

ABSTRACT

Capital structure represents the proportion of a company's external capital to its internal capital, influenced by various factors. These factors are crucial for management in optimizing the company's financial performance.

This study aims to investigate the influence of profitability, liquidity, asset tangibility, growth, firm size, and non-debt tax shield on the capital structure of industrial sector companies listed on the Indonesia Stock Exchange from 2017 to 2023.

The sampling method employed was purposive sampling, yielding 266 observational data samples from 38 companies. This research utilized a quantitative method. The regression model applied was dynamic panel data regression with the Generalized Method of Moments (GMM) estimator, using Eviews 12 software.

The results of the descriptive statistical analysis indicate that the variables of capital structure, profitability, liquidity, growth, and non-debt tax shield have varied or heterogeneous observational data. Meanwhile, the variables of asset tangibility and firm size have unvaried or homogeneous observational data.

The research findings indicate that profitability, liquidity, asset tangibility, growth, firm size, and non-debt tax shield variables simultaneously have a significant impact on capital structure. Partially, profitability, liquidity, asset tangibility, and firm size variables show a significant positive influence on capital structure. Meanwhile, growth and non-debt tax shield variables partially have no significant influence on capital structure.

Keywords: *Capital Structure, Generalized Method of Moment (GMM), Liquidity, Non-Debt Tax Shield, Profitability.*