

ABSTRACT

This study examines the influence of profitability, firm size, and board size on capital structure adjustment speed. Establishing an optimal capital structure is essential for firms to maximize value and enhance funding efficiency. However, numerous factors, such as firm-specific characteristics and corporate governance mechanisms, affect how quickly firms adjust their capital structure toward target leverage. Therefore, this study aims to analyze the contribution of these three key variables to the adjustment process.

This research employs a systematic literature review by analyzing various articles published in the Scopus database between 2020 and 2024. The literature search utilized predetermined keywords with subsequent selection based on inclusion and exclusion criteria including topics related to profitability, firm size, board size, and capital structure adjustment speed. The research stages included identification, selection, and synthesis of findings to provide a comprehensive understanding of the relationships between variables.

The results indicate that profitability generally impacts capital structure adjustment speed, as highly profitable firms tend to rely on internal funding. Firm size shows mixed effects, with some studies showing positive relationships due to easier access to capital markets while others find negative relationships due to financing flexibility. Larger boards tend to accelerate capital structure adjustments through enhanced expertise diversity and oversight effectiveness. These findings highlight the complexity of capital structure dynamics, influenced by firm-specific characteristics and corporate governance mechanisms. This study contributes academically by synthesizing prior research findings and recommending the need for an empirical approach in capital structure decision-making.

Keywords: profitability, firm size, board size, capital structure adjustment speed, systematic literature review.