



Nexus of Corporate Marketing Activity and Capital Structure : South East Asia and China

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ABSTRACT

This study examines the effect of corporate marketing activity (CMA) on debt and equity funding sources, as well as the moderating role of marketing management incentives in Southeast Asia and China. The observational data used in this study is 4,860 firm-years, consisting of financial statements of listed companies in Southeast Asia and China between 2017 and 2025. The data were analyzed using panel data regression, robustness tests, and two-stage least squares. The results show that CMA significantly reduces the use of debt and equity funding sources, and marketing management incentives strengthen this effect. Consistent with Pecking Order Theory and Agency Theory, this study demonstrates that effective CMA increases internal cash flow through increased sales and operational profitability, thereby reducing dependence on external funding. Well-designed incentives enhance marketing team performance, amplifying the negative effect of CMA on the use of debt and equity funds. These findings provide practical implications for managers optimizing marketing performance and internal funding, and for investors assessing a company's financial health and risk. This study also contributes to the literature by integrating CMA, capital structure, and incentive mechanisms in an emerging market context. Originality of this study lies in examining the relationship between corporate marketing activity and capital structure, disaggregated into debt funding sources and equity funding sources, and examining the moderating role of marketing management incentives in this relationship.

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1. Introduction

Corporate marketing activity (CMA) is a strategic determinant in creating company value because it plays a direct role in shaping market demand, increasing sales volume (Santyo Rusandy & Kusuma, 2026), and strengthening the company's competitive position (Alnofeli et al., 2026) and sustainability performance (Andriana et al., 2025). In the context of increasingly dynamic business competition, the effectiveness of marketing activities impacts not only short-term operational performance but also the company's financial sustainability (Marjukah et al., 2025). Furthermore, decisions regarding capital structure are fundamental decisions that determine how a company finances its operations and expansion through a combination of internal and external funding sources. An optimal capital structure enables a company to balance risk and return, thereby increasing company value. Therefore, understanding the relationship between CMA and capital structure is crucial, as marketing activities not only influence market performance but also the company's financing implications.

Several previous studies have examined the relationship between corporate marketing activity and various company performance indicators. These studies indicate that CMA influences profitability (Guenther et al., 2025a), competitive advantage, and the sustainability performance (Leelavathy & Kamali, 2024). However, empirical findings regarding the relationship between CMA and profitability remain inconsistent. Some studies have found that optimal marketing activities can improve financial performance through increased sales and operational efficiency (Kumar et al., 2019); (B. Lee et al., 2020); (Chen, 2020), while others have shown that high investment in marketing activities can actually depress profitability (Khan & Ali, 2020); (Grandhi et al., 2021), because they require significant resource investment and can reduce profits (Jhaha et al., 2022). Furthermore, the literature has begun to link CMA to capital structure and stock price movements (Luo & Zhu, 2025), suggesting that marketing activities can influence corporate financing decisions (Thi Viet Nguyen et al., 2021). Furthermore, studies on marketing management incentives emphasize the importance of incentives in enhancing the motivation and performance of marketing teams, which ultimately impacts profitability and overall company performance. In efforts to boost profitability through marketing management performance, the capabilities of the marketing team are crucial to consider, as strategic thinking, resource allocation, and other operational technical aspects that influence the achievement of marketing objectives are largely determined by the capabilities of the marketing team (Zahara et al., 2023). Furthermore, to improve the motivation and performance of the marketing team, incentives for the marketing staff are a key factor (Alhawamdeh et al., 2024). The greater the company's appreciation and attention to the marketing team through incentives and other forms of appreciation, the higher the work enthusiasm in achieving company goals, particularly marketing and profitability goals (Core, 2020). Management incentives influence profitability (Matemane et al., 2025).

However, there is a significant research gap in the existing literature. Most studies focus solely on the direct relationship between CMA and profitability and its implications for aggregate capital structure. Research on the role of management incentives also tends to be limited to their impact on marketing performance or firm performance in general. To our knowledge, the existing literature only provides evidence on the relationship between corporate marketing activity and profitability (Grandhi et al., 2021); (Jhaha et al., 2022); (Guenther et al., 2025b), which ultimately impacts capital structure (Thi Viet Nguyen et al.,

2021), (Luo & Zhu, 2025) and the relationship between management incentives and marketing performance (Core, 2020); (Zahara et al., 2023); (Alhawamdeh et al., 2024) and (Matemane et al., 2025). To our knowledge, there is little available literature that provides empirical evidence on the moderating role of Marketing Management Incentives in the influence of corporate marketing activity on debt funding sources and equity funding sources within a single conceptual research framework. Previous research on marketing activities and capital structure has been conducted by Thi Viet Nguyen et al., (2021) and (Luo & Zhu, 2025). However, in both studies, the relationship between marketing activities and capital structure was focused on aggregate capital structure. To date, there is very limited empirical evidence simultaneously examining the moderating role of marketing management incentives in the relationship between CMA and capital structure, particularly when capital structure is disaggregated into debt funding sources and equity funding sources. These two external funding sources have distinct characteristics in terms of risk, cost of capital, and agency implications. Therefore, this study offers an original contribution by disaggregating capital structure and integrating the moderating role of management incentives into a comprehensive conceptual framework.

Given this gap, this research is crucial to provide a deeper understanding of the mechanisms by which marketing activities influence corporate financing decisions. Specifically, this study aims to examine: (1) the influence of corporate marketing activity on debt funding sources, (2) the influence of corporate marketing activity on equity funding sources, (3) the moderating role of marketing management incentives in strengthening the influence of CMA on debt funding sources, and (4) the moderating role of marketing management incentives in strengthening the influence of CMA on equity funding sources. By integrating the perspectives of Pecking Order Theory and Agency Theory, this study is expected to be able to explain the complex relationship between marketing performance, managerial incentives, and corporate capital structure decisions. The originality of this study is the examination of the relationship between corporate marketing activity and capital structure disaggregated into debt funding sources and equity funding sources and the examination of the moderating role of marketing management incentives in this relationship.

Our study utilizes data from Southeast Asian and Chinese markets. The selection of Southeast Asia and China as research subjects is based on their unique economic and market characteristics relevant to the objectives of this study. These regions are centers of global economic growth, with a growing middle class, rapid market expansion, and intense competition, making corporate marketing activities highly strategic in increasing sales and profitability (Godlewski & Nhung Le, 2024). Furthermore, access to external financing, both debt and equity, is influenced by different financial market structures, regulations, and corporate governance practices across countries, creating rich variations for analysis. China, as a large economy, has a significant role for the government and financial institutions in corporate financing, while Southeast Asian countries exhibit heterogeneity in capital market depth and institutional efficiency (Li et al., 2026). This variation allows the study to examine the influence of corporate marketing activity and the moderating role of marketing management incentives in the context of a complex and diverse business environment.

This research makes several important contributions. Academically, it adds to the literature by presenting a new approach that disaggregates capital structure and examines the moderating role of management incentives in the relationship between CMA and external

funding sources. This approach not only broadens the scope of previous research but also provides a more granular understanding of the dynamics of corporate financing decisions. Practically, the results of this study are expected to provide implications for marketing managers in designing marketing strategies that are not only oriented towards increasing sales but also consider the company's financing efficiency. Furthermore, for investors and creditors, this study provides insight into how marketing activities and management incentive policies can influence corporate risk and financing decisions, thus providing a basis for more informed investment decisions.

2. Literature Review

Corporate Marketing Activity

Corporate Marketing Activity (CMA) is the plan, strategy, implementation, and output of a series of activities to market and introduce a product to the wider public, particularly to a predetermined target market, influencing the target market to purchase, maintain loyalty, and recommend others to purchase (Morgan et al., 2019). The goal of CMA is to maintain good relationships with customers (Khan & Ali, 2020). From a financial and economic perspective, the goal of CMA is to increase sales volume (Yorke, 1984), which ultimately leads to increased operating profit (Behl et al., 2023), profitability (Liang & Gao, 2020) and company value in the eyes of the market (Maduku, 2024); (Kusuma, 2021b). If customer satisfaction is maintained and customer loyalty is well-maintained, CMA will impact the product's reputation in the long term (Kumar et al., 2019), which ultimately impacts company value (Cao & Weerawardena, 2023).

Agency Theory

Agency theory (Jensen & Meckling, 1976) states that there are differing interests between management, including marketing management, as corporate administrators, and shareholders and creditors as fund providers, supported by differences in access to and acceptance of corporate information. Corporate management, including marketing management, as a vital function within the corporation, prioritizes welfare optimization, as they work as professionals whose primary goal is to earn a salary for devoting their energy, ideas, time, and loyalty to the corporation, ultimately enabling the corporation to operate, sell products, generate profits, profitability, and value the company (Agustin et al., 2025). Management policies, if not controlled by a system of internal control mechanisms, such as internal audit, the board of commissioners, annual meetings, and independent auditors, and supported by low morale and ethics, can become arrogant, prioritizing their own interests, leading to fraud and other unilateral actions (Kusumaningarti, Kusuma, Ahamad, et al., 2025). Optimal management welfare can reduce their desire to commit fraud and can actually motivate them to work even more enthusiastically, including marketing managers who are enthusiastic about achieving sales turnover and operating profit targets (Kusuma, 2021a). Optimizing the provision of salaries, allowances, and various other forms of incentives will encourage management to achieve optimal profitability targets (Ratih et al., 2025), reduce the potential for embezzlement (Kusuma et al., 2025) and various other agency problems (Supheni et al., 2026).

Pecking Order Theory

Pecking order theory (Myers & Majluf, 1984) states that capital structure policies are prioritized according to the lowest risk among available strategic options. The first priority is optimizing the use of internal funding sources derived from profitability, particularly operating profit. This is where CMA plays a crucial role, through optimizing sales volume to achieve high profitability (Saif-Alyousfi, 2022). Efficient CMA results in optimal output targets, such as increased product recognition, increased customer purchase decisions, referrals, loyalty, and repeat purchases, ultimately resulting in increased sales turnover (J. Lee et al., 2020). Profitability targets will be achieved through operational expense efficiency and optimization of other revenues (Budiman et al., 2026). This is a top priority as the primary funding source because internal funds from operating profit are low-risk and carry no additional burden when used to finance assets (Putranti et al., 2025). If internal funding sources, such as profitability, are deemed insufficient to finance assets, then a capital structure strategy based on external sources is implemented (Kusuma et al., 2021). The second most common source of funding according to Pecking Order Theory is external funding in the form of debt policy, obtained from creditors, including banks, finance companies, and the general public through the issuance of debt securities. This debt policy has the advantage of relatively quick access to large funds and the absence of ownership rights for creditors, thus minimizing the potential for agency problems. However, this policy has the disadvantage of incurring interest charges each period and the obligation to repay principal upon maturity. The third most common source of funding according to Pecking Order Theory is external funding in the form of equity securities issuance. The policy of issuing new shares has the advantage of generating large funds and eliminating the obligation to pay interest and principal upon maturity (Sheng & Montgomery, 2023). However, this policy has the disadvantage of increasing the number of shareholders, which can potentially lead to agency problems. Therefore, the safest source of asset funding is internal funding, derived from operating profits through optimizing CMA performance to increase sales volume, which impacts profitability (Olim et al., 2025).

Hypothesis Development

This study integrates Pecking Order Theory and Agency Theory to explain how corporate marketing activity influences corporate financing decisions. From the perspective of Pecking Order Theory (Myers & Majluf, 1984), firms prioritize internal financing generated from operating performance before utilizing external funding sources. Therefore, efficient Corporate Marketing Activity that improves sales performance and operating profitability is expected to strengthen internal financing capacity and reduce dependence on external financing, including debt and equity funding sources. This theoretical argument provides the foundation for examining the direct effects of CMA on debt funding sources and equity funding sources. Furthermore, Agency Theory (Jensen & Meckling, 1976) explains the role of managerial incentive alignment in influencing the effectiveness of corporate decision-making. Since marketing managers are responsible for implementing CMA strategies, appropriate incentive mechanisms can align managerial interests with those of shareholders, enhance marketing performance, and motivate managers to achieve profitability objectives. Consequently, marketing management incentives are expected to strengthen the ability of CMA to generate internal financing capacity and reduce dependence on external funding sources. This

theoretical perspective supports the moderating effects of marketing management incentives on the relationship between CMA and debt funding sources as well as equity funding sources.

Optimal corporate marketing activity (CMA) will increase sales volume and operating profit. High operating profit impacts cash availability and a corporation's ability to expand its business and even acquire other companies. Operating profit is a source of internal funding. According to Pecking Order Theory (Myers & Majluf, 1984), higher funding from internal sources, particularly operating income, will reduce the use of external funding sources, such as debt securities issuance, bank loans, and new equity securities issuance. The output of CMA, namely increased sales and operating profit (Lessmann et al., 2021), reduces the use of debt, because internal funding is sufficient to finance assets and business expansion. The output of CMA, namely optimal operating profit from strong sales performance (Mubeen et al., 2020), is a safer and less risky way to finance assets, compared to external funding sources that can potentially increase financial burdens due to interest and principal payments (Kusuma, 2024). The more optimal the profitability achievement, the less external funding is needed because the corporation is able to finance itself from internal sources (Arisyahidin et al., 2025), particularly from marketing performance.

H1: The more efficient CMA performance, the less use of debt funding sources.

The efficiency of CMA performance, as measured by the high sales volume achieved relative to marketing expenses, and the support of operational expense efficiency, will impact the optimization of operating profit (Grandhi et al., 2021). High operating profit impacts cash availability and the company's ability to fund assets and increase production capacity, which in turn increases sales capacity and company size (Kusuma et al., 2022). Operating profit, related to profitability, is a source of internal funding. According to the Pecking Order Theory (Modigliani & Miller, 1963), higher funding from internal sources, particularly operating income, will reduce the use of external funding sources in the form of new equity securities issuance. The output of CMA, namely increased sales and operating profit (Falat & Holubcik, 2017), reduces the issuance of new shares, because internal funding is sufficient to finance assets and business expansion. The output of CMA, namely optimal operating profit from strong sales performance, is a safer and less risky way to fund assets, compared to external funding sources that increase the number of shareholders and potentially increase agency problems (Alves & Meneses, 2024).

H2: The more efficient CMA performance, the less use of equity funding sources.

Agency theory (Jensen & Meckling, 1976) suggests that there is an information and interest gap between management and shareholders, with each prioritizing their own interests. Management, who manages operational activities, has greater access to internal company information than shareholders, potentially engaging in actions that benefit their own interests and harm others, such as creative accounting (Kusumaningarti, Kusuma, & Athori, 2025) or even fraud (Wahyudi et al., 2024). This management behavior can occur if they feel their well-being is not being met or if the incentives they receive do not align with the work pressure and responsibilities they carry. This not only potentially leads to fraud, but incentives that do not meet expectations also reduce work motivation and managerial performance output, including marketing performance. Marketing management is a crucial function within an organization's managerial structure (Bendle & Wang, 2017). Declining marketing performance can impact sales turnover, profitability (Sujata et al., 2016), company value (Bekos et al., 2025), company

reputation (Jazuli & Erfan, 2022) competitive position and potentially financial health (Andriana et al., 2025). Conversely, high incentives will boost work morale, including marketing management performance. Management incentives reduce creative accounting practices and fraud by management (Zhang et al., 2025). Management incentives provided by the funder through approval at the annual meeting represent the funder's appreciation for managerial performance and will further motivate management to perform optimally (Alrifae, 2026), including marketing management performance in boosting profitability. Optimal profitability, as a low-risk internal funding source, will reduce high-risk external funding sources.

H3: Marketing management incentives strengthen the influence of CMA on debt funding sources.

Gap between management and fund owners, both shareholders and creditors, can occur in publicly traded corporations with large business scales and capital structures sourced from external sources. Each stakeholder has interests and seeks to maximize their interests (Kusuma & Hilda Agustin, 2024). Management, as the manager of operational activities, including marketing, is interested in optimal welfare, manifested in salaries, bonuses, and other forms of performance rewards. Meanwhile, shareholders are interested in optimizing dividends and company growth, while creditors are interested in routine interest income and principal repayment (Malik & Kashiramka, 2025). Fulfilling shareholders' and creditors' investment return expectations can be met if management can perform optimally, including marketing management, which plays a crucial role in achieving sales turnover targets. Optimizing marketing management performance can boost performance motivation through welfare optimization in the form of incentives and other forms of rewards. Optimal marketing management performance will impact the company's funding capacity from internal sources, namely operating profit. Strong internal funding will improve the company's future health, as it will be less burdened by additional obligations to shareholders (Nicodano & Regis, 2019). Optimizing profitability through efficient marketing performance, driven by incentives for marketing human resources, will reduce the use of external funding sources from new share issuances, which can potentially exacerbate agency problems and the cost of equity.

H4: Marketing management incentives strengthen the influence of CMA on equity funding sources.

Based on Agency Theory and Pecking Order Theory, this study develops a conceptual framework that explains the relationship between corporate marketing activity and firms' financing source decisions. Theoretically, more optimal corporate marketing activities are expected to enhance sales performance and internal cash flows, thereby strengthening internal financing capacity and reducing reliance on external financing sources, both debt and equity, which are relatively more risky. Furthermore, this study incorporates the moderating role of marketing management incentives in strengthening or weakening the effect of corporate marketing activity on financing decisions. Thus, the proposed conceptual framework not only examines the direct relationships among the main variables but also explores the dynamics of managerial incentives in the context of corporate capital structure decision-making. Thus, the conceptual framework of this study is as follows:

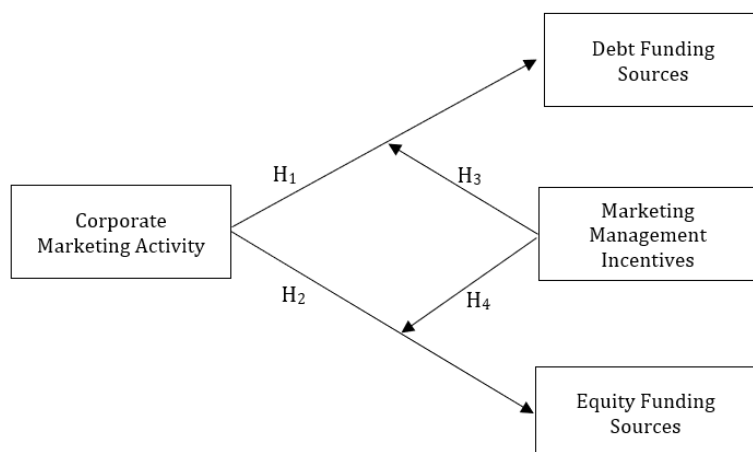


Figure 1. Research Conceptual Frameworks

Corporate Marketing Activity (CMA) represents a strategic organizational function aimed at enhancing sales volume, customer loyalty, and operating profit (Yorke, 1984; Morgan et al., 2019). Higher operating profit strengthens a firm's internal financing capacity, enabling it to fund investments and business expansion without excessive reliance on external financing. This mechanism is consistent with the Pecking Order Theory (Myers & Majluf, 1984), which posits that firms prioritize internal financing over debt and equity issuance because internally generated funds involve lower costs and fewer financing risks. However, the extent to which CMA generates operating profit largely depends on the effectiveness of marketing management in implementing corporate marketing strategies. From the perspective of Agency Theory (Jensen & Meckling, 1976), conflicts of interest between managers and capital providers may influence managerial decision-making and organizational performance. Accordingly, incentive alignment serves as an important governance mechanism for enhancing managerial motivation, mitigating agency conflicts, and encouraging the achievement of marketing objectives. Consequently, more efficient CMA is expected to strengthen a firm's internal financing capability, thereby reducing its reliance on both debt funding sources and equity funding sources (H1 and H2). Furthermore, when marketing management incentives effectively align managerial interests with those of shareholders, the positive effect of CMA on operating profit and internal financing capacity is expected to become stronger, resulting in a greater reduction in the firm's dependence on debt funding sources and equity funding sources (H3 and H4).

3. Research Method

This study adopts a quantitative research approach based on the positivist paradigm and a deductive research design. The quantitative approach is appropriate because the study empirically examines the causal relationships among Corporate Marketing Activity (CMA), marketing management incentives, and firms' financing source decisions using observable financial data. The deductive approach is employed to test hypotheses developed from Agency Theory and Pecking Order Theory through panel data regression analysis. This approach enables the study to objectively evaluate the proposed theoretical relationships using large-scale secondary data collected from publicly listed companies in Southeast Asia and China. We used secondary data in this study, in the form of financial statements from companies listed on each of the five largest stock exchanges in Southeast Asia: Indonesia (IDX), the Philippines

(PSE), Singapore (SGX), Malaysia (MYX), and Thailand (SET) for the Southeast Asian market, and the Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) for the Chinese market, covering the period 2017-2025. We also obtained financial report data from the Bloomberg database. Our sample selection was based on purposive sampling methods, with criteria including complete routine financial reports for the nine-year study period, information on governance scores, and no losses or negative ROA. This resulted in a total of 4,860 firm-years. Our data were obtained from the Bloomberg Database. Information regarding our research data is presented in the following table:

Table 1. Research Data

Description	South East Asia Market					China Market		Amount
	IDX	MYX	SET	SGX	PSE	SZSE	SSE	
Registered population for 2017-2025	922	1.023	876	791	273	3.126	2.515	9.526
Reduced:								
Not available in full for 2017-2025	211	201	205	218	82	404	602	
Experiencing negative ROA	134	109	301	135	31	421	503	
Not providing Governance Score	151	124	85	103	46	256	344	
Firm-year data	426	589	285	335	114	2.045	1.066	4.860

Source : Bloomberd Database.

The data analysis technique used panel data regression. To prove the four hypotheses, we constructed four research models as follows:

The basic model for Y = Debt Funding Sources (DFS)

$$DFS_{i,t} = \alpha + \beta_1 CMA_{i,t} + \beta_2 ROA_{i,t} + \beta_3 GCG_{i,t} + \beta_4 SIZE_{i,t} + \sum_{i=1}^n \beta_n Country_Dummies_{i,t} + \sum_{i=1}^n \beta_n Industry_Dummies_{i,t} + \sum_{i=1}^n \beta_n Year_Dummies_{i,t} + \varepsilon_{i,t} \dots\dots\dots 1)$$

Moderation model for Y = Debt Funding Sources (DFS)

$$DFS_{i,t} = \alpha + \beta_1 CMA_{i,t} + \beta_2 MMI_{i,t} + \beta_3 CMA * MMI_{i,t} + \beta_4 ROA_{i,t} + \beta_5 CG_{i,t} + \beta_6 SIZE_{i,t} + \sum_{i=1}^n \beta_n Country_Dummies_{i,t} + \sum_{i=1}^n \beta_n Industry_Dummies_{i,t} + \sum_{i=1}^n \beta_n Year_Dummies_{i,t} + \varepsilon_{i,t} \dots\dots\dots (2)$$

The basic model for Y = Equity Funding Sources (EFS)

$$EFS_{i,t} = \alpha + \beta_1 CMA_{i,t} + \beta_2 ROA_{i,t} + \beta_3 CG_{i,t} + \beta_4 SIZE_{i,t} + \sum_{i=1}^n \beta_n Country_Dummies_{i,t} + \sum_{i=1}^n \beta_n Industry_Dummies_{i,t} + \sum_{i=1}^n \beta_n Year_Dummies_{i,t} + \varepsilon_{i,t} \dots\dots\dots (3)$$

Moderation model for Y = Equity Funding Sources (EFS)

$$\begin{aligned}
 EFS_{i,t} = & \alpha + \beta_1 CMA_{i,t} + \beta_2 MMI_{i,t} + \beta_3 CMA * MMI_{i,t} + \beta_4 ROA_{i,t} + \beta_5 CG_{i,t} + \beta_6 SIZE_{i,t} \\
 & + \sum_{i=1}^n \beta_n Country_Dummies_{i,t} + \sum_{i=1}^n \beta_n Industry_Dummies_{i,t} \\
 & + \sum_{i=1}^n \beta_n Year_Dummies_{i,t} + \varepsilon_{i,t} \dots\dots\dots(4)
 \end{aligned}$$

Where,

DFS_{i,t} or debt funding sources is measured by the debt-to-equity ratio (DER) of company i in period t.

EFS_{i,t} or equity funding sources is measured by share capital divided by total equity of company i in period t.

CMA_{i,t} or corporate marketing management is measured by marketing and advertising expenses divided by total assets of company i in period t.

ROA_{i,t} or return on assets is measured by net income after tax divided by total assets of company i in period t.

CG_{i,t} or corporate governance is measured by the governance dimension score in the ESG Score of company i in period t.

SIZE_{i,t} or company size is measured by the LN total assets of company i in period t.

Country is measured using multiple dummies for six Southeast Asian countries: Indonesia, Malaysia, Singapore, Thailand, the Philippines, and China.

Industry is measured using multiple dummies for nine industry sector classifications on the stock exchange.

Year is measured using multiple dummies for the study period.

4. Results and Discussion

Results

Table 2 presents the results of hypothesis testing using panel data regression. H1 is accepted. In Model 1, the CMA regression coefficient is negative (-0.054**) (14.671) and significant at the 5% level. This demonstrates that the more efficient CMA performance, the lower the use of debt funding sources in Southeast Asian and Chinese markets. H2 is accepted. In Model 3, the CMA regression coefficient is negative (-0.052**) (14.145) and significant at the 5% level. This demonstrates that the more efficient CMA performance, the lower the use of equity funding sources. H3, which states that marketing management incentives strengthen the effect of CMA on debt funding sources, is accepted. The CMA coefficient in Model 2 after MMI moderation is -0.062*** (15.318), which is greater than the CMA coefficient in Model 1 before moderation. The CMA*MMI interaction coefficient is -0.0671*** (19.654), which is significant at the 1% level. H4, which states that marketing management incentives strengthen the effect of CMA on equity funding sources, is accepted. The CMA coefficient in Model 4 after MMI moderation is -0.063*** (15.781), which is greater than the CMA coefficient in Model 3 before moderation, and the CMA*MMI interaction coefficient is -0.074*** (19.321), which is significant at the 1% level.

Table 2. Hypothesis Testing Results

Variable	Debt Funding Sources (DFS)		Equity Funding Sources (EFS)	
	(1)	(2)	(3)	(4)
	Basic Model	Moderated	Basic Model	Moderated
CMA	-0.054** (14.671)	-0.062*** (15.318)	-0.052** (14.145)	-0.063*** (15.781)
MMI	-	-0.0811*** (21.636)	-	-0.0852*** (21.554)
CMA*MMI	-	-0.0671*** (19.654)	-	-0.074*** (19.321)
GCG	0.043** (12.781)	0.045** (15.054)	0.041** (12.165)	0.047** (14.193)
SIZE	0.035* (11.093)	0.038* (11.341)	0.037* (11.562)	0.041* (11.439)
Country	Include	Include	Include	Include
Industry	Include	Include	Include	Include
Year	Include	Include	Include	Include
Constant	0.042* (10.793)	0.045* (10.115)	0.039* (10.092)	0.043* (12.781)
F-Statistics	11.092***	11.127***	12.354***	15.079***
Adjusted R ²	0.40355	0.4318	0.3925	0.4117

Source: Output of statistical test results processed by researchers.

Model Robustness Test

We conducted this test to verify the robustness of the model by changing the variable measurements. The dependent variable, DFS, in models 1 and 2, previously measured by the debt-to-equity ratio (DER), was replaced with LN total debt. The dependent variable, EFS, in models 3 and 4, previously measured by equity divided by total equity, was replaced with equity divided by total assets. We also changed the measurement of the main independent variable of this study. CMA, previously measured by marketing and advertising expenses divided by total assets, was replaced with marketing and advertising expenses divided by net sales. The results of the model robustness test demonstrated robustness in supporting the hypotheses. Despite the variable measurements being changed, the hypothesis was consistently proven. CMA negatively affected DFS and EFS, and the MMI attenuated the negative effects of DFS and EFS, as presented in the following table:

Table 3. Model Robustness Test Results

Variable	Debt Funding Sources (DFS)		Equity Funding Sources (EFS)	
	(1)	(2)	(3)	(4)
	Basic Model	Moderated	Basic Model	Moderated
CMA	-0.049** (14.671)	-0.057*** (15.318)	-0.052** (14.145)	-0.063*** (15.781)
MMI	-	-0.071*** (21.636)	-	-0.0852*** (21.554)
CMA*MMI	-	-0.062*** (19.654)	-	-0.074*** (19.321)
GCG	0.042** (14.121)	0.044** (15.763)	0.043** (12.235)	0.046** (14.804)
SIZE	0.035* (11.167)	0.032* (11.093)	0.034* (11.438)	0.035* (11.264)
Country	Include	Include	Include	Include
Industry	Include	Include	Include	Include
Year	Include	Include	Include	Include

Variable	Debt Funding Sources (DFS)		Equity Funding Sources (EFS)	
	(1) Basic Model	(2) Moderated	(3) Basic Model	(4) Moderated
Constant	0.042* (10.793)	0.045* (10.115)	0.039* (10.092)	0.043* (12.781)
F-Statistics	12.432***	15.034***	15.429***	16.113***
Adjusted R ²	0.3825	0.3981	0.4025	0.4136

Source: Output of statistical test results processed by researchers.

Endogeneity Test with Two-Stage Least Squares (2SLS)

We conducted an endogeneity test with two-stage least squares (2SLS) to provide sufficient confidence in drawing conclusions to prove the hypothesis of endogeneity issues arising from the correlation between the DFS and EFS variables and the error term. We included the instrumental variable, change in CMA (Δ CMA), in all models, and the instrumental variable, change in management incentives (Δ MMI), in the moderation model, arguing that these variables are strongly correlated with the main independent variable and uncorrelated with DFS and EFS. After including these instrumental variables, the results were consistent with the hypothesis: CMA negatively affects DFS and EFS, and MMI weakens the negative effect of DFS and EFS, as presented in the following table:

Table 4. Results of the Endogeneity Test with Two-Stage Least Squares

Variable	Debt Funding Sources (DFS)		Equity Funding Sources (EFS)	
	(1) Basic Model	(2) Moderated	(3) Basic Model	(4) Moderated
CMA	-0.048** (14.633)	-0.056*** (15.248)	-0.054** (14.405)	-0.061*** (15.673)
MMI	-	-0.069*** (21.226)	-	-0.072*** (21.344)
CMA*MMI	-	-0.065*** (19.294)	-	-0.071*** (19.111)
GCG	0.043** (14.121)	0.045** (15.763)	0.041** (12.235)	0.043** (14.804)
SIZE	0.036* (11.347)	0.038* (11.093)	0.035* (11.258)	0.037* (11.045)
Country	Include	Include	Include	Include
Industry	Include	Include	Include	Include
Year	Include	Include	Include	Include
Constant	0.042* (10.793)	0.045* (10.115)	0.039* (10.092)	0.043* (12.781)
F-Statistics	12.112***	15.414***	15.336***	16.373***
Adjusted R ²	0.4215	0.4812	0.4136	0.4629
Instrumental Variable	Δ CMA	Δ CMA, Δ MMI	Δ CMA	Δ CMA, Δ MMI

Source: Output of statistical test results processed by researchers.

Discussion

The Effect of CMA on the Use of Debt Funding Sources

CMA negatively impacts the use of debt funding sources, as it results in increased sales volume. The effectiveness of CMA is supported by management's ability to reduce operating expenses, resulting in increased operating profit. Optimal sales volume and operating profit, supported by increased non-operating income and efficiency in other expenses, including tax expenses, will increase net profit. Increased net profit, supported by efficient asset utilization, leads to increased profitability. This is consistent with previous research evidence that CMA

positively impacts sales volume, operating profit, net profit, and profitability (Anokhin et al., 2026). Higher sales volumes mean greater cash inflows from cash sales and cash receipts from the settlement of accounts receivable from customers who previously purchased on credit. Cash inflows from product sales, resulting from optimal marketing management performance, are part of operational activities. In line with the Pecking Order Theory, if cash inflows from operational activities are substantial and sufficient to fund assets, funding priority is given to internal sources, such as cash inflows from product sales. Thus, the use of debt funds can be minimized, or even eliminated altogether. Management prefers to use funding sources from cash inflows from product sales, rather than debt from creditors because the use of internal funds from product sales does not contain significant risks, it is not considered to burden the Company in the future, in contrast to the use of debt funds which require the Company in the future to pay interest expenses and installments on the principal of the loan. The more effective the performance of marketing management, the more optimal the cash inflows from product sales, the more the company is able to fund assets from internal sources, so that the use of funds from debt is reduced. The finding that CMA negatively affects debt funding sources supports Pecking Order Theory, which argues that firms prioritize internally generated funds over external debt (Myers & Majluf, 1984). Efficient marketing activities improve sales and operating profit, thereby strengthening internal financing capacity and reducing the need for debt. This result is consistent with Kumar et al. (2019), B. Lee et al. (2020), Chen (2020), and Thi Viet Nguyen et al. (2021). However, it contrasts with Khan and Ali (2020), Grandhi et al. (2021), and Jhaha et al. (2022), who argue that high marketing expenditures may reduce short-term profitability and increase reliance on external financing. This difference suggests that marketing efficiency, rather than the magnitude of marketing expenditure, is the key factor influencing financing decisions.

The Effect of CMA on the Use of Equity Funding Sources

CMA negatively impacts the use of external funding sources, such as equity securities issuance, because the use of proceeds from stock issuance can exacerbate agency problems, leading management to prioritize the use of internal funds derived from product sales as a result of marketing activities. The use of internal funds is safer and less risky than equity funding sources, which increase the number of shareholders and potentially create conflicts of interest between management and shareholders, between shareholders themselves (majority and minority), or even between shareholders and creditors. CMA operates through efforts to introduce corporate products to the public, conveying the product's advantages and positive characteristics to potential customers. CMA strategies are implemented to persuade potential customers to purchase the product, use it with comfort and pride, create satisfaction, and encourage repeat use in the future, resulting in loyal repurchases in subsequent periods. CMA ensures customers are satisfied with the product they purchased and recommend it to others. A successful CMA maintains customer satisfaction, creates loyal customers, and leads to increased sales turnover and stable sales volume. Maximum sales resulting from CMA performance, supported by management's ability to explore other internal revenue sources outside of operations, management's ability to minimize operational expenses including saving tax burdens, can affect profitability achievements. Cash inflows from cash product sales, cash inflows from receivables payments by customers who purchase products on credit, savings in

cash outflows for operational expenses, cash inflows from other income, increase management's ability to use them in asset funding as an internal funding source. Funding sources from product sales and other internal cash receipts are considered safer and less risky than using external sources from issuing equity securities. In line with the Pecking Order Theory that the greater the cash received from sales as an output of CMA performance, the smaller the potential use of external funding sources from issuing equity securities, because internal funds do not have the potential to cause agency problems, there is no need for the shadow of dividend payment demands, and other financial demands from shareholders. The findings of this study support research by Arisyahidin et al., (2025) that the greater the internal funding, including from CMA performance, the lesser the use of cash from external sources. The negative effect of CMA on equity funding sources is also consistent with Pecking Order Theory, indicating that higher operating profits generated by efficient marketing activities increase retained earnings and reduce the need for new equity issuance. This finding supports Guenther et al. (2025a), Behl et al. (2023), and Luo and Zhu (2025). In contrast, Grandhi et al. (2021) and Khan and Ali (2020) argue that firms with intensive marketing strategies often require additional equity financing to support long-term market expansion. The present findings indicate that when marketing activities are implemented efficiently, internally generated funds are sufficient to finance growth, thereby reducing dependence on equity financing.

Marketing management incentives moderate the effect of CMA on debt funding sources

Management incentives amplify the negative effect of CMA on the use of debt funding. Providing optimal incentives in line with management expectations increases the work ethic of management, particularly the marketing team. They are more enthusiastic about exploring targeted marketing strategies and generating high-quality ideas to meet marketing output targets. The marketing team becomes more enthusiastic about persuading potential customers to purchase the product. Incentives encourage marketers to promote the product to achieve optimal sales targets. The cash spent on incentives will in turn generate far greater benefits, namely increased cash receipts from product sales. This research finding aligns with evidence from Putranti et al., (2025) that incentives increase employee motivation, leading to the achievement of performance targets and minimizing fraud and agency problems (Budiman et al., 2026). Increasing cash receipts from internal operating income, particularly product sales, will reduce the use of debt funds, which carry a high cost of debt, potentially disrupting liquidity, being subject to misuse, pressuring management to prioritize interest payments over other operational activities, and potentially forcing creditors to regulate internal corporate policies. Higher incentives provided to the marketing team will spur their performance to achieve marketing activity output targets. The higher cash inflow from product sales, the less likely they are to borrow from creditors. The significant moderating effect of marketing management incentives supports Agency Theory, suggesting that incentive alignment motivates managers to improve marketing performance and profitability, thereby reducing firms' reliance on debt financing. This finding is consistent with Core (2020), Zahara et al. (2023), Alhawamdeh et al. (2024), and Matemane et al. (2025). However, it differs from studies suggesting that performance-based incentives may encourage managerial risk-taking and increase the use of debt to finance growth (Zhang et al., 2025). The present study indicates that

marketing incentives function primarily as an alignment mechanism that strengthens the ability of efficient CMA to generate internal financing.

Marketing management incentives moderate the effect of CMA on equity funding sources

Marketing management incentives strengthen the effect of CMA on equity funding sources because, with maximum incentives, the marketing team is more enthusiastic about working, optimally serving customers, ultimately achieving sales volume targets. A marketing team whose well-being is met through incentives will generate effective marketing ideas to attract potential customers, maintain customer loyalty, and persuade new customers in an effort to maximize sales turnover. Furthermore, ensuring the well-being of the marketing team through optimal incentives will reduce the desire to commit fraud and other misconduct. Optimal product sales due to optimal marketing performance result in increased cash receipts from cash sales and the settlement of receivables from customers. This operating cash receipt can be used to fund operational activities in the next period and also to fund asset investments. The use of internally generated cash from operating activities is safer and less costly, unlike the use of cash from share issuance or capital contributions from shareholders. The use of funds from equity securities issuance carries a cost of equity, as well as the potential for agency problems between management, shareholders, and even between majority and minority shareholders. The use of funds from equity securities issuance also burdens the company with demands for dividend payments and excessive intervention in annual meetings. If cash receipts from operating activities can be optimized through marketing management performance, and can be leveraged through incentives, management can reduce or even avoid the use of funds from equity securities issuance. The results also show that marketing management incentives strengthen the negative effect of CMA on equity funding sources. This finding supports Agency Theory by demonstrating that incentive alignment enhances managerial motivation to convert marketing performance into higher operating profits and retained earnings, thereby reducing the need for external equity. This result is consistent with Core (2020), Zahara et al. (2023), Alhawamdeh et al. (2024), and Matemane et al. (2025). However, it contrasts with Thi Viet Nguyen et al. (2021) and Luo and Zhu (2025), who suggest that firms pursuing aggressive market expansion may continue to rely on equity financing. The findings imply that effective managerial incentives enable firms to finance growth through internally generated funds rather than issuing new equity.

5. Conclusion

This study successfully demonstrates the relevance of Pecking Order Theory, which states that companies tend to prioritize the use of internal funds, particularly from product sales generated through marketing activities, over the use of external funds in the form of debt or equity securities issuance. This finding was obtained through empirical testing in Southeast Asian and Chinese markets, which showed that corporate marketing activity (CMA) negatively impacts the use of both debt and equity funding sources. These results confirm that optimizing corporate marketing activities can increase operating cash flow through increased sales, allowing companies to finance assets and business expansion internally, reduce reliance on external funding, and reduce the cost of debt and potential agency problems or the cost of equity. Furthermore, this study shows that marketing management incentives play a significant

moderating role. Providing appropriate incentives to the marketing team amplifies the negative effect of CMA on the use of external funds. In other words, incentives encourage the marketing team's performance in achieving or exceeding sales targets, ultimately increasing cash receipts from internal sources. Optimizing incentives has been proven to provide more benefits to companies than costs, as it reduces debt burdens, mitigates potential conflicts of interest with shareholders, and maintains long-term financial health. The selection of Southeast Asia and China as markets provides a relevant empirical context, as these regions boast high economic growth, intense market competition, and unique variations in financial market structures. This allows the study to capture the dynamic interactions between marketing activities, management incentives, and corporate financing decisions within a diverse and challenging business environment.

A limitation of this study is the lack of a direct examination of the effect of CMA on financial health through capital structure, specifically regarding the extent to which reductions in the cost of debt and cost of equity impact a company's stability and liquidity. Further research is recommended to examine the pathways through which CMA influences financial health comprehensively through the role of capital structure and other financial risk factors. From a managerial perspective, this study recommends that marketing managers strategically utilize incentives to enhance marketing team performance, thereby maximizing sales and profitability, and reducing reliance on risky external funding. For investors and creditors, the results of this study provide important information on how companies that optimize marketing activities and management incentives tend to have healthier, more efficient financing structures and more manageable financial risks, thus providing a basis for more informed and informed investment decisions.

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