THE ROLE OF CAPITAL STRUCTURE AS A MEDIATOR OF PROFITABILITY, COMPANY SIZE, AND BUSINESS RISK ON COMPANY VALUE (STUDY ON EXPORTERS LISTED ON THE INDONESIA STOCK EXCHANGE 2019-2023)

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Abstract

Capital structure is an important part of a firm's financial structure as a signal to the market about the firm's management and financial prospects. The optimal capital structure decision can increase the value of the company by increasing investors' perception of the company's stability and growth. This study aims to determine the role of capital structure on profitability, company size, business risk on firm value with capital structure as an intervening variable in companies listed on the Indonesia Stock Exchange (IDX). This study uses a quantitative approach and secondary data in the form of financial reports or summaries of annual reports from Exporter companies listed on the IDX in the 2019-2023 time span. The population that is the focus of this research is exporter companies listed on the IDX, with a total of 50 companies with a purposive sampling method, Data analysis was carried out using SEM-PLS version 3.2.9. The research results in this study are Profitability has a positive and significant effect on firm value. company size has a negative and significant effect on firm value. business risk has a positive and insignificant effect on firm value. profitability has a positive and significant effect on firm value. company size has a negative and significant effect on firm value. business risk has a positive and insignificant effect on firm value. capital structure has a negative and significant effect on firm value. Profitability has a negative and significant effect on capital structure. firm size has a positive and insignificant effect on capital structure. business risk has a positive and insignificant effect on capital structure.

Keywords: Capital Structure, Profitability, Company Size, Business Risk, Company Value

INTRODUCTION

The Industry 4.0 era makes every company strive to achieve a positive image and become a leader in the industry with efforts to improve company welfare. Company welfare is seen through various factors, including an increase in company value. Company value, also known as the company's market value, reflects the company's performance that is seen based on the price of the shares sold. An increase in firm value does not just indicate good financial performance, but creates prosperity for company owner (Akmalia & Aliyah, 2022)

Firm value is a key indicator that is first considered by potential investors before they make a decision to invest their funds in an issuer, and is often associated with the value of its share price. Investors' assessment of a company is strongly influenced by the value of the company, considering that the value describes the current condition and future potential of the company. In addition, firm value is also a key indicator in the valuation of stock investment. If the share price has increased, this is considered a good sign, because it reflects the achievement of the company's goal of maximising company value and distributing profits to shareholders or company owners (Iskandar, 2021).

The Indonesian capital market as a forum for companies to offer shares to the public is one of the links between investors and also the companies that offer their company shares publicly consisting of various industrial sectors. In 2024, there were 938 companies offering their shares to the public, of which consisted of various sectors, one of which was the manufacturing sector in which there were various companies such as exporting companies that managed natural resources (Bursa Efek Indonesia, 2024).

Exporting companies usually have exposure to exchange rate risk as they transact with foreign currencies. This can affect firm value and can be a significant factor in firm value analysis. Nonetheless, a comprehensive interpretation of the various factors that influence firm value in an industry context remains a critical area of research. Therefore, further analysis and understanding of the industry and market context will help provide a fairly complete picture of firm performance and the factors that can influence firm value. Firm value can be influenced by various factors, including profitability, firm size, business risk, and capital structure.

Profitability is often considered an indicator of a company's financial health. Companies that can earn high profits tend to gain investor confidence, which can be reflected in the market value or overall company value. The value of the company can be reflected in the share price, so if the company has an optimal level of profitability, it can affect the increase in the price of the shares, which in turn is able to optimise the value of the company(Mubyarto, 2020).

Bandanuji & Khoiruddin (2020) state that company size, especially in terms of operational scale, can affect company value. Companies that have a large economic scale may have lower cost advantages, which can lift the value of the company. Companies with a larger scale may be able to obtain funding from the capital market or financial institutions, which can support growth and maximise firm value.

Business risk can affect the share price of a company. If investors perceive that a business exhibits a high level of risk, this can create negative pressure on the share price and firm value. Businesses that are faced with high uncertainty and risk may have a lower value because investors tend to take risk into account in assessing the value of the company. This applies vice versa, a low level of risk can increase the level of investor confidence in the company, which can be reflected in an increase in company value (Alamsyah & Malanua, 2021).

Profitability, company size, and business risk are some of the factors that are considered to have an influence on firm value. Exporting companies listed on the stock exchange, especially those that manage natural resources in the period 2019 to 2023, experience fluctuations in the debt ratio, which tends to increase the company's debt ratio, while the PBV ratio has a downward trend (Directorate General of Customs, 2024). Based on this data, the company's capital structure is important to be studied further to find out the extent of the influence of factors that can affect company value.

REVIEW OF LITERATURE

Signaling Theory

Signaling theory is closely related to firm value through the mechanism of influence of information conveyed to the market or investors. When a company takes an action or

announces certain information, this is considered a signal that provides an indication of the company's condition or prospects. Positive signals, such as good financial performance or smart business strategies, can create confidence and improve the perception of firm value in the eyes of the market. Spence (1973) suggests that signal theory has significant relevance to firm value, especially in the context of asymmetric information in the market.

By providing positive signals, a company can improve its access to capital. Investors and lenders may be more willing to support companies that signal financial health and growth potential. This shows that signal theory helps companies manage perceptions and provide data that can increase the perception of the company's value in the eyes of stakeholders, which in turn can have a positive impact on the company's performance and business continuity (Brigham & Houston, 2019).

Trade off Theory

Trade-off theory refers to the concept where an issuer makes a decision between using debt or choosing equity as a funding tool, taking into account the tax benefits of debt (interest tax shield) and the illiquidity risk of the company (Myers, 2001). Trade-off theory is a view of capital structure that reveals if an issuer exchanges the tax benefits obtained from debt with the potential risk of bankruptcy it faces (Brigham & Houston, 2018). Basically, the trade-off theory in capital structure revolves around the effort to achieve a balance between profit and the consequences that arise from the use of debt. Trade-off theory implies that managers will consider the trade-off between the tax benefits obtained and the cost of illiquidity in determining the company's capital structure (Hanafi, 2016).

Company Value

Firm value is explained as a picture or view of potential investors on the performance of a company, which is usually related to the stock price. Firm value illustrates how successful the company is considered by the public or investors, and can be seen from the selling price of the company at the time of sale, the value of the company when it *goes public* in the capital market, or the stock price reflected based on demand and supply in a capital market. This reflects investors' views on the company's performance and is often related to the stock price (Bandanuji & Khoiruddin, 2020). Firm value is also defined as the price that

potential buyers (or investors) are willing to pay when the company is sold (Arsyada et al., 2022).

Price Book Value (PBV) shows how the company is able to generate value proportional to the capital that has been invested. Price to Book Value (PBV) is an important consideration for shareholders when evaluating the shares they want to buy. An increase in the entity's share price can provide maximum profit for investors. With an increase in share price, shareholder wealth also increases (Harmono, 2022). A high PBV illustrates the company's ability to realize value for each investor. The ratio between the stock market price and book value reflects the investor's view of the company. Investors tend to consider a company good if its profits and cash flow are stable and growing, showing a high PBV compared to issuers that have low growth.

Profitability

Profitability is the capability of a company to earn profits, where profit is a measure of company performance (Pangestuti et al., 2022). Profitability is an indicator that measures the efficiency of a company's management and shows how well the company is able to generate profits from the amount of sales or investment. As a concept, profitability involves evaluating a company's financial performance over a certain period, often determined on the ratio of operating profit and sales from the end-of-period income statement.

Profitability in this study is determined through the use of *Return On Assets* (ROA). ROA is a ratio that measures net income compared to total assets, assessing return on assets (Houston, 2016). The return on assets ratio reflects the efficiency of assets in obtaining net income, namely how much earning after tax is obtained from each unit of investment in total assets. This ratio is determined by dividing net income by total assets. The higher this ratio, the greater the net profit earned from each unit of investment in assets. Conversely, a lower ratio indicates a smaller net profit from each unit of investment in assets (Kasmir, 2019).

Company Size

Company size refers to the dimension or scale of the entity that is reflected or measured based on total assets, sales volume, total profit, tax burden, and other factors(Houston, 2016). Company size is a dimension or parameter that indicates the size or dimensions of the company, which can be determined based on various criteria such as total

assets, logarithmic scale, stock market capitalisation, sales volume, overall income, net capital, and other variables (Arsyada et al., 2022). Company size also reflects the amount of assets owned by a company. The larger the size of the company, the greater the value of the company, it can provide a positive signal to attract potential investors (Afinindy et al., 2021). Company size is concluded as a parameter or variable that reflects the size of an entity, with various measurement methods such as total assets, stock market value, total sales, number of employees, total profit, tax burden, and so on. Company size allows the classification of companies into large or small categories based on these various aspects. Company size can be reflected in its dimensions, whether assets owned, stock market value, or revenue.

Business Risk

Business risk refers to the uncertainty encountered by a company when carrying out its operations. Business risk is the risk arising from fluctuations in a company's revenue and operating costs that cause uncertainty about its future profitability (Al-Khadash & Jireis, 2017). Business risk is uncertainty in the projected future operating profit and loss for a company. This risk has an impact on the survival of the company and its ability to fulfil its financial obligations (Alamsyah & Malanua, 2021). Sartono (2019) states that in his theory, business risk is estimated using the degree of operating leverage (DOL). A high or low level of DOL will affect the company's business risk level.

$$\text{DOL} = \frac{\Delta\text{EBIT}}{\Delta\text{Sales}}$$

DOL is often related to financial decisions, such as the use of debt that requires interest payments, so it can be known that related to financial decisions and the company's capital structure can increase or decrease business risk.

Capital Structure

Capital structure refers to the combination or composition of a company's permanent long-term funding, which consists of debt, preferred stock, and common stock equity (Horne & Wachowicz, 2014) . Capital structure shows the balance between external and internal capital in funding the company's operations and investments. Capital structure is considered an important measure in spending decisions, because it reflects the company's strategy in using debt and equity to generate the necessary funding. Capital structure is the proportion

or ratio of debt to equity in a company's finances, which is an important aspect of investment decision-making (Robiyanto et al., 2020). In this research, the capital structure is determined by the value of the Debt to Equity Ratio (DER) to evaluate the proportion of debt used in financing the company's capital. The author chooses DER as an indicator because this ratio reflects the company's funding sources, where an increase in total debt can increase the risk of bankruptcy. DER is used as a financial statement analysis tool to show the level of collateral available to creditors (Fahmi, 2013). DER is a measure used to evaluate the relationship between the level of debt and the level of company equity (Kasmir, 2019).

RESEARCH METHOD

This study uses quantitative research methods. This study focuses more on the use of inference to test hypotheses, considering the potential for error when rejecting the null hypothesis (Azwar, 2022). This research falls into the category of associative research which highlights the causal relationship between variables. This causal relationship shows the existence of cause and effect between the identified variables (Sugiyono, 2019). The analysis method used is SEM-PLS with Smart PLS software version 3.2.9. The population that is the focus of this research is exporter issuers listed on the IDX, with a total of 50 companies and the sampling technique used is purposive sampling.

RESULTS AND DISCUSSION

Respondent Characteristics

Based on the results of statistical tests using Partial Least Square (PLS), the results of statistical tests are obtained as follows:

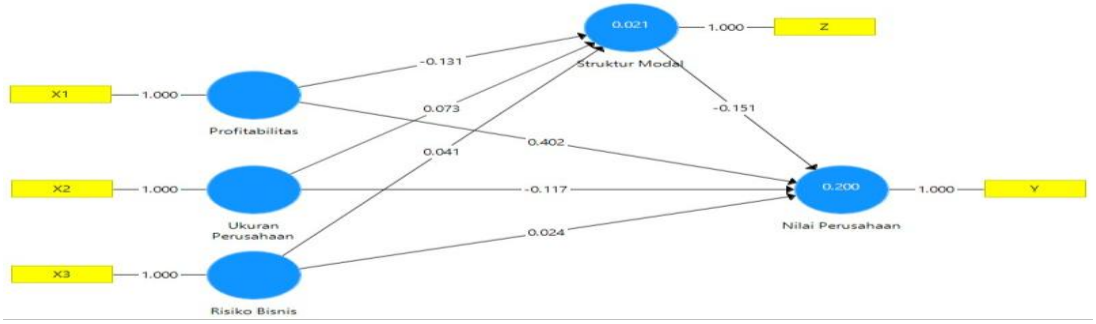

Figure 1
Model PLS

Model Test (Goodness of Fit)

The model test is carried out through the R-Square, f-Square, model_fit, and Q-Square tests, which can be explained as follows:

Table 1
R-Square Results

	R Square	R Square Adjusted
Company Value	0.200	0.185
Capital Structure	0.021	0.007

Source: Secondary data processed, 2024.

Table 1 explains that the R-Square value of the firm value variable is 0.200 and the capital structure variable is 0.021. This means that profitability, company size, business risk, and capital structure are able to explain variations in the firm value variable by 20% in the firm value and 21% in the capital structure. The R-squared value also shows that the first and second models are weak models.

Table 2
f-Square Results

	Company Value	Capital Structure
Profitability	0.193	0.021
Company Size	0.016	0.005
Business Risk	0.001	0.002
Capital Structure	0.028	

The effect of profitability on firm value is included in the moderate category with a value of 0.193, which is between 0.15 and 0.35. The effect of company size on firm value and the effect of business risk on firm value fall into the category of no effect with a value of 0.016 and 0.001 respectively, while the capital structure on firm value falls into the category of weak influence with a value of 0.028 which is between 0.02 to 0.15.

Profitability on capital structure is included in the weak influence category, with a value of 0.021 which is between 0.02 to 0.15. Meanwhile, firm size toward capital structure

and business risk toward capital structure are included in the no-effect category with values of 0.005 and 0.002 respectively.

Table 3
Inner VIF Values Results

	Company Value	Capital Structure
Profitability	1.046	1.029
Company Size	1.035	1.030
Business Risk	1.009	1.008
Capital Structure	1.021	

Table 3 shows that the results of the inner VIF values for each independent variable in the first and second models have VIF values below 5. This shows that there is no strong correlation between the independent variables used in the two models. Thus, it can be concluded that there are no multicollinearity symptoms in all models

Table 4
Model_Fit Results

	Saturated Model	**Estimated Model**
SRMR	0.000	0.000

Table 4 shows that based on the output results, the SRMR (Standardized Root Meansquare Residual) value seen from the saturated model is 0.000, and the estimated model is 0.000. If the SRMR value is less than 0.08, it can be concluded that the resulting model is fit.

Table 5
Q-Square Results

	Q^2 (=1-SSE/SSO)
Company Value	0.186
Profitability	
Business Risk	

Capital Structure	0.005
Company Size	

Table 5 shows that the Q-square value is 0.186 and 0.005. Because the Q-Square value is greater than 0, it can be concluded that the variables of profitability, firm size, business risk, and capital structure have predictive relevance for the variables of firm value and capital structure.

Table 6
Path Coefficient Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Profitability -> Company Value	0.402	0.410	0.062	6.511	0.000
Company Size -> Company Value	-0.117	-0.113	0.051	2.285	0.023
Business Risk -> Company Value	0.024	0.021	0.034	0.713	0.476
Capital Structure -> Company Value	-0.151	-0.151	0.040	3.744	0.000
Profitability -> Capital Structure	-0.131	-0.133	0.040	3.281	0.001
Company Size -> Capital Structure	0.073	0.076	0.067	1.084	0.279
Business Risk -> Capital Structure	0.041	0.033	0.039	1.058	0.290

Table 6 shows that from the output results, the regression equation formula can be written:

PBV = 0.402 ROA - 0.117 SIZE + 0.024 DOL - 0.151 DER .....(i)

DER = -0.131 ROA + 0.073 SIZE + 0.041 DOL ..... (ii)

The results of the equation can be explained that the profitability variable and the business risk variable have a positive effect on firm value, while firm size and capital structure have a negative effect on firm value. The result also shows that the profitability variable negatively influences capital structure, while the firm size and business risk variables positively influence capital structure.

Hypothesis Test

Hypothesis testing is done by comparing the value of the t statistic against 1.96, and the p-value against 0.05. If t count > 1.96 and p-value < 0.05, then the alternative hypothesis (Ha) is accepted. However, if t count < 1.96 and p-value> 0.05, the null hypothesis (Ho) is accepted.

Table 7
Hypothesis Test Results

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Decision
Profitability -> Company Value	0.402	6.511	0.000	H1 accepted
Company Size -> Company Value	-0.117	2.285	0.023	H2 accepted
Business Risk -> Company Value	0.024	0.713	0.476	H3 rejected
Capital Structure -> Company Value	-0.151	3.744	0.000	H4 accepted
Profitability -> Capital Structure	-0.131	3.281	0.001	H5 accepted
Company Size -> Capital Structure	0.073	1.084	0.279	H6 rejected
Business Risk -> Capital Structure	0.041	1.058	0.290	H7 rejected

Table 7 explains that from the output results, the effect of profitability, firm size, business risk, and capital structure on firm value, as well as the effect of profitability, firm size, and business risk on capital structure are explained as follows: Based on Table 4.9 above, it can be seen that the t-statistic value between profitability (X1) on firm value (Z) is 6.511 > 1.96 and p-value 0.000 < 0.05 so it can be concluded that H1 which states that profitability (X1) affects firm value (Z) is rejected. Based on the table above, it can be seen that the t-statistic value between company size (X2) on firm value (Z) is 2.285> 1.96 and P-values 0.023 <0.05 so it can be concluded that H2 is accepted. Based on the table above, it can be seen that the t-statistic value between business risk (X3) on firm value (Z) is (0.7135 < 1.96) and p-value 0.0476 < 0.05 so it can be concluded that H3 is rejected. Based on the table above, it can be seen that the t-statistic value between capital structure (Y) on firm value (Z) is 3.744 > 1.96 and the P-values of 0.000 are smaller than 0.05. 2.285>1.96 and P-values of 0.023<0.05 so it can be concluded that H4 is accepted. Based on the table above, it can be seen that the t-statistic value between Profitability (XI) on capital structure (Y) is 3.281> 1.96 and P-values of 0.001 are smaller than 0.05. So that can

Table 8
Mediation Test Results

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Decision-Making
Profitability -> Capital Structure -> Firm Value	0.020	2.497	0.013	H8 accepted
Firm Size -> Capital Structure -> Firm Value	-0.011	1.037	0.300	H9 rejected
Business Risk -> Capital Structure -> Firm Value	-0.006	0.986	0.325	H10 rejected

The statistical t-value for the effect of profitability on firm value through capital structure is 2.497 > 1.96 and P-values 0.013 are smaller than 0.05. This shows that the eighth hypothesis (H8), capital structure can mediate the effect of profitability on firm value, can be

accepted statistically. The statistical t-value for the effect of firm size on firm value through capital structure is 1.037 < 1.96 and P-values are 0.300 greater than 0.05. Thus, it can be concluded that the ninth hypothesis (H9), which states that capital structure can mediate the effect of firm size on firm value, is rejected. The t-statistic value for the effect of business risk on firm value through capital structure is 0.986 < 1.96 and P-values are 0.325 greater than 0.05. Thus, it can be concluded that the tenth hypothesis (H10), which states that capital structure can mediate the effect of business risk on firm value, is rejected.

Effect of Profitability on Firm Value

The results of statistical analysis explain that hypothesis one can be accepted, so it can be concluded that profitability has a positive and significant effect on firm value. Increased profitability often reflects good operational efficiency and strategic management. When SDA companies are able to manage their assets efficiently and earn greater profits, investors see this as a sign of stability and potential future growth. This leads to increased demand for the company's shares, which then pushes the share price up and increases the overall market value of the company. These results are also consistent with signaling theory, which states that company profitability can be a positive signal for investors regarding the company's future performance. Thus, the higher the level of profitability of SDA companies, the higher investors' expectations of the company's future performance, which will increase the company's value. This result supports the research results of Mubyarto (2020); Sari & Sedana (2020); Afinindy et al., (2021); Alifia & Sanusi (2021); Arsyada et al., (2022); and Fitri et al., (2023) which state that profitability has a significant effect on firm value.

Effect of Company Size on Firm Value

The results of statistical analysis explain that hypothesis two can be accepted, so it can be concluded that company size has a negative and significant effect on firm value. These results indicate that companies included in the Natural Resources (SDA) classification with large total assets can reduce operational efficiency and flexibility so that it will directly have a significant impact on firm value. Firm size is often associated with economies of scale, where large firms are expected to achieve better cost efficiency and increase profitability. Firm flexibility also tends to decrease as size increases. Large companies often experience more complicated internal bureaucracy and slow decision-making. In the natural resources

sector, which faces frequent regulatory changes, commodity price fluctuations, and global market uncertainty, the ability to respond quickly to change is critical. When large companies fail to adapt quickly, this can lower company performance and ultimately reduce the attractiveness of the company in the eyes of investors. These results support the research results of Bandanuji & Khoiruddin (2020), Hapsoro & Falih (2020), Sudrajat & Setiyawati (2021), and Arsyada et al. (2022) which state that company size has a significant effect on firm value.

The Effect of Business Risk on Firm Value

The results of statistical analysis explain that hypothesis three is rejected, so it can be concluded that business risk has a positive and insignificant effect on firm value. These results indicate that increased business risks such as uncertainty in revenue or fluctuations in operating costs experienced by the company, statistically do not have a strong enough impact to consistently or significantly affect firm value.

This result confirms that investors may have already factored these risks into their decisions or that companies have adopted effective strategies to manage and mitigate such risks. In certain sectors, such as natural resources, volatility in revenues and operating costs often occurs due to commodity price fluctuations, regulatory changes, or environmental challenges. If the company manages these risks well through diversification, hedging, or other risk management measures, the direct impact of business risks on the company's value can be minimal. In addition, broader market conditions or macroeconomic factors may have a more dominant role in influencing firm value, so that the effect of business risk is masked. These results support the results of Alamsyah & Malanua (2021) and Rahmi & Swandari (2021) research which state that business risk has no significant effect on firm value.

Effect of Capital Structure on Firm Value

The results of statistical analysis explain that hypothesis four is acceptable, so it can be concluded that capital structure has a negative and significant effect on firm value. Insignaling theory, it explains that a high capital structure in debt can give a negative signal to investors. According to this theory, a high proportion of debt in corporate financing is often considered a sign that the company faces greater financial risk or difficulty in obtaining funding through equity. Investors may interpret the excessive use of debt as an indication

that the company does not have enough internal funding or strong equity capitalization, reducing their confidence in the company's ability to survive in the long run. This signal makes investors value the company at a lower price, resulting in a decrease in company value. These results have supported the research results of Bandanuji & Khoiruddin (2020); Mubyarto (2020); Robiyanto et al., (2020); Sari & Sedana (2020); Afinindy et al., (2021); Nurwulandari et al., (2021) which state that capital structure has a significant effect on firm value.

Effect of Profitability on Capital Structure

The result of statistical analysis explains if hypothesis five can be accepted, so it can be concluded that profitability has a negative and significant effect on capital structure. This result indicates that the higher the company's ability to generate profit, the less the company relies on external debt in its financing. This is in line with the trade-off theory, which explains that the company will seek the optimal capital structure by considering the advantages and disadvantages of using debt. According to trade-off theory, more profitable companies will tend to use less debt because they have adequate internal funding sources, namely retained earnings. The higher the profitability, the more profitable firms will choose to use those profits to finance operations and investments, reducing dependence on external debt. Profitability has a negative influence on capital structure can be explained by trade-off theory, where companies prefer internal funding to reduce the burden and risk associated with debt-based financing, so their capital structure tends to be lower in debt proportion. This result supports the research results of Mubyarto (2020); Robiyanto et al., (2020); Sari & Sedana (2020); Nurwulandari et al., (2021); and Fitri et al., (2023) which state that profitability has a significant effect on capital structure.

Effect of Company Size on Firm Value

The results of statistical analysis explain that hypothesis six is rejected, so it can be concluded that company size has a positive and insignificant effect on capital structure. Large companies often have the capacity to fund their operations through sufficient internal funding, such as retained earnings. Therefore, although access to debt is more open, they may prefer to utilize their existing resources to maintain financial stability and avoid the additional risks associated with debt. Large firm size can also bring certain challenges, such as

operational complexity and higher management costs, which may affect managerial decisions regarding capital structure. External factors, such as economic conditions and government policies related to the SDA industry, can also influence financing decisions. In other words, although large companies have the capacity to borrow, the decision to do so may be influenced by managerial strategies and broader market conditions, resulting in an insignificant impact on capital structure. This result further supports the research results of Afinindy et al. (2021) and Fitri et al. (2023) which explain that company size has no significant effect on capital structure.

Effect of Business Risk on Firm Value

The results of statistical analysis explain that hypothesis seven is rejected, so it can be concluded that business risk has a positive and insignificant effect on capital structure. These results indicate that although the level of business risk experienced by the company is getting higher or increasing, it does not significantly affect the company's decision to manage its capital structure. Companies use portfolio diversification or cash reserves to mitigate the impact of risk so that financing decisions remain stable despite the increasing risk. Companies may also tend to prioritize operational stability and sustainability over changing capital structure based on changes in short-term risks. Therefore, although business risk may signal to management to evaluate and possibly change the capital structure, its impact may not be strong enough to drive significant changes. This result supports the research results of Rahmi & Swandari (2021) and Setyani et al. (2022) which state that business risk has no significant effect on capital structure.

CONCLUSION

Based on the research conducted, the results show that profitability has a positive and significant effect on firm value. company size has a negative and significant effect on firm value. business risk has a positive and insignificant effect on firm value. profitability has a positive and significant effect on firm value. company size has a negative and significant effect on firm value. business risk has a positive and insignificant effect on firm value. capital structure has a negative and significant effect on firm value. Profitability has a negative and significant effect on capital structure. firm size has a positive and insignificant effect on

capital structure. business risk has a positive and insignificant effect on capital structure. Policy implications that can be considered is Optimizing profitability, through increasing the efficiency of production and operational costs, product diversification to increase revenue, as well as export market expansion to expand the customer base, Co.

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