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Original Research Article

The Effect of Sales Stability and Business Risk on Capital Structure with Asset Structure as Moderating Variables in Basic Industry and Chemicals Companies Listed on the Indonesia Stock Exchange

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Abstract: The purpose of this study is to analyze the effect of sales stability and business risk on capital structure, with asset structure serving as a moderating variable, in basic industry and chemicals companies listed on the Indonesia Stock Exchange. The researcher is motivated to undertake this study because the phenomena of growing sales stability and lowering company risk are not accompanied by an increase in capital structure. This study included both quantitative and descriptive methods. The research sample consisted of 110 data taken from the existing population using a purposive sampling approach. Sales stability was determined by comparing total sales this year to total sales the previous year, the business risk was determined by the return on equity, the capital structure was determined by the debt to equity ratio, and asset structure was determined by comparing total fixed assets to total assets. The research data was examined using smartPLS software with the partial least squares (PLS) data analysis approach, and the results showed that sales stability had no influence on capital structure, however business risk did. Asset structure cannot be a moderating variable in the effect of sales stability but can be a moderating variable in the effect of business risk.

Keywords: Sales stability, business risk, asset structure, capital structure.

INTRODUCTION

Companies in the basic industry and chemicals that experienced a reduction in profit on average owing to excess supply compared to market demand indicate that the company is inefficient in employing assets to create profit. Panggah Susanto, Director of the Directorate General of Manufacturing Industry Basis of the Ministry of Industry in Jakarta, said that export competition is tightening, especially in the European market, and the economy has been in crisis in the last few years. In 2012, there was a significant decrease.The growth of the national chemical industry has the potential to provide optimal added value in addition to meeting domestic needs, which are increasing and have been covered so far by imports.

The capital structure derived from debt also has a negative side, which is that it increases the probability of the company's bankruptcy. The business risks that can arise in the company, such as corporate bankruptcy, which is caused by the company's inability to pay all of its debts. When a company uses debt to fulfill its financial needs, its business risk increases. The risk develops as a result of the emergence of a cost burden on the company's debts. The greater the cost burden that the company must bear, the greater the risk that the company faces.

Sales stability means that if sales are relatively stable, the company can safely use higher debt and bear higher fixed costs than if sales are relatively unstable. The balance of receivables on the company's balance sheet is used to gauge sales stability. Apart from debt and capital, the company obtains funds for survival and development through the sale of its products in the form of goods or services. The company's management strives to increase the stable sales of its products because high or stable sales growth is related to company profits. The more stable the sales, the more stable the income earned by the company, and thus the higher the chance of the company meeting its financial obligations.

Companies with a solid asset structure demonstrate a greater ability to use their assets as collateral for debt payments. Often, the company does not have enough funds to pay the debt, resulting in debt accumulation. The higher the level of asset structure, the more likely it is to be utilized to pay debts.

LITERATURE REVIEW

According to Ambarwati (2010:3-4), business risk in terms of stand-alone risk is a function of the uncertainty inherent in the projected return on invested capital. Business risk is uncertainty in the company's estimated future operating income. Business risk represents the level of risk from the company's future operations that do not use debt. According to Brigham and Houston (2011: 157), business risk is probably the most important determinant of capital structure. According to Halim (2015: 101), business risk is a situation that has a negative impact on the operations or profitability of a company. According to Najmudin (2011: 315), the business risk owned by the company is the level of risk inherent in the company's operations when using debt. The higher the business risk of a company, the lower its debt ratio. Companies with high business risk or asset volatility have low debt ratios. According to Fahmi (2017:128), the position of control and theattitude of theowner and management to wards risk, if the ownerispredominantly a riskaverter, thedebtwill be smaller, otherwise, if the attitude of the owneris a risk seeker, the debt will be greater. According to Riyanto (2016: 298), thelevel of risk associated with each asset in the company varies. The longer anassetis used in the company, the greater the degree of risk.

According to Brigham and Houston (2011: 188), sales stability is a company whose sales are relatively stable and can safely take on larger amounts of debt and incur higher fixed expenses compared to companies whose sales are unstable. According to Halim (2015: 101), sales stability is a company whose sales are relatively stable can easily take on more debt. According to Hanafi (2016: 345), sales stability is a company that has stable sales, can use higher debt.According to Fahmi (2012:209), sales stability in the future, the higher the stability, the greater the leverage, and vice versa. According to Kamaludin and Indriani (2012: 325), companies that have relatively stable sales will be able to safely obtain more loans and bear higher fixed costs compared to companies whose sales are unstable. Leverage has historically been used more by companies with stable sales. According to Sudana (2015:185), companies with relatively stable sales from time to time are more likely to be funded with debt than companies with fluctuating or seasonal sales. This is due to the fact that companies whose sales are seasonal, if they employ large amounts of debt with fixed interest charges, may suffer financial difficulties when the season or sales drop.

According to Brigham and Houston (2011: 188), the asset structure is that companies whose assets are adequate to serve as loan collateral tend to use a lot of debt. General assets that can be used by many companies can be solid collateral. According to Halim (2015: 101), asset structure is that companies whose assets are suitable as collateral for debt tend to use more debt.Hanafi (2016: 345) defines an asset structure as a company with more fixed assets (which have a long life). Not to mention, if it is combined with a stable level of product demand, it will use greater debt. According to Kamaludin and Indriani (2012:325) companies that have large amounts of fixed assets can use large amounts of debt, this is because companies with fixed asset scales can be used as collateral, making it easier to get access to sources of funds.

According to Ambarwati (2010:1), capital structureis a combinationor balance between debt and capital (preference shares and ordinary shares) used by companies to plan their capital acquisition. According to Fahmi (2012: 184-185), capital structure is anillustration of the shape of a company's financial proportions, namely between capital derived from long-term liabilities and share holder's equity, which is a source of financing for a company. According to Rodoni and Ali (2014: 129), capital structure is the proportion in determining the fulfillment of the company's expenditure needs, where the funds obtained to use a combination or source guide that comes from long-term funds originating from within and outside the company. According to Riyanto (2016: 299-300), in a large company with widely distributed shares, any increase in share capital would have only a minor effect on the probability of loss or displacement of control from the dominant party over the company in question. On the other hand, in a small company where the shares are only dispersed across a small area, increasing the number of shares has a major effect on the probability of the dominant party losing control of the company in question.

METHODOLOGY

Soewadji (2012:131) defines a population as a group of people, events, or anything that has certain characteristics. A population can also be defined as objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions. The population of this study was 67 basic industry and chemical companies listed on the Indonesia Stock Exchange for the period 2012-2016. A sample of 22 companies was obtained by utilizing a purposive sampling approach using four criteria. This study employed the Partial Least Squares (PLS) data analysis method, which was carried out using Smart PLS 3.0 software. According to Jogiyanto and Abdillah (2015:161), Partial Least Squares (PLS) is a variant-based Structural Equation Modeling (SEM) analysis that can simultaneously evaluate both the measurement model and the structural model. Partial Least Squares (PLS) analysis is a multivariate statistical technique that compares the dependent and independent variables.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics will provide an overview of the minimum value, maximum value, average value (mean), median value, and standard deviation of the variables used in this study. The general statistical data display of the variables used in this study can be seen in Table 1.

Table-1: Descriptive Statistics

Data Struktur Modal.txt | *struktur modal.splsm | PLS Algorithm (Menjalankan No. 1)

Pembatas:	Titik koma	Menyandi:	UTF-8
Karakter Nilai Kutipan:	Tidak ada	Ukuran sampel:	110
Format Nomor:	AS (misalnya 1,000.23)	Indikator:	4
Penanda Nilai Hilang:	Tidak ada	Nilai yang Hilang:	0

Indikator: | Korelasi Indikator | File Raw

	Rata-Rata	Median	Minimu...	Maksimu...	Standar Deviasi	Skewness
ROE	12.036	11.000	0.000	42.000	8.484	0.871
Stabilitas Penju...	8.400	9.000	-30.000	43.000	12.620	-0.047
Struktur Aktiva	38.736	39.000	4.000	70.000	17.653	-0.017
Struktur Modal	84.245	64.000	8.000	246.000	64.086	0.705

Based on the results of descriptive statistics calculations in Table 4.1. above, it can be explained as follows:

1. Sales Stability Variable measured by Sales Comparison has a total sample of 110, with a minimum value of -30 and a maximum value of 43. Meanwhile, the average value (mean) is 8,4, the median value is 9, and the standard deviation value is 12,620.
2. The Business Risk Variable as measured by ROE has a total sample of 110, with a minimum value of 0 and a maximum value of 42. Meanwhile, the average value (mean) is 12,036, the median value is 11, and the standard deviation value is 8,484.
3. The Asset Structure variable as measured by the comparison between fixed assets and total assets has a total sample of 110, with a minimum value of 4 and a maximum value of 70. Meanwhile, the average value (mean) is 38,736, the median value is 39, and the standard deviation value is 17,653.
4. The Capital Structure variable has a sample size of 110, with a minimum value of 8 and a maximum value of 246. Meanwhile, the average value (mean) is 84,245, the median value is 64, and the standard deviation value is 64,086.

Inner Model

Structural model evaluation is conducted to predict the relationship between variables in the study. This evaluation will explain how much the ability of the independent variable in explaining the dependent variable or commonly known as R square. The results of the evaluation of the structural model (inner model) can be seen in Table 2.

Table-2: Inner Model Evaluation

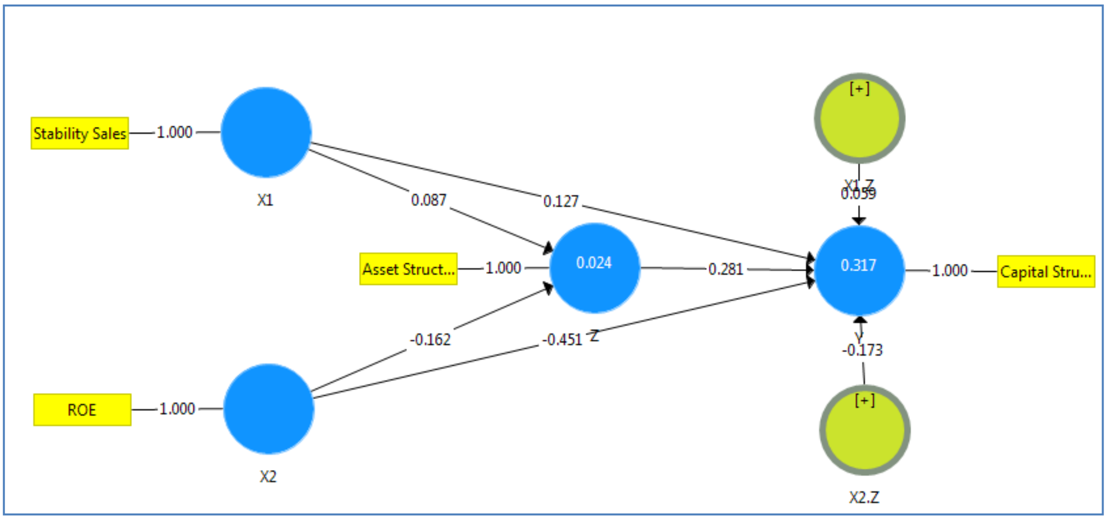
R Square

Matriks | R Square | Adjusted R Square

	R Square	Adjusted R Sq...
Y	0.317	0.284
Z	0.024	0.006

Source: SmartPLS 3.0 Output Results. (2021)

Table 2. above shows that the value of R square is 0.317 or 31.7%. This value shows that the ability of the independent variables, namely Sales Stability and Business Risk, the interaction of Sales Stability with Asset Structure, and the interaction of Business Risk with Asset Structure in explaining the dependent variable, namely Capital Structure, is 31.7%. Meanwhile, the remaining 68.3% is explained by other variables not examined in this study.



Picture-1: Framework Research

Tabel-3: Path Analysis

Koefisien Jalur

Mean, STDEV, T-Values, P-Valu... | Keyakinan Interval | Keyakinan Interval Bias-Dikor... | Sampel | Salin ke Clipboard: Format Excel | Format R

	Sampel Asli (O)	Rata-rata Sam...	Standar Devias...	T Statistik (| O/...	P Values
X1 -> Y	0.127	0.134	0.099	1.291	0.197
X1 -> Z	0.087	0.078	0.108	0.808	0.419
X1.Z -> Y	0.059	0.066	0.085	0.686	0.493
X2 -> Y	-0.451	-0.462	0.079	5.693	0.000
X2 -> Z	-0.162	-0.157	0.100	1.619	0.106
X2.Z -> Y	-0.173	-0.172	0.071	2.428	0.016
Z -> Y	0.281	0.278	0.073	3.854	0.000

Based on Table 3. above, the analysis equation in this study is as follows:

Capital Structure=0,127Sales Stability 0,162Business Risk + 0,281AssetStructure+ 0,059Sales Stability*AssetStructure– 0,173Business Risk*AssetStructure

Based on the results of hypothesis testing and the above equation, it can be explained as follows:

1. The Effect of Sales Stability on Asset Structure
   From the results of hypothesis testing, the T statistic value of 1.291 is smaller than 1.96 (1.291 < 1.96) and the P-value of 0.197 is greater than 0.05 (0.197 >0.05). Based on the results of the hypothesis testing, H_1 is rejected, which means that Sales Stability does not affect the Capital Structure of the basic industry and chemicals companies listed on the Indonesia Stock Exchange.
2. The Effect of Business Risk on Capital Structure
   From the results of the hypothesis testing, the T statistic value of 5.693 is greater than 1.96 (5.693 > 1.96) and the P-value of 0.000 is smaller than 0.05 (0.000 > 0.05). Based on the results of the hypothesis testing, H_2 is accepted, which means that Business Risk affects the Capital Structure of the basic industry and chemicals companies listed on the Indonesia Stock Exchange.
3. The Effect of Sales Stability on Capital Structure with Asset Structure as Moderating Variable
   From the results of the hypothesis testing, the T statistic value of 0.686 is smaller than 1.96 (0.686 < 1.96) and the P-value of 0.493 is greater than 0.05 (0.493 > 0.05). Based on the results of the hypothesis testing, H_3 is rejected, which means that the influence of Sales Stability on Capital Structure is not moderated by Asset Structure on basic industry and chemicals companies listed on the Indonesia Stock Exchange.
   The effect of Asset Structure on Capital Structure has a T statistic of 3.854 greater than 1.96 (3.854 > 1.96) and a P value of 0.000 less than 0.05 (0.00 < 0.05), thus indicating that Asset Structure affects the Capital Structure.
4. The Effect of Business Risk on Capital Structure with Asset Structure as Moderating Variable
   From the results of the hypothesis testing, the T statistic value of 2.468 is greater than 1.96 (2.468 > 1.96) and the P-value of 0.016 is smaller than 0.05 (0.016 < 0.05). Based on the results of the hypothesis testing, H_4 is accepted, which means that the influence of Business Risk on Capital Structure is moderated by Asset Structure on basic industry and chemicals companies listed on the Indonesia Stock Exchange.

The effect of Asset Structure on Capital Structure has a T statistic of 3.854 greater than 1.96 (3.854 > 1.96) and a P value of 0.000 less than 0.05 (0.00 < 0.05), thus indicating that Asset Structure affects the Capital Structure.

DISCUSSION

The results of this study indicate that Business Risk has a partial and significant effect on the capital structure of the basic industry and chemicals companies listed on the Indonesia Stock Exchange for the 2012-2016 period.

The results of this study are following the theory of Najmudin (2011:315), namely, the business risk owned by the company is the level of risk inherent in the company's operations when using debt. The higher the business risk of a company, the lower its debt ratio. Companies with high business risk or asset volatility have low debt ratios. The results of thisstudy are in line with the replication of Primantara and Dewi (2016) which states that business risk has a negative and significant effecton capital structure.

IV.4.2 The Effect of Sales Stability on Capital Structure

The results of this study indicate that sales stability has no effect and is not partially significant on the capital structure of the basic industry and chemicals companies listed on the Indonesia Stock Exchange for the 2012-2016 period. The results of this study are not following Fahmi's theory (2012: 209) which states that future sales stability, if stability is higher, leverage is greater, and vice versa. The results of this study are not in line with the research of Mawikere and Rate (2015) which states that sales stability has a significant effect on capital structure.

IV.4.3 The Effect of Sales Stabilityon Capital StructurewithAssetStructure as Moderating Variable

The results of this study indicate that the effect of sales stability on capital structure is not moderated by the asset structure of the basic industry and chemicals companies listed on the Indonesia Stock Exchange for the period 2012-2016. The results of this study are in line with the replication of Mawikere and Rate's (2015) research which states that asset structure has no significant effect on capital structure.

IV.4.4 The Effect of Business Riskon Capital StructurewithAssetStructure as Moderating Variable

The results of this study are following the theory of Kamaludin and Indriani (2012: 325). Companies that have large amounts of fixed assets can use large amounts of debt, this is because companies with fixed asset scales can be used as collateral, making it easier to get access to sources of funds.

CONCLUSION

Based on the results of the study, some conclusions can be drawn as follows:

1. Sales Stability does not affect the Capital Structure of basic industry and chemicals companies listed on the Indonesia Stock Exchange.
2. Business Risk affects the Capital Structure of basic industry and chemicals companies listed on the Indonesia Stock Exchange.
3. The effect of Sales Stability on Capital Structure is not moderated by Asset Structure on basic industry and chemicals companies listed on the Indonesia Stock Exchange.
4. The effect of business risk on Capital Structure is moderated by Asset Structure on basic industry and chemicals companies listed on the Indonesia Stock Exchange.

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