The Effect of Business Risk and Company Size on Profitability with Capital Structure as Intervening Variables in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2015-2019

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Abstract:- The purpose of this study is to: 1) Determine the impact of business risk on the manufacturing company's capital structure. 2) Knowledge of the impact of company size on the capital structure of a manufacturing company. 3) Determine the impact of business risk on a manufacturer's profitability. 4) Knowledge of the impact of company size on manufacturing company profitability. 5) Knowledge of the impact of the capital structure on the profitability of a manufacturing company. 6) Knowledge of the impact of business risk on profitability through the capital structure of a manufacturing company. 7) Knowledge of the impact of company size on profitability through the capital structure of a manufacturing company. The type of study used in this study is a quantitative study. This study uses panel data and data processing using evaluation software version 9. The population of this survey consisted of 184 companies (IDX) in Indonesia in 2015. The number of survey samples was 20 companies. The results of the survey show that: 1) Business risk has a significant negative impact on the capital structure. 2) The size of the company has a significant positive impact on the capital structure. 3) Business risk has a significant positive impact on profitability. 4) The size of the company has a significant negative impact on profitability. 5) The capital structure has no or no impact on profitability. 6) The capital structure cannot convey the impact of business risk on profitability. 7) The capital structure can convey the impact of company size on profitability.

Keywords:- *business risk, company size, capital structure, profitability.*

I. INTRODUCTION

Manufacturing companies were chosen because they have the potential to develop products faster by creating innovations that tend to have a larger market share than other companies. A manufacturing company is a company that purchases raw materials, manufactures the raw materials, and processes products that can be sold at other costs. One of the issues of fiscal policy within a company is the issue of capital structure, that is, the issue of financial decisions regarding the composition of debt, preferred stock, and common stock used by the company (Weston and Copeland 1997: 19). Capital structure is a combination (percentage) of long-term permanent funds of a company represented by liabilities, reference stocks, and common stock (Horne and Wachowicz, 2013: 176). In this study, the capital structure is measured using the leverage ratio, or debt-to-capital ratio (DER). Based on the capital structure data using the leverage ratio (DER) of the manufacturing industry listed on the Indonesia Stock Exchange in 2015-2019, the capital structure calculated using the leverage ratio (DER) will fluctuate. The lowest capital structure score was 2016, or 0.89959, and the company was using equity capital rather than foreign capital or debt capital. The highest capital structure in 2019 was 1.03465. This means that a company spends more money from borrowed capital or debt capital than its own capital. In addition, profitability is also very important to a company because it is used as a measure of a company's ability to generate profits and must be in good condition for the company to live its life. Without profits, it is difficult for a company to raise capital from the outside. In this study, profitability is measured using return on equity (ROE). Based on return on equity (ROE) measured by manufacturers listed on the Indonesia Stock Exchange from 2015 to 2019, return on equity (ROE) calculated profitability is It fluctuates. The highest profitability value in 2018 was 0.1453. Although the lowest profitability value in 2015 was 0.11831. The low profitability of a company calculated using Return on Equity (ROE) is because the company cannot use its shares to generate after-tax profits. The level of profitability is influenced by many factors: business risk and the size of the company. The risk itself is the possibility of unexpected or unintended loss. The size of the company can be seen from the assets of the company. The larger the company, the greater the funds it owns. The larger the company, the more money the company needs to run its business. Based on the above explanation, the author writes this paper entitled "Impact of Business Risk and Company Size on Profitability Due to Capital Structure as Intervening Variables of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2015 2019".

II. LITERATURE REVIEW, FRAMEWORK FOR THINKING AND HYPOTHESES

A. Capital Structure

According to Fahmi (2015: 190) the capital structure is aimed at integrating permanent sources of funds which are then used by the company in a way that is expected to be able to maximize the value of the company. The form of the ratio used in the capital structure (*capital structure*) according to Irham Fahmi (2015: 187) is the *Debt to Equity Ratio* .

The reason the author chooses the DER indicator as a measuring tool for capital structure is because this ratio can be used by potential investors as a basis for investing in the company because this indicator describes their own capital, and total debt, both of which are used by them to see the level of risk, rate of return *(return)* and income *(revenue)* to be received by the company.

B. Profitability

According to Kasmir (2013: 196) profitability is as follows: "The profitability ratio is a ratio to assess the company's ability to seek profit. This ratio also provides a measure of the level of management effectiveness of a company. This is indicated by the profit generated from sales and investment income. Basically the use of this ratio shows the level of efficiency of a company. According to Sudana (2011:22)a way to measure the company's profitability ratio is *Return on Equity* . With the reason that this ratio measures the company's ability to generate profits.

C. Business Risk

According to Gitman (2003:215) Business risk is one of the risks faced by the company when undergoing operations, namely the possibility of the company's inability to fund its operational activities. The level of business risk of a company can be seen by calculating its *Degree Of Operating Leverage* (DOL). The reason the author uses the DOL ratio is because this ratio is to measure how much loan capital is used to generate sales and the use of debt to finance the company.

D. Company Size

Ernawati & Widyawati (2015: 5) company size describes the size of a company which can be expressed by total assets or total net sales. The greater the total assets and sales, the greater the size of a company. The bigger the asset, the bigger the invested capital. While the more sales, the more the turnover of money in the company. The company size measurement method used by the author in this study is the size of the company's assets. Because the value of total assets (total assets) is usually very large compared to other financial variables, assets are resources controlled by the entity as a result of past events that are expected to provide future economic benefits to the entity. The higher the asset value reflects the larger the size of the company.
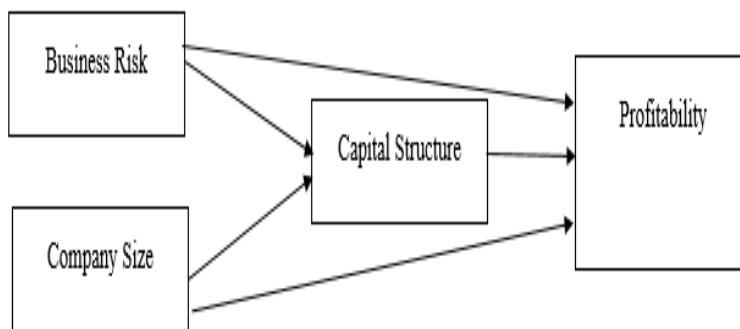
E. Framework

Fig. 1: Conceptual Framework

F. Hypothesis

H1 : Business risk is suspected to have an effect on the capital structure of Manufacturing Companies.
H2 : The size of the company is suspected to have an effect on the capital structure of the Manufacturing Company.
H3 : Business risk is suspected to affect the profitability of the Manufacturing Company.
H4 : The size of the company is suspected to have an effect on the profitability of the Manufacturing Company.
H5 : The capital structure is suspected to have an effect on the profitability of the Manufacturing Company.
H6 : Business risk is thought to have an effect on profitability through the capital structure of the Manufacturing Company.
H7 : The size of the company is thought to have an effect on profitability through the capital structure of the Manufacturing Company.

III. RESEARCH METHODS

A. Types of research

The type of research used in this research is quantitative research and based on the characteristics of the problem the researcher uses descriptive analysis research .

B. Population and Sample

The population that will be the object of this research are Manufacturing Companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019 , which are 184 companies. The criteria for selecting the sample are as follows :

No	Criteria	Amount
1	Manufacturing companies listed on the IDX in 2015 - 2019	184
2	Companies reporting 2015 - 2019 financial statements	131
3	Issued due to incomplete financial statements	(107)
4	Issued because the company has a negative profit	(57)
Number of research samples (Companies)		20

Table 1: Research Sample Criteria

C. Method of collecting data

Data collection in this study is directly to the company to be studied using the methodobservation , documentation and literature study . The types and sources of data that the researchers took were secondary data, namely data from the BI website/www.bi.go.id for 2015-2019 financial report data.on Manufacturing Companies .

D. Data Analysis Techniques

The purpose of company analysis is needed to determine the effect of the variables Business Risk (X_1) and Company Size (X_2) on Profitability (Y_2) with Capital Structure (Y_1) as Intervening Variable . This research uses panel data and data processing using *Eviews version 9 software* .

IV. DESCRIPTIVE STATISTICAL ANALYSIS

A. Panel Data Regression Model

There are three approaches in the estimation method of the panel data regression model (Widarjono, 2013:353), namely:
- Common–Constant Model/Pooled Least Square (PLS)
- Fixed effects Model
- Random Effect Model

B. Panel Data Testing Method

In determining the most appropriate model for estimating panel data regression, several tests can be carried out including:
- Chow test.
- Hausman test .
- Test Lagrange Multiplier.

C. Panel Data Regression Analysis

In this study, an analysis of the results of panel data regression was carried out as follows :
- Coefficient of Determination (R^2)
- F test
- t test

D. Classic Assumption Test

Classical assumption test includes normality test, autocorrelation test, multi collinearity test, and heteroscedasticity test.

E. Analysis (Path Analysys)

To test whether the capital structurecan be an*intervening* variable in the influence of business risk and company size on profitability, then the *Path Analysis* method is used .

V. RESEARCH ANALYSIS AND DISCUSSION

A. Research Analysis

a) Descriptive Analysis Results
- *dependent* variable of profitability is 0.141243 with a standard deviation of 0.079327. The profitability variable has an average value greater than the standard deviation value. This shows that the data quality of the profitability variable is good, because the average value which is greater than the standard deviation indicates that the standard error of the variable is small .
- *intervening* variable has an average of 0.582489 with a standard deviation of 0.394185. These results indicate that the average value is greater than the standard deviation, thus indicating a good result. Standard deviation is a statistical value that determines the spread of data in the sample or as a reflection of deviation .
- *independent* variable business risk has an average of 0.124056 with a standard deviation of 0.078168. The business risk variable has an average value greater than the standard deviation value. This shows that the data quality of the business risk variable is good, because the average value which is greater than the standard deviation indicates that the standard error of the variable is small .
- *independent* variable company size has an average of 15.23505, a maximum value of 19.67902 with a standard deviation of 1.967269. These results indicate that the size of the company is classified as good because the average value is quite high which is close to the maximum value.

b) Panel Data Regression Model Test
The model used in this study is panel data regression. The selection of this model is based on three tests, namely :

a. Selection of *Common Effect* or *Fixed Effect* models .The results of the Chow test in this study are:

- Chow Profitability Test Results *(Dependent)*

Effects Test	Statistic	d.f.	Prob.
Cross-section F	23.950071	(19,77)	0.0000
Cross-section Chi-square	193.293460	19	0.0000

Table 2: Chow test

Source: Data Panel Regression Output with Eviews 9.0.

chow test in the table above show thatCross-section probability value F = 0.000 < 0.05 so H 1 is accepted, meaning that the correct *fixed effects model* is used compared to the *common effects model* to estimate panel data.

- Chow Test Results Capital Structure *(Intervening)*

Effects Test	Statistic	d.f.	Prob.
Cross-section F	17.333669	(19,78)	0.0000
Cross-section Chi-square	165.293869	19	0.0000

Table 3: Chow test

Source: Data Panel Regression Output with Eviews 9.0

chow test in the table above show that Cross-section probability value F = 0.000 < 0.05 so that andH1 is accepted, meaning that the correct fixed effects model is *used* compared to the *common effects model* to estimate the panel data.

b. Selection of *Random Effect* or *Fixed Effect* models .The results of the Hausman test in this study are:

- Profitability Hausman Test Results *(Dependent)*

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	19.762069	3	0.0002

Table 4: Hausman test

Source: Data Panel Regression Outputwith Eviews 9.0.

From the results of the Hausman test in the table above, it can be seen that the Chi-Square probability value is 0.000 < 0.05, meaning that Ha is accepted, so in the Hausman test the right model for panel data testing is the *Fixed Effect model.*

- Hausman Test Results Capital Structure *(Intervening)*

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.449684	2	0.0398

Table 5: Hausman test

Source: Panel Regression Outputwith Eviews 9.0.

From the results of the Hausman test in the table above, it can be seen that the Chi-Square probability value is 0.039 < 0.05, meaning that H $_{0\ is}$ rejected and Ha is accepted, so in the Hausman test the right model for panel data testing is the *Fixed Effect model* .

c. **Test***Lagrange Multiplier* **(LM).***Lagrange Multiplier* test to choose whether the *Common Effect* or *Random Effect* model is more appropriate to use in the panel data regression equation model. The results of the *Lagrange Multiplier (LM)* test in this study are:

- Lagrange Multiplier (LM) Test Results Profitability (Dependent)
  Based on the Langrange Multiplier test resultswith Eviews 9.0that the significance value or probability of 0.000 is smaller than Alpha 0.05 (< 0.05) which means that the best model to use is the random effect , therefore based on the results of the Langrange Multiplier test , this study uses the Random Effect Model .

- Lagrange Multiplier (LM) Test Results Capital Structure (Intervening)
  Based on the Langrange Multiplier test resultswith Eviews 9.0that the significance value or probability of 0.000 is smaller than Alpha 0.05 (< 0.05), which means that the best model to use is the Random Effect , therefore based on the results of the Langrange Multiplier test , this study uses the Random Effect Model.

c) Regression Analysis Results
Panel data regression test results with *Fixed Effect* models in this study are:

a. Profitability Regression Test *(Dependent)*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	0.937507	0.103280	9.077340	0.0000
X2	-0.060296	0.016305	-3.698041	0.0004
Y1	0.006445	0.016258	0.396429	0.6929
C	0.939799	0.240718	3.904153	0.0002
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.916575	Mean dependent var		0.141243
Adjusted R-squared	0.892739	S.D. dependent var		0.079327
S.E. of regression	0.025980	Akaike info criterion		-4.264326
Sum squared resid	0.051973	Schwarz criterion		-3.665137
Log likelihood	236.2163	Hannan-Quinn criter.		-4.021823
F-statistic	38.45370	Durbin-Watson stat		1.571352
Prob(F-statistic)	0.000000			

Table 6: Panel Data Regression Test with *Fixed Effect* Model

Source : Data Panel Regression Output with Eviews 9.0.

The regression equation is as follows:
Yit = 0 + $_1$ X $_1$ it + $_2$ X $_2$ it + $_1$ Y $_1$ it + Uit
ER = 0.939799+0.937507X $_1$- 0.060296X $_2$+ 0.006445Y $_1$+0

- Constant of 0.939799 This means that if X $_1$ (Business Risk), X $_2$ (Company Size), Y $_1$ (Capital Structure), then the amount of Y $_2$ (Profitability) is 0.939799 .

- The regression coefficient for the X $_1$ (Business Risk) variable is 0.937507, meaning that for every increase

in X_1 (Business Risk) by 1 unit, it will increase Y_2 (Profitability) by 0.937507.

- The regression coefficient for the variable X_2 (Company Size) is -0.060296, meaning that every increase in X_2 (Company Size) by 1 unit, it will increase Y_2 (Profitability) by -0.060296.
- Y1 variable regression coefficient (Capital Structure) is 0.006445meaning that every increase in Y_1 (Capital Structure) by 1 unit, it will increase Y_2 (Profitability) by 0.006445.

b.Capital Structure Regression Test *(Intervening)*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-1.538124	0.697899	-2.203935	0.0305
X2	0.334294	0.107062	3.122419	0.0025
C	-4.319679	1.603564	-2.693800	0.0086
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.833990	Mean dependent var		0.582489
Adjusted R-squared	0.789295	S.D. dependent var		0.394185
S.E. of regression	0.180941	Akaike info criterion		-0.389749
Sum squared resid	2.553703	Schwarz criterion		0.183389
Log likelihood	41.48743	Hannan-Quinn criter.		-0.157789
F-statistic	18.65955	Durbin-Watson stat		1.055447
Prob(F-statistic)	0.000000			

Table 7: Panel Data Regression Test with *Fixed Effect* Model

Source: Data Panel Regression Output with Eviews 9.0.

The regression equation is as follows:
$$Yit = 0 + {}_1 X_1 it + {}_2 X_2 it + Uit$$
$$ER = -4.319679 - 1.538124 X_1 + 0.334294 X_2 + 0$$

- A constant of -4.319679 means that if X_1 (Business Risk), X_2 (Company Size), then the amount of Y_1 (Capital Structure) is -4.319679.
- The regression coefficient of the X_1 (Business Risk) variable is -1.538124, meaning that every increase in X_1 (Business Risk) by 1 unit, it will increase Y_1 (Capital Structure) by -1.538124.
- The regression coefficient for the variable X_2 (Company Size) is 0.334294, meaning that every increase in X_2 (Company Size) by 1 unit, it will increase Y_1 (Capital Structure) by 0.334294.

d) Hypothesis Test Results
 a. t test
  Based on*Eviews* calculation results , the results of the t-test in this study are :
  - T-test Against *Dependent Variables*
    ➢ The result of $t-{}_{count}$ for the variable Business Risk (X1) is ${}_{9.077}$while the value of t_{table} for N = 100 is 1 . 983. So 9,077> 1 . 983 and a probability value of 0.000 < 0.05 then H_0 is rejected and H_a is accepted, it can be stated that Business Risk (X_1) has a positive and significant influence onProfitability (Y_2).
    ➢ The result of $t-{}_{count}$ for the variable Firm Size (X2) is ${}_{-3.698}$ while the t-${}_{table\ value}$ for N = 100 is 1 . 983. So -3,698 > 1 . 983 and a probability value of 0.000 < 0.05 then H_0 is rejected and H_a is accepted, it can be

stated that Company Size (X_2)has a negative and significant influence onProfitability (Y_2).
    ➢ The result of t_{-count} for the variable Capital Structure(Y_1) is 0.396while the value of t_{table} for N = 100 is 1 . 983. So0.396< 1 . 983 and the probability value is 0.692> 0.05 then H_0 is accepted and H_a is rejected, it can be stated that the Capital Structure(Y_1) has no effect and does notsignificant toProfitability (Y_2).

- **T-Test Against *Intervening Variables***
    ➢ The result of $t - {}_{count}$ for the variable Business Risk (X1) is ${}_{-2.203}$while the value of t_{table} for N = 100 is 1 . 983. So -2.203> 1 . 983 and a probability value of 0.030< 0.05 then H_0 is rejected and H_a is accepted, it can be stated that Business Risk (X_1) has a negative and significant influence onCapital Structure (Y_1).
    ➢ The result of $t - {}_{count}$ for the variable Firm Size (X2) is 3.122while the value of t_{table} for N = 100 is 1 . 983. So 3,122> 1 . 983 and the probability value is 0.002 < 0.05 then H_0 is rejected and Ha is accepted, it can be stated that Company Size (X_2) has a positive and significant effect onCapital Structure (Y_1).

b. F Uji test
Based on*Eviews* calculation results , the results of the F test in this study are:
- **F Test Against Dependent Variables**
  F-test prob value 0.00. Becausevalue 0.00 < 0.05 , it can be said that Business Risk (X_1), Company Size (X_2) and Capital Structure (Y_1) jointly or simultaneously have a positive effect on profitability(Y_2) .
- **Intervening Variables**
  F-test prob value 0.00. Becausevalue 0.00 < 0.05 , it can be said that Business Risk (X_1)and Company Size (X_2)jointly or simultaneously have a positive effect on the Capital Structure (Y_1) .

c. Coefficient of Determination
- **Coefficient of Determination Test Against *Dependent Variables***
  Adjusted R-squared . valueis 0.892. This shows that 89.2 % Business Risk (X_1), Company Size(X_2) and Capital Structure (Y_1)jointly affect profitability (Y_2), while the remaining 10.8% is influenced by other factors not examined in this study.
- **Coefficient of Determination Test Against *Intervening Variables***
  Adjusted R-squared . valueis 0.789. This shows that 78.9 % Business Risk (X_1) and Company Size(X_2) together have an effect on the Capital Structure (Y_1) , while the

remaining 21.1% is influenced by other factors not examined in this study.

e) Classic assumption test
a. Normality test
- **Normality Test Against** *Dependent Variables*
  Based on the results of the normality test with Eviews 9.0 shows that the *probability . value Jarque-Bera* of 0.20 is greater than 0.05. So it can be concluded that the data in this study is distributed normal.
- **Normality Test Against** *Intervening* **Variables**
  Based on the results of the normality test with Eviews 9.0 shows that the *probability . value Jarque-Bera* of 0.17 is greater than 0.05. So it can be concluded that the data in this study is distributed normal.

b. Multicollinearity Test
- **Multicollinearity Test Against** *Dependent Variables*
  Based on the results of the multicollinearity test withIn Eviews 9.0, it is known that there is no multicollinearity problem between *independent variables* because the value of each variable is less than 0.80 (*Correlation Matrix* < 0.80).
- **Multicollinearity Test Against** *Intervening Variables*
  Based on the results of the multicollinearity test with in Eviews 9.0, it is known that there is no multicollinearity problem between *independent variables* because the value of each variable is less than 0.80 (*Correlation Matrix* < 0.80).

c. Autocorrelation Test
- **Autocorrelation Test Against** *Dependent Variables*
  Based on the results of the autocorrelation test withEviews 9.0there is a *Durbin-Watson value* that is produced between 1.55 to 2.46, it can be concluded that there is no autocorrelation.
- **Autocorrelation Test Against** *Intervening Variables*
  Based on the results of the autocorrelation test withEviews 9.0there is the resulting *Durbin-Watson value which is less than 1.10, it can be concluded that there is an autocorrelation.*

d. Heteroscedasticity Test
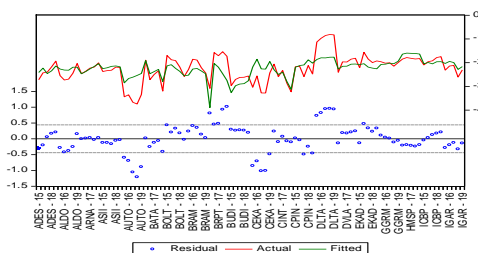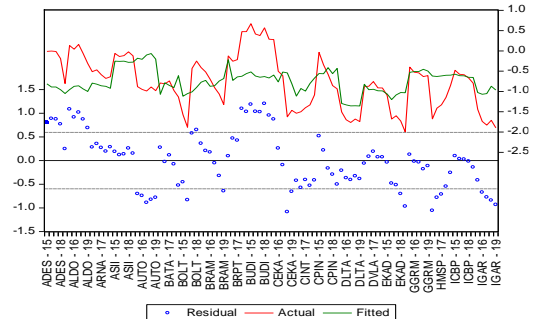- **Heteroscedasticity Test Against** *Dependent Variables*

Fig.2: Results Heteroscedasticity Test

Source: Data Panel Regression Output with Eviews 9.0

Based on the picture above, it can be seen that the residuals do not form a clear pattern, in other words the residuals tend to be constant. So it can be concluded that there is no heteroscedasticity problem.

- **Heteroscedasticity Test Against** *Intervening Variables*

Fig.3: Results Heteroscedasticity Test

Source: Data Panel Regression Output with Eviews 9.0

Based on the picture above, it can be seen that the residuals do not form a clear pattern, in other words the residuals tend to be constant. So it can be concluded that there is no heteroscedasticity problem.

B. Path Analysis
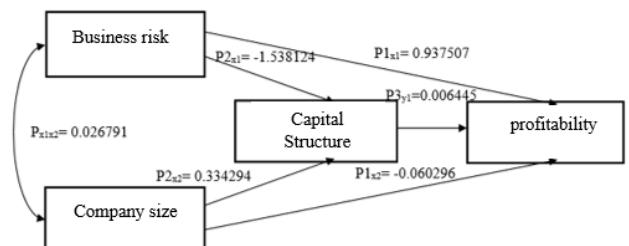The path analysis model of the profitability equation can be described as follows:

Fig. 6: Path Analysis

Variable	X to Y2 (P1)	X to Y2 (P2)	Y1 to Y2 (P3)	Sp2	Sp3	Indirect Effect	Total Effect
Business risk	0,937507	-1.538124	0.006445	0.697899	0.016258	0,011346	0,948853
Company size	-0,060296	0.334294	0.006445	0.107062	0.016258	0,001741	-0,058555
Capital Structure	0.006445		0.006445		0.016258		0.006445

Table 14: Path Analysis

Source : Secondary data processed, 2020

Based on the above, we can calculate the statistical t-value of the mediation effect as follows:

1. $t1 = \dfrac{p2.p3}{Sp2.p3} = \dfrac{-0.009913}{3.092570} = -0.003205$

2. $t2 = \dfrac{p2.p3}{Sp2.p3} = \dfrac{0.002155}{3.277928} = 6.574275$

By looking at all the measurements above, the following conclusions can be drawn:

- The calculated t1 value is -0.003205 which is smaller than the t table, which is 1 . 983 with a significance level of 5%, it can be concluded that the mediation coefficient of -0.009913 is not significant. This shows that the capital structure variable cannot mediate the effect of business risk on profitability.

- The calculated t2 value of 6.574275 is greater than the t table, which is 1 . 983 with a significance level of 5%, it can be concluded that the mediation coefficient of 0.002155 is significant. This shows that the capital structure variable can mediate the effect of firm sizeto profitability.

VI. RESEARCH DISCUSSION

A. Influence Business Risk Against Capital Structure

The test results with panel data regression analysis show that business risk has a negative and significant effect on capital structure. This shows that business risk can increase when companies use high debt to meet their funding needs. The risk arises along with the emergence of cost burden on loans made by the company. The greater the burden of costs that must be borne, the risk faced by the company is also greater. This finding rejects the results of Sawitri & Lestari's (2015) research and supports the findings of Sari, et al., (2019).

B. Influence Company Size Against Capital Structure

The test results with panel data regression analysis show that the size of the companyhas a positive and significant influence on the capital structure. This shows that 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. This finding rejects the results of the research by Sawitri & Lestari (2015) and supports the findings of Ratri (2017).

C. Influence Business Risk Against Profitability

The test results with panel data regression analysis show that business risk has a positive and significant effect on profitability. This shows a high business risk then profitability will increase , this is because the company includes a high level of risk in a budgeted investment, so investors who will invest their funds in these investments expect high returns as well. This finding rejects the results of the research by Aglen & Panjaitan (2019) and supports the findings of Kaptiana and Asandimitra (2013).

D. Influence Company Size Against Profitability

The test results with panel data regression analysis show that company size has a negative and significant effect on profitability. This shows that if the size of the company increases, the company's profitability will decrease and these results indicate that company size is not the main factor that can affect profitability, because the larger the size of a company, the company will require greater costs to carry out its operational activities so that it will reduce costs . company profitability. This finding rejects the results of the research by Novyanny & Turangan (2019) and supports the findings of Juliana and Melisa (2019).

E. Influence Capital Structure Against Profitability

The test results with panel data regression analysis show that capital structure has no effect and is not significant on profitability. This shows that a low *Debt to Equity Ratio* (DER) indicates that the company's capital structure does not take advantage of debt to equity. The lower the *Debt to Equity Ratio* (DER) also indicates the smaller the obligation or debt burden borne by the company to outsiders, so that it can increase the amount of profit received by the company. This finding rejects the results of Kusumajaya's research (2011) and supports the findings of Swastika and Isharijadi (2017).

F. The effect of business risk on profitability through capital structure

The test results with panel data regression analysis show that capital structure cannot mediate the effect of business risk on profitability. Capital structure is not able to mediate the effect of business risk on profitability due to the increase in fixed costs which is not matched by the increase in high sales volume. This finding rejects the results of the research by Wiagustini & Pertamawati (2015) and supports the findings of Putri and Asyik (2019).

G. The effect of firm size on profitability through capital structure

The test results with panel data regression analysis show that capital structure can mediate the effect of firm size on profitability. Thus, increasing company size can have a real impact on increasing profitability through capital structure. This shows that the larger the size of a company, the greater the total equity/total assets owned and will reduce the use of debt in increasing profitability. This finding rejects the results of the research of Kusna and Setijani (2018) and supports the findings of Pangesti, et al (2020).

VII. CONCLUSION & SUGGESTION

A. Conclusion

Based on the results of research and discussion, the following conclusions can be drawn:

- Business risk has a negative and significant effect on the capital structure.
- Firm size has a positive and significant effect on capital structure.
- Business risk has a positive and significant impact on profitability.
- Firm size has a negative and significant effect on profitability.
- Capital structure has no effect and is not significant on profitability.
- Capital structure cannot mediate the effect of business risk on profitability.

- Capital structure can mediate the effect of firm size on profitability.

B. Suggestion

- Companies should pay attention to variables that have a positive and significant effect on capital structure, such as company size related to capital structure so that companies can develop their assets.
- Companies should pay attention to variables that have a positive and significant effect on profitability , such as business risk related to profitability , so that in increasing the company 's profitability it is based on business risk .
- For variables that have a negative and significant effect on capital structure, namely business risk, the company is expected to use low debt to reduce business risk.
- For variables that have a negative and significant effect on profitability, namely company size, the company is expected to increase profitability by increasing the size of a company.
- For the variable that has no effect, namely the capital structure related to profitability . The company should reduce the debt burden to external parties, so as to increase the amount of profit received by the company.
- For variables that cannot mediate, namely capital structure which cannot mediate business risk on profitability. The company should expand by increasing the number of assets so as to increase fixed costs and be accompanied by an increase in sales in order to generate high operating profit for the company.
- For the variable that can mediate, namely the capital structure that can mediate the size of the companyto profitability. The company should always increase profitability so that the total equity / total assets owned is getting bigger so that it can reduce the use of debt.
- For further research, it is hoped that the results of this study can be used as comparison materials and references for further research and can develop research through other factors that can affect profitability other than the factors used in this study.

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