individual investors so that they are expected to be able to reduce agency conflicts (Jensen & Meckling, 1976). However, in practice, not all institutions play the role of active monitors; Some institutional investors are passive investors who are only oriented towards the level of return on investment without actively involved in the Company's policy oversight process (Setiawan et al., 2019). Thus, it can be said that the effectiveness of corporate governance is not only determined by the large proportion of institutional ownership, but can also be influenced by the characteristics of the shareholder institution, the existence of an audit committee, and the overall ownership structure of the company (Ferriswara et al., 2022).

CONCLUSION

Based on the results of the research that has been carried out, it can be concluded that the capital structure proxied with Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) has not had a significant effect on the performance of manufacturing companies proxied with Return on Assets (ROA). In addition, corporate governance proxied through the number of directors, the number of commissioners, and institutional ownership has also not been able to moderate the relationship between the company's capital structure and performance. These findings show that the amount of debt used and the size of the corporate governance mechanism have not been the main factors affecting the company's profitability during the study period.

The next research is suggested to add other variables that have the potential to affect company performance, such as liquidity, company growth, and more comprehensive quality of corporate governance (e.g. the quality of audit committees or board independence), so as to be able to provide a more complete picture of the factors that affect the performance of manufacturing companies in Indonesia.

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