ABSTRACT

Due to the customer funds being transferred to debt positions, the capital structure of the banking industry as projected by the DER (Debt to Equity Ratio) debt ratio is typically larger than that of other industries. According to a number of exploratory research, both financial and non-financial factors affect capital structure decisions.

The study attempts to look into how institutional ownership, board meeting frequency, audit committee and risk committee size, and corporate governance can affect capital structure decisions in Indonesian banks..

Purposive sampling and quantitative data gathering approaches are used in this study's methodology. 220 annual observations of companies from 22 banks that were listed between 2012 and 2021 on the Indonesian Stock Exchange were included in the data. Using a dynamic panel model, this study examines the link between extremely dynamic economic variables. Using Arellano and Bond's Generalized Method of Moments (GMM), parameter estimations on a dynamical panel model are made.

The findings show that institutional ownership has a considerable and favorable impact on the capital structure. These findings offer fresh perspectives on the variables influencing capital structure decision-making.

The consequences of these findings are anticipated to be important in assisting policymakers assess how well capital structure decision management has improved as a result of corporate governance changes, particularly in Indonesia's banking sector.

Keywords: Capital structure, Corporate governance, Bank, Dynamic panel model, Generalized method of moments