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The Influence of Company Size, Business Risk, and Sales Growth on Capital Structure Mediated by Profitability

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Abstract
This study aimed to determine the effect of company size, business risk, and sales growth on capital structure with profitability as an intervening variable on the JII stock index on the Indonesia Stock Exchange (IDX) from 2017 to 2021. The method used to determine the research sample is purposive sampling. The source of data in this research is secondary data. Data analysis techniques used path analysis, t-test (partial), and Sobel test (mediation) using SPSS version 23. The study's results stated that company size, sales growth, and profitability have a significant effect on capital structure while business risk has no significant effect on capital structure. Company size, business risk, and sales growth significantly affect profitability. The Sobel test results state that company size, business risk, and sales growth have a significant effect on capital structure mediated by profitability, meaning that mediation occurs.

Keywords: company size, business risk, sales growth, capital structure, profitability

Abstrak
Tujuan dari penelitian ini adalah untuk mengetahui pengaruh ukuran perusahaan, risiko bisnis dan pertumbuhan penjualan terhadap struktur modal dengan profitabilitas sebagai variabel intervening pada indeks saham JII di Bursa Efek Indonesia (BEI) tahun 2017 sampai dengan tahun 2021. Metode yang digunakan untuk menentukan sampel penelitian adalah purposive sampling. Sumber data dalam penelitian ini adalah data sekunder. Teknik analisis data menggunakan analisis jalur, uji t (parsial) dan uji Sobel (mediasi) dengan menggunakan alat SPSS versi 23. Hasil penelitian menyatakan bahwa ukuran perusahaan, pertumbuhan penjualan dan profitabilitas berpengaruh signifikan terhadap struktur modal sedangkan risiko bisnis berpengaruh signifikan terhadap struktur modal sedangkan risiko bisnis berpengaruh signifikan terhadap struktur modal. tidak berpengaruh signifikan terhadap struktur modal. Ukuran perusahaan, risiko bisnis dan pertumbuhan penjualan berpengaruh signifikan terhadap profitabilitas. Hasil uji Sobel menyatakan ukuran perusahaan, risiko bisnis dan pertumbuhan penjualan berpengaruh signifikan terhadap struktur modal yang dimediasi oleh profitabilitas, artinya terjadi mediasi.

Kata Kunci: ukuran perusahaan, risiko bisnis, pertumbuhan penjualan, struktur modal, profitabilitas

INTRODUCTION

There are two types of shares in Indonesia, namely conventional shares and Islamic shares. People often invest in conventional stocks, however, in recent years, many Indonesian people have been interested in investing in Islamic stocks. The increase in the number of issuers in Islamic stocks is due to the fact that all people, especially Indonesian people, are starting to realize the importance of investing using Islamic law, this makes the number of investors increase every year.

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Table 1. Average Company Profitability for 2017-2021

Year	Profitability
2017	18.26%
2018	16.72%
2019	17.80%
2020	13.90%
2021	16.01%

Source: Idx.co.id

Based on Table 1 above, it can be concluded that the average profitability has increased and decreased significantly each year, this is because the JII index has a stock composition that has strong fundamentals, has high market price liquidity and the capitalization of this stock index is large which makes this stock also easily experience a decline along with the entry and exit of issuers into this stock index (www.infojabodetabek.com). This stock index is included in the bluechip sharia stock (www.tempias.com) . Bluechip stocks are stocks that the IDX groups where these shares are most often transacted in the capital market and the price of these shares can easily experience a drastic decline, this can cause investors to be unsure about investing their capital because of the uncertainty of the return on capital they will receive and this will affect the capital structure of companies that are included in the JII stock index.

Capital structure, namely permanent spending that reflects a balance between own capital and long-term debt Riyanto (2015), in determining the company's capital structure it is necessary to consider the factors that influence capital structure. First, company size is a reflection of the total assets owned by the company. The size of the company is one of the factors that influence the capital structure because the bigger the size of the company, the stronger the capital structure of the company. Second, every company has different business risks. Companies that have a fairly high business risk will affect their debt funding, where their debt will be smaller, this is because the income earned by the company is very small (Widagdo & Sa'diyah, 2021).

Third, one of the company's sources of income is from selling their business products or services. The rise and fall of sales growth within the company can affect the company's ability to maintain *profits* which will be used to fund the company in the future, this can be a consideration for company managers to determine the company's capital structure. Fourth, Profitability is a factor that needs to be considered in determining the capital structure of a company, this is because companies that have a high level of profitability will tend to use less debt funds because the company's retained earnings are able to finance most of the company's funding needs (Widagdo & Sa'diyah, 2022).

The results of previous studies regarding the effect of company size, business risk and sales growth on profit levels and capital structure yielded inconsistent results. The results of the research from Putra et al. (2021) , Kaliman & Wibowo (2017) and Triyono et al. (2019) shows that company size and business risk have a significant effect on capital structure, while the results of research from Setiawati & Veronica (2020) , Setiyanti & Prawani (2019) and Rahmi & Swandari (2021) show that company size and business risk have no significant effect on capital structure. The research results from Triyono et al. (2019) , Sawitri & Lestari (2015) and Miswanto et al. (2022) shows that sales growth has a significant effect on capital structure, while the results of research from Kurniati & Yuliana (2022) , Meilyani et al. (2020) and Kartika (2016) show that sales growth has no significant effect on capital structure.

Researcher Amri (2019) , Putra et al. (2021) and Miswanto et al. (2017) explains that company size has a significant effect on profitability, while the research results of Astakoni & Nursiani (2020) , Lorenza et al. (2020) & Juliana & Melisa (2019) , explains that company size has no significant effect on profitability. Researchers Aglen & Panjaitan (2019) , Sondang & Hutapea (2021) and Cahyani & Herizon (2020) explain that business risk has no significant effect on profitability while researchers

Amri (2019) , Putra et al. (2021) and Wiksuana (2016) show that business risk has a significant effect on profitability. The sales growth variable studied by Brastibian et al. (2020) and Sidabutar et al. (2018) explains that sales growth has a significant effect on profitability, while the research results of Triyas & Listyorini (2020) , Miswanto et al. (2017) and Kurniati & Yuliana (2022) explain that sales growth has no significant effect on profitability.

Researchers Kurniati & Yuliana (2022) state that profitability has a significant effect on capital structure and cannot mediate the effect of sales growth on capital structure, while researchers Putra et al. (2021) stated that profitability has no significant effect on capital structure and cannot mediate the effect of business risk, company size, and asset structure on capital structure.

The phenomenon of fluctuations in profitability on the JII stock index affects the capital structure of the company, besides that there are differences in the results from one researcher to another and the entry and exit of company shares in the JII index makes researchers interested in conducting research on "The Influence of Company Size, Business Risk, Sales Growth on Capital Structure Mediated Profitability ".

LITERATURE REVIEW

Capital structure can be described as the proportion between long-term debt and own capital (Moeljadi, 2006). According to Riyanto(2015) the factors that influence capital structure are interest rates, income stability, asset composition, asset risk levels, the amount of capital needed, capital market conditions, management characteristics, and company size, while according to Sartono (2015) the factors that influence capital structure are companies with relatively stable sales mean that the company's cash flow is also relatively stable, so these companies can use large amounts of debt when compared to companies whose sales are experiencing instability. Companies that have a large number of fixed assets can use large amounts of debt, because the scale of large companies makes it easier for companies to gain access to sources of funds when compared to small companies (Sa'diyah, 2021).

Companies that experience very fast growth will make the company's need for funds to finance expansion also greater. Companies that have large profits will prefer to use retained earnings before using debt funds. Companies that have small profit variability then these companies have a large ability to be able to bear the fixed debt burden that the company has. Companies that have a large size will find it easier to obtain capital in the capital market when compared to companies that have a small size, because companies have access that makes them have high flexibility as well. Companies will wait for the right time to sell stocks and bonds. In general, the right time for companies to sell bonds is when interest rates are falling, therefore companies often give signals to minimize information that is not so that the market can appreciate the company more.

Pecking order theory is that the first hierarchy of company funding starts from operating results in the form of retained earnings, then the second option is debt and finally the company will sell shares Gitman & Zutter (2015), this is the company's way of obtaining funds. The Trade-Off theory is a theory that has a function to balance the benefits and sacrifices that arise due to the use of debt, besides that this theory also explains the relationship between taxes, bankruptcy risk and the use of debt caused by capital structure decisions made by companies.

Therefore, the hypothesis is proposed as follows:

H 1: Company size has a significant effect on capital structure
H 2: Business risk has a significant effect on capital structure
H 3: Sales growth has a significant effect on capital structure
H 4: Company size has a significant effect on profitability
H 5: Business risk has a significant effect on profitability
H 6: Sales growth has no significant effect on profitability
H 7: Profitability has a significant effect on capital structure
H 8: Firm size has a significant effect on capital structure mediated by profitability.
H 9: Business risk has a significant effect on the capital structure mediated by profitability.
H 10: Sales growth has a significant effect on the capital structure mediated by profitability.

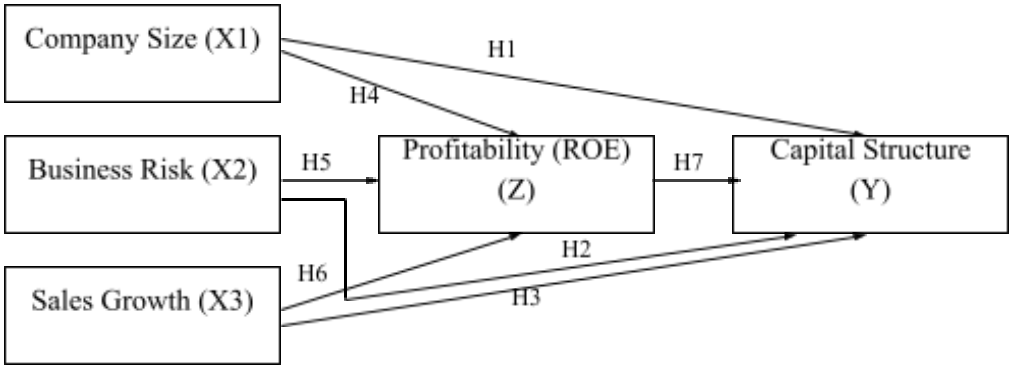

Figure 1. Research Framework

RESEARCH METHODS

This study uses a type of quantitative research. In this study the type of data used is secondary data such as financial reports and annual reports *of* companies included in the JII stock index (*Jakarta Islamic Index)* on the Indonesia Stock Exchange (IDX) from 2017 to 2021. The population in this study is 30 companies listed on the JII stock index (*Jakarta Islamic Index)***.** Sampling was determined by purposive sampling with several considerations. The samples used in this study were 12 companies (idx.co.id/). In this study the tool used to analyze the data is using SPSS Version 23.

RESULT AND DISCUSSION

The sample in this study uses the *purposive sampling method* with several criteria, namely the company is included in the JII stock index *list* for 5 consecutive years from 2017 to 2021 and the required financial report data is complete. The data processing resulted in a sample of 12 companies. The following is a list of samples in this study:

Table 2. Company Research Samples on the JII Index

No	Company Code	Company name
1.	ADRO	Adaro Energy Tbk.
2.	ANTM	Aneka Tambang Tbk.
3.	EXCL	XL Axiata Tbk.
4.	ICBP	Indofood CBP Sukses Makmur Tbk.
5.	INCO	Vale Indonesia Tbk.
6.	INDF	Indofood Sukses Makmur Tbk.
7.	KLBF	Kalbe Farma Tbk.
8.	PTBA	Bukit Asam Tbk.
9.	TLKM	Telekomunikasi Indonesia (Persero) Tbk.
10.	UNTR	United Tractors Tbk.
11.	UNVR	Unilever Indonesia Tbk.
12.	WIKA	Wijaya Karya Tbk.

Source: Processed Data, 2023

Table 3. Descriptive Analysis of Research Variables

Variable	N	Minimum	Maximum	Means	std. Deviation
Company Size	60	30.44	33.26	31.6184	0.77493
Business Risk	60	-743.79	968.05	171.1948	385.21510
Sales Growth	60	-51.59	99.75	13.5890	25.33168
Capital Structure	60	14.47	341.27	106.8628	89.60330

Profitability	60	-17.97	73.28	17.1188	15.67938

Source: Processed Data, 2023

Based on Table 3, it can be seen that the variable company size has a minimum value of 30.44 and a maximum value of 33.26. The average value of this variable is 31.6184 and the standard deviation is 0.77493. In the business risk variable, the minimum value is -743.79 and the maximum value is 968.05. The average value of this variable is 171.1948 and the standard deviation value is 385.21510. The sales growth variable has a minimum value of -51.59 and a maximum value of 99.75. The average value of this variable is 13.5890 and the standard deviation value is 25.33168. The minimum value of the capital structure variable is 14.47 and the maximum value is 341.27. The average value of this variable is 106.8628 and the standard deviation value is 89.60330. In the profitability variable, the minimum value is -17.97 and the maximum value is 73.28. The average value of this variable is 17.1188 and the standard deviation value is 15.67938.

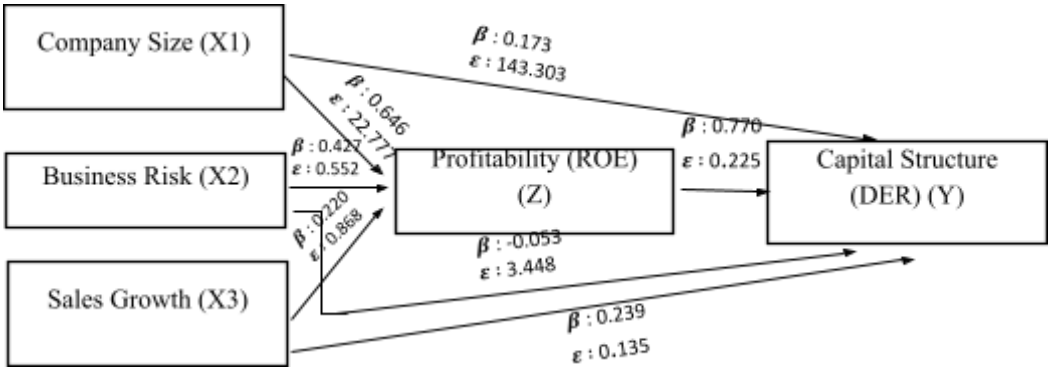

Figure 2. Path Analysis

Table 4. Path Analysis Results

Influence	*Standardized Coefficients*	Sig.
Capital → Structure Profitability	0.301	0.019
Company Size → Profitability	0.646	0.000
Profitability → Business Risk	0.427	0.000
Profitability Sales → Growth	0.220	0.016
Company Size → Capital Structure	0.173	0.045
Capital → Structure Business Risk	- 0.053	0.530
Growth Capital Structure →	0.239	0.005
Capital → Structure Profitability	0.770	0.000

Source: Processed Data, 2023

Based on Table 4, the results of the path analysis show that first, the effect of profitability on capital structure has a standardized coefficient of 0.301 and a significant value of 0.019 <0.05, this means that the profitability variable (Z) has a significant and positive influence on capital structure (Y). Second, the effect of firm size on profitability has a standardized coefficient of 0.646 and a significant value of 0.000 <0.05, this means that the variable firm size (X1) has a significant and positive influence on profitability (Z). Third, the effect of business risk on profitability has a standardized coefficient of 0.427 and a significant value of 0.000 <0.05, this means that the business risk variable (X2) has a significant and positive influence on profitability (Z). Fourth, the effect of sales growth on profitability has a standardized coefficient of 0.220 and a significant value of 0.016 <0.05, this means that the sales growth variable (X3) has a significant and positive influence on profitability (Z).

Fifth, the effect of firm size on capital structure has a standardized coefficient of 0.173 and a significant value of 0.045 <0.05, this means that the variable firm size (X1) has a significant and positive influence on capital structure (Y). Sixth, the effect of business risk on capital structure has a standardized coefficient of -0.053 and a significant value of 0.530 > 0.05, this means that the business risk variable (X2) has no significant and negative effect on capital structure (Y). Seventh, the effect of sales growth on capital structure has a standardized coefficient of 0.239 and a significant value of 0.005 <0.05, this means that the sales growth variable (X3) has a significant and positive influence on capital structure (Y). Eighth, the effect of profitability on capital structure has a standardized coefficient of 0.770 and a significant value of 0.000 <0.05, this means that the variable profitability (Z) has a significant and positive influence on capital structure (Y).

The function of the normality test is to find out in regression whether the confounding variables or residual variables have a normal distribution or not. The way to find out is by performing a histogram graph analysis approach and *Kolmogorof-Smirnov analysis*. Based on Figure 3. Histogram graph of the path 1 model, it can be seen that the normality test results of the curve do not deviate to the right or to the left, this means that the data analyzed has a normal distribution and the regression model is assumed to be suitable for use in this analysis.

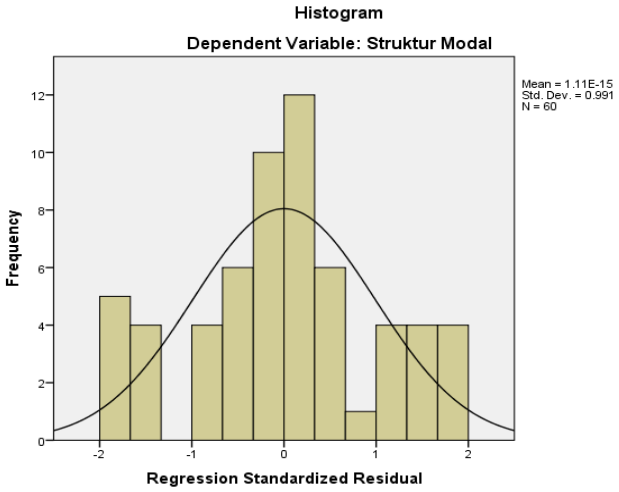

Figure 3. Histogram Graph of Path 1 Model
Source: Processed Data, 2023

Figure 3 is a Histogram graph of the path 2 model, where it can be seen that the normality test results of the curve do not deviate to the right or to the left, this means that the data analyzed has a normal distribution and the assumed regression model is suitable for use in this analysis and

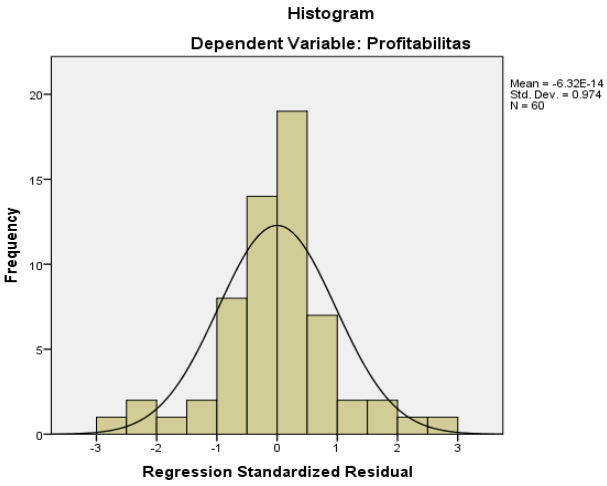

Figure 4. Histogram Graph of Line 2 Model
Source: Processed Data, 2023

Based on Figure 4. Histogram graph of the path 3 model, it can be seen that the results of the normality test of the curve do not deviate to the right or to the left. This means that the data analyzed has a normal distribution and the regression model is assumed to be suitable for use in this analysis.

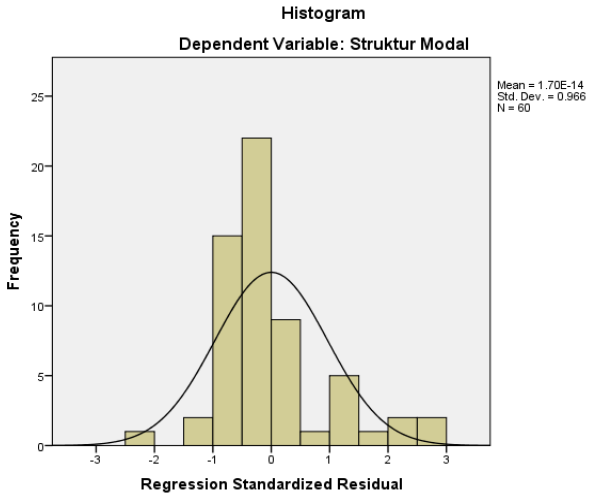

Figure 5. Histogram Graph of Line 3 Model
Source: Processed Data, 2023

Table 5. Kolmogrov - Smirnov Test Results

Structural Equation	Kolmogrov- Smirnov	Information
Z Against Y	0.200	Normal Distribution
X1, X2 and X3 Against Z	0.200	Normal Distribution
X1, X2, X3 And Z Against Y	0.062	Normal Distribution

Source: Processed Data, 2023

The results of the normality test using the Kolmogorov-Smirnov model path 1 and model path 2 can be seen that the significant value is 0.200 > 0.05, this means that the data being analyzed has a normal distribution and the regression model which is assumed to be feasible to use in this analysis, then the Kolmogorov-Smirnov analysis model path 3 can be seen that the normality test results have a significant value of 0.062 > 0.05, this means that the data being analyzed has a normal distribution and the assumed regression model is feasible to use in this analysis.

The multicollinearity test has a function, namely to test the regression model whether it has a correlation between the independent variables or not. A good regression model if there is no multicollinearity. Based on Table 5 it can be seen that the VIF *(Variance Inflation Factor) value* of each variable is less than 10 and the tolerance value is more than 0.1, so it can be concluded that the independent variables in this study did not experience multicollinearity.

Table 6. Multicollinearity Test Result

Free Variables	tolerance	VIF	Information
Line 1 Models			
Profitability (Z)	1,000	1,000	Multicollinearity does not occur
Line 2 models			
Company Size (X1)	0.984	1016	Multicollinearity does not occur

Business Risk (X2)	0989	1011	Multicollinearity does not occur
Sales Growth (X3)	0.986	1014	Multicollinearity does not occur
Line 3 models			
Company Size (X1)	0.919	1,088	Multicollinearity does not occur
Business Risk (X2)	0.938	1,066	Multicollinearity does not occur
Sales Growth (X3)	0.960	1,041	Multicollinearity does not occur
Profitability (Z)	0.904	1.107	Multicollinearity does not occur

Source: Processed Data, 2023

The function of the autocorrelation test is to find out whether there is a correlation between variables when the periods change by using the Durbin – Watson test. The basis for making decisions is the Durbin – Watson test, namely the data is said to not experience autocorrelation when dU < d < (4-dU).

Table 6. Autocorrelation test results

	Durbin-Watson	**Interpretation**
Line 1 Models	1,742	Autocorrelation does not occur
Line 2 models	1810	Autocorrelation does not occur
Line 3 models	1837	Autocorrelation does not occur

Source: Processed Data, 2023

Based on Table 6 and the calculations above, it can be seen that first, the Durbin – Watson Model Path 1 Coefficients value is 1.742, the dU value is 1.6162 and the dL value is 1.5485 with a value (n) of 60 and a value (k) consisting of 1 variable. The DW value for Pathway 1 Model, which is 1.742, is greater than the dU value, which is 1.6162, and the DW value is less than the 4-dU value, which is 2.3838. Second, it is known that the Coefficients Durbin – Watson Model Line 2 is 1.810, the dU value is 1.6889 and the dL value is 1.4797 with a value (n) of 60 and a value (k) consisting of 3 variables . The DW value of Path 2 Model, which is 1.810, is greater than the dU value, which is 1.6889 and the DW value is less than the 4- dU value, which is 2.3111. Third, the Coefficients Durbin – Watson Model Line 3 is 1.837, the dU value is 1.7274 and the dL value is 1.4443 with a value of (n) of 60 and a value of (k) consisting of 4 variables. The DW value of Path 3 Model, which is 1.837, is greater than the dU value, which is 1.7274 and the DW value is less than the 4-dU value, which is 2.2726. From the three statements above, it can be concluded that there is no positive or negative autocorrelation between the variables in the study.

The heteroscedasticity test has a function, namely to test the regression model whether there is an inequality of variance from the residuals. The way to find out whether there is heteroscedasticity is by analyzing the scatter plot graph.

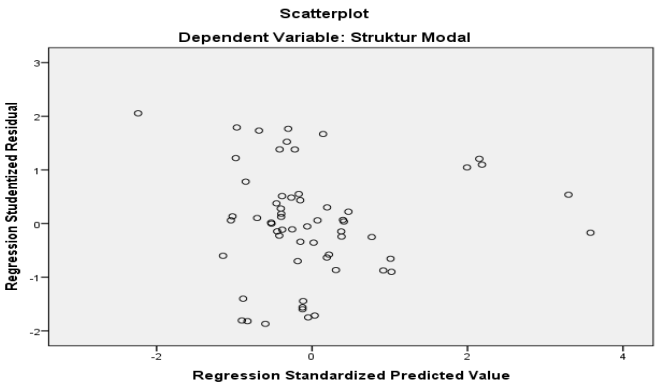

Figure 6. Model 2 Heteroscedasticity Test Results
Source: Processed Data, 2023

Test results are good, that is, if the data analysis does not experience heteroscedasticity. The basis for the decision of this test is to look at the pattern of dots formed, where if the pattern of dots is not clear and spreads up and down until it reaches the number 0 on the Y axis, then the data analysis can be declared not experiencing heteroscedasticity. Based on Figure 6 *of the Scatterplot* above, it can be seen that the pattern of dots formed spreads up and down until it reaches the number 0 on the Y axis. It can be concluded that the data analysis used in this study did not experience heteroscedasticity and is feasible to use.

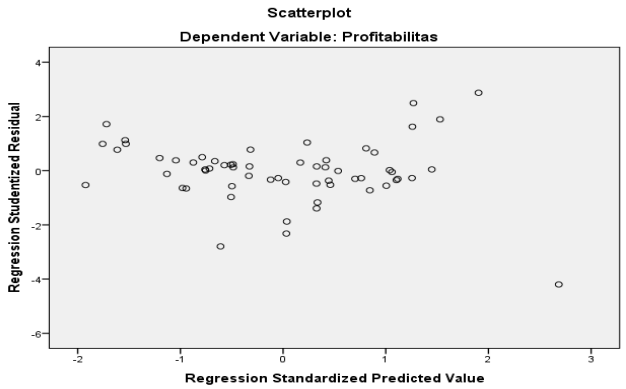

Figure 7. Results of Model 2 Heteroscedasticity Test
Source: Processed Data, 2023

Figure 7 The scatterplot above shows that the pattern of dots formed spreads up and down until it reaches the number 0 on the Y axis. It can be concluded that the data analysis used in this study did not experience heteroscedasticity and was feasible to use.

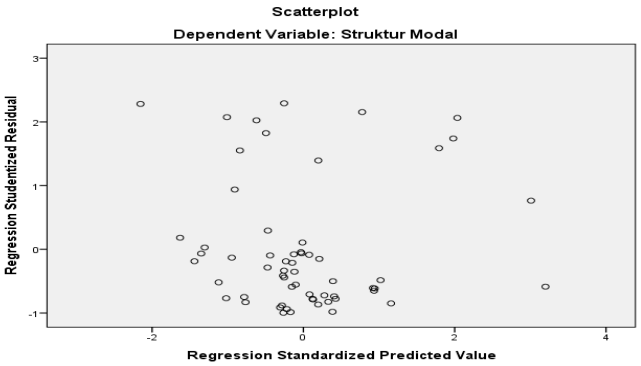

Figure 8. Results of Model 3 Heteroscedasticity Test
Source: Processed Data, 2023

Figure 8 Scatterplot above can be seen that the pattern of dots formed spreads up and down until it reaches the number 0 on the Y axis, so it can be concluded that the data analysis used in this study did not experience heteroscedasticity and was feasible to use.

Table 7. Hypothesis Test Results

Influence	t Count	t Table	Sig.	Information
Company Size → Capital Structure	2047	2005	0.045	Significant
Capital Structure → Business Risk	-0.632	2005	0.530	Not significant
Growth Capital Structure →	2,897	2005	0.005	Significant
Capital → Structure Profitability	9036	2005	0.000	Significant
Company Size → Profitability	7,281	2003	0.000	Significant
Profitability → Business Risk	4,818	2003	0.000	Significant

Profitability Sales	⟶	Growth	2,484	2003	0.016	Significant

Source: Processed Data, 2023

The results of the hypothesis test in Table 7 are first, company size has a t-count value of 2.047 > 2.005 from t-table and a significance value of 0.045 <0.05 or 5% which means that there is a significant and positive effect of the company size variable (X1) on capital structure (Y). Second, the business risk t value is -0.632 > -2.004 from t table and a significance value of 0.530 > 0.05 or 5% which means that there is no significant and negative effect of the business risk variable (X2) on capital structure (Y). Third, the sales growth value of t count is 2.897 > 2.005 from t table and a significance value of 0.005 <0.05 or 5% which means that there is a significant and positive effect of the sales growth variable (X3) on capital structure (Y). Fourth, the profitability value of t count is 9.036 > 2.005 from t table and a significance value of 0.000 <0.05 or 5% which means that there is a significant and positive effect of the sales growth variable (Z) on capital structure (Y).

Fifth, the size of the company has a t-count value of 7,281 > 2,003 from t-table and a significance value of 0.000 <0.05 or 5%, which means that there is a significant and positive effect of the company size variable (X1) on profitability (Z). Sixth, business risk has a t-count value of 4,818 > 2,003 from t table and a significance value of 0.000 <0.05 or 5% which means that there is a significant and positive effect of the business risk variable (X2) on profitability (Z). Seventh, the sales growth value of t count is 2.484 > 2.003 from t table and a significance value of 0.016 <0.05 or 5% which means that there is a significant and positive effect of the sales growth variable (X3) on profitability (Z).

The Sobel test has a function, namely to be able to find out the relationship between the independent variable and the dependent variable through mediating variables. The basis for making a decision for the Sobel test is by looking at *the p-value* , where if *the p-value* is > 0.05 then the hypothesis is rejected, otherwise if *the p-value* is <0.05 then the hypothesis is accepted.

Table 8. Sobel Test Results Model 3

Information	Test Statistics	std. Error	*P-Value*	Information
X1 – Z - Y	5.67147	59.5035	0.0000	Mediation Occurs
X2 – Z - Y	4.252867	1.27281	0.00002	Mediation Occurs
X3 – Z - Y	2.39519	1.8318	0.01661	Mediation Occurs

Source: Processed Data, 2023

Based on Table 8 the results of the Sobel model 3 test, it can be seen that the first statement produces a statistical test value of 5.67147, a standard error value of 59.5035 and a p-value of 0.0000 <0.05, this means that there is an indirect effect between the firm size variable (X1) on capital structure (Y) through a mediating variable, namely profitability (Z). The second statement produces a statistical test value of 4.252867, a standard error value of 1.27281 and a p-value of 0.00002 <0.05, this means that there is an indirect effect between the business risk variable (X2) on capital structure (Y) through a mediating variable, namely profitability (Z). The third statement produces a statistical test value of 2.39519, a standard error value of 1.8318 and a p-value of 0.01661 <0.05, this means that there is an indirect effect between the sales growth variable (X3) on capital structure (Y) through a mediating variable, namely profitability (Z).

The results of this research show that training has a positive and significant effect on the performance of PT PLN (PERSERO) UP3 Jayapura employees so that the hypothesis is accepted. In this research, PLN has the best training for its employees to support better employee performance. This can be interpreted that the better the training given to employees, the higher the employee's performance. The results of this research support Fikri Muhammad and Eeng Rahman (2020).

The results of this research indicate that training has a positive and significant effect on the work discipline of PT employees. PLN (PERSERO) UP3 Jayapura so the hypothesis is accepted. At PLN UP3 Jayapura, employees always do work in the office and in the field according to the training

provided by the company and employees work according to the company's SOP. This can be interpreted as the better the training given to employees, the higher the employee's work discipline. The results of this research support the research of Reza Primadi and Jeli Nata Liyas (2017).

The research results show that work discipline has a positive and significant effect on the performance of PT employees. PLN (PERSERO) UP3 Jayapura so the hypothesis is accepted, which means that the work discipline possessed by employees can influence employee performance results. Employees try to do whatever they do while in the office following the company rules that have been set, so that employee performance is better than before. The better the employee's level of discipline, the higher the employee's performance results. The results of this research support the research of Abriola (2020).

Based on the Sobel test, a value of 0.000 was obtained, which means it is smaller than 0.196. This shows that work discipline cannot be a mediating variable between training and employee performance.

CONCLUSION

Based on the results of the analysis of hypothesis testing, the analysis indicates that company size and sales growth both have significant effects on capital structure, whereas business risk does not significantly affect capital structure. Additionally, company size, business risk, and sales growth each significantly impact profitability. Furthermore, profitability itself significantly influences capital structure. It is also observed that the effects of firm size, business risk, and sales growth on capital structure are significantly mediated by profitability, with partial mediation occurring in each case.

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