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THE INFLUENCE OF BUSINESS RISK, SALES GROWTH, AND OWNERSHIP STRUCTURE ON CAPITAL STRUCTURE

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ABSTRACT

Companies are encouraged to implement strategies to maximize performance and increase potential with increasingly tight competition in the business world. This research aims to find out how ownership structure, marketing developments, and company risks influence the form of capital. Quantitative data was used in the research, secondary data sources were used to obtain data, and purposive sampling combined with descriptive and verification techniques was the sampling strategy. Therefore, a sample of twelve companies was obtained during the 2019-2021 period. Multiple linear regression is the data analysis method used, and SPSS version 26 is used. Based on research findings, the form of capital is not influenced by the form of ownership but is equally influenced by business risk and sales growth. It also shows how ownership structure, sales growth, and business risk affect inventory shape.

Keywords **:** *Business Risk, Sales Growth, Ownership Structure and Capital Structure.*

INTRODUCTION

In the era of globalization, Indonesia's economy is developing quite quickly, as can be seen from the rapid growth of most businesses in this country. The business world has become more competitive as a result. Companies must be able to increase shareholder wealth and company value in order to develop. This makes the company try hard to always maintain the company's survival in all its activities in the midst of difficult business conditions.

According to Luh Putu Widayant et al (2018), choosing how to finance investment through debt and equity is known as funding. As a result, businesses need to decide whether the money contributed comes from debt, equity, or both. Because having too much debt can hinder your company's growth and encourage shareholders to consider making additional investments, which can make it difficult to choose the best capital structure.

According to Luh Putu Widayanti et al., (2018) stated that external and internal sources can be used to supply the company's financial needs (external financing). the need for internal financial resources, or cash sources that are created or generated outside the organization and are usually realized in the form of depreciation and retained earnings. Because the inability to meet these capital requirements has a significant impact on business operations, a company must choose the best course of action when using its own money, as these financing activities are part of the capital structure.

According to Nurul Qosidah (2021), capital structure, which consists of a mixture of debt and equity, is very important for company performance. However, due to its importance,

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controlling funding sources can be a challenge. In general, a ratio smaller than the ratio that maximizes expected earnings per share is required to finance business operations and capital structure. Zalfy et al. (2021) state that when comparing total debt with equity, capital structure can be estimated using the leverage ratio (DER).

According to Ni Putu Yulinda et al (2019), marketing stability, operating leverage asset form, profit development, taxation, supervision, management behavior, attitude of loan providers, rating agencies, internal and external market conditions, and financial flexibility are variables that influence the form of assets. In this study, researchers took into account a number of elements that influence the form of assets, including form of ownership, marketing developments and company risk.

The first element that influences the form of funding in this research is the impact of business. Business Risk is the uncertainty of a company's estimate of a level of generating profits in the future, business risk arises if the entity is unable to cover all operational costs.

The second factor that influences capital structure is marketing developments. Marketing development, namely the increase or decrease in marketing from year to year, is expressed in the form of the company's profit and loss report.

The third factor that influences capital structure is the form of ownership. The form of ownership is the difference between the company and the company manager. The owner or shareholder is the party who invests capital in the company with the hope that the manager will act in the interests of the owner. Bearing this in mind, the author was interested in examining the discussion entitled **The Influence of Business Risk, Sales Growth and Ownership Structure on Capital Structure (Study of Metals and Similar Sub-Sector Companies listed on the Indonesian Stock Exchange in 2019-2021.**

LITERATURE REVIEW

According to Brigham and Houston (2011), what is meant by business risk is a function of the uncertainty inherent in the projected return on capital invested in a company. So, before deciding to use debt, company management should first consider the business risks . Risk arises as costs arise for loans made by the company. When a company uses high debt to meet its funding needs, the risks faced by the company can increase as a result of increasing costs that must be borne.

Sales growth is an indicator of demand and a company's competitiveness in an industry. Sales growth is also evidence of past investment success and can be used to predict future growth. High sales growth will reflect increased income so that dividend payments tend to increase . The growth rate of a company will influence its ability to maintain profits in funding opportunities in the future (Deitiana, T.2011)

Ownership structure is an important governance mechanism to control agency problems. Especially in an environment where governance such as market of corporate control, external auditors, rating agencies and institutional frameworks (legal systems and financial institutions) are weak. (Budiarti, 2014). According to Wahyudi and Pawesti (2006), ownership structure is believed by several researchers to be able to influence the running of the company which ultimately influences the company's performance in achieving the company's goals, namely maximizing company value.

Husnan (2015:275) Capital structure is a comparison between term sources long in the form of loans and own capital. Capital structure can also be defined comparison between long-term debt and own capital (Riyanto , 2014: 296). Based on the definitions above, capital structure is a comparison between total debt with total capital (Qasidah, 2020)

RESEARCH METHODS

This research technique uses descriptive analysis and verification analysis techniques.

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Quantitative methods explain important relationships such as business impact, sales development and form of ownership. Secondary information was obtained from the publication of the 2019-2021 financial report which was accepted on the Indonesian Stock Exchange. The main researchers are companies in the metals subsector and similar sectors that were registered on the IDX in 2019-2021. From 2019-2021, 17 companies continued registration, of which 12 companies were selected based on benchmarks that had been determined using purposive sampling techniques. In the end, 36 company data was obtained.

RESULTS AND DISCUSSION

Table 1. Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Business Risk (X1)	36	.01	.20	.0573	.05338
Sales Growth (X2)	36	-.16	1.00	.1132	.20536
Ownership Structure (X3)	36	.00	1.03	.1031	.28845
Capital Structure (Y)	36	.47	10.28	2.4953	2.27765
Valid N (listwise)	36				

Verification Analysis
Table 2. Normality Test

		Unstandardized Residuals
N		36
Normal Parameters [a, b]	Mean	.0000000
	Std. Deviation	1.87926807
Most Extreme Differences	Absolute	.113
	Positive	.113
	Negative	-.096
Statistical Tests		.113
Asymp. Sig. (2-tailed)		,200 [c,d]

Source: SPSS 26 output, own data, 2023

Based on table 2, the findings of the normality test using the Kolmogorov-Smirnov test, the rotating information is normal. This is confirmed by a significant value, namely 0.200 > 0.05. It can be concluded that the information has a fair distribution.

Table. 3 Multicollinearity Test
Coefficients [a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	2,011	,528		3,811	,001		
	Business Risk (X1)	18,558	6,302	,435	2,945	,006	,975	1,025
	Sales Growth (X2)	-3,614	1,630	-.326	-2,217	,034	,985	1,015

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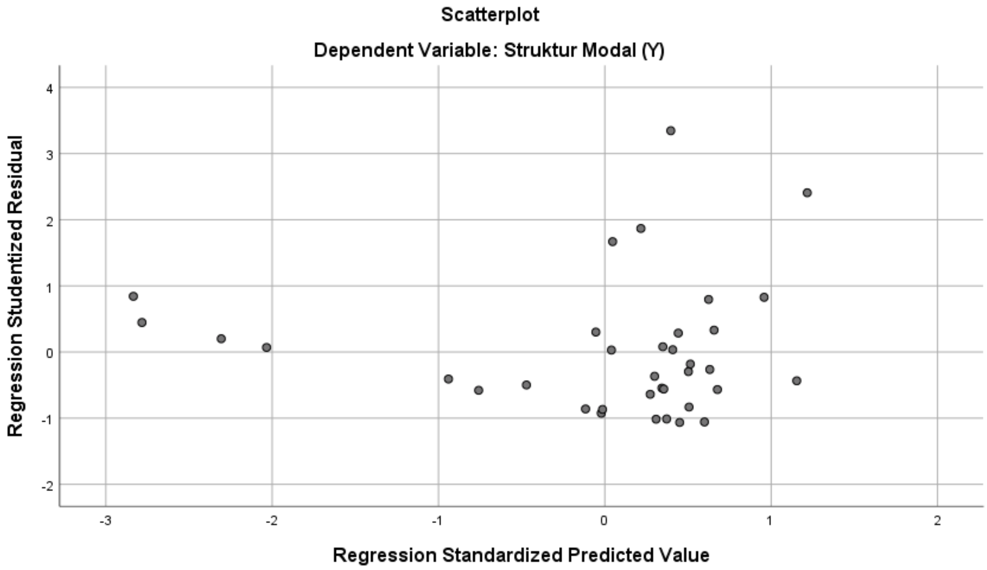
Ownership Structure (X3)	-1,634	1,158	-.207	-1,411	,168	,990	1,010

Source: SPSS 26 output, own data, 2023

Based on table 3, the test findings confirm that the business risk tolerance value is 0.975 > 0.1 and the VIF score is 1.025 < 10. The sales growth tolerance value is 0.985 > 0.1 and the VIF score is 1.015 < 10. The ownership structure tolerance score is 0.990 > 0, 1 and the VIF score is 1.015 < 10. The ownership structure tolerance value is 0.990 > 0.1 and the VIF is 1.010 < 10. Thus it can be concluded that not all variables have multicollinearity.

Table 4. Heteroscedasticity Test



Based on table 4, it shows that the points are distributed randomly or do not form a pattern and the distribution is positive above or below the number 0 on the Y axis. So it can be concluded that heteroscedasticity is not implemented in the regression model.

Table 5. Autocorrelation Test Results
Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,565 [a]	,319	,255	1.96539	,929

Source: SPSS 26 output, own data, 2023

Based on table 5, it can be seen that the d (Durbin-Watson) value is 0.929. The total sample is N=36, the total independent variables are K=3, the dl score = 1.2707 and the du score = 1.6519. Based on the table of principles of autocorrelation determination, the similarity is suitable for the research, namely du < d < 4 – du = 1.6519 < 0.929 < 4 – 1.6519. So from the equation it can be concluded that this decision has no basis in good or bad autocorrelation in the model.

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Table 6. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2,011	,528		3,811	,001		
	Business Risk (X1)	18,558	6,302	,435	2,945	,006	,975	1,025
	Sales Growth (X2)	-3,614	1,630	-.326	-2,217	,034	,985	1,015
	Ownership Structure (X3)	-1,634	1,158	-.207	-1,411	,168	,990	1,010

Source: SPSS 26 output, own data, 2023

Based on Table 6 above, the findings of the multiple linear regression analysis show that multiple regression includes:

a) The resulting constant value (a) 2.011 has a positive sign. This means that if the independent variable due to business and marketing developments together with the ownership structure has a value of zero, then the dependent capital structure value is equal to a constant value of 2.631.
b) The business risk regression coefficient value of 18.558 has a positive sign. This means that for every additional unit of business risk variable, the capital structure increases by 18,558 units and vice versa. The reduction of one unit in each variable is due to the business reducing the amount of funding by 18,558 units, assuming that the other variables remain constant
c) The marketing development regression coefficient has a bad sign of -3.614. This means that for every increase in the marketing development variable of 1 unit, the form of funding experiences a decrease of -3614 units and vice versa. A decrease of one unit in each sales growth variable increases the form of funding by -3614 units, through the assumption that the other variables are considered constant.
d) The ownership structure regression coefficient score of -1.634 has a negative sign. This means that every unit added to the ownership structure variable will reduce the capital structure by -1634 units and vice versa. A unit decrease in each ownership structure variable increases the form of funding by -1,634 units assuming that the other variables remain constant.

Table. 7 Coefficient of Determination Test

Coefficients [a]

Model		B	Correlations		
			Zero-order	Partials	Part
1	(Constant)	2,011			
	Business Risk (X1)	18,558	,416	,462	,430
	Sales Growth (X2)	-3,614	-.269	-.365	-.323
	Ownership Structure (X3)	-1,634	-.245	-.242	-.206

Source: SPSS 26 output, own data, 2023

To determine the magnitude of the influence of the coefficient of determination, the following formula is used:

$$\boxed{KD = R^2 \times 100\%}$$

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Note:
KD: Coefficient of Determination Value
R2: Correlation Coefficient Value

1. Business Risk Based on Table 7, the zero degree correlation value for business risk is 0.146%, so the determination value is calculated as follows: CD = R^2 x 100% = $(0.416)^2$ x 100% = 17.30% This means that the variable part of business risk influences the capital structure amounting to 17.30%.
2. Sales Growth Based on Table 7, the zero-order correlation value for sales growth is -0.269, so the determination value is calculated as follows: CD = R^2 x 100% = (-0.269)2 x 100% = 7.24% This means that the magnitude of the impact of the variable marketing development based on the form of funding was 7.24%.
3. Ownership structure Based on table 4.8, the zero-time correlation value can be calculated whose determination value is as follows: CD = R^2 x 100% = (-0.245)2 x 100% = 6.00% This means that the ownership structure variable has an effect on capital structure of 6.00 %

Table. 8 Partial Hypothesis Testing

Independent variable	**T *count***	**T *table***	**Significant**
Business Risk	2,945	2,034	0.006
Sales Growth	2,217	2,034	0.034
Ownership Structure	1,411	2,034	0.168

1. Based on table 8, the t value for the business risk variable is an estimated score of 2.945 which is positive and the t table is 2.034, because the estimated score > ttable is 2.9457 > 2.034 with a significance score of 0.006 < 0.05. Then Ha was accepted and Ho was rejected. This means that business risk influences the capital structure.
2. Based on table 8, the t score on the sales development variable is a t estimate score of 2.217 with a negative sign and a t table of 2.034), because the t estimate score > t table is 2.217 > 2.034 with a significance score of 0.034 < 0.05. Then Ha is accepted and Ho is rejected. This means that sales growth affects the form of funding.
3. Based on table 8, the calculated score for the Ownership Structure variable is 1.411 with a negative sign and the ttable value is 2.034, because tcount < ttable, namely 1.411 < 2.034 with a significance score of 0.168 > 0.05. So Ha is rejected as well as Ho accepted. This means that the ownership structure has no impact on the form of funding.

Table. 9 Simultaneous Hypothesis Test Results

ANOVA [a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	57,961	3	19,320	5,002	.006 [b]
	Residual	123,608	32	3,863		
	Total	181,568	35			

Source: SPSS 26 output, own data, 2023

Based on Table 9, the estimated f score of 5.002 has a positive significance sign of 0.006, but the f table score is 2.89. Because fcount > ftable, namely 5.002 > 2.89 and the significance

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value is 0.006 andlt; 0.05. So Ha is accepted and Ho is rejected. This means that business risk, growth, and form of ownership are mutually exclusive and influence the capital structure.

DISCUSSION

The Influence of Business Risk on Capital Structure

Based on research findings, it appears that business results have a significant impact on the form of funding, namely the greater the business risk, the greater the influence on the capital structure, so that the company will use less debt overall. The matter is to ensure that the company's assets will increase along with the level of business risk.

According to Usi's (2021) theory, companies that face significant business risks will come to the conclusion that raising capital through riskier debt is less profitable than raising capital through company equity. Thus, in terms of risk, the possibility of company bankruptcy increases along with the level of risk, so that the use of debt in the form of assets will decrease.

The research findings are consistent with research by Cahyani and Yuyun Isbanah (2019) who found a significant relationship between business risk and the form of capital. Thus, that research and this research are in line.

The Effect of Sales Growth on Capital Structure

This research shows that capital structure is influenced by sales growth. This indicates that as sales increase, company expansion will require more capital, and companies will choose internal investment over external funding. This shows how capital structure is influenced by sales growth.

Pecking order theory states that increasing sales means greater profits and taxes paid; so, companies that want to minimize tax costs in their operations will take on more debt. Companies going through high marketing growth tend to use internal financing rather than loan financing to fulfill their funding needs. This indicates that companies prioritize internal funds over external investment when choosing their funding sources.

The findings of this research are consistent with research by Talib and Dharmawan (2021) which found a substantial relationship between capital structure and sales growth. Empirical evidence is shown by the increase in sales growth that occurred at the Saracancentral Bajatama Tbk company. The sales growth of the Saracancental Bajatama Tbk company in 2020 experienced growth from year to year, in 2019 it was 13% and in 2021 there was an increase of 10%. together with the increase from year to year causing the capital structure to increase by 3%.

The Influence of Ownership Structure on Capital Structure

Based on research findings, ownership structure does not have a significant influence on the form of assets. This means that management and ownership are separated so that the company can achieve maximum profits through effective rates. The research findings are in the same direction as Agus Rahmani et al Zaenul M (2018) who stated that the form of ownership does not have a significant impact on the form of assets. Based on research findings, the form of ownership does not have a significant impact on the form of assets. This means that management and ownership are separate. The research findings are in line with Agus Rahmani et al (2018) who stated that ownership structure does not have a significant impact on the form of funding.

In theory, insider ownership is relatively low in agency theory influence the effectiveness of control in accordance with the interests of the owner and managers, which in turn influences capital structure. It means separate from each other in managing and owning a business in such a way that the business obtains the maximum profit at the most efficient cost.

Empirical evidence is presented in three metal industry companies and similar subsectors in several consecutive years, very low participation, 0% took place in the following locations:

Saracancentral Bajatama Tbk, Beton Jaya Manunggal Tbk, Citra Turbindo Tbk, Off Indonesia Steel Pipe Industry Tbk , Jakarta Kyoei Steel Work LTD Tbk, Krakatau Steel (Persero) Tbk, Lion Metal Works Tbk, Tinplate Nusantara Tbk, Pelangi Indah Canindo Tbk, and Copper Mulia Semana Tbk. Meanwhile, the company whose share capital has the highest value, 1%, is only held by Gunawan's Dianjaya Steel Tbk.

The Influence of Business Risk, Sales Growth and Ownership Structure on Capital Structure.

The findings show that ownership structure, sales growth, and business risk significantly influence capital structure. These research findings are in line with the research findings of Yuyun Isbanah and Intan Dwi Cahyan (2019) who observed that ownership structure, sales growth and business risk significantly influence the form of funding.

In theory, according to Intan Dwi Cahyan, growth occurs when there is a business sales risk and the ownership structure grows together, thereby increasing the capital structure. If the business risk is high then the capital structure is high and if sales growth increases it means having sufficient funds (capital), with the same ownership structure, if the ownership structure is good running a viable business.

The results of this research are in accordance with the risk theory of business performance, sales growth and ownership structure have a significant effect on the form of funding. The thing is to ensure that if the company has business results, marketing developments and forms of ownership grow together thereby improving the capital structure. Empirical evidence has been presented in metalworking companies and the like in 2019-2021, the biggest business value or risk is 0.20% growth 1% sales ownership structure 1%. Thus, it can be said that the impact of business, sales development, and form of ownership have a significant influence on the form of funding.

CONCLUSION

Sourced from the research findings, namely that:

1. Business risks can influence the form of funding. This means that as the company develops, the company's form of capital also develops.
2. Marketing developments have had a significant impact on forms of funding. The higher the marketing level, the higher the profits and taxes paid.
3. Ownership structure does not have a significant impact on the form of funding. This means that the level of ownership will not have an impact on the form of funding.
4. The impact of business, sales growth and form of ownership have a significant influence on the form of funding. This means that if the business results are high, the form of capital will also be high and if sales growth increases then the funds (capital) paid will increase, likewise with the ownership structure, if the ownership structure is good, decent company performance will be realized.

SUGGESTION

Based on analysis of research results and discussion results. The author provides recommendations that are expected to be useful and can be used by other parties.

1. If the company has a high business risk, it is best not to postpone it because it will put the company at risk of bankruptcy because it will increase interest costs and reduce income and have an impact on decreasing company value. Determining the optimal capital structure, the company must minimize the total cost of using capital, and pay attention to the level of business risk.

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2. The sales growth rate is directly influenced by annual sales. In order to increase sales, companies must improve sales performance with more marketing strategies and product improvements to minimize capital costs. So that the company obtains maximum profits and does not need to use debt to external parties.

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