The Influence of Asset Growth, Profitability, and Firm Size on the Capital Structure of Islamic Banking in the World Period 2011-2020

Sonia Ainun Masruroh[1], Guntur Kusuma Wardana[2]

[1,2] Islamic Banking Major, Faculty of Economics, UIN Maulana Malik Ibrahim Malang, Indonesia

ABSTRACT: This study aimed to know the influence of asset growth, profitability, and firm size on the capital structure of Islamic banking in the world. This study is quantitive with an explanatory approach. The population in this study consisted of 187 members of IFSB period 2022, and by using a purposive sampling technique there was 18 Islamic banks that used as a samples. The data used was secondary and the data collection method was done by accessing the annually published financial reports on the official website of each Islamic banks from 2011 until 2020. The data analysis used panel data regression with Eviews10. The results show that partially asset growth and firm size have a significant positive effect on the capital structure of Islamic banking in the world, yet profitability has a significant negative effect on capital structure of Islamic banking in the world. Meanwhile, simultaneously asset growth, profitability, and firm size have a significant effect on capital structure of Islamic banking in the world.

KEYWORDS: Asset Growth, Profitability, Firm Size, Capital Structure, Islamic Banking, World.

1.   INTRODUCTION

In running its business, the management of a firm certainly has goals to be achieved, such as sales profits, employee welfare, to contribute to the environment and society. However, optimizing shareholder wealth, or it can also be interpreted as maximizing the firm's share price is the most important goal for most companies (Santoso, 2013).

As a form of maximizing the share price, in their business operations, both companies and banks require capital, where the financial manager of the firm concerned must make decisions related to operational activities, not least in Islamic banking. The financial manager must be able to collect internal and external resources efficiently, and be able to minimize the cost of capital borne by the firm. In general, both companies, including Islamic banking, can meet their funding needs through the firm's internal and external sources (Santoso, 2013).

The existence of choices in banking funding sources, makes financial managers have to consider funding decisions or capital structure decisions, namely financial decisions related to the composition of debt, preferred stock and firm common stock (Kartini & Arianto, 2008). In Islamic banking, in its operations, it is faced with funding needs, so in presenting financial statements for external parties (investors and creditors), Islamic banks must have a good capital structure.

Structure capital is very important in the firm's operations, especially in banking as a financial institution. A strong capital structure can help Islamic banking survive in the face of business threats and other economic conditions such as during the 1997 monetary crisis. After the 1997 crisis, banking institutions began to bounce back through several efforts. In 2001, in Indonesia, Bank Indonesia conducted banking restructuring by setting the achievement of the Capital Adequacy Ratio (CAR) at 8%. The enactment of Law no. 21 of 2008 concerning Islamic Banking which makes the development of Islamic banks in the country more adequate because they already have a valid legal basis. Meanwhile, in international banking, banking restructuring is carried out through supervision and regulation as contained in the 25 Basel Core Principles, namely the risk based approach and the inclusion of market risk in calculating bank capital (Ramadhini, 2017).

Based on the Islamic Financial Services Board (IFSB) report in 2021, the total assets of Islamic banking globally, Saudi Arabia has the largest asset ownership with a percentage of 28.2%. Malaysia is a country in Southeast Asia that has the largest total assets globally with a percentage of 11.3% and is followed by the United Arab Emirates, Qatar, Kuwait, Bahrain, Turkey,

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and Bangladesh in the next position. Indonesia itself, has 2.1% of total global Islamic banking assets in 2020. In the picture above, it can also be seen that the ownership of Islamic banking assets in the world is dominated by countries in Asia.

Asset growth is defined as the annual change in total assets. The higher the asset growth, the higher the costs needed to manage the firm's operational activities, and the firm will focus more on the needs of the firm's growth rather than the welfare of shareholders (Dewi & Sudiartha, 2017). In (Kartini & Arianto, 2008), (Yusfarita & Elim, 2010), and (Santoso, 2013), revealed that asset growth has a significant effect on the firm's capital structure. Different study results, stated by (Sari & Haryanto, 2013), (Fajrida & N. M. Br. Purba, 2018), and (Dewi & Sudiartha, 2017) which all of them stated that asset growth had no significant effect on the firm's capital structure.

Islamic bank capital also gets a role from profitability. Profitability is the ratio of management effectiveness based on returns generated from sales and investment (Ananda, 2016). Studies that test the relationship between profitability and capital structure conducted by (Santoso, 2013), (Kusna & Setijani, 2018) and (Fajrida & N. M. Br. Purba, 2018), state that profitability has a significant effect on capital structure. Contrasting some of the results of the studies above, (Ananda, 2016) and (Yusfarita & Elim, 2010) in their study conclude that profitability has not significant effect on capital structure.

There are differences in the results from previous studies regarding the effect of growth assets and profitability on capital structure, so this study tries to relate it to the role of firm size. Firm size is a reflection of the total assets owned by the firm. The larger the size of the firm, it means that the assets owned by the firm are getting bigger and the funds needed by the firm to maintain its operational activities are also increasing (Mudjijah et al., 2019). Results of studies by (Sari & Haryanto, 2013) and (Fajrida & N. M. Br. Purba, 2018), states that firm size has a signifikan effect on capital structure. Theresults above, different from that stated by (Santoso, 2013), (Kusna & Setijani, 2018), and (Dewi & Sudiartha, 2017), which states that firm size has not significant on capital structure.

Based on the background of the problems described, the studyer wants to examine the effect of asset growth, profitability, and firm size on capital structure of Islamic banks in the world, in the period 2011-2020. In addition, this study is expected to provide important information and input in understanding the impact of asset growth, profitability, and firm size on capital structure of Islamic banks in the world.

2. LITERATURE REVIEW

2.1 Theory Capital Structure Modigliani and Miller (MM)

The first modern capital structure theory is the Modigliani and Miller theory (MM theory). MM supports the relationship between capital structure and the cost of capital as explained based on the net operating profit approach, which states that the capital structure does not affect the cost of capital. (Sudana, 2015). According to MM, the total value of the firm is not influenced by the total structure of the firm, but is influenced by the investment made by the firm and the firm's ability to generate profits.

2.2 Signaling Theory

Based on signal theory, companies that are able to generate profits tend to increase the amount of their debt, because the additional interest payments will be offset by profit before tax (Sudana, 2015). The more successful a firm is, the more likely it is to use up debt. This firm can use the additional interest to reduce taxes on the firm's larger profits.

2.3 Trade off Theory

According to the exchange theory expressed by Myers 2001, the firm obtains the benefits of marking through debt (favorable corporate tax treatment) with higher interest rates and bankruptcy costs (Brigham & Houston, 2011). This is because interest on debt reduces tax costs so debt is cheaper than common or preferred stock.

2.4 Pecking-Order Theory

The pecking order theory states that managers prefer internal funding over external funding. If the firm needs external funding, managers tend to choose the safest securities, such as debt (Sudana, 2015).

2.5 Hypothesis

2.5.1 The Influence of Asset Growth on Capital Structure

Asset growth is defined as the annual change in total assets. The higher the asset growth, the higher the costs needed to manage the firm's operational activities, and the firm will focus more on the needs of the firm's growth rather than the welfare of shareholders (Dewi & Sudiartha, 2017).

The results of the study which stated that asset growth had no significant effect on the capital structure were disclosed in the study Santoso (2013), Sari & Haryanto (2013), Dewi & Sudiartha (2017) and Fajrida & N. M. Br. Purba (2018). Meanwhile in Kartini & Arianto (2008) and (Frydenberg, 2011), stated that asset growth has a significant positive effect on capital structure.

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H_1: Asset growth has no significant effect on the capital structure of Islamic banking in the world.

2.5.2   The Influence of Profitability on Capital Structure

Profitability is the firm's ability to earn a profit. The greater the profitability of the firm, the firm will choose to use the profit in the form of net profit or retained earnings to finance the firm's operational activities so as to reduce the use of debt by the firm (Dewi & Sudiartha, 2017)

Based on study Cortez & Susanto (2012), Çekrezi (2013), Fajrida & N. M. Br. Purba (2018) and Kusna & Setijani (2018) the results show that profitability has a significant negative effect on capital structure. Meanwhile hasil study (Kartini & Arianto, 2008) and (Yusfarita & Elim, 2010), stated that profitability has no significant effect on capital structure.

H_2: Profitability has a significant effect on the capital structure of Islamic banking in the world.

2.5.3   The Influence of Firm Size on Capital Structure

Firm size can be interpreted as a reflection of large or small companies that can be seen from the total assets owned by the firm (Dewi & Sudiartha, 2017). Large-scale companies will generally be more daring to issue more shares because their increased sales will increase the firm's profits and value, thereby increasing investor confidence.

According to the study of Yusfarita & Elim (2010), Çekrezi (2013), Santoso (2013), Alzomaia (2014) and Kusna & Setijani (2018), state that firm size has a significant positive effect on capital structure. These results are different from those revealed by Cortez & Susanto (2012), Alom (2013) and Dewi & Sudiartha (2017), that firm size has no significant effect on capital structure.

H_3: Firm size has a significant effect on the capital structure of Islamic banking in the world.

2.5.4   The Influence of Asset Growth, Profitability, and Firm Size on Capital Structure

Based on study (Lusangaji & Wati, 2013), firm size and profitability simultaneously have a significant effect on capital structure. According to (Suprantiningrum, 2013), asset growth and firm size simultaneously have a significant effect on capital structure. Meanwhile according to (Purnama & Purnama, 2020), profitability and asset growth simultaneously have a significant effect on capital structure.

H_4: asset growth, profitability, and firm size simultaneously have a significant effect on capital structure of Islamic banking in the world.

2.6   Conceptual Framework

The variable used in this study is the dependent variable, namely Structure Capital, while the independent variable consists of three variables, namely Asset Growth, Profitability, and Firm Size. Based on this description, the conceptual framework in this study is shown in Figure 1:

Figure 1. Conceptual Framework
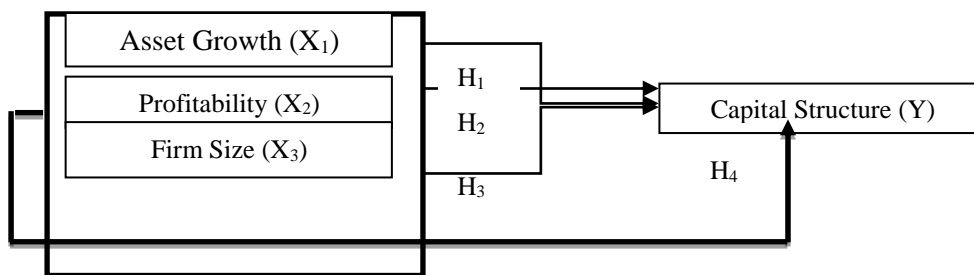
Source: Researcher, 2022.

——————— Partially relation

━━━━━━━ Simultaneously relation

3.   RESEARCH METHODS

This study is a quantitive research with an *explanatory approach*. The study was conducted on Islamic banking in the world for the period period 2011-2020. The population of this study is 187 members of   *Islamic Financial Services Board* (IFSB) in 2022. Using purposive sampling technique, 18 Islamic banks were obtained as samples in this study. The criteria for the sample used in this research are shown in the table 1 below:

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Table 1. Sample Selection Criteria

No.	Sample Selection Criteria	Number of Samples
1	*Islamic Financial Services Board* (IFSB) member in 2022	187
2	Regulatory and supervisory authorities and international intergovermental organizations	(91)
3	Non-Islamic financial institutions (*takaful*, stock exchanges, etc.)	(41)
4	Islamic banks that are included in the 55 largest Islamic banks in the world according to *The Asian Banker* tahun 2020	(21)
5	Two Islamic banks with largest asset growth from each country	(16)
	Total Islamic banking that used as sample	18

Source: Data processed by researcher, 2022

Based on the criteria and the result of table 1, the Islamic banks used as samples in this study are shown in the table 2 below:

Table 2. List of Islamic Banks Used as Sample

No.	Islamic Bank	Country
1	Al-Jazira Bank	Saudi Arabia
2	Al-Rajhi Bank	Saudi Arabia
3	Al Salam Bank	Bahrain
4	Kuwait Finance House-Bahrain	Bahrain
5	Islamic Bank Bangladesh	Bangladesh
6	Bank BNI Syariah	Indonesia
7	Bank Syariah Mandiri	Indonesia
8	Boubyan Bank	Kuwait
9	Kuwait Finance House	Kuwait
10	RHB Islamic Berhad	Malaysia
11	Al Baraka Bank Egypt	Egypt
12	Masraf Al-Rayan	Qatar
13	Qatar Islamic Bank	Qatar
14	Kuwait Turkish Participation Bank	Turkey
15	Al Baraka Turk Participation Bank	Turkey
16	Dubai Islamic Bank	United Arab Emirates
17	Islamic Internasional Arab Bank	Jordan
18	Jordan Islamic Bank	Jordan

Source: Data processed by researcher, 2022

The type of data used in this study is secondary data in the form of annual financial reports published from each Islamic bank website which is used as a sample in this study.

The dependent variable (Y) in this study is capital structure. Capital structure is related to the long-term spending of a firm as measured by the ratio of long-term debt to its own capital (Sudana, 2015). Meanwhile, (Brigham & Houston, 2011) explained that the capital structure is a combination of debt, preferred stock, and ordinary equity which will be the basis for raising capital by the firm. Capital structure can be measured using Debt to Equity Ratio (DER). DER is a ratio that measures the extent to which the amount of debt can be covered by own capital (Darmadji & Fakhruddin, 2011).

DER = Total Debt/ Total Equity x 100%

Asset growth is defined as the annual change in total assets. The higher the asset growth, the higher the costs needed to manage the firm's operational activities, and the firm will focus more on the needs of the firm's growth rather than the welfare of shareholders (Dewi & Sudiartha, 2017).

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Asset Growth = Total Asset t – Total Asset t-1/ Total Asset t-1 x 100%

Profitability is the firm's ability to earn a profit. The greater the profitability of the firm, the firm will choose to use the profit in the form of net profit or retained earnings to finance the firm's operational activities so as to reduce the use of debt by the firm (Dewi & Sudiartha, 2017). Profitability can be measured using Return on Asset (ROA) ratio. ROA is the firm's ability to use all of its assets to generate after-tax profits (Sudana, 2015).

ROA = Earnings After Taxes/ Total Asset x 100%

Firm size is a description of firm grouping based on large, medium, or small companies. Bank size can be grouped based on the size of total assets, total sales, average level of sales and average total assets (Muhammad & Azmiana, 2021).

Size = Ln Total Asset

In this study, the independent variables used are asset growth, profitability (ROA), firm size, and the dependent variable is capital structure (DER). So that the regression equation model from this study is as follows:

DER = α + β₁ GR$_{it}$ + β₂ ROA$_{it}$ + β₃ BankSize$_{it}$ + e

Information :

α	= constant of the regression equation
β₁	= asset growth regression coefficient
GR	= asset growth
β₂	= ROA regression coefficient
β₃	= firm size regression coefficient
e	= error or external factors from variables that are not included as variables in this regression model
i	= *Unit Cross Section*
t	= time period

4. RESULTS AND DISCUSSION

4.1 Result

4.1.1 Descriptve Statistic

Based on the result of descriptive statistics, the capital structure has a minimum value of 2,86 and maximum value of 21,6. Mean value of 9,45 which means Islamic banking in this study has a portion of the use of debt to finance the firm's capital of 9,45%, with a relatively low value the firm has, a relatively low corporate financial risk as well.

Asset growth has a minimum value of -18,51, maximum value of 79,67, and mean value of 14,78. With an average of 14,78, it means that Islamic banking in this study has a total asset that has increased by 14,78% compared to the previous year.

Profitability has a minimum value of 0,04, maximum value of 3,34, and mean value of 1,28. With an average of 1,28, it means that Islamic banking in this study has the ability to generate net profit from the total asset owned by 1,28%.

Firm size has a minimum value of 18,35, maximum value of 25,55, and mean value of 23,03. With an average of 23,03, it means that Islamic banking in this study has big firm size.

The result of statistical test is presented in table 3 as follows:

Table 3. Descriptve Statistic Test

Variables	Capital Structure (Y)	Asset Growth (X₁)	Profitability (X₂)	Firm Size (X₃)
Mean	9,450722	14,78117	1,280056	23,03144
Median	9,170000	11,94500	1,200000	22,99000
Maximum	21,60000	79,67000	3,340000	25,55000
Minimum	2,860000	-18,51000	0,040000	18,35000
Standar Deviation	3,977163	13,26756	0,649663	1,222544
Skewness	0,603226	1,612654	0,633093	-0,396135
Kurtosis	2,762813	8,166240	3,205703	4,072839

Source: Eviews 10 output, 2022

4.1.2 Regression Model Selection

Based on the result of Chow test, it shows that the probability of *Cross-section Chi-Square* is 0,0000 lower than 0,05 which means H₀ rejected and H₁ accepted, so FEM model is selected. The result of the Chow test are shown in table 4 below:

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Table 4. Chow Test Result

Effects Test	Statistic	Prob.
Cross-section Chi-square	80,763820	0,0000

Source: Eviews 10 output, 2022

Based on the result of Hausman test, it shows that the probability of *Cross-section random* is 0,0114 lower than 0,05 which means H_0 rejected and H_1 accepted, so FEM model is selected. The result of the Hausman test are shown in table 5 below:

Table 5. Hausman Test Result

Effects Test	Statistic	Prob.
Cross-section random	11,065678	0,0114

Source: Eviews 10 output, 2022

Based on the Chow test and Hausman test, the selected model is the Fixed Effect Model (FEM). Therefore, it can be concluded in this study used the FEM model to determine the effect of asset growth, profitability and firm size on the capital structure of Islamic banking. The results of panel data regression using the FEM model are shown in the following table 6:

Table 6. Fixed Effect Model Result

Variables	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-8,175947	3,741071	-2,185456	0,0303
Asset Growth (X_1)	0,021904	0,006223	3,519991	0,0006
Profitability (X_2)	-0,369246	0,167741	-2,201285	0,0292
Firm Size (X_3)	0,771795	0,160110	4,820414	0,0000
R-squared 0,937318 Adjusted R-Squared 0,929433		F-statistic 118.8807 Prob(F-statistic) 0,000000		

Source: Eviews 10 output, 2022

Based on the results of the FEM regression, the constant of -8.175947 means that all independent variables, namely growth assets, profitability which is symbolized by ROA, and firm size are equal to zero, so the amount of capital structure symbolized by DER is equal to -8.175947. The regression coefficient for growth asset (X1) is 0.021904, which means that every 1 unit increase in growth asset value will increase the DER value by 0.021904. The profitability regression coefficient (X2) is -0.369246 which means that every 1 unit increase in value profitability, which is symbolized by ROA, will decrease the DER value by 0.369246. The regression coefficient of firm size (X3) is 0.771795, which means that every 1 unit increase in firm size value will increase the DER value of 0.771795.

4.1.3   Normality Test

Residual normality test that common used is by looking at the value of *Jarque-Bera* (JB) (Ghozali & Ratmono, 2017). Based on the test data obtained, the result is presented in table 7 below:

Table 7. Normality Test Result

Jarque-Bera	2,615994
Probabilitas	0,270361

Source: Eviews 10 output, 2022

Based on the result in table 7, the value of *probability Jarque-Bera* is 0,270361 higher than 0,05. Therefore , the data in this study is normally distributed.

4.1.4   Multicolinearity Test

Multicollinearity test aims to determine whether the regression model of each independent variable is linearly related (Ghozali & Ratmono, 2017). Multicollinearity can be known from the value correlation matrix, value tolerance and variance inflasion factor (VIF). Based on the multicollinearity test, the result is presented in table 8 below:

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Table 8. Multicollinearity Test Result

	Asset Growth (X_1)	Profitability (X_2)	Firm Size (X_3)
Asset Growth (X_1)	1,000000	0,006527	-0,155003
Profitability (X_2)	0,006527	1,000000	0,325847
Firm Size (X_3)	-0,155003	0,325847	1,000000

Source: Eviews 10 output, 2022

Based on multicollinearity test in table 8, the correlation value of asset growth, proitability, and firm size are ranged by -0,155003 up to 0,325847 and did not over 0,9. So it can be concluded that there is no multicollinearity in this study regression model.

4.1.5   Heteroscedasticity Test

Heteroscedasticity aims to determine whether in a regression model there is an inequality of variance from the residuals betweenone observation and another (Ghozali & Ratmono, 2017). heteroscedasticity was tested using Rank Spearman correlation coeffiicient test. Based on the heteroscedasticity test, the result is presented in table 9 below:

Table 9. Heteroscedasticity Test Result

Variable	Probability
Asset Growth (X_1)	0,1445
Profitability (X_2)	0,1774
Firm Size (X_3)	0,8694

Source: Eviews 10 output, 2022

Based on the result in table 9, the probability of asset growth, profitability, and firm size are higher than 0,05. So it can be concluded that there is no heteroscedasticity in this study regression model.

4.1.6   Autocorrelation Test

Autocorrelation test aims to determine whether in a regression model there is a correlation between errors in the previous period (Ghozali & Ratmono, 2017). This test was carried out by using Durbin-Watson. Based on the autocorrelation test, the result is presented in table 10 below:

Table 10. Autocorrelation Test Result

F-statistic 229.4516	R-squared 0,971766
Prob(F-statistic) 0,000000	Durbin-Watson stat 1,812817

Source: Eviews 10 output, 2022

Based on table 10, the result of Durbin-Watson value is 1,812817. This value is between dU and 4-dU (dU < DW< 4-dU or 1,7901< 1,812817 < 2,2099). So it can be concluded that there is no autocorrelation in this study regression model.

4.1.7   Hypothesis Test

The result of hypothesis test which include T-Test, F-Test,and determination test are presented in table 11 below:

Table 11. Fixed Effect Model Result

Variables	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-8,175947	3,741071	-2,185456	0,0303
Asset Growth (X_1)	0,021904	0,006223	3,519991	0,0006
Profitability (X_2)	-0,369246	0,167741	-2,201285	0,0292
Firm Size (X_3)	0,771795	0,160110	4,820414	0,0000
R-squared 0,937318		F-statistic 118.8807		
Adjusted R-Squared 0,929433		Prob(F-statistic) 0,000000		

Source: Eviews 10 output, 2022

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Based on the table 11, the value of the partial regression coefficient of asset growth produces a probability value of 0,0006, lower than 0,05. Thus, H_0 is rejected and H_1 is accepted which means that asset growth has a significant effect on capital structure. The asset growth regression coefficient of 0,021904 states that every 1 unit increase of asset growth value, will also increase DER value by 0,021904. The value of the partial regression coefficient of profitability produces a probability value of 0,0292, lower than 0,05. Thus, H_0 is rejected and H_1 is accepted which means that profitability has a significant effect on capital structure. The profitability regression coefficient of -0,369246 states that every 1 unit increase of proitability value, will decrease DER value by 0,369246. The value of the partial regression coefficient of firm size produces a probability value of 0,0000, lower than 0,05. Thus, H_0 is rejected and H_1 is accepted which means that profitability has a significant effect on capital structure. The profitability regression coefficient of 0, 771795states that every 1 unit increase of firm size value, will also increase DER value by 0, 771795.

Based on the table 11, the result of the F test in this study, which is 0.000000, shows that growth assets, profitability, and firm size together have an effect on the capital structure of Islamic banking in the world.

The coefficient determination test aims to see how well a model can explain the dependent variable, this test was carried out by using the value of R-squared (Ghozali & Ratmono, 2017). Based on the table xxx, the value of R-squared is 0,937318 which means the ability of each independent variables in explaining variations in capital structure looked by R-squared value is 93.7318%. While the other 6.2682% is explained by other variables that are not used in this study.

4.2 Discussion

4.2.1 The Effect of Asset Growth on Capital Structure

Based on the result that asset growth has a positive significant effect on capital structure. Islamic banking with a high growth rate, generally relies more on external funds. Thus, an Islamic bank with high growth rates tend to use more long-term debt such as bonds. In Frydenberg (2011), companies that have faster growth of asset, need funds to carry out firm activities for the long-term sustainability, which affects the capital structure in the form of decisions to use fund resources from debt or firm's equity.

This result is in accordance with the study Kartini & Arianto (2008) and Frydenberg (2011), also Alzomaia (2014) which states that asset growth has a significant positive effect on capital structure.

4.2.2 The Effect of Profitability on Capital Structure

Based on the result that profitability has a negative significant effect on capital structure. Profitability has a negative effect on the capital structure of Islamic banking in the world. Islamic banks with high profitability will reduce its dependence on external funds because Islamic banks will use internal sources of funds in the form of net income or retained earnings to finance the firm's operations. The increase in profitability reflects the firm's efficiency in the use of capital, so that there is no shortage of marking that results in the firm having to lend funds from external parties.

This result is in accordance with the study Cortez & Susanto (2012), Sari & Haryanto (2013), Çekrezi (2013), Fajrida & N. M. Br. Purba (2018) and Kusna & Setijani (2018) which states that profitability has a significant negative effect on capital structure.

4.2.3 The Effect Firm Size on Capital Structure

Based on the result that firm size has a positive significant effect on capital structure. A large size of Islamic bank firm illustrates that it has a big total asset as well. With a big asset value, Islamic bank will find it easier to obtain loans than small-size Islamic banks, so that large Islamic banks may have a larger capital structure than small Islamic banks. In general, large Islamic banks will have ease in obtaining debt from creditors, because they have a lower risk of bankruptcy than small Islamic banks, so creditors do not need to worry about the risk of default by banks.

This result is in accordance with the study Kartini & Arianto (2008), Çekrezi (2013), Santoso (2013), Sari & Haryanto (2013), Alzomaia (2014), Fajrida & N. M. Br. Purba (2018) and Kusna & Setijani (2018), which states that firm size has a significant positive effect on capital structure.

5. CLOSING

Based on the results of data analysis which refers to the study objectives, hypotheses, and analysis models, the following conclusions can be drawn: (1) Asset growth has a significant positive effect on capital structure. This means that the higher Islamic bank's asset growth, the higher capital structure will be. (2) Profitability has a significant negative effect on capital structure. The result prove that the higher the profitability of a Islamic bank, will decrease the capital structure. (3) Firm size has

a significant positive effect on capital structure. This means that the higher Islamic bank's asset growth, the higher capital structure will be. (4) Asset growth, profitability, and firm size simultaniously have a significant effect on capital structure.
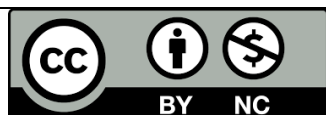
This resesarch has limitations in the independent variables used, which are only use three variables. This study also only used 18 Islamic banks as a representation of Islamic banks in the world. Based on the study results and the conclusions taken, the suggestions that can be put forward are: (1) For further studyers, it is advisable to add other variables that can affect the capital structure, or also can compare capital structure of Islamic bank in one country to another. (2) Investors and creditors, should pay attention to the capital structure of a firm, beside the value of the firm. Information related to growth assets, profitability, and firm size can add references for third parties before making an investment or lending decisions. (3) Islamic banks used as samples in this study, should pay attention to asset growth, profitability, firm size in order to controlling capital structure because these three variables have a significant effect on capital structure.

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