

**THE DETERMINANTS OF CAPITAL STRUCTURE
IN INDONESIAN HOTEL OPERATED FIRMS**

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I hereby declare that this submission is my own work and to the best of my knowledge, it contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.



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ABSTRACT

**THE DETERMINANTS OF CAPITAL STRUCTURE
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This study examines the determinants of capital structure for Indonesian hotel-operated firms listed on the Indonesia Stock Exchange (IDX) during the 2022–2025 post-pandemic recovery period. Utilizing a balanced panel dataset of 21 firms and a Random Effects Model (REM), this research investigates the influence of six key determinants: profitability, liquidity, growth opportunities, cash-flow volatility, institutional ownership, and firm size.

The empirical results demonstrate that profitability (X1) exerts a statistically significant negative impact on capital structure, providing robust validation for the Pecking Order Theory (POT) in the Indonesian hotel sector, as firms prioritized internal funding to rebuild financial autonomy. Conversely, growth opportunities (X3) were found to have a positive and statistically significant relationship with leverage, indicating that firms relied on external debt to finance expansion and development projects during the recovery phase. Other determinants liquidity, cash-flow volatility, institutional ownership, and firm size showed no statistically significant influence, suggesting that during the systemic instability of the recovery period, existential survival pressures and industry-wide economic shocks eclipsed traditional theoretical drivers of leverage. These findings highlight a shift in financing strategy, where hotel managers prioritized internal profitability and growth capacity over traditional collateral-based or governance-driven capital policies. The study concludes with practical implications, emphasizing the need for managers to focus on operational efficiency and transparent growth metrics to secure financing in a volatile market environment.

Keywords: Capital Structure, trade off theory, pecking order theory, agency theory, profitability, liquidity, growth opportunities, cash-flow volatility, institutional ownership, firm size.

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DEDICATION

To my family, you are the heart of this journey. This work stands as a testament to the quiet strength and unwavering belief you poured into me during every challenging hour. This accomplishment belongs to you as much as it does to me, forged in the late nights and difficult hurdles we navigated together.

I also dedicate this research to Indonesia, in the hope that these findings serve as a meaningful contribution to the resilience and progress of our hospitality industry. May this work mark the beginning of my commitment to building a more sustainable and prosperous future for our country.



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