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The effect of company size, sales stability, asset structure, and business risk on capital structure

Subjects
Accounting and Auditing

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ABSTRACT

Purpose: This study investigates the impact of company size, sales stability, asset structure, and business risk on the capital structure of companies listed on the Indonesia Stock Exchange (IDX) in the consumer goods industry sector.

Methods: This research adopts an associative strategy with a causal quantitative approach, using techniques such as descriptive statistics, panel data regression, classical assumption testing, hypothesis testing, and the coefficient of determination with Eviews 10 software. It examines manufacturing companies in the consumer goods sector listed on the IDX from 2017 to 2020, involving 15 companies and 60 observations through purposive sampling. Secondary data was sourced from the IDX website, and hypothesis testing was conducted via the t-test.

Findings: The linear regression analysis of panel data at a significance level of 5% yielded the following conclusions: 1. Company size hurts capital structure. 2. Sales stability positively impacts capital structure. 3. Asset structure has a positive and significant effect on capital structure. 4. Business risk does not significantly affect capital structure. The regression model is deemed appropriate for predicting capital structure, indicating that company size, sales stability, asset structure, and business risk are relevant factors in forecasting the level of capital structure.

Practical Implications: This study emphasizes the importance of considering factors that influence capital structure, noting that firm size can negatively affect it. Companies should improve sales stability and strengthen asset structure for better funding access while prioritizing risk management to ensure financial sustainability and efficiency. These insights are valuable for managers and stakeholders when making monetary policy decisions.

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Abstrak

Tujuan: Penelitian ini bertujuan untuk menguji pengaruh ukuran perusahaan, stabilitas penjualan, struktur aset, dan risiko bisnis terhadap struktur modal perusahaan dalam sektor industri barang konsumen yang terdaftar di Bursa Efek Indonesia (IDX).

Metode: Penelitian ini mengadopsi strategi asosiatif dengan pendekatan kuantitatif kausal, menggunakan teknik seperti statistik deskriptif, regresi data panel, pengujian asumsi klasik, pengujian hipotesis, dan koefisien determinasi dengan perangkat lunak Eviews 10. Penelitian ini mengkaji perusahaan manufaktur di sektor barang konsumen yang terdaftar di IDX antara 2017 hingga 2020, melibatkan 15 perusahaan dan 60 observasi melalui purposive sampling. Data sekunder diambil dari situs web IDX, dan pengujian hipotesis dilakukan dengan uji t.

Hasil: Hasil analisis regresi linier data panel pada tingkat signifikansi 5% menghasilkan kesimpulan berikut: 1. Ukuran perusahaan berpengaruh negatif terhadap struktur modal. 2. Stabilitas penjualan berdampak positif terhadap struktur modal. 3. Struktur aset berpengaruh positif dan signifikan terhadap struktur modal. 4. Risiko bisnis tidak berpengaruh signifikan terhadap struktur modal. Model regresi dianggap cocok untuk memprediksi struktur modal, menunjukkan bahwa ukuran perusahaan, stabilitas penjualan, struktur aset, dan risiko bisnis adalah faktor-faktor yang relevan dalam meramalkan tingkat struktur modal.

Implikasi Praktis: Studi ini Menekankan pentingnya mempertimbangkan faktor-faktor yang mempengaruhi struktur modal, studi ini mencatat bahwa ukuran perusahaan dapat berdampak negatif. Perusahaan harus meningkatkan stabilitas penjualan dan memperkuat struktur aset untuk akses pendanaan yang lebih baik, sambil memprioritaskan manajemen risiko untuk memastikan keberlanjutan dan efisiensi keuangan. Wawasan ini berharga bagi manajer dan pemangku kepentingan dalam pengambilan keputusan kebijakan.

Kata Kunci: Ukuran Perusahaan, Stabilitas Penjualan, Struktur Aset, Risiko Bisnis.

1. Introduction

In the industrial sector, goods and consumption of their products are always needed in human life. There are several sub-sectors, including the food and beverage industry, the cosmetics industry, household needs, the cigarette industry, the pharmaceutical industry, and the household appliances industry. This sub-sector is the most important and is the main point in the economy in the agricultural sector. Therefore, the industrial sector of goods and consumption is one of the foreign exchange-producing sectors of the country because this sector processes raw materials into semi-finished goods or finished goods, which will produce products that can be consumed and produced. Therefore, the goods and consumption industry is vital for the Indonesian state.

Managers are also interested in carrying out business activities related to company operations, namely in deciding the company's budget and capital structure and funding decisions obtained from the composition of debt, preferred shares, and common shares, which the company will use. Managers can think effectively when estimating capital from inside and outside the company. The cost of capital incurred by funding decisions directly results from the manager's decision. When managers use debt, the cost of capital incurred equals the interest expense creditors charge. At the same time, if the manager uses internal funds or own funds, it will incur opportunity costs.

The other factor that affects the capital structure, according to Suwarno (2012), is sales stability; if sales are stable, the company can safely use high debt and dare to bear a higher fixed burden compared to its relatively unstable sales. The stability of a sale is measured by the balance of receivables listed on the company's balance sheet. If the profit earned is stable, the narrower the spread, the more likely the company is to meet its fixed obligations. For the variable of sales stability, research conducted by Nurul (2017) shows that sales growth positively affects capital structure. The difference is from a previous study by Mahjati (2013) on the influence of company growth, sales stability, profitability, and company size on the capital structure of consumer goods companies listed on the IDX in 2009-2011. The first difference is in terms of the number of periods, where the previous research used 3 years, while this study used 4 years. The second difference is in terms of the capital structure factor variables taken by the researcher, and the recency of the variables in this study is the Business Risk variable.

There are phenomena and differences in the results of previous studies (research gaps) indicate differences in research results, so further research is needed to know what and how the factors that affect the capital structure of the consumer goods industrial sector companies listed on the Indonesia Stock Exchange, it can help especially the management of companies related to the company in determining how to regulate the company's sources of funds to achieve an optimal capital structure and also investors in the capital market in general.

2. Theoretical Background and Hypothesis

Theoretical background

Capital structure

The comparison between foreign (long-term) capital and own capital is defined as Capital Structure according to Riyanto (2017). According to Sartono (2001), capital structure is the ratio of the amount of short-term debt to permanent, long-term, preferred, and common stock. Financial structure balance between debt and equity. In other words, the capital structure is part of the economic structure. According to the opinion expressed by Brigham & Houston (2011), The capital structure is a combination of debt, preferred stock, and equity shares, which companies often use to increase their capital.

Company size

According to Riyanto (2017), Most industrial companies' capital is capital, namely own capital, while debt is complementary. This can be related to a horizontal conservative financial structure rule, which states that the amount of own capital should be at least able to cover the number of fixed assets plus other permanent assets. And companies with mostly current assets will prioritize their funding needs with debt. So, the company's size influences the capital structure.

Sales stability

Brigham & Houston (2011: 39) says that companies with relatively stable sales can be more secure in obtaining more loans and bear higher fixed costs than companies with unstable sales. Empirical research that has been carried out, among others, by Bhaduri (2012), shows that sales growth is one of the variables that affect the company's capital structure. The results of this study indicate that sales growth has a positive effect on capital structure. The higher the sales growth, the company will be in using debt, so that the higher the capital structure

Asset structure

According to Riyanto (2017), most industrial companies, where most of their capital is embedded in fixed assets, prioritize the fulfillment of their capital from permanent capital, namely their capital, while debt is complementary. This can be related to the existence of a horizontal conservative financial structure rule, which states that the amount of own capital should at least be able to cover the amount of fixed assets plus other assets that are harvesting in nature. And companies with mostly current assets will prioritize their funding needs with debt. So, the asset structure influences the capital structure. Suppose the asset structure measurement is based on the ratio between total fixed assets and total assets. Theoretically, it is based on the negative relationship between asset structure and capital structure. The higher the asset structure (the greater the number of fixed assets), the higher the use of own capital (which means the less use of foreign capital) or the lower the capital structure.

Business risk

Elton et al. (1995) state that the Single Index Model can measure a stock's beta. This model assumes that stock returns are correlated with changes in market returns, and measuring this correlation can be done with market index returns.

A security with a beta greater than one (slope › 1) means that the security has a greater systematic risk than the market portfolio. Such a security is called an aggressive investment; on the other hand, a security with a beta of less than one (slope ‹1) means that the security has less systematic risk than the market portfolio. Such securities are called defensive investments.

Hypothesis

The effect of firm size on capital structure

Company size can be interpreted as the size of the company, as seen from the amount of equity value, company value, or the total value of assets. The company's size is often used to indicate the possibility of bankruptcy. A company with a larger size is seen as more capable of facing a crisis while running its business. The capital structure mixes debt, preferred, and common stock. Capital structure can also be interpreted as a balance or comparison between the amount of long-term debt and its capital. The larger the company, the greater the funds needed by the company to invest. The greater the need for funds, the greater the tendency to use foreign capital. This is because large companies require significant funds to support their operations. Large companies also have more access to funding sources from various sources, so getting loans from creditors will be easier because large companies have a greater probability of winning the competition in the industry. So, the company's size positively affects the capital structure.

H_1: Firm size has a positive effect on the company's capital structure

The effect of sales stability on capital structure

Sales stability is the change in total sales in an accounting period. An indicator of the demand and competitiveness of companies in an industry is sales stability. The capital structure is permanent financing consisting of long-term debt, preferred stock, and shareholder capital. Capital structure can also be used to compare the amount of long-term debt with equity. As the level of sales increases, so does the capital the company requires. External capital will be needed to support operational activities to meet increasing sales targets. A company with a high sales growth rate indicates that it has a promising future so that it can obtain more loans than

companies that do not experience sales growth. So, companies with stable sales growth can be safer when taking loan funds than those with unstable sales. So, sales stability has a positive effect on capital structure.

H_2: Sales Stability has a positive effect on the company's capital structure

Thr effect of asset structure on capital structure

Asset structure describes part of the number of assets that can be used as collateral (collateral value of assets). Brigham (1996) states that, generally, companies with debt guarantees will find it easier to get debt than companies that do not have collateral. The theory is also consistent with Luke. A (2008) states that companies with assets that can be used as debt collateral tend to use relatively large debt. According to Riyanto (2001), most industrial companies, where most of their capital is embedded in fixed assets, prioritize the fulfillment of their capital from permanent capital, namely, their capital, while debt is complementary. Hidayati (2001) suggests that the asset structure positively affects the capital structure. Research from Mayang (2001) and Bhaduri (2002) supports the research by Hidayati. It can be concluded that the Asset Structure positively affects the capital structure.

H_3: Asset structure has a positive effect on the company's capital structure

The effect of business risk on capital structure

Business Risk Factors do not affect the capital structure. Risk in business is related to revenue uncertainty because there is a great deal of variation in product pricing, customer service, and how products are delivered. This uncertainty makes the business risks that exist in the company fluctuate, so the resulting capital structure also varies. Business risk with the company's operations will not occur if the company does not use debt. Because the higher the company's business risk, the lower the optimal debt ratio.

According to EF Brigham & Weston (1997) and Husnan (1996), every company will face risks as a result of the company's operations. The greater the risk faced by the company, the lower the debt ratio used by the company because the more significant the business risk, the use of large debt will make it difficult for companies to repay their debts. Other than that, Lianto (2020) also found a negative relationship between the company's risk of capital structure. For companies with a high level of business risk, it is very inefficient for them to use high debt. Because when viewed from the company's history of high business risk, investors will also certainly refuse to invest high capital in the company. It can also hinder the process of paying off debt. From the description and some opinions above, it can be concluded that Business Risk does not affect the Capital structure.

H_4: Business risk has a negative effect on the company's capital structure

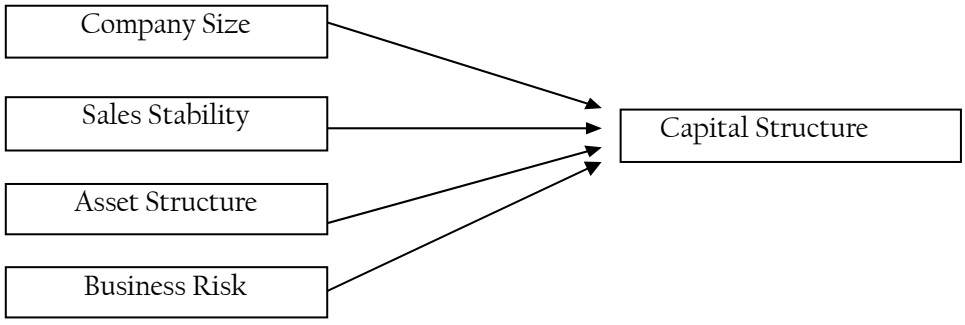

Figure 1 Research conceptual framework

3. Methods

The study analyzed 51 companies in the consumer goods manufacturing sector listed on the Indonesia Stock Exchange from 2017 to 2020, selecting a sample of 15 companies using purposive sampling, resulting in 60 data points. Data were obtained from the Indonesia Stock Exchange and companies' official websites. The criteria for companies that will be used as samples in this study are:

Table 1 Research Sample Criteria

No.	Criteria	Amount
1	Companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) during the 2017-2020 period	51
2	Companies that do not present complete audited financial statement data during the 2017-2020 period are related to research variables	(28)
3	Companies whose years of operation are less than 15 years	(8)
	Number of Observation Samples used	**15**
	Number of Observations (N x 4 Years)	**60**

Based on the above criteria, 15 companies that meet the research criteria for 4 times the publication of the 2017-2020 financial statements were used. So, 60 research data were used.

The study employed a quantitative approach, utilizing Eviews software version 10 for data analysis. This method ensured accurate and reliable results were obtained from analyzing and testing the studied variables.

4. Results and Discussion

Descriptive Statistical Analysis

This descriptive statistical analysis reviews the variables studied, including independent variables (Company Size, Sales Stability, Asset Structure, and Business Risk) and the dependent variable (Capital Structure). It examines statistical data such as mean, maximum, minimum, and standard deviation from 60 samples, where minimum and maximum values indicate the lowest and highest points and standard deviation denotes variance. Results are summarized in Table 2.

Table 2 Descriptive Statistical Test Results

Statistic	Capital Structure	Company Size	Sales Stability	Asset Structure	Business Risk
Mean	0.697435	2.944.595	0.006602	0.337365	6.500.754
Median	0.60525	2.966.565	0.0409	0.326	165.545
Maximum	3.159	327.256	0.2611	0.6155	3.517.642
Minimum	-21.273	25.73	-0.702	0.160569	-1.510.293
Std. Dev.	0.0592	0.868889	1.815.435	0.146415	4.568.527
Observations	60	60	60	60	60

Source: Eviews 10 Panel Data Regression Output Results

Based on the results of the descriptive statistics provided, it is evident that the dependent variable in this study is Capital Structure. The minimum value recorded is -2.1273, attributed to PT. FKS Food Indonesia Tbk in 2019, while PT reports a maximum value of 3.159. Unilever

Indonesia Tbk in 2020. The mean (average) value of the Capital Structure for manufacturing companies is 0.697435. This indicates that, statistically, from 2017 to 2020, the Capital Structure level in manufacturing companies within the consumer goods industry has not met the standard. Furthermore, the relative standard deviation exceeds the average value, suggesting that 0.697435 ‹ 0.868889. This signifies that the data dispersion regarding Capital Structure is relatively poor.

The first independent variable, company size, shows a minimum value of 25.73, recorded by PT. Kedaung Indah Can PT achieved Tbk in 2017 and a maximum value of 32.7256. Indofood Sukses Makmur Tbk in 2020. The mean (average) value of the company size variable is 44595. This indicates that, from 2017 to 2020, the values for company size have been well distributed because the standard deviation is smaller than the average value. Accordingly, 44595 › 1.815435, meaning that the Company Size data is relatively robust.

The second independent variable is sales stability. The minimum value recorded is -0.702 for PT. FKS Food Indonesia Tbk in 2017, while PT obtained a maximum value of 0.2611. Kimia Farma Tbk in 2019. The mean (average) value for the Sales Stability variable is 0.006602, indicating that, on average, companies exhibit a stable sales rate of 0.66%. Additionally, the standard deviation for sales stability is 0.160569. Statistically, during the 2017-2020 period, the improvements in sales stability have not met the required standard, as evidenced by the standard deviation being more significant than the average, indicating that Sales Stability is relatively poor.

The third independent variable is Asset Structure, with a minimum value of 0.0592 for PT. Delta Djakarta Tbk in 2018 and a maximum value of 0.6155 for PT. FKS Food Indonesia Tbk in 2019. The mean (average) value of the Asset Structure variable is 0.337365, suggesting that the company has fixed assets constituting 33.735% of total assets. The standard deviation for this variable is 0.146415, which is smaller than the mean (average) value. This indicates that, statistically, the data dispersion for the Asset Structure variable has met the required standards and is relatively good.

The fourth independent variable in this study is Business Risk. The minimum value recorded is -151.0293 from PT. Tempo Scan Pacific Tbk in 2020, while the maximum value of 3,517.642 belongs to PT. FKS Food Indonesia Tbk in 2019. The mean (average) value for Business Risk is 65.0754, meaning that 65% of the sample manufacturing companies exhibit high business risk. The standard deviation for this variable is 456.8527, which indicates that, statistically, during the 2017-2020 period, business risk did not meet the required standard and was relatively poor.

Hypotheses testing

Based on the panel data analysis in Table 3, several insights about capital structure can be summarized as follows: The constant value is 0.514759, indicating that without influencing Sales Size, Sales Stability, Asset Structure, and Business Risk, the Capital Structure would be 0.514759. The Company Size variable has a positive coefficient of 0.021215, suggesting that a one-unit increase in Firm Size results in a 0.021215 increase in Capital Structure, holding other variables constant. The Sales Stability variable shows a significant positive effect with a coefficient of 1.190088, meaning that a one-unit increase leads to a 1.190088 rise in Capital Structure. The Asset Structure variable has a coefficient of 1.850424, indicating that an increase in Asset Structure results in a 1.850424 rise in Capital Structure. Conversely, the Business Risk variable has a negative coefficient of -0.000687, suggesting that a one-unit increase in business risk will decrease the Capital Structure by 0.000687, assuming other factors are constant.

Table 3 Results of Panel Data Regression Analysis and t Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Company_size	0.021215	0.078473	0.270352	0.7879
Sales_stability	1.190088	0.426160	2.792589	0.0072
Structure_asset	1.850424	0.820261	2.255.897	0.0281
Risk_business	-0.000687	0.000142	-4.829.591	0.0000
C	0.514759	2.299.907	0.223817	0.8237
Weighted Statistics				
R-squared	0.339783	Mean dependent var		0.264057
Adjusted R-squared	0.291767	SD dependent var		0.502305
SE of regression	0.422723	Sum squared resid		7.076478
F-statistic	9.828197	Durbin-Watson stat		1.220646
Prob(F-statistic)	0.000114			

Source: Eviews 10 Panel Data Regression Output Results

The statistical t-test assesses the individual influence of independent variables on the dependent variable at a significance level of 0.05 (α=5%). With 60 observations and four independent variables, the degrees of freedom (df) amount to 55, resulting in a t-table value of 2.00404. In evaluating the first hypothesis (H1), which examines the effect of firm size on capital structure, the findings indicate that the t-count of 0.270352 is less than the t-table value of 2.00404, and the p-value of 0.7879 exceeds 0.05. Thus, it is concluded that firm size does not significantly affect capital structure. Regarding the second hypothesis (H2), which posits that sales stability positively influences capital structure, the t-count of 2.792589 surpasses the t-table value, and the p-value of 0.0072 is less than 0.05. This leads to the acceptance of the hypothesis, corroborating previous research that suggests stable sales enhance borrowing capacity.

The results also support the third hypothesis (H3), which claims that asset structure positively affects capital structure. The t-count of 2.255897 is greater than the t-table value, and the p-value of 0.0281 is below 0.05, indicating that having a solid asset base facilitates debt acquisition. Finally, the fourth hypothesis (H4) asserts that business risk negatively impacts capital structure. The statistical analysis reveals that the t-count of -4.829591 is less than the t-table, and the p-value is below 0.05. This demonstrates that business risk has a significant negative effect, suggesting that companies with higher risks tend to avoid debt, while those with lower risks are more likely to utilize debt.

The coefficient of determination (R^2) measures how effectively the model explains the variation in the dependent variable using the adjusted R-squared value. As indicated in Table 4.14, the adjusted R^2 is 0.291767, corresponding to 29.18%. This means that the independent variables account for 29.18% of the variation in the dependent variable, while the remaining 70.82% is attributed to other unexamined independent variables.

Discussion

The effect of firm size on capital structure

The first hypothesis stating that firm size affects capital structure is rejected, evident from the count value being less than stable and a probability result being more significant than the significance level. Consequently, firm size does not impact capital structure, as companies prefer internal funding over external sources. This leads to a lower capital structure, as larger firms are perceived capable of funding themselves. This study aligns with Rahmat (2015: 15), which finds no significant effect of firm size on capital structure. Conversely, Velda and Annisa (2016: 282) suggest that larger firms positively influence capital structure, as they can attract external capital due to higher investor trust.

The effect of sales stability on capital structure

The second hypothesis of the study, which posits that Sales Stability affects Capital Structure, is supported by the findings. This is indicated by a count value that exceeds the table and a probability result below the significance threshold. The study reveals that Sales Stability has a significant positive effect on Capital Structure, as companies with more stable sales are better positioned to secure loans and manage higher fixed costs than those with volatile sales. Stable sales lead to predictable income, allowing these companies to meet financial obligations linked to external capital use confidently.

Conversely, companies with unstable sales face risks in managing debt, especially during economic downturns. Hence, firms with stable sales are more inclined to utilize external funding in the form of debt. This aligns with research by Mahjati (2013) and Anugerah (2010), emphasizing the positive link between Sales Stability and Capital Structure. However, it contrasts with Haryanto's (2012) findings, which suggest that management may prioritize sales growth over stability, viewing high annual growth as a better indicator of company performance.

The effect of asset structure on capital structure

The third hypothesis of the study confirms that Asset Structure positively influences Capital Structure, as indicated by a count value exceeding the table and a probability below the significance level. This suggests that an increase in a company's asset structure is associated with a rise in its capital structure, making it more attractive to creditors who see substantial assets as reliable collateral for debt repayment. Consequently, companies often depend on external funding, especially debt, to enhance their operational capacities through fixed-asset acquisitions.

These findings are consistent with previous research by Annisa (2016), Azizah (2017), and Anwar (2015), which also highlight the significant relationship between Asset Structure and Capital Structure. However, they contradict Irsyal's (2021) study, which indicates that Asset Structure has no considerable effect on Capital Structure due to certain assets being unsuitable for collateral. This discrepancy suggests that increases in fixed assets may not always impact a company's capital structure.

The effect of business risk on capital structure

The fourth hypothesis, which suggests that Business Risk affects Capital Structure, is accepted based on findings showing that the count is smaller than a table. The probability is below the significance level. This indicates that Business Risk significantly negatively affects capital structure, aligning with the theory that higher business risk leads to a lower debt ratio, as risk-

averse companies tend to avoid debt. Conversely, low-risk firms are more likely to utilize debt for operations. These results support previous studies, such as those by Annisa (2016), which indicate a significant negative relationship. However, this contrasts with Novianti (2015), who found that higher business risk positively influences capital structure, arguing that declining own capital necessitates increased debt financing, raising operational risks.

5. Conclusion

This study investigates factors influencing the capital structure of manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange from 2017 to 2020. Utilizing data from 15 companies and applying a panel data regression model through Eviews reveals several key points: Company size does not impact capital structure, as larger firms prefer safer internal funding over external options. Conversely, sales stability positively facilitates loans and ensures companies meet financial obligations due to steady income. Additionally, a strong asset structure positively attracts creditors, allowing companies to obtain external funding through debt for operational activities. However, higher business risk negatively correlates with capital structure, prompting risk-averse firms to avoid debt, while lower-risk firms tend to leverage debt in their operations.

In conclusion, this study underscores the simultaneous influence of multiple factors on capital structure, providing valuable insights for company management in forming policies that boost performance and sustain investor trust. It also suggests that future research should investigate additional variables related to capital structure, expand the research timeframe, and include a broader range of companies from various sectors on the Indonesia Stock Exchange for a more thorough analysis. Moreover, investors are urged to deeply comprehend the capital market's information, including financial reports, and to weigh different factors affecting capital structure before making investment decisions, as this understanding is crucial for assessing a company's short- and long-term prospects.

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Appendix

Attachment 1. Research Sample

No	Stock Code	Company Name
1	AISA	PT. FKS Food Indonesia Tbk
2	CEK	PT. Wilmar Cahaya Indonesia Tbk
3	DLTA	PT. Delta Djakarta Tbk
4	INDF	PT. Indofood Sukses Makmur Tbk
5	MLBI	PT. Multi Bintang Indah Tbk
6	MYOR	PT. Mayora Indah Tbk
7	SKLT	PT. Sekar Laut Tbk
8	GGRM	PT. Gudang Garam Tbk
9	HMSP	PT. HM Sampoerna Tbk
10	KAEF	PT. Kimia Farma Tbk
11	KLBF	PT. Kalbe Farma Tbk
12	TSPC	PT. Tempo Scan Pacific Tbk
13	TCID	PT. Mandom Indonesia Tbk
14	UNVR	PT. Unilever Indonesia Tbk
15	KETCH	PT. Kedaung Indah Can Tbk

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Data sharing is not applicable to this article as no new data were created or analyzed in this study

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