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Analysis Of The Effect Of Capital Structure And Profitability On The Value Of Risk And Company Value (Case Study on Real Estate and Property Companies Listed on the Indonesia Stock Exchange in 2020-2022)

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ABSTRACT
This study aims to analyze the impact of capital structure and profitability on company value, as well as explore the relationship with the level of risk. Research is also to find out whether better management in capital structure and profitability can reduce company risk. The location of research was conducted in the real estate and property industry on the Indonesia Stock Exchange. The research sample was 44 companies within a period of 3 years of the annual publication of financial statements (time series). The analysis tool used is the Partial Least Square (PLS)-based SEM method requires 2 stages to assess the Fit Model of a research model. The results show that for the company's performance and future projections, an effective and transparent communication strategy with shareholders and investors is needed, involving risk disclosure, comprehensive risk analysis, technology utilization, and active involvement in corporate decision-making. Companies need diversification, regular communication with investors, mature risk management strategies, product innovation, transparent financial statements, and consideration of external cooperation to achieve a balance between profit and investment that is attractive to investors who care about risk and future projections. To overcome bankruptcy risk and achieve a balanced capital structure, companies need to implement a comprehensive approach by conducting risk analysis, business diversification, careful cash management, avoiding overleverage, and focusing on sustainable growth. Evaluate appropriate capital requirements for sustainable growth, combine multiple funding sources, have a phased growth plan, sound debt management, careful debt repayment planning, consider the impact of financial decisions on profitability, and maintain long-term stability.
Keywords: *Capital Structure, Profitability, Company Value, Company Risk, Company Size*

1. Introduction

A strong capital structure is an important element in the company's financial management. By having a balanced capital structure between debt and own capital, companies can increase value significantly (Schoenmaker & Schramade, 2023). A good capital structure can help companies gain access to sources of funds, including loans and equity, that can be used for investment. Proper capital structure can reduce a company's financial risks, as it avoids excessive reliance on financing (Brusov & Filatova, 2023). This can increase investor and creditor confidence in the company, thus supporting long-term business growth. An optimal capital structure can reduce the company's financial costs and increase profitability. Finally, with a sound capital structure, companies can maximize company value, provide benefits to shareholders, and contribute to overall economic growth (Dwivedi et al., 2023).

The capital structure of the company has a significant impact on profitability. With proper capital structure, the company can improve its financial performance (Nguyen et al., 2023). Proper use of debt in the capital structure can result in a lower cost of capital, which can increase the profitability of the company. By reducing reliance on excessive debt, companies can avoid financial risks that can hurt profitability (Abor, 2005). A balanced capital structure between debt and equity can also provide the financial flexibility needed for investment in profitable projects (Dalwai, 2023). Having a good capital structure can attract investors and shareholders, which can support the growth of the company. In the long run, an

optimal capital structure can help a company achieve higher profit margins and sustainable profitability growth, providing long-term benefits for the company and its shareholders (Martellini, Milhau, & Tarelli, 2018).

The company's capital structure has a crucial role in managing risk. With the right capital structure, companies can reduce their financial risk (Kim, 2021). Having a balanced proportion of debt and equity in the capital structure can help avoid over-reliance on debt, which can increase the risk of bankruptcy. Having a diverse capital structure can help companies better manage risk, as it can access multiple sources of funds suitable for specific situations (Nenu, Vintilă, & Gherghina, 2018). A good capital structure can also improve a company's ability to cope with economic and market fluctuations. Thus, the company can minimize the risk of financial instability that can disrupt operations (Kim, 2021). In addition, investors and creditors tend to be more confident in companies with sound capital structures, which can reduce the company's financial risk in the long run (Luo & Jiang, 2022).

Profitability is one of the main factors contributing to the increase in the value of the company. Companies that can achieve consistent and high levels of profit tend to have higher value in the eyes of investors (Reschiwati, Syahdina, & Handayani, 2020). Good profitability can generate sufficient cash flow to support the company's growth and investment in profitable projects. It can also increase the company's attractiveness to shareholders and potential investors, potentially driving up its share price and market capitalization (Abraham, Bhimavarapu, Tao, & Rastogi, 2023). (Abraham et al., 2023) High profitability can help companies reduce financial risks and increase resilience to market fluctuations. Companies with strong profitability can also more easily access external sources of funds at lower costs, which can support long-term growth (Ghosh, 2016).

Understanding and managing risk has a very important role in determining the value of the company. Companies that effectively identify, measure, and manage risk tend to have higher scores (Hillson & Murray-Webster, 2004). Managing risk well can help companies avoid large financial losses that can damage value. Companies that have a mature risk management process can provide confidence to shareholders and investors, which has the potential to increase stock prices (Settembre-Blundo, González-Sánchez, Medina-Salgado, & García-Muiña, 2021). A strong risk management strategy can also reduce profit volatility, creating stability in the value of the company. Investing in an effective risk management system can help companies anticipate and address challenges that may arise in the future, support sustainable growth, and create long-term value (Settembre-Blundo et al., 2021).

But the truth is that too much capital alone can reduce growth potential, while too much debt can increase runaway financial risk (Froot & Stein, 1998); The use of debt in the capital structure can carry unbalanced risks, which can threaten the profitability of the enterprise (Luo & Jiang, 2022); Having a balanced proportion of debt and equity in the capital structure does not necessarily guarantee avoiding bankruptcy risk, as financial risk can be influenced by other factors unrelated to the capital structure (T. N. Bui & Nguyen, 2023); A consistent and high level of profit does not necessarily result in higher value in the eyes of investors, as it also pays attention to future risks and projections. Sufficient cash flow is not always enough to support the growth of the company, because the right business strategy is also very important (Zumente & Bistrova, 2021); Mature risk management does not always give confidence to shareholders and investors, as they may be more interested in the actual results and future projections of the company (Mohammed & Knapkova, 2016).

Research is important because it can provide real estate and property companies with valuable insights into how to manage capital structure and profitability to optimize company value while managing risk to help make more informed and strategic business decisions; The research can also provide insight to investors interested in the real estate and property industry, helping to understand the factors that influence company value and risk.

The purpose of the study is to identify and analyze how capital structure and profitability impact company value in the context of the real estate and property industry on the Indonesia Stock Exchange; and to investigate the relationship between capital structure, profitability, and risk value in real estate and property companies. In addition, this study will also try to explain whether better management of capital structure and profitability can help reduce the level of risk faced by companies.

2. Literature Review

A strong capital structure diversifies access to funds for investment and reduces financial risk. This supports long-term business growth as well as increases investor and creditor confidence (Canaday, 2015). Optimal capital structure reduces financial costs, increases profitability, maximizes company value, benefits shareholders, and supports overall economic growth (Ahmed, Nugraha, & Hágen, 2023). Capital structure has a major effect on the profitability of the company. Proper capital structure, especially with good debt management, reduces the cost of capital and improves financial performance. Maintaining a balance between debt and equity provides investment flexibility and attracts investors, supporting the company's growth. Long-term, optimal capital structure increases profit margins and profitability growth, providing long-term benefits for the company and shareholders (Nguyen et al., 2023).

Profitability is the main factor contributing to the increase in the value of the company. Companies with consistent and high-profit rates tend to have higher value in the eyes of investors. Good profits enable the company to generate adequate cash flow to support growth and profitable investments (Yoo & Kim, 2015). Making the company more attractive to shareholders and potential investors, potentially increasing its share price and market capitalization. High profitability helps companies reduce financial risks and increase resilience to market fluctuations (Lu & Khan, 2023). In addition, companies with strong profitability are more likely to be able to access external sources of funds at lower costs, which supports long-term growth (Lyandres, 2007).

Understanding and managing risk has a key role in determining the value of a company. Companies that are competent in identifying, measuring, and managing risk tend to have higher scores. Effective risk management helps protect companies from large financial losses that can damage value (Hillson & Murray-Webbster, 2004). Companies with mature risk management processes build shareholder and investor confidence, which can increase stock prices. A strong risk management strategy also reduces profit volatility, creating stability in the value of the company. Investing in effective risk management systems helps companies anticipate and address future challenges, support sustainable growth, and create long-term value (Settembre-Blundo et al., 2021) (Aven, 2016).

3. Research Methods

Research Location

This research uses secondary data accessed via the official websites of the Indonesia Stock Exchange (www.idx.co.id) and Bank Indonesia (www.bi.go.id). This research was conducted for 6 months, starting from June 2022 to December 2022.

Populasi

The population in this research is all property sector companies (property, real estate and building construction) listed on the Indonesia Stock Exchange until 2022, namely 88 companies. In the sampling process, a purposive sampling method was used with the following sample criteria: 1) Property, real estate and building construction companies that have been registered from 2020 to 2022. 2) Property, real estate and building construction companies

that have financial reports which has been audited and reported to the stock exchange annually (from 2020 to 2022).

Research Sample

Sampling in this study used a purposive sampling method. With this method, a sample of 44 companies was obtained within 3 years of the annual publication of financial statements (time series). So 150 pieces of observation data were obtained. With 150 pieces of observational data, the number of samples in this study can be accepted as a representative number of samples.

Table. 1 Research Sample

No	Company	No	Company
1	Agung Podoromo Land	23	Metropolitan Kentjana
2	Alam Sutera Realty	24	MNC Land
3	Bakrieland Development	25	Modernland Realty
4	Bekasi Asri Pemula	26	Pakuwon Jati
5	Bekasi Fajar Industrial Estate	27	Pembangunan Jaya Ancol
6	Bhuwanatala Indah Permai	28	Perdana Gapura Prima
7	Bintang Mitra Semestaraya	29	Andalan Sakti Primaindo
8	Bumi Serpong Damai	30	Bhakti Agung Propertindo
9	Ciputra Development	31	Binakarya Jaya Abadi
10	Duta Anggada Realty	32	Cahayasakti Investindo
11	Duta Pertiwi	33	Capri Nusa Satu Propertindo
12	Gowa Makasar Tourism Development	34	DMS Propertindo
13	Indonesia Prima Property	35	Greenwood Sejahtera
14	Intiland Development	36	Natura City Developments
15	Jakarta Internasional Hotels & Development	37	Puradelta Lestari
16	Jakarta Setia Budi	38	Royalindo Investa Wijaya
17	Jaya Real Property	39	Pudjiaji & Sons
18	Kawasan Industrrri Jababeka	40	Pudjiaji Pretige
19	Lippo Cikarang	41	Ristia Bintang Mahkota Sejati
20	Lippo Karawaci	42	Summarecon Agung
21	Makmur Berkah Amanda	43	Surya Semesta Internusa
22	Megapolitan Developments	44	Suryamas Duta Makmur

Source: ICMD (2022), data processed

Data Analysis Techniques

Data processing techniques using the SEM method based on Partial Least Square (PLS) require 2 stages to assess the Fit Model of a research model. These stages are as follows: Assessing the Outer Model or Measurement Model There are three criteria for using data analysis techniques with SmartPLS to assess the outer model, namely: 1) Convergent Validity; 2) Discriminant Validity; 3) Composite Reliability, Cronbach Alpha and Average Variance Extracted (AVE).

4. Results and Discussions

Results

Evaluate *Outer Model* atau *Measurement Model* Convergent Validity

Convergent validity measures the conformity between the measurement results of measuring instruments and theoretical concepts that describe the attributes of these variables. In reflexive measurements, convergent validity indicators are assessed by correlation between estimated score/component score items. For reflexive measures, correlations above 0.70 indicate a high degree of conformity to the measured construct. However, in early-stage research on the development of measurement scales, loading values between 0.5 to 0.6 are considered adequate (Chin, 1998, Ghozali, 2006).

Discussion of the research results obtained can be presented in the form of theoretical descriptions, both qualitatively and quantitatively. In practice, this section can be used to compare the research results obtained in the current study with the research results reported by previous researchers referred to in this study. Scientifically, the research results obtained in this research may be new findings or improvements, affirmations, or rejections of a scientific phenomenon from previous researchers.

Table 2 *Outer Loadings (Measurement Model)*

Indicator	Value Company	Value Risk	Profitability	Structure Modal
Interest Expense		**0.909**		
Inflation Burden		**0.634**		
DAR				**0.905**
DER				**0.873**
EPS			**0.559**	
Company Price	**0.784**			
ROA			**0.600**	
ROE			**0.659**	
Tobins, Q	**0.975**			

Source: Data processing with PLS, 2022

The results of data processing using SmartPLS show that the value of outer loadings (measurement model) follows the given table, indicating that the convergence of validity is fulfilled because most indicators have a loading factor value above 0.60. Only one indicator has a value of 0.56, but no construct is eliminated from the model.

Discriminant Validity

Discriminant validity measures the discrepancy between attributes that the measuring instrument should not measure and the theoretical concept of that variable. In reflexive measurement models, this can be calculated by looking at the cross-loading value of the manifest variable against the latent variable. The goal is to ensure that each concept of a latent variable is different from other variables. The model has good discriminant validity if each indicator of the latent variable has the highest loading value against the latent variable itself.

Table 3. *Validitas Diskriminan*

	Value Company	Value Risk	Profitability	Structure Modal

Company Value	0.884			
Risk Value	-0.050	0.783		
Profitabilitas	0.391	0.288	0.607	
Structure Modal	0.075	0.800	0.480	0.889

Source: Data processing with PLS, 2022

From Table 3, it can be seen that some loading factor values for indicators of latent variables do not yet have the highest loading factor values when connected with other latent variables. This shows that good discriminant validity has not been achieved, because some latent variables still have indicators that have a high correlation with other constructs.

Evaluate *CompositebReliability*, *Cronbach Alpha*dan *Average Variance Extracted (AVE)*

A reliability test is a tool to measure the stability or consistency of questionnaire results that indicate variables or constructs. A questionnaire is considered reliable if a person's answers remain consistent over time. In this study, the reliability of the instrument was tested using Composite Reliability, Cronbach Alpha, and Average Variance Extracted (AVE) values for each construct. Construct reliability is considered high if the Composite Reliability value reaches 0.70, the Cronbach Alpha value is between 0.50 to 0.60 which is considered adequate, and the AVE value exceeds 0.50. Composite Reliability, Cronbach Alpha, and AVE values for all variables are presented in the following table.

Table 4. *Composite Reliability, Cronbach Alpha*dan *Average Variance Extracted*

	Cronbach's Alpha	**rho_A**	**Composite Reliability**	**Average Variance Extracted (AVE)**
Value Company	**0.769**	**0.829**	**0.877**	**0.782**
Risk Value	**0.703**	**0.499**	**0.755**	**0.614**
Profitabilitas	**0.727**	**0.539**	**0.636**	**0.569**
Structure Modal	**0.737**	**0.746**	**0.883**	**0.791**

Source: Data processing with PLS, 2022

Table 4. indicates that all constructs are proven reliable because they meet the recommended criteria, namely Composite Reliability values above 0.70, Cronbach Alpha values above 0.50, and AVE values above 0.50.

Structural Model Testing (Inner Model)

Structural model testing involves evaluating the relationships between constructs, significance, and R-square of the research model, as well as using R-square for dependent constructs, t-tests, and the significance of structural path parameters. In PLS-SEM, structural models reflect estimates of the strength of relationships between latent or construct variables, which can take the form of reflexive (Mode A) or formative (Mode B) indicators. The reflexive model assumes that indicators reflect latent variables and that changes in latent variables affect all indicators. While the formative model assumes that latent variables are formed by indicators, so changes in indicators affect latent variables.

Testing structural models with reflective relationships in the form of path diagram drawings can be seen results in graphs and results in text as follows:

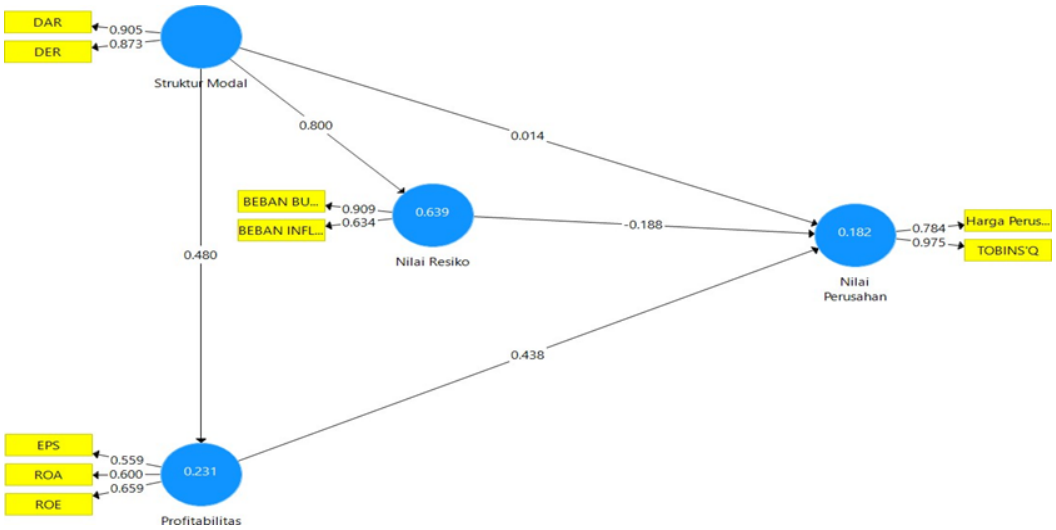


Figure 1. Structural Model

The results of the analysis can be interpreted using values on the path diagram or text outputs (outer loadings). Figure 4.1 is a relationship model that illustrates the latent variables measured reflectively and their effects: 1*)* The effect of capital structure variables on company value with risk value variables as mediators; *2)* The effect of capital structure variables on company value with risk value variables as mediators; *3)* The effect of capital structure on the value of the company; *4)* The effect of capital structure on profitability; and *5)* The effect of risk value on company value.

Assessment with the *inner model* begins by looking at the *R- R-square* of each dependent latent variable. Table 5 illustrates the results of R-square estimation using *SmartPLS*.

Table 5. *Nilai R-Square*

	R Square	***Adjusted R Square***
Company Value	0.182	0.153
Risk Value	0.639	0.635
Profitabilitas	0.231	0.222

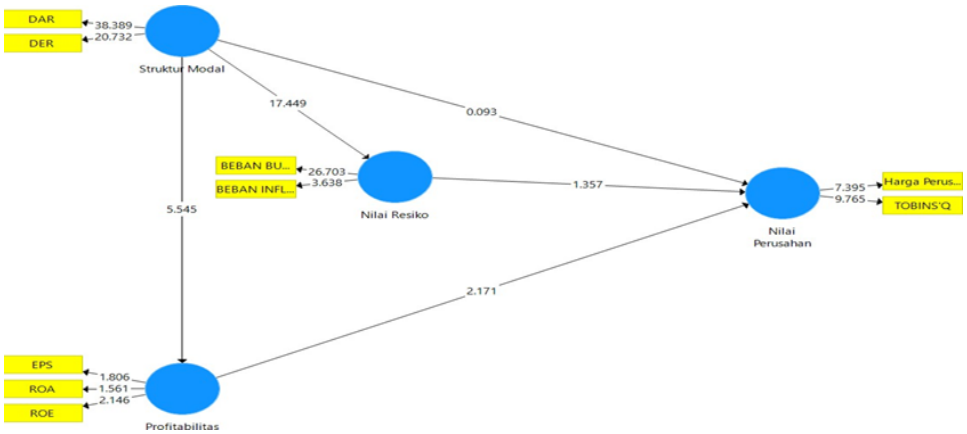
Source: Data processing with PLS, 2022

Table 5 shows the R-square value of the variable company value of 0.182; the R-square value of the risk value variable is 0.639 and the R-square value of profitability is 0.231. The results of the calculation of *the R-square* variable of company value show that 0.182 variables of company value are influenced by variables of capital structure, risk value, and profitability of 18.2 percent. The calculation of the R-square variable risk value of 0.639 is influenced by the capital structure variable of 63.9 percent and the R-square value, and the R-square value of 0.231 profitability variable is influenced by the capital structure variable of 23.1 percent.

Hypothesis Testing using the results of the Weighting Scheme

Parameter estimation values provide very useful information regarding the relationship between research variables. The basis used in hypothesis testing is the value

contained in the output of Figure 2 Structural Model path coefficient test and results for inner weight. Table 6 provides the estimation output for testing the structural model.



Source: Data processing with PLS, 2022

Figure 2. ***Structural Model of Path Coefficient Test***

Hypothesis testing with PLS can be seen from the t-statistic value and probability value. For hypothesis testing using statistical values, at a significance level of 5%, the t-statistic value used is 1.960. So, the criteria for accepting/rejecting the hypothesis are that Ha is accepted and Ho is rejected when the t-statistic value is > 1.960. To reject/accept a hypothesis using probability, Ha is accepted if the p-value is <0.05.

Table 6. ***Result For Inner Weights***

Koefisien Jalur

Mean, STDEV, T-Values, P-Values | Keyakinan Interval | Keyakinan Interval Bias-Dikoreksi | Sampel

	Sampel Asli (O)	Rata-rata Sampel (M)	Standar Deviasi (STDEV)	T Statistik (| O/STDEV |)	P Values
Nilai Resiko -> Nilai Perusahan	-0.188	-0.200	0.141	1.337	0.182
Profitabilitas -> Nilai Perusahan	0.438	0.426	0.196	2.234	0.026
Struktur Modal -> Nilai Perusahan	0.014	0.020	0.155	0.093	0.926
Struktur Modal -> Nilai Resiko	0.800	0.801	0.045	17.625	0.000
Struktur Modal -> Profitabilitas	0.480	0.469	0.088	5.474	0.000

Source: Data processing with PLS, 2022

Based on the results of hypothesis testing according to the weighting test/*result for inner weights* in Figure 2 and Table 6, the value of the coefficient of the path of influence of capital structure on profitability is 0.480 with a t value of 5.474 and a significance value or *PValues* of 0.000. The significance value is less than the alpha level used 5 percent (0.05), hence the decision that capital structure variables have a positive and significant relationship to profitability.

The results of testing the second hypothesis based on the weight test on the influence of capital structure on the company's risk value show a path coefficient value of 0.800 with a t value of 17.625 and a significance value or P value of 0.000. This significance value is less than

the alpha level used, namely 5 percent (0.05), so the decision is that the capital structure variable has a positive and significant relationship with the company's risk value.

The results of testing the third hypothesis, namely the influence of capital structure on company value, showed a path coefficient value of 0.014 with a t-value of 0.092 and a significance value or P-value of 0.926. The significance value is greater than the alpha level used 5 percent (0.05), hence the decision that the company's structural variables do not have a positive and significant relationship to the company's value.

In testing the fifth hypothesis in the weighting test results in Figure 2 and Table 6 show the effect of profitability on company value with a path coefficient value of 0.438 with a t value of 2.234 and a significance value or P Values of 0.026. The significance value is less than the alpha level used at 5 percent (0.05), hence the decision that the profitability variable has a positive and significant relationship to the value of the company.

Based on the results of testing the fifth hypothesis, namely the influence of independence on auditor ethics, a path coefficient value of 0.188 was obtained with a t-value of 1.337 and a significance value or P-value of 0.182. The significance value is greater than the alpha level used 5 percent (0.05), so the decision is that the variable risk value of the company does not have a positive and significant relationship with the value of the company.

Discussion

To overcome the problem between mature risk management and the expectations of shareholders and investors who are more focused on actual results and future projections of the company, it is necessary to implement a more effective and transparent communication strategy (Management, 2022). Companies need to communicate with shareholders and investors regarding risk strategies and steps taken to manage them. This includes disclosure of risks already carried out. Financial statements must be prepared clearly and in detail. This allows shareholders and investors to better understand the company's performance and future projections (Boffo, R., 2020). The company should receive inquiries and input from shareholders and investors. Regular meetings or teleconferences can be used to explain risk management policies and answer questions (Brown et al., 2019). Companies need to develop a comprehensive risk analysis that covers not only the risks that may arise but also potential opportunities. This helps shareholders and investors see a more complete picture of the Company's future (Park & Jang, 2021). The utilization of technology, such as risk management software can help shareholders and investors to access relevant information more easily (Rodríguez-Espíndola et al., 2022). A company's annual report should be a powerful tool for communicating strategy, achievements, and plans. This should illustrate how risk management supports the achievement of company objectives. Encouraging shareholders and investors to be more actively involved in the company's decision-making process can help them feel more involved and understand the company's strategy (Teece, 2018).

To overcome the problem between consistent and high-profit rates with higher values in the eyes of investors who are also concerned about risk and future projections is to adopt a balanced approach to managing the company (Haessler, 2020). Diversifying a business or investment can help reduce the risks associated with reliance on one source of profit or one market. Investors tend to view companies that have diverse portfolios more positively (Delpini et al., 2020) (Fletcher, 2022) . Companies need to regularly communicate with investors about the company's long-term strategy and vision. This includes sharing future projections and measures taken to manage risk (Zumente &; Bistrova, 2021)(Ketprapakorn &; Kantabutra, 2022)(Ketprapakorn & Kantabutra, 2022). Developing and executing a mature risk management strategy is key to maintaining business sustainability. Investors will be more likely to trust companies that have effective risk mitigation measures (Hsu et al., 2021). Companies should invest in product or service innovation as well as market research to understand evolving consumer trends and needs. This helps in creating long-term growth opportunities.

Focusing on the quality of products or services can help maintain and expand market share and strengthen the company's image in the eyes of investors (Shin et al., 2022). Financial statements must be accurate and transparent. This helps investors to understand the company's financial condition and make better investment decisions (Rovira et al., 2019). Cooperation with external parties, such as business partners or strategic investors, can help in supporting the company's growth. Although cash flow is quite important, companies must also manage funds wisely, allocating resources to investments that provide long-term returns (Mauboussin &; Callahan, 2022).

Overcoming the gap between having a balanced proportion of debt and equity in the capital structure and avoiding lingering bankruptcy risk is to adopt a comprehensive approach to managing financial risk (Laeven & Valencia, 2013). Companies need to conduct a comprehensive risk analysis that includes other factors unrelated to the capital structure, such as market risk, operational risk, and macroeconomic risk. This helps in identifying potential risks that could affect financial stability (Drobyazko et al., 2020). Diversification of a business or investment can help reduce the concentration risk associated with the proportion of debt and equity in the capital structure. Having multiple sources of income or investment can help protect a company from bankruptcy risk associated with a single asset or business (Bank for International Settlements, 2021). Managing cash by having sufficient cash reserves is essential to deal with possible difficult financial situations. This can help companies avoid liquidity problems that can trigger bankruptcy risk (Hugonnier &; Morellec, 2017). Conduct open communication with stakeholders, including shareholders and creditors, regarding the company's financial situation and the steps taken to manage financial risk. Having a good understanding of the types of debts held and debt repayment schedules is important (H. Bui &; Krajcsák, 2023). Companies need to avoid overleverage (too much debt) which can increase the risk of bankruptcy. Doing financial planning can help companies understand possible financial risks and design strategies to overcome them. Engaging an experienced financial consultant can assist companies in identifying financial risks and designing effective risk management strategies. Companies must have a long-term vision and focus on sustainable growth, not just on improving the capital structure. This helps in creating a solid foundation to deal with financial risks (Murugan &; T, 2023).

Addressing the issue of the use of debt in the capital structure that can carry unbalanced risks and threaten the profitability of the company is to adopt a prudent approach to financial management (Yue et al., 2022). The company must carefully identify its debt needs. Debt should not only be used to obtain funds but should also be adjusted to the company's cash projections and actual capital requirements. Good debt risk management is key to avoiding unbalanced risks (Du &; Elston, 2022). This includes monitoring the debt-to-equity ratio, debt repayment schedule, and interest rate. The company must ensure that the debt can be managed properly and does not exceed the repayment capacity. Debt should be used for productive investments that can increase the company's revenue and profitability. This can include business expansion, facility upgrades, or investment in innovation. Not relying on a single source of financing (e.g., banks or bonds) can help reduce the risks associated with capital structure (Froot & Stein, 1998). Combining different sources of financing such as equity, long-term debt, and short-term debt can provide greater flexibility (Havemann, Negra, & Werneck, 2022). Companies must monitor and manage debt interest rates wisely. This includes the use of financial instruments such as fixed or variable interest, as well as planning a hedging strategy if needed. Adopting a conservative approach to capital structure can help protect profitability. This means relying less on debt and preferring funding with equity, especially in high-risk situations (Ramalingegowda &; Yu, 2021). Building a mature financial plan can help in identifying potential risks related to capital structure and designing appropriate risk management strategies. Companies must ensure that the use of debt does not come at the expense of long-term profitability. Financial decisions should be taken taking into

account the long-term impact on the profitability and stability of the company (Nguyen et al., 2023).

To overcome the gap between having too much capital that can reduce growth potential and too much debt that can increase uncontrollable financial risk is to apply a good capital structure management approach (Schoenmaker &; Schramade, 2023). Companies need to evaluate their true need for capital to generate sustainable growth. This includes the identification of cash projections and required investments (Alvino et al., 2021). Combining various funding sources such as own capital, equity, long-term debt, and short-term debt can help reduce the risks associated with capital structure (Havemann et al., 2022). Having a gradual growth plan can help the company avoid relying too much on its capital or debt. This allows for controlled growth, If necessary take on debt to ensure good debt management (Convergence, 2019). Planning debt repayment schedules and monitoring interest rates are key to avoiding uncontrolled financial risks (Yelvita, 2022). Financial decisions should be taken taking into account their impact on the profitability of the company. Mature financial risk management, including currency management, hedging, and interest risk protection, can help maintain a company's financial stability (Scandizzo, 2016) Consider the long-term impact of financial decisions and capital structure and how current decisions will affect the company's growth and sustainability in the long term (Vătavu, 2015)

5. Conclusion

Addressing the issue between mature risk management and the expectations of shareholders and investors who are more focused on the company's actual results and future projections, companies need to implement effective, transparent, and open communication regarding strategy and risk management.

With a consistent and high level of profit with a higher value in the eyes of investors who also pay attention to risk and future projections, companies need to apply a balanced approach to managing the business. Business diversification, regular communication with investors regarding long-term strategies, and mature risk management are important steps in maintaining investor confidence.

Having a balanced proportion of debt and equity in the capital structure and avoiding the risk of bankruptcy, companies need to apply a comprehensive approach to managing financial risk. It includes risk analysis covering various factors, diversification of business or investment, wise cash management, open communication with stakeholders, and sound financial planning.

The use of debt in the capital structure can carry unbalanced risks and threaten the profitability of the company, companies need to apply a careful approach in financial management. This includes careful identification of debt needs, good debt risk management, incorporation of diverse sources of financing, good interest rate management, and the construction of careful financial planning.

Having too much capital on their own can reduce growth potential and too much debt can increase uncontrollable financial risk, companies need to adopt a good capital structure management approach. It involves evaluating actual capital requirements, combining multiple funding sources, gradual growth planning, sound debt management, careful financial risk management, and consideration of the long-term impact of financial decisions.

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