DEPARTMENT OF ACCOUNTING

FACULTY OF ECONOMICS AND BUSINESS

ANDALAS UNIVERSITY

UNDERGRADUATE THESIS

THE IMPACT OF CAPITAL STRUCTURE ON BUSINESS GROWTH UNDER IFRS ADOPTION: EVIDENCE FROM FIRMS LISTED IN THE INDONESIAN STOCK EXCHANGE

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Submitted as Part of the Requirements for Obtaining

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<td rowspan="2"></td>
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Thesis by: Alifa Rachma Fadila
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ABSTRACT

This study leverages the Trade-Off Theory to assess the influence of capital structure on business growth under IFRS adoption. Using purposive sampling, non-financial companies listed on the Indonesia Stock Exchange from 2010 to 2024 were selected for analysis. A two-step Generalized Method of Moments (GMM) was applied to examine the effect of capital structure on asset, sales, and profit growth. The results indicate that capital structure has mixed effects across growth dimensions. The debt-to-total-assets ratio has a negative and significant effect on asset growth, whereas the debt-to-equity ratio has a positive and significant effect on asset and sales growth. In addition, the long-term debt-to-capital ratio has a positive and significant effect on profit growth, whereas the debt-to-capital ratio shows no significant effect. IFRS adoption and the COVID-19 pandemic are found to have no significant effect on asset, sales, and profit growth. These findings suggest that the relationship between capital structure and business growth varies across debt composition and growth measures, whereas IFRS adoption does not show a significant effect on business growth in Indonesia.

Keywords: Capital structure, Business Growth, IFRS Adoption, Indonesia Stock Exchange

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