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DO COMPREHENSIVE INCOME AND ATTRIBUTED INCOME PERFORMANCE AFFECT THE COMPANY'S CAPITAL STRUCTURE POLICY? ASEAN EVIDENCE

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ABSTRACT

With the adoption of of fair value accounting and entity theory in Financial Accounting Standards, the meaning of profit has expanded, until finally the comprehensive income and attributable income items appeared in the presentation of the income statement. Unfortunately, in measuring profitability and its relationship to capital structure policy, comprehensive income and attributable income have not been widely used. The purpose of this study is to prove the effect of comprehensive income and attributable income on capital structure policy. Data comprised 9,660 firms-years from 2,415 financial reports of companies listed on capital markets in 6 ASEAN countries during the observation period of 2020 - 2023. The research methodology uses multiple linear regression analysis for hypothesis testing. The results of the study indicate that the achievement of comprehensive income and attributable income performance has a negative effect on the company's capital structure policy. In line with the pecking order theory, companies will use internal funding from profit achievements, including comprehensive income and attributable income, before finally using external funding sources from debt and share issuance. The originality of this study is the examination of the effect of comprehensive income and attributable income on capital structure.

Keywords: Comprehensive Income, Attributable Income, Capital Structure, ASEAN Evidence

INTRODUCTION

Research on capital structure continues to be of considerable interest, because it determines how companies finance their assets. Capital structure affects operational activities, the ability to generate profits, and in the long term also has an impact on the value of the company. Capital structure is also one of the strategies in tax savings. Inappropriate capital structure policies can potentially cause financial difficulties, increased agency costs and failure to meet the welfare expectations of all stakeholders. Capital structure policies require in-depth analysis because there are costs and risks attached to them, such as debt policies that give rise to periodic interest payments and repayment of principal when due or periodic installments which if not prepared carefully and funding is managed properly, can potentially lead to bankruptcy. Likewise, the equity funding policy from the issuance of new shares can lead to falling stock prices, potentially increasing agency conflicts and demands for dividend policies. Therefore, in line with the trade-off theory (Myers & Majluf, 1984) that the optimal capital structure policy is a trade-off between the cost-benefit of each long-term debt policy and equity policy.

Capital structure policy has a positive impact on profitability (Purnami & Susula, 2021) and company value (Manurung, 2023). Companies with strong capital funding have cash availability that can be allocated to productive asset investments, optimization of operational expenses that boost sales volume, and ultimately lead to profitability and company value (Nabayu et al., 2020). Profitability has a negative effect on capital structure (Sumani et al., 2020). Companies with high profitability performance indicate that they have sufficient internal funding sources and do not require external funding sources, or require but are not a top priority in funding sources.

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Inconsistency of research results so far still occurs in testing the effect of profitability on capital structure. Lamba & Atahau (2022) showed that profitability has a negative effect on capital structure. Similarly, Nabila & Rahmawati (2023) concluded that the higher the net profit, the use of debt as a source of funding actually decreases. When a company experiences a loss, the use of debt increases as a source of company funding. Companies prioritize internal funding sources from achieving profitability, rather than using debt which is full of risk, supervision and interest expense pressure (Kadim & Sunardi, 2019). However, the results of other studies show conflicting findings. Profitability has a positive effect on capital structure (Gunde et al., 2017). Debt as a lever for achieving profit, high debt with interest burden attached to it, spurs management to pursue high profits because it is driven by periodic interest payment obligations and debt repayment due (Prastika & Candradewi, 2019).

Prior research on profitability's effect on capital structure has only examined profitability based on net profit, both measurements with Return on Assets (ROA) and Return on Equity (ROE). The return used in ROA and ROE is net profit. Meanwhile, the use of comprehensive income and attributable income in measuring ROA and ROE and linking it to capital structure has not been widely carried out. Unfortunately, in measuring profitability and linking it to capital structure, research so far has only used the basis of net profit. In fact, the meaning of profit is now broader, in line with the emergence of comprehensive income and attributable income items in the presentation of consolidated income statements.

The originality of this study tests the effect of comprehensive income and attributable income on the company's capital structure policy. This test is important because comprehensive income is also a measure of performance, as it informs the actual realized profit and unrealized profit, both having the potential to be realized and those that will not be realized. Comprehensive income interprets profit as a whole and takes into account the impact of external environmental uncertainty and macroeconomic fundamentals that impact the fair value of assets and unrealized income. Comprehensive income offers representativeness, relevance, and predictive power, so using it in measuring profitability can be an alternative that supports the use of conventional profitability measurements based on net income. Comprehensive income is more in line with the application of fair value accounting and the recognition of gross surplus income, as is currently used as the basis for accounting standards. In addition to the comprehensive income item, the income statement also presents the attributable income item. Attributable income has more advantages compared to aggregate net income and aggregate comprehensive income. These advantages are that attributable income is more in line with the rights of shareholders to profit and the proportion of shares owned in the company, so it is more predictive in assessing future investment returns according to the number of shareholdings and types of owners. While aggregate net profit or aggregate comprehensive income is still one between the rights of majority shareholders and the rights of non-controlling interests. Kusuma & Agustin (2024) in their study proves that attributable earnings are more predictive in predicting future dividends because they are in accordance with stock ownership rights that influence the type of ownership in the company's ownership structure.

This study is expected to fill the gap in literature on the relationship between comprehensive income performance and attributable income to capital structure. Comprehensive income as a form of fair value accounting implementation and attributable income as a form of entity theory implementation. Both appear as new items in the presentation of consolidated income statements that enrich the presentation of profit items, expand the meaning of profit, and whether they also have an impact on the company's capital structure policy. For practitioners, especially prospective investors, this study is expected to be a source of reference in making investment decisions, whether companies with comprehensive income performance and attributable income performance can influence capital structure policies that have the potential

to impact future cash flow prospects, fulfillment of investment return expectations and the survival of the company to be invested.

THEORETICAL BASIS

Capital Structure Theory

Capital structure is the composition of a company's funding sources that come from external sources in the form of debt and internal sources in the form of equity. Capital structure is closely related to the accounting equation; the source of asset funding comes from two elements, namely liabilities and equity, or assets are equal to liabilities plus equity. Traditional capital structure theory states that the capital structure or use of debt and equity funding sources in financing assets will affect the value of the company. However, this theory was later challenged by Modigliani & Miller (1961) who stated otherwise that the capital structure does not affect the value of the company, because in the choice of funding from debt sources, it can be used for tax savings due to the obligation to pay periodic debt interest expenses that reduce profit before tax. The trade-off theory (Myers & Majluf, 1984) explains the cost-benefit of choosing debt funding sources, where companies are faced with the consideration of using debt in the right portion, not too large and not too small. The trade-offs of using debt are the obligation to pay periodic interest, principal repayment when due, reputation, risk, pressure and supervision of creditors, potential financial distress (Prihatiningtias & Adiwicaksana, 2024), and uncertainty of returns from investments funded by debt. Meanwhile, the benefits of debt funding sources are that they do not affect the amount of company ownership, resulting in lower agency costs and a smaller potential for conflict of interest, and can be used for tax savings through the deductibility of the i i.-nterest expense item in the income statement. High leverage pressure has the potential to stimulate the emergence of financial reporting fraud (Santoso & Marlinah, 2024).

Pecking Order Theory

Pecking order theory (Modigliani & Miller, 1961) explains the priority order of the company's funding source choices, namely the first order is net profit, then debt, and finally the issuance of new shares. This theory also states that the higher the profitability achievement, the lower the source of funding from debt. The company will prioritize internal funding from net profit which is much safer and carries minimal risk, compared to external funding sources such as debt and share issuance. Myers & Majluf (1984) added that the risk of using debt funding sources is the interest burden and potential bankruptcy if the debt is not managed and allocated properly, as well as strict supervision from creditors that have the potential to cause conflicts of interest between creditors, principals and agents. The risk of equity funding sources through the issuance of new shares is to sharpen the conflict of interest, information asymmetry and falling stock prices. The agency cost of issuing new shares is higher than debt funding sources. Signaling theory (Spence, 1973) states that the capital structure is a signal from managers to investors that can be used as a consideration for investment decision making. The use of debt carries a high risk, especially the potential for bankruptcy if debt is not managed properly, debt-funded investments are not profitable and the obligation to pay interest and principal repayment cannot be postponed. When management dares to take funding from debt sources, it means that management has great confidence that cash holdings will flow well (Siauwijaya & Putri, 2024), until finally daring to take on debt with great risk. This signal is what management wants to convey, that high debt contains a high presentation of the ability to

generate profitability and future cash flow, so investors should not hesitate to invest (Arisyahidin et al., 2025).

Comprehensive Income and Attributable Income

Comprehensive income is a combination of net income as actual realized income with other comprehensive income (OCI) as unrealized income that arises due to adjustments to the book value of assets and liabilities to fair value, as an implementation of fair value accounting and the concept of all-inclusive income recognition. Fair value accounting is a financial reporting approach that values assets and liabilities at fair value, rather than at recorded, book, or historical value (Kusuma et al., 2021). The use of fair value accounting is in order to increase the relevance of value by increasing the representative value of assets and liabilities that are more in accordance with the actual conditions in the presentation period than the acquisition value that is obsolete and no longer relevant. All-inclusive income is a broader concept of income recognition where income includes actual income that has actually been realized and income that has not been realized. OCI presented in the income statement is an application of the principle of all-inclusive income recognition (Sajnóg, 2017; Andriana et al., 2025).

Kusuma & Saputra (2022) identified three factors influencing comprehensive income: asset ownership, business scale and transaction frequency (Kusuma, 2023a), and macroeconomic fundamentals. Comprehensive income has value relevance (Kusuma et al., 2025), the market responds to its presentation (Kusuma & Kusumaningarti, 2023), has a positive impact on company value (Kusuma, 2021b), has an effect on sustainability performance (Athori et al., 2025) and has predictive and confirmatory power (Kusuma & Agustin, 2023; Kusuma, 2020). Comprehensive income can be used to assess financial performance (Kusuma, 2021a; Ratih et al., 2025), predict bankruptcy (Kusuma, 2024; Wahyudi et al., 2025), affect retained earnings and aggregate equity (Kusuma, 2023b), conduct tax avoidance (Kusuma & Rahayu, 2022), earnings management (Kusuma et al., 2022; Wahyudi et al., 2024), fraudulent financial reporting (Kusumaningarti, Kusuma, & Athori, 2025), and income smoothing actions (Kusuma, 2021c). Its high sensitivity to changes and uncertainties in the external environment is a determining factor for comprehensive income to have a positive impact on external audit fees (Kusuma & Luayyi, 2024; Agustin et al., 2025).

Attributable income is net profit and comprehensive income that are presented in the income statement disaggregated to the owners of the company presenting the consolidated financial statements (Kusumaningarti et al., 2025). Attributable income only arises when a group entity consolidates its financial reporting with all of its subsidiaries. Allocation of net profit and comprehensive income to the owners of the parent entity as the majority shareholders in the parent entity and subsidiaries, and to the owners of non-controlling interests (NCI) as minority shareholders in the subsidiaries, as an application of entity theory. Entity theory is the basis for presenting consolidated financial statements where minority shareholders in subsidiaries are recognized as owners in a group entity (Kusuma, 2023b). This theory is in contrast to parent theory, where in presenting consolidated financial statements, minority shareholders in subsidiaries or NCI are not recognized as owners of the group entity. According to parent theory, the presentation of the NCI financial position statement is between liabilities and equity, and the presentation in the income statement is in the expense post. Meanwhile, according to entity theory, NCI is fully recognized as an owner, even though the shares owned are small and without control rights. According to entity theory, in presenting the income statement, there is recognition of net profit attributed to NCI and comprehensive income attributed to NCI (Kusuma & Athori, 2023).

Similarly in the balance sheet, equity attributable to NCI is separately presented. Kusuma (2023b) stated that the factors that affect attributable income are company size, share

ownership structure, number of subsidiaries and associated entities. Attributable income has value relevance, can reduce information asymmetry and type 1 and type 2 agency conflicts, positively reacted by market players and can be used to predict financial performance (Kusuma et al., 2021). The number of subsidiary and associated entity ownerships that have an impact on the complexity of the share ownership structure is a determining factor in attributable income having a positive impact on audit report lag (Agustin & Kusuma, 2024).

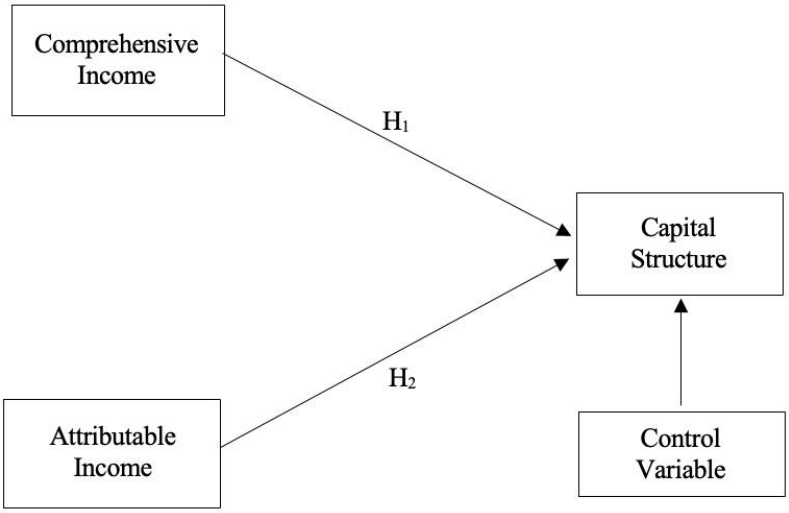

Figure 1. Conceptual Framework of the Research
Source: Author, 2025

Hypothesis Formulation

Comprehensive income combines realized real income and unrealized transitory income, some of which will be realized in the following period and affect net income and cash flow in the following period. Realized real income comes from the company's main operational activities, namely sales turnover achievement, other income, operational expense efficiency, interest and tax expenses. Unrealized transitory income results from fair value adjustments to assets and liabilities, some of which are presented in the "group to be reclassified to net income" will become realized income, recorded as a profit or loss on asset realization and increase net income and cash flow in the following period. Comprehensive income has an impact on net income for the current period and net income & cash flow in the following period. An increase in comprehensive income will have an impact on an increase in the company's equity, because the two components of comprehensive income, namely net income and OCI, will be closed to retained earnings. With a high comprehensive income achievement, the company obtains additional equity, especially the retained earnings item (Kusuma, 2023b), and will affect the company's capital structure, namely reducing funding from external factors in the form of long-term liabilities. In line with the pecking order theory, companies will prioritize funding from internal sources, namely profitability, rather than external sources in the form of debt that is full of risks and periodic interest expense responsibilities (Nishihara & Shibata, 2025). Profitability strengthens operating cash flow, working capital, retained earnings, net income profitability and comprehensive income profitability (Kusuma, 2021a). It is suspected that the higher the achievement of comprehensive income performance, the lower the use of funding sources from long-term debt.

H1. Comprehensive income has a negative effect on the debt-to-asset ratio.

Attributable income is the presentation of net profit and comprehensive income in the consolidated income statement allocated to the owners of the company group entity, namely the owner of the parent entity as the majority shareholder and holding the controlling interest, and the owner with non-controlling interests as the minority shareholder in the subsidiary entity and without controlling interest. The greater the achievement of net profit and comprehensive income of a group entity presenting the consolidated financial statements, the greater the net profit, comprehensive income and equity that can be attributed to each type of owner. Studies by Kusuma & Agustin (2024) and Kusuma & Agustin (2023) proved that the greater the achievement of attributable income, the greater the dividends that can be paid to the parent owner and the payment of dividends to NCI. The policy of presenting the allocation of performance achievements to the company owners in the consolidated financial reporting, is actually not only attributable net profit and attributable comprehensive income, but also equity. Equity as a net asset of the entity and becomes the property of the company owner because it is net after assets are reduced by total liabilities. In addition, net profit and comprehensive income will eventually be closed to the retained earnings post and become part of equity. The higher the achievement of attributable net profit and attributable comprehensive income, the higher the aggregate equity and attributable equity. With high attributable net profit and attributable comprehensive income, the company obtains additional equity, especially the retained earnings post (Kusuma, 2023b), and will affect the company's capital structure, namely reducing funding from external factors in the form of long-term liabilities, both issuance of bonds and debt to banks. In line with Modigliani Miller's theory, the company will prioritize funding from internal sources through retained earnings rather than external sources in the form of debt that is full of risks and responsibilities of periodic interest expenses. It is suspected that the higher the achievement of attributable net profit and attributable comprehensive income, the lower the use of funding sources from long-term debt.

H2. Attributable income has a negative effect on the debt-to-asset ratio.

RESEARCH METHODOLOGY

This research is a type of research with a quantitative paradigm approach. The research data are financial reports from companies listed on the largest Stock Exchanges in six countries in the Southeast Asia region. Observational data comprised of 9,660 firms-years derived from 2,415 financial reports of companies listed on the Indonesia Stock Exchange (IDX), Malaysia (BM), Thailand (SET), Singapore (SGX), Philippines (PSE), and Vietnam (HOSE) during the observation period of 2020 - 2023. Data source from the Bloomberg database. The dependent variables used in this study are capital structure measured by the debt-to-asset ratio (DAR) and debt-to-equity ratio (DER), the independent variables consist of comprehensive income and attributable income, the control variables consist of company size, net income, industry type, and research year period. Table 1 explains the measurements for each variable.

Table 1. Research Variable and Measurement

Variable	Description	Notation	Measurement
Dependent Variable			
Capital structure	Asset funding sources are debt and equity	Debt-to-asset Ratio (DAR)	$= \frac{\text{Total Liability}}{\text{Total Asset}}$
		Debt-to-equity Ratio (DER)	$= \frac{\text{Total Liability}}{\text{Total Equity}}$
Independent Variable			

Comprehensive income	Realized profit plus unrealized profit due to adjustments to the fair value of assets and liabilities.	Comprehensive Income (CI)	$= \frac{\text{Comprehensive Income}}{\text{Total Asset}}$
Attributable income	Net income distributed is presented to the owners of the parent entity	Attributable Income to Parent (AIP)	$= \frac{\text{Net income attributable to parent}}{\text{Equity attributable to parent}}$
	Net profit distributed presentation to NCI	Attributable Income to NCI (NCI)	$= \frac{\text{Net income attributable to NCI}}{\text{Equity attributable to NCI}}$
Net income and OCI's reclassification	Net profit plus OCI that will potentially be realized in period t+1	Net income & OCI Reclassification (OCIR)	$= \frac{\text{Total Liability}}{\text{Total Asset}}$
Control Variable			
Firm size	Size of the Company	Company Size (SIZE)	Log N Total Asset
Net income	Operating profit plus non-operating profit, net after tax	Return on Asset (ROA)	$= \frac{\text{Total Liability}}{\text{Total Asset}}$
Type of industry	Type of research sample industry	Type of industry (IND)	Multiple dummys variable for type of industry
Year of research period	Year during the research period	Research period (YEAR)	Multiple dummys variable for year during research period

Source: Author, 2025

Data analysis techniques consist of correlation analysis, descriptive statistics, prerequisite analysis testing and hypothesis testing using linear regression analysis. The research model is built for hypothesis testing as follows:

$$DAR_{i,t} = \alpha + \beta_1 CI_{i,t} + \beta_2 AIP_{i,t} + \beta_3 SIZE_{i,t} + \beta_4 ROA_{i,t} + IND + YEAR + \varepsilon_{i,t} \quad (1)$$

The acceptance criteria for H1, that comprehensive income has a negative effect on debt-to-asset ratio, is accepted if the coefficient β1CI in model 1 is negative with a significance level of 5%. The acceptance criteria for H2, that attributable income has a negative effect on debt-to-asset ratio, is accepted if the coefficient β2AIP in model 1 is negative with a significance level of 5%.

Robustness Test

This test is conducted to prove the robustness of the model when the measurement of variables is different. In the same model, the capital structure variable previously measured by the Debt-to-Asset Ratio (DAR), is replaced by the Debt-to-Equity Ratio (DER) measurement.

$$DER_{i,t} = \alpha + \beta_1 CI_{i,t} + \beta_2 AIP_{i,t} + \beta_3 SIZE_{i,t} + \beta_4 ROA_{i,t} + IND + YEAR + \varepsilon_{i,t} \quad (2)$$

The first robustness test criterion, that the hypothesis is consistent even though the proxy for measuring capital structure is changed from DAR to DER, if comprehensive income has a

negative effect on debt-to-equity ratio (DER), is accepted if the coefficient β_1CI in model 2 is negative with a significance level of 5%. Second, that attributable income has a negative effect on debt-to-equity ratio (DER), is accepted if the coefficient β_2AIP in model 2 is negative with a significance level of 5%.

The change in variable measurement is also carried out on attributable income. The measurement of the attributable income variable, previously measured by the ratio of net income attributable to owners of the parent entity divided by equity attributable to owners of the parent entity (ROE of owners of the parent entity), is replaced with net income attributable to non-controlling interests divided by equity attributable to non-controlling interests (ROE of owners of non-controlling interests).

$$DAR_{i,t} = \alpha + \beta_1 CI_{i,t} + \beta_2 NCI_{i,t} + \beta_3 SIZE_{i,t} + \beta_4 ROA_{i,t} + IND + YEAR + \varepsilon_{i,t} \quad (3)$$

The second robustness test criterion is that the hypothesis is consistent even though the proxy for measuring capital structure is changed from AIP (parent entity owners) to NCI (owners with non-controlling interests). The results are said to be consistent with the hypothesis if the β_2NCI coefficient in model 3 above is negative with a significance level of 5%.

Additional Test

Comprehensive income consists of net income plus OCI. OCI itself consists of two groups, namely the group that will be reclassified to net income, and the group that will not be reclassified to net income. The group that will be reclassified to net income is OCI which in the current period is unrealized earnings and in the following period as real income that affects net income and cash flow, because assets or liabilities have been realized so that a realization gain or loss item appears. Additional testing is carried out by only including net income and the OCI group that will be reclassified to net income in measuring comprehensive income, or in other words, in measuring comprehensive income, it does not involve the OCI group that will not be reclassified to net income. This additional test is conducted with the aim of proving whether comprehensive income with potentially realizable net income and OCI components has a stronger influence on capital structure than aggregate comprehensive income which includes all OCI groups.

$$DAR_{i,t} = \alpha + \beta_1 OCIR_{i,t} + \beta_2 AIP_{i,t} + \beta_3 SIZE_{i,t} + \beta_4 ROA_{i,t} + IND + YEAR + \varepsilon_{i,t} \quad (4)$$

Additional test criteria, if comprehensive income with net income components and OCI that are potentially realized have a negative effect on the debt-to-asset ratio (DAR), is accepted if the coefficient β1OCIR in model 4 is negative with a significance level of 5%.

ANALYSIS

Table 2 presents the results of descriptive statistics and correlation analysis. CI is negatively correlated with DAR (r = -0.611***) and with DER (r = -0.643***), meaning that the higher the achievement of comprehensive income, the lower the use of funds from debt sources. Comprehensive income, which includes net income and realization of unrealized income reclassification, has a lower risk of being used as a source of funding than debt with a high cost of capital. AIP is negatively correlated with DAR (r = -0.587**) and with DER (r = -0.605***), meaning that the higher the achievement of attributable income, the lower the use of funds from debt sources. Attributable income that is proportional to the allocation of profit to

shareholders, has a lower risk of being used as a source of funding than debt with a high cost of capital.

Table 2. Result of Descriptive Statistics and Pearson Correlation

Variable	Mean	Min	Max	SD	Variable	Mean	Min	Max	SD
Panel A. Descriptive Statistics									
DAR	0,216	0,187	0.314	2,179	AIP	0,022	–0,031	0,056	3,053
DER	0,223	0,179	0,328	2,270	NCI	0,019	–0,027	0,035	3,164
CI	0,024	–0,032	0,045	4,318	SIZE	11,092	6,804	21,781	2,275
OCIR	0,023	–0,029	0,078	6,429	ROA	0,025	–0,036	0,071	3,836

Panel B. Correlation Pearson								
Variable	DAR	DER	CI	OCIR	AIP	NCI	SIZE	ROA
DAR	1							
DER	0,812***	1						
CI	–0,611***	–0,643***	1					
OCIR	–0,415**	–0,424**	0,412**	1				
AIP	–0,587**	–0,605***	0,316**	0,321*	1			
NCI	–0,504**	–0,592**	0,221*	0,390**	0,366*	1		
SIZE	0,011	0,013	0,212*	0,228*	0,405**	0,321*	1	
ROA	–0,715***	–0,667***	0,651***	0,512**	0,220*	0,390**	0,411**	1

Notes :
***, **, * Coefficient Correlation Significant 1%, 5%, 10%
Source : Author, 2025

Table 3 shows the results of hypothesis testing. Hypothesis 1 that comprehensive income has a negative effect on debt-to-asset ratio, is accepted because the coefficient β1CI in model 1 is negative with a value of -0.511 (12.781)*** significant at the 1% level. Hypothesis 2 that attributable income has a negative effect on debt-to-asset ratio, is accepted because the coefficient β2AIP in model 1 is negative with a value of -0.325 (9.106)** and a significant level of 5%.

Table 3. Result of Hypothesis Test

Variable	Model 1 Y = DAR
Constant	0.341 (4.712)*
CI	–0.511 (12.781)***
AIP	–0.325 (9.106)**
SIZE	0.281 (7.731)*
ROA	–0.604 (12.902)***
IND	YES
YEAR	YES
F – Statistics	12.781***
Adjusted R^2	45.092

Notes :
***, **, * Coefficient Regression Significant 1%, 5%, 10%
Source : Author, 2025

Result of Robustness Test

Table 4 presents the results of the model's robustness test, and shows that the hypothesis is consistent even though the proxy for measuring capital structure is replaced from DAR to DER,

if comprehensive income has a negative effect on the debt-to-equity ratio (DER). This can be seen from the coefficient value of β1CI in model 2 which is negative with a value of -0.524 (12.663)*** significant level of 1%, and attributable income has a negative effect on the debt-to-equity ratio (DER) from the coefficient value of β2AIP in model 2 which is negative with a value of -0.318 (9.781)** and a significant level of 5%.

Table 4. Result of Hypothesis Test

Variable	Model 2 Y = DER	Model 3 Y = DAR
Constant	0.385 (4.304)*	0.402 (4.201)*
CI	–0.524 (12.663)***	–0.511 (12.003)***
AIP (Parent owners)	–0.318 (9.781)**	–0.373 (8.291)**
NCI (Non-controlling interest)	–	–0.341 (8.081)**
SIZE	0.276 (7.903)*	0.236 (7.011)*
ROA	–0.632 (12.443)***	–0.617 (12.812)***
IND	YES	YES
YEAR	YES	YES
F – Statistics	12.891***	12.009***
Adjusted R^2	45.114	42.091

Notes :
***, **, * Coefficient Regression Significant 1%, 5%, 10%
Source : Author, 2025.

The change of variable measurement is also done on attributable income (Model 3). The test results show that the model is able to survive or provide consistent results with the results of the hypothesis test even though the measurement of the attributable income variable is different, where attributable income (NCI) has a negative effect on capital structure with a coefficient of -0.341 (8.081)** and is significant at the 5% level.

Result of Additional Test

Table 5 presents the results of the additional test, comprehensive income with net profit components and OCI that are potentially realized have a negative effect on the debt-to-asset ratio (DAR), as seen from the β1OCIR coefficient in model 4 which is negative with a value of -0.607 (14.901)*** and a significant level of 5%. The results of the additional test show that comprehensive income involving only the OCI group that will be reclassified to net profit has a stronger coefficient of influence on capital structure, than comprehensive income involving all OCI groups in aggregate. The results of this test indicate that the OCI group that will be reclassified to net income, in the current period is still as OCI or unrealized earnings, but in the next period with a short period, this group will be realized so that it affects net income as a profit or loss item on asset realization, or even in certain companies whose operational activities are investing in financial assets, this group is as operating income.

Table 5. Result of Additional Test

Variable	Model 4 Y = DAR
Constant	0.409 (4.709)*
OCIR	–0.607 (14.901)***
AIP	–0.376 (9.672)**
SIZE	0.319 (7.438)*
ROA	–0.611 (12.219)***
IND	YES
YEAR	YES

F – Statistics	12.091***
Adjusted R^2	46.513

Notes :
***, **, * Coefficient Regression Significant 1%, 5%, 10%

Source: Author, 2025.

DISCUSSION

The Effect of Comprehensive Income on Capital Structure

The hypothesis testing in this study successfully proved that comprehensive income has a negative effect on capital structure. This is because the higher the achievement of comprehensive income, the more cash the company can allocate to operations, so that it will reduce funding from long-term debt. Because the composition of comprehensive income also includes net income, the characteristics of net income are also in the characteristics of comprehensive income, the difference is only in the addition of unrealized income from the adjustment of the fair value of assets. In line with the pecking order theory, the company will prioritize internal funding, namely from the achievement of net income performance, including comprehensive income, rather than external funding from debt and issuance of new shares which have higher risks. Comprehensive income is a combination of net income as real realized income from the results of matching real realized income with real realized expenses, and OCI as unrealized income from the adjustment of the fair value of assets and debt.

The use of comprehensive income as a source of funding has advantages over funding sources from debt or issuance of new shares. The advantages include: minimal risk, without restrictions and binding external requirements, no need to pay periodic interest and principal repayment, no potential for financial distress, no creditor supervision and intervention, no increase in the number of company owners, no need to pay dividends, and no potential for agency conflicts. Although OCI has not been realized, the presentation that separates the two groups, namely OCI items that will be reclassified to net income, and other OCI items that will not be reclassified to net income, informs users of financial statements of predicted net income and future cash flows from the existence of asset realization gain or loss items. When an asset will be sold in the future, then in the current period, the difference in fair value adjustment is presented as an OCI item presented in the group ”OCI to be reclassified to net income”, meaning that it explicitly informs users that there will be cash inflow from the sale of assets in the future and the recognition of actual profit is realized as net income from the profit and loss of the sale of assets in the future. Thus, it makes it easier for users to predict future net income from the comprehensive income of the current period, especially in companies that have assets such as financial assets in the available-for-sale category. These assets are very sensitive to changes in fair value, and have the potential to be realized in the following period.

Companies with high comprehensive income performance have large operating performance, performance from non-operating activities, and asset investment, and adjusted to fair value so that it has an impact on comprehensive income. Companies with large capital ownership, have large business transactions and high turnover. Companies transact not only with domestic suppliers and customers, but also abroad which has an impact on the emergence of hedging contracts, ownership of foreign business units, investing in productive assets such as financial assets in the available-for-sale category, investing in tangible assets to support production capacity and operations. The company has a large number of employees and will have a defined benefit plan liability post as preparation for the welfare of employees who retire in the future. Hedging contracts will be adjusted to fair value, overseas business units are translated into Rupiah, fixed assets are revalued to fair value, financial assets are assessed and reported to fair value, defined benefit plan liabilities will be actuarial periodically to update fair

value. Companies with large comprehensive income achievements, means that they have succeeded in optimizing net profit performance and OCI performance. Net profit performance represents the Company's ability to optimize sales volume, operational expense efficiency, and maximize other income outside the business. OCI performance represents an increase in the fair value of assets above their recorded value, which is caused not only by the volume of the Company's asset and debt ownership, but also by the impact of fundamental macroeconomic conditions that affect market prices, replacement prices or other prices in valuing assets and debts that affect the value of OCI. This result is in line with Ratih et al. (2025) that profitability with comprehensive income has positive correlation with leverage ratio.

The Effect of Attributable Income on Capital Structure

The hypothesis testing in this study successfully proved that attributable income has a negative effect on capital structure. This is because companies with high attributable income performance also have high net profit, because net profit is also part of the profit value allocated to shareholders, meaning that it is in line with the pecking order theory, that companies will prioritize internal funding (i.e. profit performance achievements), followed by external funding such as long-term debt and issuance of new shares. Attributable income is information on the distribution of net profit and comprehensive income for the current period to shareholders in one group entity, the distribution of which is based on the proportion of shareholder ownership, whether as the owner of the parent entity with a majority share ownership proportion with controlling rights, or as an owner with non-controlling interests with a small share ownership proportion in the subsidiary.

Attributable income, which is closely tied to shareholder ownership proportions, relates directly attributable incometo equity rather than debt. The higher the profit attributable to shareholders, the greater the achievement of net profit, comprehensive income and equity in the current period, so that it can be allocated to shareholders, both owners of the parent entity and owners of entities with non-controlling interests. The higher the achievement of attributable income, the more capable the company is of distributing the achievement of net profit and comprehensive income to the majority shareholders in a group and to minority shareholders in subsidiaries owned by a group of companies that prepare and present consolidated financial statements. Attributable income is related to net profit and comprehensive income, and is part of the operational performance of management, not from external funding, either debt or issuance of new shares. This result inline with Ratih et al. (2025) that profitability with attributable income has positive correlation with leverage ratio.

CONCLUSION

The purpose of this study is to prove the effect of comprehensive income and attributable income on capital structure. Comprehensive income is measured by ROA, which is the ratio of comprehensive income to total assets. Attributable income is measured by ROE, which is the ratio of net income attributable to owners of the parent entity to equity attributable to owners of the parent entity. Owners of the parent entity are shareholders who dominate share ownership with full control rights in a group entity. Capital structure is measured by DAR, which is the ratio of total debt to total assets. Data analysis using multiple linear regression analysis. The results of hypothesis testing indicate that comprehensive income and attributable income have a negative effect on capital structure. In line with the Pecking Order Theory, the Company prioritizes funding from profit achievements, including comprehensive income and attributable income, which have minimal risk and restriction requirements, rather than external funding from debt and new share issuance. Comprehensive income reflects realized and

potentially realized profit in the future. Attributable income reflects the disaggregation of profit that is proportional to the share ownership of each owner.

The results of the model robustness test indicate that the model provides consistent results with the results of the hypothesis test, when the measurements of the attributable income and capital structure differ. The test results indicate that comprehensive income and attributable income (parent entity owners) have a negative effect on DER, and attributable income (NCI) has a negative effect on DAR and DER. Additional test results indicate that comprehensive income involving only the OCI group that will be reclassified to net income has a stronger coefficient of influence on capital structure than comprehensive income involving all OCI groups in aggregate. The results of this test indicate that the OCI group that will be reclassified to net income, in the current period is still as OCI or unrealized earnings, but in the next period with a short period, this group will be realized so that it affects net income as a profit or loss item on asset realization.

Limitations of this study include the exclusion of debt cost and equity cost variables in testing the effect of comprehensive income and attributable income on capital structure. Likewise, it has not tested whether the performance of net income and comprehensive income also affects asset structure policies. Further research is suggested to develop this study by adding tests on the variables cost of debt, cost of equity and asset structure. Suggestions for investors that in making investment decisions, they can also pay attention to the achievement of comprehensive income performance and attributable income performance, in addition to net profit, in assessing future cash flow prospects, fulfillment of investment return expectations and the company's survival before making investment decisions.

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