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THE CAPITAL STRUCTURE DETERMINANTS IN FOOD AND BEVERAGE INDUSTRY

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ABSTRACT

This study aims to determine the effect of sales growth, business risk, company size, profitability, and company age on the capital structure of food and beverage industry sub-sector companies listed on the Indonesia Stock Exchange for the period 2017-2021. This study used secondary data. Sampling used purposive sampling. The number of samples obtained were 38 companies with 190 data processed. Data analysis used multiple linear regression with SmartPLS 4 software. The conclusion was that firm size has a significant positive effect on capital structure. While sales growth, business risk, profitability, and company age do not have a significant effect on capital structure. The finding of this research is the large size of the company will increase the capital structure, which against the theory that the size of company will decrease the capital structure due to information shared to public is more disclose.

Keywords: Sales Growth, Business Risk, Company Size, Profitability, Company Age, Capital Structure

DETERMINAN STRUKTUR MODAL PADA INDUSTRI MAKANAN DAN MINUMAN

ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh pertumbuhan penjualan, risiko bisnis, ukuran perusahaan, profitabilitas, dan umur perusahaan terhadap struktur modal pada perusahaan subsektor industri makanan dan minuman yang terdaftar di Bursa Efek Indonesia periode 2017-2021. Penelitian ini menggunakan data sekunder. Pengambilan sampel menggunakan purposive sampling. Jumlah sampel yang diperoleh sebanyak 38 perusahaan dengan 190 data yang diolah. Analisis data menggunakan regresi linier berganda dengan software SmartPLS 4. Kesimpulannya ukuran perusahaan berpengaruh positif signifikan terhadap struktur modal. Sedangkan pertumbuhan penjualan, risiko bisnis, profitabilitas, dan umur perusahaan tidak berpengaruh signifikan terhadap struktur modal. Temuan penelitian ini adalah semakin besar ukuran perusahaan akan meningkatkan struktur modal, hal ini bertentangan dengan teori yang menyatakan bahwa ukuran perusahaan akan menurunkan struktur modal karena informasi yang dibagikan kepada publik lebih terbuka.

***Kata Kunci**: Pertumbuhan Penjualan, Risiko Bisnis, Ukuran Perusahaan, Profitabilitas, Umur Perusahaan, Struktur Modal*

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INTRODUCTION

One of the things that become a benchmark for a country's economic development is the level of world capital market development and securities industries in that country. The capital market acts as a means to mobilize funds from parties who have excess funds to those who need funds. The presence of the capital market increases the choice of sources of funds and investment choices for investors, so that the opportunity to obtain greater returns in accordance with the characteristics of the selected investment (Bintara, 2020).

Capital is an essential instrument in supporting the sustainability of a company, especially companies engaged in the manufacturing sector. This funding issue is very important because it is related to many parties, such as creditors, shareholders, and management themselves (Triyono et al., 2019). One of the basic decisions of financial management is the capital structure decision. Failure to determine the composition of the capital structure has the potential to bring the company into financial difficulties; as a result, it can cause bankruptcy (Wiagustini et al., 2017).

Capital structure is a balance between the uses of own capital with the use of debt and has implication for building the Capital Structure, which means the proportion of equity and debt will be used, so that it can produce an optimal capital structure (Marlina et al., 2020). Capital structure is a mixture of debt and equity in a suitable ratio, required for running the routine operations of corporations (Alnajjar, 2015).

The food and beverage industry is one of the mainstay manufacturing sectors in making a major contribution to national economic growth. During the Self-Assessment INDI 4.0 and Launching Program for the Transformation of the Food and Beverage Industry towards Industry 4.0 in 2024, Putu highlighted that in 2023, the F&B industry contributed 39.10% to the non-oil and gas gross domestic product (GDP) and 6.55% to the national GDP. Despite facing setbacks due to the COVID-19 pandemic, the F&B sector rebounded with a 4.47% growth in 2023 (year-on-year), according to Director General of Agro-Industry at the Ministry of Industry. Moreover, the F&B industry achieved a positive trade balance of USD 25.21 billion in 2023, with exports totalling USD 41.70 billion and imports at USD 16.49 billion. Investment in the F&B industry continued to grow, reaching IDR 85.10 trillion in 2023 (IBAI, 2024).

Considering the important role of the food and beverage industry, strengthening the capital structure in this sector must be considered. The capital structure of a firm consists of various sources, which are presented in the equity and liability side of the balance sheet (Modugu, 2013). Some determinants that can influence capital structure include sales growth, business risks, company size, profitability, and company age.

High or stable sales growth can have a positive impact on company profits so that it becomes a consideration of company management in determining capital structure (Marlina et al., 2020). The sales growth rate will have an impact on the capital structure because the situation that the companies will tend to hold back the use of debt to avoid risks due to business uncertainty. Companies with high sales growth rates will try to increase their fixed assets, requiring more funds in the future, but must still be able to maintain their profit levels. As a result, retained earnings will increase and the company will also tend to have more debt to maintain its debt ratio. Previous research results provide evidence that sales growth had a positive effect on capital structure (Fachri & Adiyanto, 2019; Hakim & Apriliani, 2020; Triyono et al., 2019), however the previous research of manufacturing industry competition in Asia shows that the profitability ratio and the sales growth had no significant difference each other (Fazli et al., 2013; Setyawan et al., 2016).

Another factor that can influence capital structure is business risk because it is related to debt. Business risk is an important determinant of capital structure and represents the amount of risk inherent in a company's operations even if it did not use debt financing (Brigham & Houston, 2018). Business risk is the uncertainty that a company faces in carrying out its business activities (Hakim & Apriliani, 2020). This risk includes the company's inability to pay its obligations due to failure to achieve the targeted profit. The previous research proved that business risk has a significant positive effect on capital structure (Barqoya, 2019), however Setyawan et al. (2016) proved that business risk has a significant negative effect on capital structure.

The nexus of firm size and capital structure explained by Kurshev & Strebulaev (2015), that smaller firms issue more debt conditional on refinancing but they wait longer before restructuring again. Brigham & Houston (2018) stated that firm size is a factor that affects capital structure because a big firm tends to have more loan. Firm size will affect the borrowing policy of a firm. A big firm that has good reputation in public will have more loan as the fund source. The aim is to optimize the firm value and minimalize the capital cost of firm. Differences in research results such as Setyawan et al. (2016) stated that company size had a significant positive effect on capital structure. Nugroho (2014) stated that company size had a significant negative effect on capital structure. Barqoya (2019) stated that company size had an insignificant negative effect on capital structure.

Brigham & Daves (2007) define profitability as the end result of various company policies and decisions. Profitability is one indicator that shows the company's operational effectiveness and the combined impact of liquidity, asset management and the end result of the use of corporate debt (Brigham & Daves, 2010: 265). Andawasatya et al. (2017) stated that profitability is one of the capitals besides debt to maintain the sustainability of the company. The results of the study from Setyawan (2016) stated that profitability has a significant positive

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effect on capital structure, meanwhile Barqoya (2019) stated that profitability has a significant negative effect on capital structure.

Prior research suggests that as a firm grows older many of its features change, and collectively these influence a number of aspects of its behavior. In terms of a firm's capital structure decisions, there are several studies that document how aging firms have more assets-in place than growth options, and so justifies their taking on more debt (Kieschnick & Moussawi, 2018). The differences in research results of Setyawan (2016), Margana & Wiagustini (2019), and Uyar & Guzelyurt (2015) which stated that firm age has a significant positive effect on capital structure, meanwhile Wardana & Sudiartha (2015) and Serrasqueiro & Caetano (2015) mention that firm age has a significant negative effect on capital structure.

LITERATURE REVIEW

The Signalling Theory

The signalling theory is a theory that concept an action taken by the management of a company that provides clues to investors about how management views the company's prospects. The signalling theory explains why companies have an incentive to provide financial report information to external parties. The incentive for companies to provide information is because there is information asymmetry between the company and outside parties because the company knows more about the company and its future prospects than investors and creditors. The lack of information for outside parties about the company causes them to protect themselves by giving a low price for the company. Companies can increase the value of the company by reducing information asymmetry. One way to reduce information asymmetry is to provide signals to outside parties. This theory provides an explanation of the reasons why companies have the desire to convey or provide information related to the company's financial reports to external parties. This is due to the situation based on the existence of information asymmetry between company management and external parties (Bergh et al., 2014).

Due to this theory, accordingly capital structure of a company will be very important to be stable in order to convince the investor to put their capital to improve the company. Corporate executives who have better information about their company will be encouraged to convey this information to potential investors where the company can increase the value of the company through its reporting by sending signals through its annual report (Scott, 2015).

Capital Structure

Capital Structure is a company action to fund its total assets where the decisions to be made pose challenges for the company Claude (2016) in Mahirun & Kushermanto (2018). The capital structure refers to the ratio between the company's own and borrowed capital (Brusov & Filatova, 2023). Capital structure is the comparison between debt (foreign capital) and equity (Hanafi & Halim, 2016).

Capital Structure shows the level of ability to use the company's capital itself in fulfilling its obligations (Kesuma, 2015). The proportion between debt and equity in a company is called the capital structure. Corporate capital structure decisions include determining the target capital structure (optimal), average debt maturity, and certain types of financing that are decided to be used at a certain time (Brigham & Ehrhardt, 2017: 608).

The relation between Sales Growth and Capital Structure

According to Pradana et all. (2013) sales growth is the company's performance to gain profits after determining a sales target. Sales growth is a prediction of the company's future sales growth by looking at the successful behavior of investments in the previous period (Widhiari & Merkusiwati, 2015). Sales growth is used as a prediction for future growth. As long as the level of debt can increase profit growth, it is expected that the turnover of assets owned by the company and sales growth will also increase. But the existence of very high debt can increase the risk of the company's smooth running in short-term debt financing. So, it is expected that the company can maintain sales growth so that it can meet the survival of the company.

Companies with relatively stable sales mean they have relatively stable cash flow, so they can use more debt than companies with unstable sales. Companies in the agribusiness sector, where product prices fluctuate greatly, have unstable cash flow, so they should not be financed with large amounts of debt (Sartono, 2016). Companies that have increasing profits have a larger amount of retained earnings. Increased company profits increase the amount of equity derived from retained earnings. Relatively stable and ever-increasing sales in a company make it easier for the company to obtain external funds or debt to improve its operations. Companies with relatively stable sales levels can more safely obtain many loans and bear higher fixed costs compared to companies with unstable sales (Brigham & Houston, 2018). Therefore, the following hypothesis was constructed:
H_1: Sales growth has a positive and significant effect on capital structure.

The relation between Business Risks and Capital Structure

Companies that have large amounts of fixed assets can use large amounts of debt because of the scale of large companies it will be easier to get access to sources of funds compared to small companies. Then the large amount

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of fixed assets can be used as collateral or collateral for the company's debt. Indeed, the use of large amounts of debt will increase financial risk, while large amounts of fixed assets will certainly increase business risk and ultimately mean that the total risk also increases (Sartono, 2016).

Business risk is the possibility of a company's inability to fund its operational activities. Measured by looking at the comparison between net profit after interest and taxes (EBIT) and total assets can be seen from the company's balance sheet and income statement (Brigham & Houston, 2018). Business risk can increase when a company uses high debt to meet its funding needs. Risk arises along with the emergence of cost burdens on loans made by the company. The greater the cost burden that must be borne, the greater the risk faced by the company. Therefore, the following hypothesis was constructed:

H_2: Business Risk has a negative and significant effect on capital structure.

The relation between Company Size and Capital Structure

The larger the size of the company, the more information it will disclose in its annual report, both financial and non-financial information. The first reason is that large companies are more likely to have lower information production costs or competitive loss costs than small companies. Second, large companies are likely to have a broad rationale that requires more disclosure due to demands from shareholders. Third, large companies may recruit highly qualified human resources needed to implement sophisticated reporting systems. Fourth, small company managers believe that more information is disclosed can harm the company's competitive potential (Ulum, 2009). Therefore, the following hypothesis was constructed:

H_3: Company Size has a negative and significant effect on capital structure

The relation between Profitability and Capital Structure

Companies with high returns on investment will use relatively small debt. High returns will reduce dependence on external parties, because high profit rates allow companies to obtain most of their funding from retained earnings (Brigham and Houston, 2018). High retained earnings are sufficient to finance most of the funding needs (Sartono, 2015), because using retained earnings shows that the company is able to finance the company's operating activities without having to use debt. With large retained earnings, companies will prefer to use retained earnings before using debt. Profitability is a picture of a company's ability to generate profits. Based on the pecking order theory, companies prefer internal financing. Companies that have high profitability prefer internal funding first. So, if the profitability of a company increases, the capital structure will decrease as the company's use of debt decreases. Therefore, the following hypothesis was constructed:

H_4: Profitability has a positive and significant effect on capital structure

The relation between Firm Age and Capital Structure

Prior research suggests that as a firm grows older many of its features change, and collectively these influence a number of aspects of its behavior. In terms of a firm's capital structure decisions, there are several studies that document how aging firms have more assets-inplace than growth options, and so justifies their taking on more debt (Kieschnick & Moussawi, 2018).

According to Widhiasari (2016) the age of the company is the company's ability to run its operations since its establishment until now. Companies that are older are considered more capable of collecting, processing, and producing information when needed because they have had sufficient experience in this regard. In addition, companies that have been established for a long time are usually considered to have good performance so that they create public trust and the company will strive to be able to show how the company can maintain its reputation and position in the industry in an increasingly tight competition. Therefore, the following hypothesis was constructed:

H_5: Firm age has a positive and significant effect on capital structure

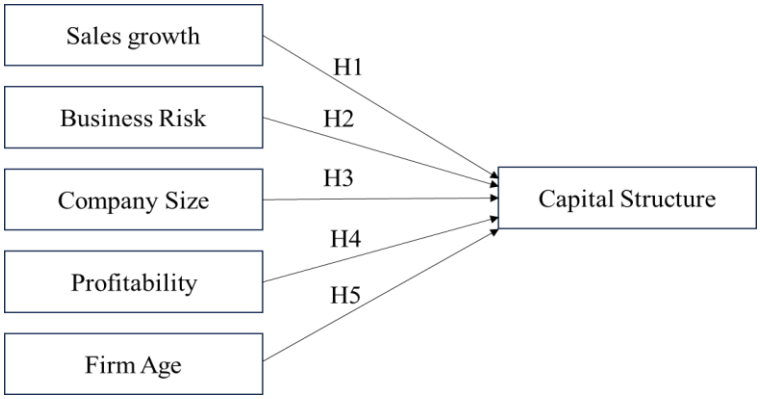

Figure 1. Framework

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Research Framework
The research framework is shown in Figure 1.

METHODOLOGY
This study was a quantitative descriptive research. The sample used in this study was the financial data of companies listed on the IDX in 2017-2021. The sampling technique used was purposive sampling method sased on certain criteria, a research sample of 38 companies was obtained, which can be seen in the Table 1.

Table 1. Sampling Criteria

No	Criteria	Total
1.	Food and beverage industry sub-sector companies that were listed on the IDX in 2021	80
2.	Food and beverage industry sub-sector companies listed on the IDX after 2017 (non sample)	(37)
3.	Food and beverage industry sub-sector companies that were delisted or suspended in 2017-2021 (nosample)	(3)
4	Companies in the food and beverage industry sub-sector whose 2017-2021 financial reports are in US Dollars (non sample)	(2)
	Total Sample	38

Sumber : Data Olahan (2023)

Operational and Measurement of Research Variables
Operational definition explains the specific way used in a study to operationalize a construct, thus enabling other studies to replicate measurements in the same way or develop better methods of measuring the variables. Operational and measurement of research variables are shown in Table 2.

Table 2. Operational and Measurement of Research Variables

Variable	Indicator	Scale
Capital Structure (Y)	DER $=\frac{\text{Total Debt}}{\text{Total } Equity}$ x100% (Riyanto, 2011)	Ratio
Sales Growth (X_1)	*Sales Growth* $=\frac{\text{Sales } (t)-\text{Sales } (t-1)}{\text{Sales } (t-1)}$ x100% (Harahap, 2015)	Ratio
Business Risk (X_2)	BRISK $=\frac{\text{EBIT}}{\text{total assets}}$ (Brigham dan Houston, 2018)	Ratio
Company Size (X_3)	SIZE = Log (total aset) (Hartono, 2015)	Ratio
Profitability (X_4)	ROA $=\frac{\text{Net Income After Tax}}{\text{Total Assets}}$ x 100% (Hery, 2017)	Ratio
Firm Age (X_5)	AGE = Annual report year - IPO year (Ulum, 2013)	Ratio

Types and Sources of Data
In this study, the type of data used is secondary data obtained from the publication of annual financial reports and independent auditor reports of Food and Beverage Industry Sub-Sector Companies listed on the IDX in 2017-2021 with direct access via www.idx.co.id.

Data Analysis Techniques
The data analysis technique in this study uses multiple linear regression analysis, descriptive analysis, testing of classical assumptions and hypothesis testing. The study uses SmartPLS because the data is not normal.

Descriptive Analysis
Descriptive data analysis is used to provide an overview of the data obtained from a research result. where the description of this data is the minimum value, maximum value, mean and standard deviation.

Classical Assumption Test
Multicollinearity Test
The multicollinearity test is a test where in the regression model a correlation is found that is close to perfect between independent or free variables. In a good regression model, there should be no correlation between independent variables. To detect multicollinearity by looking at the tolerance value and the variance inflation factor (VIF) value. The reference for multicollinearity is if VIF < 10, then it can be concluded that there is no multicollinearity between the independent variables in the regression model.

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Autocorrelation Test
The autocorrelation test is used to test whether in the linear regression model there is a correlation between the disturbance error in period t and the disturbance error t-1 (previous). The testing method uses the Durbin Watson test (DW test). A regression model that is free from autocorrelation is if the Durbin-Watson value is between the upper limit value (dU) and 4-dU. To detect the presence or absence of autocorrelation, the Durbin Watson test (DW-Test) can be used.

Heteroscedasticity Test
The heteroscedasticity test is where in the regression model there is inequality of variance from the residuals from one observation to another. This test is carried out by regressing the absolute value of the residuals on the independent variables. This test can be seen from the probability of significance above the 5% confidence level which does not contain heteroscedasticity.

Multiple Linear Regression
Multiple linear regression analysis is an analysis used to measure the magnitude of the influence of two or more independent or free variables on one dependent or bound variable predicting the dependent variable with the independent or free variable. The general equation of multiple linear regression is:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e \quad (1)$$

Notes:
Y = Capital Structure
α = constant
X_1 = Sales Growth
X_2 = Business Risk
X_3 = Company size
X_4 = Profitability
X_5 = Firm Age
$\beta_1\beta_2,..\beta n$ = Regression coefficient of each independent variable

Model Test (F Test)
The F test is a test of the regression coefficient simultaneously. This simultaneous test is carried out by comparing the level of significance F from the test results with the significance value used in this study. The method of simultaneous testing of the independent variables used in this study is (Ghozali, 2013) the sig level F ≤ 0.05 then the independent variables simultaneously affect the dependent variable, namely capital structure and vice versa.

Coefficient of Determination (R^2)
The coefficient of determination (R^2) aims to measure how far the ability of the independent variable is to explain the variation of the dependent variable. The value of the coefficient of determination is between zero and one. The value of the results of this coefficient of determination test is seen from the value of adjusted R2, the better the regression model used in a research model (Ghozali, 2013). The value of the coefficient of determination (R2) is calculated using the formula:

$$KD = r^2 \times 100\% \quad (2)$$

Where: KD = Determination Coefficient
r^2 = Correlation Coefficient

Hypothesis Testing (t-Test)
The hypothesis test in this study uses the statistical t-test, as well as to test the partial effect of each independent variable on the dependent variable. The t-test is carried out by looking at the calculated t and then comparing it with the t-table. The t-test is carried out by looking at the calculated t and then comparing it with the t-table (Ghozali, 2013). If the calculated t value> t-table or significance (probability) <0.05, then the independent variable partially affects the dependent variable and vice versa.

Testing Using SmartPLS
The data analysis technique in this study uses multiple linear regression analysis. Testing on classical assumptions if the results of data distribution are not normal, then the hypothesis test of the research data results is continued using PLS as the analysis tool.

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RESULT AND DISCUSSION

Variable Description

Descriptive analysis of Sales Growth (X1), Business Risk (X2), Company Size (X3), Profitability (X4), Company Age (X5), and Capital Structure (Y) are:

Table 3. Statistic Descriptive

	Average	Minimum	Maximum	Deviation Standard
Sales G	7.454	-85.495	93.698	22.916
BRISK	0.085	-0.154	0.626	0.102
SIZE	6.679	4.958	8.254	0.633
ROA	5.250	-58.253	60.717	13.277
AGE	19.579	4.000	40.000	8.973
DER	112.864	-3063.853	1721.064	343.865

Source: Processed Data (2023)

As seen on the table above, it can be seen that the number of data observed from all variables is 190 data. The Sales Growth variable (X1) is known to have a minimum value of -85.495, a maximum value of 93.698, a mean value of 7.454 and a standard deviation value of 22.916. The Business Risk variable (X2) is known to have a minimum value of -0.154, a maximum value of 0.626, a mean value of 0.085 and a standard deviation value of 0.102. The Company Size variable (X3) is known to have a minimum value of 4.958, a maximum value of 8.254, a mean value of 6.679 and a standard deviation value of 0.633. The Profitability variable (X4) is known to have a minimum value of -58.253, a maximum value of 60.717, a mean value of 5.250 and a standard deviation value of 13.277. The Company Age variable (X5) is known to have a minimum value of 4, a maximum value of 40, a mean value of 19.579 and a standard deviation value of 8.973. The Capital Structure variable (Y) is known to have a minimum value of -3063.853, a maximum value of 1721.064, a mean value of 112.864 and a standard deviation value of 343.865.

Classical Assumption Test

Multicollinearity Test Result

The results of the multicollinearity test through the Variance Inflation Factor (VIF) test if each variable shows a VIF value from the Sales Growth (X1), Business Risk (X2), Company Size (X3), Profitability (X4), and Company Age (X5) variables are less than 10.00.

Heteroscedasticity Test Result

The method used to detect the presence or absence of heteroscedasticity is the Breusch-Pagan Test. This test can be seen from the probability of significance above the 5% confidence level which does not contain heteroscedasticity. If the significance level is more than 0.05, it means that there are no symptoms of heteroscedasticity and if it is less than 0.05, it means that there are symptoms of heteroscedasticity. The test results show that the Sig. value is less than 0.05, this means that there is an indication of symptoms of heteroscedasticity in this regression.

Autocorrelation Test Result

The autocorrelation test uses Durbin-Watson. If the DW number is between -2 and +2, it means that there is no autocorrelation. Based on the results of the autocorrelation test in the table, it shows that the Durbin-Watson value is between -2 and +2, which means that there is no autocorrelation symptom

Model Feasibility Test

Coefficient of Determination (R2) Test Result

The coefficient of determination (R) measures how far the model's ability to explain the variation of the dependent variable. The test results show an adjusted R square value of 0.008 or 0.8%, which means it is in the weak category. A small R2 value means that the ability of the Sales Growth (X1), Business Risk (X2), Company Size (X3), Profitability (X4), and Company Age (X5) variables to explain the variation of the Capital Structure (Y) variable is very limited, which is only 8% and the remaining 92% is influenced by other variables not examined in this study.

F Square Test Result

The results of the F Square test show that the influence of the independent variables Sales Growth (X1), Business Risk (X2), Company Size (X3), Profitability (X4), and Company Age (X5) on the Capital Structure variable (Y) has no significant effect.

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Multiple Linear Regression Test Result

Multiple regression analysis is used to test the influence of two or more independent variables on the dependent variable, the multiple linear regression equation in this study is:

$$Y = 0{,}476\ X_1 - 138{,}180\ X_2 + 33{,}133\ X_3 + 1{,}628\ X_4 - 5.786\ X_5 \quad (3)$$

The regression coefficient of the Sales Growth variable (X1) is 0.476. This means that if Sales Growth (X1) increases by 1 unit, it will affect the Capital Structure (Y) with an increase of 0.476 units and vice versa. The regression coefficient of the Business Risk variable (X2) is -138.180. This means that if Business Risk (X2) increases by one unit, it will affect the Capital Structure (Y) with a decrease of one unit, which is -138.180 and vice versa. The regression coefficient of the Company Size variable (X3) is 33.133. This means that if Company Size (X3) increases by one unit, it will affect the Capital Structure (Y) with a decrease of one unit, which is 33.133 and vice versa. The regression coefficient of the Profitability variable (X4) is 1.628. This means that if profitability increases by 1 unit, it will affect the Capital Structure (Y) with a decrease of 1 unit, which is 1.628 and vice versa. The regression coefficient of the Company Age variable (X5) is -5.786. This means that if the company's age increases by 1 unit, it will affect the Capital Structure (Y) with a decrease of 1 unit, which is -5.786 and vice versa.

Hypothesis Test Result

The individual parameter significance test (t-test) is used to determine whether the independent variables individually influence the t variable, assuming the other independent variables are constant.

Table 4. T Test Result

	T value	P value	Conclusion
Sales Growth (SG) (X_1)	0,432	0,666	Not sig.
Business Risk (BRISK) (X_2)	0,344	0,731	Not sig
Company Size (SIZE) (X_3)	3,777	0,000	Sig.
Profitability (ROA) (X_4)	0,571	0,569	Not sig
Firm Size (AGE) (X_5)	1,905	0,058	Not sig

Source: Processed Data SmartPLS, 2023

Based on the research results obtained, it shows that the p-value of sales growth is 0.666 greater than α = 0.05, meaning that the sales growth variable individually has no significant effect on the capital structure variable. The results show that the p-value of business risk is 0.731 greater than α = 0.05, meaning that the business risk variable individually has no significant effect on the capital structure variable. The results show that the p-value of company size is 0.000 smaller than α = 0.05, meaning that the company size variable individually has a significant effect on the capital structure variable. The results show that the p-value of profitability is 0.569 greater than α = 0.05, meaning that the profitability variable individually has a significant positive effect on the capital structure variable. The results show that the p-value of company age is 0.058 greater than α = 0.05, meaning that the company age variable individually has a significant positive effect on the capital structure variable.

Discussion

The Effect of Sales Growth on Capital Structure

The regression results show that sales growth has an insignificant positive effect on the capital structure (DER) of food and beverage industry sub-sector companies listed on the IDX in 2017-2021, meaning that sales growth cannot guarantee that the company has a better capital structure. Sales growth is also not considered too much by investors in investing, where the sales growth of the company owned must be accompanied by the amount of profit and dividends expected by investors.

A company that has a high growth rate will need additional assets to support sales growth so that the company has large growth using more debt. Sales growth is a measure of the extent to which a company's earnings per share can be increased by debt. This growth will increase earnings before interest and taxes, so that company funding using debt with interest expense as a tax deduction can increase net income so that earnings per share also increases. The pecking order theory has a positive signal, namely, companies with high growth will expand using debt.

Sales growth is stated to have a negative and insignificant effect on capital structure because the company's sales are mostly credit sales, namely in the form of receivables, so creditors do not consider the company's sales growth in providing credit. The need for funds used to finance sales growth illustrates the size of the company's earnings per share which is increased by debt. Companies with relatively stable sales can borrow more and bear higher fixed costs compared to companies with unstable sales. Companies that grow rapidly tend to use more debt to finance their business activities than companies that grow slowly. Furthermore, the results of

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this study are supported by Fazli et al. (2013) which states that sales growth has no significant effect on capital structure. Setyawan et al. (2016) also found that sales growth has no significant effect on capital structure.

The Effect of Business Risk on Capital Structure

The regression results show that business risk has an insignificant positive effect on the capital structure of companies in the Food and Beverage Industry sub-sector listed on the IDX in 2017-2021, meaning that business risk cannot guarantee that the company has a better capital structure.

Business risk is the possibility of losses or consequences due to uncertainty. The emergence of risks in business in doing business can arise from many factors such as poor management, immature business strategies, or poor company systems. Business risk causes companies to be unable to meet company targets and objectives so that they are unable to provide adequate returns for investors. Uncertainty can also lead to business failure and even bankruptcy. Business risk can increase when companies use high debt to meet their funding needs due to the emergence of cost burdens on loans made by the company.

Companies that have large amounts of fixed assets can use large amounts of debt because of their scale, it will be easier to get access to sources of funds compared to small companies. Then the amount of fixed assets can be used as collateral or collateral for the company's debt. The use of large amounts of debt results in increased financial risk, while large amounts of fixed assets will certainly increase business risk and ultimately mean that total risk also increases. Business risk can increase when a company uses high debt to meet funding needs. Risk arises along with the emergence of cost burdens on loans made.

The optimal capital structure is a condition where the capital structure has a level of risk and a level of return in a balanced state so that it can maximize the value of the company. A company can be said to have an efficient level of funding if it has an optimal capital structure. This result is supported by Setyawan et al. (2016) who stated that business risk is not significant to capital structure.

The Effect of Company Size on Capital Structure

The regression results show that company size has a significant positive effect on the capital structure of companies in the food and beverage industry sub-sector listed on the IDX in 2017-2021. This means that every company must have assets or wealth that have a high turnover rate and are most quickly cashed in within a short period of time. The more assets that can be cashed in, the more expenses the company will incur to finance the company's operations, so this affects the capital structure. The size of a company will affect the capital structure, the larger the company, the greater the funds needed by the company to make investments.

Companies that are large in size will use more debt than small companies, because larger companies will find it easier to obtain loans than small companies because larger companies tend to have a higher level of leverage compared to small companies, where the bankruptcy rate is lower compared to small companies so that the capital structure will also increase due to high debt.

The large size of the company is considered as an indicator that describes the level of risk for investors to invest in the company, because if the company has good financial capabilities, it is believed that the company is also able to fulfil all obligations and provide an adequate rate of return for investors. The larger the size of a company, the greater the capital needed by the company for its operations, the greater the total assets owned by the company, and the greater the tendency to use external funds. Large companies will find it easier to obtain capital in the capital market compared to small companies, because the ease of access means that large companies have greater flexibility. Companies with a larger size have greater confidence in obtaining sources of funds or credit from external parties. The large size of the company is a positive signal for creditors to provide loans, so that the size of the company has a positive effect on the capital structure. These results are the same as the study Setyawan et al. (2016) which concluded that the size of the company has a significant positive effect on the capital structure. Nugroho (2014) also found that the size of the company has a significant positive effect on the capital structure.

The Effect of Profitability on Capital Structure

The regression results show that profitability has an insignificant positive effect on the capital structure of food and beverage industry sub-sector companies listed on the IDX in 2017-2021, meaning that management has not taken action or policies in managing and controlling receivables, resulting in accumulating receivables and causing significant losses. The higher the value of liabilities in the financial statement ratio, the greater the risk faced by investors. The use of high debt will have an impact on the sustainability of the company and can be a heavy burden in carrying out its operational activities

Profitability is a company's ability to generate profits and measure the level of operational efficiency and efficiency in using its assets. High profitability shows that the company can manage all of the company's receivables effectively and efficiently to obtain profits each period. DER can provide a reference in the capital structure owned by the company, so that the risk of debt management can be seen. Based on the results of this study, it can be seen that companies that have high debt will not affect the company's profits and investors will

also reconsider investing in the company, where investors want the company to generate high profits with good debt management. Pecking order theory states that companies prefer internal financing. Profitability is a picture of a company's ability to generate profits.

Companies that have a high level of profitability prefer internal funding first. So, if the profitability of a company increases, the company's capital structure will decrease as the company's use of debt decreases. If internal funds have met the needs of most of the funds, the company can reduce debt to a lower level. This means that internal funds have been able to be the main choice in meeting financing sources.

Companies that have a high level of profitability will reduce dependence on capital from outside parties, because a high level of profit allows the company to obtain most of its funding generated internally in the form of retained earnings before the company uses external funding sources. This can be caused because the higher the profit obtained by the company. The more funds will be obtained as a source of funds so that it does not depend on the use of debt. The results of this study are supported by the results of research conducted by Barqoya (2019) which states that profitability has no significant effect on capital structure.

The Effect of Company Age on Capital Structure

The regression results show that company age has an insignificant positive effect on the capital structure of consumer goods industry sub-sector companies listed on the IDX in 2017-2021. Companies that have been established for a long time do not necessarily have better performance. Investors will look at the company how the company strives to maintain its reputation and position in the industry and face increasingly fierce competition.

The number of companies listed on the IDX and continues to grow every year and the inability of companies that have been established for a long time to compete with new companies means that the age of the company does not affect the company's capital structure. In addition, the company must be able to maintain it so that it can continue to stand and avoid bankruptcy, it must also be able to maintain and even increase the value of its company. Companies with a higher company age will be attractive to investors in investing, but it is not a guarantee that the company will receive additional funds to continue operating and competing and developing its business. The insignificant effect shows that the age of the company is not related to the fluctuating capital structure. The results of this study are supported by the results of research conducted by Wardana & Sudiartha (2015) which states that the age of the company has an insignificant effect on the capital structure.

CONCLUSION

Based on the data analysis that has been carried out, the results of the study can be concluded that sales growth has an insignificant positive effect on the capital structure of food and beverage industry sub-sector companies listed on the IDX in 2017-2021. Business risk has an insignificant positive effect on the capital structure of food and beverage industry sub-sector companies. Company size has a positive and significant effect on the capital structure of food and beverage industry sub-sector companies. Profitability has an insignificant positive effect on the capital structure of food and beverage industry sub-sector companies. Company age has an insignificant positive effect on the capital structure of food and beverage industry sub-sector companies. Limitations in this study such as the factors that influence the capital structure in this study only use the variables of sales growth, business risk, company size, profitability and company age, while there are many other variables that influence the capital structure. The results of the study found only one significant variable, namely company size, while other independent variables were not significant because the number of company samples taken was only in one sub-sector. Limitations of data collection on idx.co.id, data that is more than 3 years old is diverted to other commercial websites.

Some suggestions that are expected to be useful in research include these results also adding knowledge and insight into the company size variable that affects capital structure. These results are expected to be a consideration for investors in determining and deciding on investments to be made, because every investor wants better prospects for the company in the future. Similar research is needed using a longer research period and different data to determine the consistency of the influence of independent variables on capital structure, as well as more samples considering the increasingly rapid development of the capital market. Comparative research is needed with companies on foreign stock exchanges to determine what variables affect the capital structure of companies abroad other than in Indonesia. Further research can add variables that can strengthen hypothesis testing, and use a different model from this study.

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