

## **STOCK POWER: Uncovering the Effect of Asset Structure, Sales Growth, and Business Risk on Share Prices with the Support of Capital Structure as a Regulator**

**Rina Ariyanti**

Universitas Awal Bros, Indonesia  
rinaariyanti1488@yahoo.com

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### **ABSTRACT**

This study aims to determine the effect of Asset Structure, Sales Growth and Business Risk on Stock Prices with Capital Structure as a moderating variable. This type of research is quantitative associative. The sampling method with the "purposive sampling" method is to select samples with certain considerations. The company's sample consists of 29 companies listed on the LQ 45 index. Data processing techniques using the E-Views Version 10.0 program use descriptive statistics, two-model tests, model tests, classical assumption tests, hypothesis tests, and determination coefficient tests. The results showed that simultaneously Asset Structure, Sales Growth and Business Risk had a positive effect on Share Price. Capital Structure does not moderate the relationship between Asset Structure, Business Risk, Sales Growth and Share Price.

**Keywords:** Asset Structure, Sales Growth, Business Risk, Capital Structure, Share Price

### **INTRODUCTION**

The share price is the general price per share in the capital market. The stock price is a very important factor and must be taken into account by investors in investing because the share price reflects the performance of the issuing authority. Stock price movements are in line with the performance of issuers, if issuers have better performance, the profits obtained and generated from business operations are greater. The stock price also shows the value of a company and is an appropriate index for the effectiveness of the company. The higher the stock price, the higher the value of the company and vice versa. A stock price that is too low often means that the company's performance is not good. However, when the stock price is too high, it reduces the investor's ability to buy the stock.

Like the rapid development of retail or retail markets. In connection with the development of the business world, there is increasingly fierce competition in the

business world, resulting in many demands for the company's performance to achieve a worthy goal, and encourage company management to work more effectively and efficiently. Accurate stock valuation provides decent returns for investors, considering that investing in the capital market is a risky type of investment, although investors promise relatively high returns, you can minimize risk while helping (Mas & Dewi, 2020). There are at least two things that need to be considered in investing in stocks in the capital market, namely: expected profits and possible risks. In short, investing in stocks promises not only high risks, but also relatively high profits.

Shares according to (Yanti, 2020) are, Are securities that are evidence of participation or ownership of individuals or institutions in a company. Investors who invest in stocks have the hope of getting optimal returns on their stock investments. Talking about stock investment cannot be separated from the stock price. The price of one stock traded on an exchange is the market price of the stock in question. The market price is the price of a stock in the ongoing market or if the market has closed then the market price is the closing price. The most traded stocks in the capital market are ordinary stocks. If an investor buys shares, then he directly becomes the owner and as a shareholder of the company in accordance with the number of shares invested.

The health level of the company can also be measured from the Asset Structure in the company. Asset structure is the wealth or economic resources owned by the company that are expected to provide benefits in the future consisting of fixed assets, intangible assets, current assets, and non-current assets. The overall assets are the most accepted source of collateral by the bank when the company is about to borrow money and increase its debt. The asset structure of a company has a direct impact on the capital structure because the asset structure of a company is collateral when a company borrows money from creditors to increase its debt. Companies with a small asset structure will find it difficult to get funds from debt. In addition, a higher proportion of the asset structure means the availability of high collateral, which will reduce the cost of debt.

For a company with a high growth rate of the company, the tendency to use debt is greater than for companies with low growth rates. A company whose sales are relatively high or stable can more securely obtain more loans and bear a higher fixed burden compared to a company whose sales are unstable. A positive relationship

between sales growth and capital structure. Research on manufacturing companies that shows sales growth has a positive and significant effect on capital structure. In addition, an optimal capital structure is a capital structure that can initiate the average cost of capital so as to maximize the value of the company resulting in an increase in stock prices.

Business risk is the uncertainty inherent in future asset returns. Business risk can also be interpreted as the uncertainty of income that will be received by companies or individuals derived from investment activities (Nurhayati, et, al., 2021). Business risks arise due to various factors such as warehouse fires, labor strikes, economic recessions and the failure of products released on the market. Therefore, the higher the business risk, the company must use smaller debt compared to companies that have low business risk. This is because companies that have high business risk generate profits that fluctuate between one period and another, so the use of large debts will make it difficult for companies to return their debts.

According to (Septyani, 2022), which proposes a capital structure theory known as balance theory related to the effect of debt, balancing explains that the optimal capital structure is determined by adding debt, debt has benefits and costs balance between benefits and costs, this is what leads to optimal capital structure. Debt benefits the company because interest payments are taken into account as expenses and reduce taxable income, so the amount of tax the company pays is reduced. Debt in addition to having a positive aspect also has a negative face, which increases the chance of bankruptcy.

Capital structure is related to management decisions in terms of funding to finance the company's operational activities and investment activities, this funding decision concerns the composition of debt and capital use (Ernawati & Budiharjo, 2020). To determine the composition of financing, management needs to pay attention to the optimal level of capital structure when the amount of risk attached to the selection of financing through debt with the returns and benefits obtained can increase the company's share price (Dawud & Hidayat, 2019).

## **THEORETICAL BASIS**

### **Share Price**

According to (Afiezan, et, al., 2022), Stock Price is the price of a stock that occurs in the stock exchange market at a certain moment which is determined by market mechanisms in the form of demand and supply of the stock. The stock price is a reflection of the level of confidence and confidence of investors in the performance and future prospects of the company. A high stock price can reflect market optimism about the company, while a low stock price can reflect uncertainty or market distrust of the company.

Stock price movements can change rapidly and are influenced by various external factors, so stock trading on the stock exchange market is a dynamic and complex process. For investors and market participants, an understanding of stock prices and market mechanisms is very important in making investment decisions and stock analysis (Hapsari & Widjaja, 2021).

### **Capital Structure**

According to (Meilani & Wahyudin, 2021), capital structure is a proportion in determining the fulfillment of company spending needs where the funds obtained use a combination or combination of sources derived from long-term funds consisting of two main sources, namely those from inside and outside the company. Companies can manage asset structure by optimizing the use of current assets and remain in accordance with operational needs and business growth. Proper management can help improve the efficiency and profitability of the company.

Proper capital structure is very important because it can affect the company's cost of capital, financial risk, and company value (Miswanto, et, al., 2020). By choosing the right combination of internal and external sources of funds, companies can achieve efficiency in the use of funds, minimize capital costs, and increase shareholder value.

### **Asset Structure**

Asset structure is important because it affects the company's financial health, liquidity management, and overall business stability. Companies that have a balanced and efficient asset structure can have good liquidity and are better prepared to face economic challenges (Setiyanti & Prawani, 2019). In addition, the asset structure also reflects the company's investment strategy and financial policy.

Companies can manage asset structure by optimizing the use of current assets and remain in accordance with operational needs and business growth. Proper management

can help improve the Company's efficiency and profitability (Muyasaroh, et, al., 2022). Therefore, a good understanding of asset structure is very important for company management and stakeholders.

### **Sales Growth**

Sales growth is defined as an increase in the number of sales from year to year or over time. The definition indicates that sales growth describes a positive change in the number of products or services sold by a company from a certain period of time to the next time period (Astuti, et, al., 2022).

Sales growth is an important indicator in the analysis of company performance. Positive sales growth shows that the company has succeeded in increasing the sales volume of its products or services, which can be a good signal for business success and increasing demand from consumers (Bebasari & Soleha, 2022). However, keep in mind that sales growth should also be considered in conjunction with other factors such as profitability, operational efficiency, and overall financial performance to get a more complete picture of a company's health and sustainability.

### **Business Risk**

Business risk is the basic risk owned by the company, in addition to financial risk (Setiawati & Veronica, 2020). Business risk includes risks related to operational, strategic, market, technological, legal, and other factors that can affect the performance and sustainability of the company. Meanwhile, financial risk relates to the company's ability to meet financial obligations, deal with exchange rate fluctuations, changes in interest rates, and other risks that have an impact on the company's financial performance.

The use of debt (debt) in the company's financial structure can increase business risk because of the interest and principal payment obligations that must be met by the company, especially if the company's revenue decreases or financial difficulties occur. Therefore, business and financial risk management is important to ensure the continuity and success of the company in facing the challenges and opportunities that exist in its environment.

### **METHOD**

The type of research to be used is the type of associative quantitative research, associative quantitative research can provide valuable insight into the relationship between certain variables, so that it can be used to identify factors that contribute to the observed phenomenon. This study focuses on measuring these variables and statistical analysis to identify whether there is a relationship or correlation between these variables.

In this study, the population is all companies listed in the LQ 45 Index 2016-2020 totaling 45 companies. Sample selection is determined by Purposive Sampling, the number of samples to be used in this study is 29 companies listed in the LQ 45 index. Data processing techniques using the E-Views Version 10.0 program use descriptive statistics, two-model tests, model tests, classical assumption tests, hypothesis tests, and determination coefficient tests.

## **RESULT**

### **Effect of Asset Structure on Share Price**

In this study, hypothesis testing was carried out to test whether the Asset Structure variable had an effect on the Stock Price. Based on the results of the t test in the Random Effect Model for the variable Asset Structure to Stock Price, a probability value (p-value) of 0.7566 was obtained. Furthermore, compared to the specified significance value of 0.05.

Because the probability value (p-value) of 0.7566 is greater than the significance value (0.05), it can be interpreted that the results of hypothesis testing reject the Alternative Hypothesis (H1) which states that there is a significant influence between the Asset Structure variable on the Stock Price. Thus, the Zero Hypothesis (H0) is accepted, which means that partially, the Asset Structure variable does not have a significant influence on the Stock Price in this study.

### **The Effect of Sales Growth on Stock Prices**

In testing the second hypothesis in this study, the goal is to test whether the Sales Growth variable has an effect on Stock Price. Based on the results of the t test in the Random Effect Model for the variable Sales Growth to Stock Price, a probability value (p-value) of 0.5683 was obtained. Next, this probability value is compared to the predefined significance value of 0.05.

Because the probability value (p-value) of 0.5683 is greater than the significance value (0.05), it can be interpreted that the results of hypothesis testing reject the Alternative Hypothesis (H2) which states that there is a significant influence between the variables Sales Growth on Stock Price. Thus, the Zero Hypothesis (H0) is accepted, which means that partially, the Sales Growth variable does not have a significant influence on the Stock Price in this study.

### **The Effect of Business Risk on Stock Prices**

In testing the third hypothesis in this study, the goal is to test whether the Business Risk variable has an effect on Stock Price. Based on the results of the t test in the Random Effect Model for the variable Business Risk to Stock Price, a probability value (p-value) of 0.0003 was obtained. Next, this probability value is compared to the predefined significance value of 0.05.

Because the probability value (p-value) of 0.0003 is less than the significance value (0.05), it can be interpreted that the results of hypothesis testing state that the Alternative Hypothesis (H3) is accepted. This shows that there is a significant influence between Business Risk variables on Stock Prices partially in this study.

### **The Effect of Asset Structure, Sales Growth and Business Risk Simultaneously on Share Price**

Based on the results of the F test in the Random Effect Model, a probability value (F-statistic) of 0.000765 is obtained. Then, this probability value is compared to the predefined significance value of 0.05. Because the probability value (F-statistic) of 0.000765 is less than the significance value (0.05), it can be interpreted that the results of hypothesis testing state that the Alternative Hypothesis (H4) is accepted. This means that simultaneously, the variables Asset Structure, Sales Growth, and Business Risk together affect the Share Price positively and significantly in this study.

That is, based on data analysis and hypothesis testing that has been done, sufficient evidence was found to state that the variables Asset Structure, Sales Growth, and Business Risk together have a positive and significant influence on changes or variations in Stock Prices in the context of this study.

### **Capital Structure Moderates the Effect of Asset Structure on Stock Prices**

In testing the fifth hypothesis in this study, the aim was to test whether Capital Structure moderates the influence between Asset Structure and Share Price. In the E-

Views version 10 test with Moderate Regression Analysis, the Capital Structure variable denoted by M1 is used to moderate the relationship between Asset Structure and Share Price. The test results show that the probability value (p-value) obtained is 0.5170. Next, this probability value is compared to the predefined significance value of 0.05.

Because the probability value (p-value) of 0.5170 is greater than the significance value (0.05), it can be interpreted that the results of hypothesis testing reject the Alternative Hypothesis (H5). This means that in this study, Capital Structure did not moderate or had no significant influence on the relationship between Asset Structure and Share Price.

### **Capital Structure Moderates the Effect of Sales Growth on Stock Prices**

In testing the sixth hypothesis in this study, the aim was to test whether Capital Structure moderates the influence between Sales Growth and Share Price. The test results show that the probability value (p-value) obtained is 0.2697. Next, this probability value is compared to the predefined significance value of 0.05.

Because the probability value (p-value) of 0.2697 is greater than the significance value (0.05), it can be interpreted that the results of hypothesis testing reject the Alternative Hypothesis (H6). This means that in this study, Capital Structure did not moderate or had no significant influence on the relationship between Sales Growth and Share Price.

In other words, the test results show that Capital Structure does not significantly affect the relationship between Sales Growth and Stock Price in this study. Capital Structure variables do not become significant modifiers in changing or strengthening the relationship between Sales Growth and Share Price.

### **Capital Structure Moderates the Effect of Business Risk on Share Prices**

In testing the seventh hypothesis in this study, the aim was to test whether Capital Structure moderates the influence between Business Risk and Stock Price. The test results show that the probability value (p-value) obtained is 0.7509. Next, this probability value is compared to the predefined significance value of 0.05.

Because the probability value (p-value) of 0.7509 is greater than the significance value (0.05), it can be interpreted that the results of hypothesis testing reject the Alternative Hypothesis (H7). This means that in this study, Capital Structure did not



moderate or had no significant influence on the relationship between Business Risk and Stock Price.

In other words, the test results show that Capital Structure does not significantly affect the relationship between Business Risk and Stock Price in this study. Capital Structure variables do not become significant modifiers in changing or strengthening the relationship between Business Risk and Share Price.

## CONCLUSION

The results showed that the three variables, namely Asset Structure, Sales Growth, and Business Risk, together (simultaneously) affect the Stock Price. This means that changes in these variables have a combined influence on changes in Stock Price. That the influence of these three variables on Stock Prices is positive. That is, when the value or performance of the Asset Structure, Sales Growth, and Business Risk increases, then the Stock Price tends to increase as well. This shows a positive relationship between these variables and the Stock Price.

Adjusted value R<sup>2</sup> is a measure that shows how much variation in Stock Price can be explained by the combination of Asset Structure, Sales Growth, and Business Risk variables in a regression model. Adjusted R<sup>2</sup> value of 0.093272 indicates that about 9.33% of the Stock Price variation can be explained by these three variables in the regression model. Furthermore, about 90.67% of Share Price variation is influenced by other factors that are not included in the model.

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