Sustainability Accounting Journal (SAJ)
Volume 2, No.1, February 2025
ISSN : -

THE INFLUENCE OF SALES GROWTH, PROFITABILITY, AND BUSINESS RISK ON FINANCING DECISIONS IN MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE PERIOD 2021-2023

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pp : 14 – 26
Sustainability Accounting Journal

Article Info
Received
6 February 2025
Revised
16 February 2025
Accepted
28 February 2025

Keywords:
Sales Growth,
Profitability,
Business Risk,
Funding Decision

ABSTRACT

This study aims to determine the effect of Sales Growth, Profitability and Business Risk on Funding Decisions in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2021-2023. In this study, the population used is manufacturing companies listed on the IDX for the period 2021-2023. The number of manufacturing companies that were sampled in this study were 114 companies after going through the purposive sampling method. The data obtained were then analyzed using the SPSS version 26 application tool. The results of this study indicate that sales growth has a positive and significant effect on funding decisions, profitability has a negative and significant effect on funding decisions and business risk has no effect on funding decisions.

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I. INTRODUCTION

The growing global business can lead to increased levels of intense competition among enterprises, necessitating the maintenance of its existence. Currently, the development of the manufacturing industry is experiencing rapid progress, therefore companies must maximize their value and financial management. One aspect that must be considered in financial management is funding decisions. Funding decisions are decisions that need to consider debt in relation to the equity level within the company. The source of a company's funding can be determined by the amount of capital needed. The amount of funds needed by each company to finance its operations depends on the financing decision. Funding decisions are a driving aspect of company development. Every financial decision made by the company's manager will affect the company's growth.

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Sales growth is the total change in sales from one year to the next. Companies with large profits have a greater amount of retained earnings. Equity sourced from retained earnings will increase in proportion to the increase in the company's profit. The company will find it easier to obtain loans or external funding to enhance its operations if sales remain relatively stable and increase each year.

Profitability is the profit generated by a company over a certain period. Companies with high profits prefer financing from internal funds in the form of retained earnings to fund their operations rather than using external funds. A substantial amount of retained earnings will be used by the company as capital, thereby reducing the need for external funding (Setiawati & Veronica, 2020). If high profits are obtained, it can be stated that the company is operating well and efficiently. The company's ability to generate profit in terms of assets, sales, and equity over a certain period is called profitability.

Business risk indicates the uncertainty of a company operating its business activities in terms of future profit levels. The business risk of a company is low if the demand and input costs of the product are stable. The business risk of a company increases with the large-scale use of debt. However, the risk of company bankruptcy also increases (Cahyani & Isbanah, 2019: 126). High business risk causes lenders to hesitate in granting credit because there is a possibility that the company will not be able to repay its debts. The use of external funds to increase the company's assets can affect the business risk condition. The level of business risk increases along with the increase in assets with external capital (Rahmadianti & Yuliandi, 2020: 29).

As for the phenomenon in Indonesia, the manufacturing industry still serves as the main driver of the national economy. Based on the Indonesian Ministry of Industry, the contribution of the manufacturing sector is still the highest compared to other sectors. The consistency of the non-oil and gas processing industry, which contributes the most to the national gross domestic product (GDP) with an achievement of 16.30 percent in the second quarter of 2023. The non-oil and gas processing industry grew by 4.56 percent in the second quarter of 2023, higher than the same period last year at around 4.33 percent. This is reflected in the manufacturing company PT Astra International Tbk (ASII), which achieved the highest revenue record in 2023. PT Astra International Tbk (ASII) recorded a revenue of Rp 316.56 trillion, an increase of 5.03% year-on-year, compared to the previous period of Rp 301.37 trillion. Rapidly growing industrial sector companies require large amounts of capital to develop their businesses, so appropriate funding decisions are necessary to ensure their operations run optimally.

The researchers consider this study important to investigate because there are previous research findings that indicate differing effects among the variables. Thus, the topic of this research is titled "The Influence of Sales Growth, Profitability, and Business Risk on Funding Decisions in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) for the Period 2021-2023."

II. LITRATURE REVIEW

Trade-off Theory

In 1963, the trade-off theory was introduced by Modigliani and Miller, who assumed that a company's capital structure is a balance between the use of costs and debt. In the capital structure, the trade-off theory is used to balance the benefits and sacrifices that arise from using external funds. The more debt is used, the more it will cause the company financial difficulties or lead to bankruptcy. Bankruptcy can occur when a company heavily uses debt in its capital structure (Hrp, 2019).

The trade-off theory related to sales growth explains that if the benefits of using debt outweigh the sacrifices, the company is better off financing its operational activities with debt. This is advantageous for the company if its sales growth is high because it can attract investors to invest, and the company will find it easier to obtain loans due to investor confidence in the company's performance (Nirwan, 2022).

According to the trade-off theory, risk is related to the use of corporate debt due to capital structure decisions. This theory on capital structure is intended to achieve a balance between sacrifice and the benefits obtained from the use of debt. If the profits obtained are higher, then the use of debt is still allowed, but if there are many sacrifices caused by the use of debt, then debt is not allowed. In the trade-off theory, all the risks borne from the use of debt must be considered by the company.

Pecking Order Theory

The pecking order theory was proposed in 1961 by Donaldson. This theory states that companies prefer funding from operational activities in the form of retained earnings. When internal funding is insufficient, the company will then use external funding as an alternative. This theory posits that a company uses internal funds to maximize shareholder wealth. The use of debt and the issuance of new shares can lower the stock price of a company (Taslim & Susanto, 2021). The issuance of new shares will be a bad signal for investors and cause the stock price to decline (Kurniawan, 2022).
According to the pecking order theory, high profitability uses little debt because companies with large incomes will use a lot of internal capital sources, thus not needing much debt. Increasing profit by boosting sales is a way to enhance profitability (Ardiansyah & Hartono, 2020). This theory states that companies with high profitability actually have little debt because they have sufficient funds (Sulindawati et al., 2019). High profits are obtained if the company experiences stable or high sales growth.

Funding Decision

Financing decisions are decisions related to the financial structure. Financing decisions are decisions made by management in determining the composition of funds used to run the company's business. Funding decisions can also be referred to as capital structure policies (Sutrisno, 2015) in (Athori, 2021). The decision-making process for funding is carried out by management in the company's operational activities. The basis of funding decisions relates to determining the sources of funding to be used, whether internal funds or external funds. The funding decision aims to determine how the company maximally utilizes funding sources to finance its operational activities.

Sales Growth

Sales growth is the difference between current period sales and previous period sales. High growth has a positive impact on the profits of a business. Stable or increasing sales lead to stable or increasing profit forecasts, thereby affecting the size of equity. Equity, which is retained earnings, increases along with the increase in operating profit and can affect the company's capital structure (Wulandari & Artini, 2019). The growth of a company's sales will reflect the success of past investments and can serve as a projection of future growth. Increased sales growth leads to company progress, resulting in greater use of debt. Sales growth can be seen in the change in total assets, reflected in the increase or decrease in the company over a period (Nirwan, 2022).

Profitability

According to Hasan et al. (2022: 64), profitability is a ratio that shows the company's ability to generate profit related to sales value, assets, and capital. Profitability can indicate the operational effectiveness of a company in terms of sales revenue. Companies with high profitability prefer to use internal funds first rather than borrowing or issuing new shares to meet their funding needs. Profitability is defined as the ability of a company to generate profit over a certain period (Purba et al., 2020). Profit is a benchmark for the company's performance. If the company has high profits, it means the company's performance is effective or vice versa. The company's profit is a component of the company's value creation that reflects the company's outlook for the future (Kartolo & Sugiyanto, 2019).

Business Risk

Business risk is the risk when a company is unable to cover its operational expenses, influenced by the stability of costs and revenues. According to Weston & Copeland in Paramitha & Putra (2020), business risk is the uncertainty of projected profits or equity of a company in the future. High-risk companies tend to avoid external funding compared to low-risk companies (Saputra, 2021). Business risk is the risk that will be borne by every company when conducting operational activities. This business risk arises from operational activities as uncertainty in business income and pre-tax profit. This risk arises along with the debt burden borne by the company. High cost burdens will increase the risks faced. Business risks increase when using loans that could lead to bankruptcy. Large companies are more likely to take significant risks compared to small companies, as this is done to meet their operational needs.

The Influence of Sales Growth on Funding Decisions

Sales growth is the amount of increase in sales from year to year. Sales growth is very important when determining the capital structure because with the level of sales, the company's revenue and profit also increase, leading to an increase in the company's value. When sales increase, the total loans of the company also increase, thereby enhancing its capital structure. High sales growth is very beneficial for investors as they expect a return on their investment because the company's performance is already good. Sales growth is an index of the company's competitiveness and demand in the industry. According to the trade-off theory, companies use debt to achieve their long-term goals because debt is the cheapest source of external financing (Gunadhi & Putra, 2019). Research conducted by Ardiansyah & Hartono (2020) states that sales growth positively affects funding decisions. Similar research conducted by Mas & Dewi (2020) and Miswanto et al. (2022) states that sales growth positively affects capital structure. The results of the study conducted by Nirwan (2022) found that sales growth does not have a significant impact on funding decisions. Based on the explanation above, the formulation of the hypothesis is as follows:

H1: Sales Growth has a positive and significant impact on Funding Decisions.

The Influence of Profitability on Funding Decisions

Profitability is the company's ability to generate profit related to revenue. Profitability aims to determine the company's ability to use assets and manage company activities effectively. Profitability is used as one of the indices to measure whether the operations have been carried out well and efficiently by the company. Profitability is always used as a measure of a company's performance. If a company generates high profits, it reflects good company performance and vice versa (Kartolo & Sugiyanto, 2019). In line with the pecking order theory, which states the preferred order of financing by the company. The implication of this theory is that companies with high profits have little debt because they require little external funding (Khoiriyah & Rasyid, 2020). The research conducted by Athori (2021) shows that profitability has a positive effect on funding decision-making. Meanwhile, the research by Gunadhi & Putra (2019) and Kurniawan (2022) explains that profitability has a negative and significant effect on funding decisions. A similar study conducted by Miswanto et al. (2022) shows that profitability negatively affects capital structure. Companies with good profitability tend to avoid taking on debt because they feel sufficiently capable of meeting their operational activities (Sari & Ardini, 2017: 12). Based on the explanation above, the formulation of the hypothesis is as follows:

H2: Profitability has a negative and significant impact on Funding Decisions.

The Influence of Business Risk on Funding Decisions

Business risk is the risk that a company will not be able to cover its operating costs because future operating income is uncertain. Business risk is a factor that influences management when deciding the company's capital structure. High business risk due to increasing debt tends to lower stock prices, but if the expected return is high, it can increase stock prices. The trade-off theory is related to the business risks that each company will face in its operational activities. High debt will increase the burden or risk faced by the company. The use of external funds will increase the business risks of the company, leading to bankruptcy. Research conducted by Paramitha & Putra (2020) shows that business risk negatively affects funding decisions. In line with the research conducted by Ariwangsa (2021), which shows that business risk has a negative impact on capital structure. This is due to the high level of business risk leading to a lower capital structure or the use of debt in company financing. Meanwhile, the research conducted by Ardiansyah & Hartono (2020) found that business risk does not affect funding decisions. Based on the explanation above, the formulation of the hypothesis is as follows:

H3: Business Risk has a negative and significant impact on Funding Decisions

Based on the research model above, the regression equation can be formulated as follows.

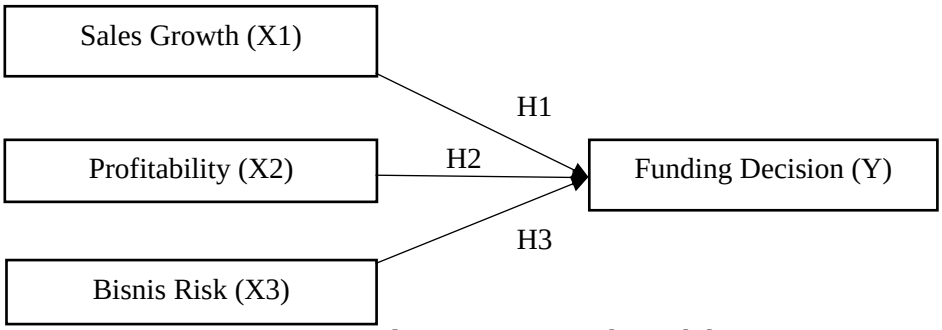

Figure 1. Research Model

Notes:
Y : Funding Decision
α : Constant
β_1 β_2 β_3 : The coefficient of each independent variable
X1, X2, X3 : Sales Growth, Profitability, Business Risk
ε : Error

III. METHODS

Data Source and Sampling

Manufacturing companies listed on the Indonesia Stock Exchange are the population of this study. The sample was collected over a period of 3 years, from 2021 to 2023. The sampling technique used in this study is purposive sampling. The data analysis technique uses descriptive statistical methods, classical assumption tests, multiple linear regression analysis, and hypothesis testing.

Table 1. Sample Criteria

Item	Total
Population: Manufacturing companies listed on the IDX	229
Sample collection based on criteria:	
1. Manufacturing companies that are not listed on the IDX consecutively on the IDX during the 2021-2023 period.	(14)
2. Manufacturing companies that do not present complete financial statements for the period 2021-2023.	(19)
3. Manufacturing company that incurred losses during the period 2021-2023.	(82)
Number of companies	114
Total sample (n x research period) (114 X 3 years)	342

*Data processed by the author, 2024

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IV. RESULTS AND DISCUSSION

Descriptive Statistics

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Sales Growth (X1)	342	-,5423	2,4729	,159732	,3024973
Profitability (X2)	342	,0001	,4204	,078946	,0674742
Business Risk (X3)	342	-250,9506	294,9642	2,565657	26,5779694
Funding Decision (Y)	342	,0025	3,9284	,717092	,6631859
Valid N (listwise)	342				

*Data processed by the author, 2024

Based on Table 2, it can be explained that:

1. The minimum value of the company's sales growth variable is -0.5423, held by ALKA in 2023. Meanwhile, the maximum sales growth value is 2.4729, achieved by PCAR in 2021. This can be interpreted as the highest sales growth value among the sample companies being 2.4729. The average (mean) sales growth value for the years 2021-2023 is 0.159732, indicating that in this study, only a small portion of the companies have sales growth, and the standard deviation value of 0.3024973 shows that there is variation in sales growth among the companies studied.
2. The minimum value of the company's profitability variable is 0.0001, held by INDF in 2023. Meanwhile, the maximum profitability value is 0.4204, achieved by TBMS in 2021. The average (mean) profitability from 2021-2023 is 0.078946, indicating that the manufacturing company in this study has relatively low profitability, with a standard deviation of 0.0674742.
3. The minimum value of the company's business risk variable is -250.9506, held by BTON in 2021. Meanwhile, the maximum business risk value is 294.9642, obtained by GGRM in 2022. The average (mean) business risk value in 2021-2023 is 2.565657, indicating that only a small portion of companies have business risk, and the standard deviation value of 26.5779694 shows that there is variation in business risk among the companies studied.
4. The minimum value of the company's financing decision variable is 0.0025, held by STAR in 2022. Meanwhile, the maximum value of the funding decision is 3.9284, obtained by UNVR in 2023. The average (mean) funding decision value for the years 2021-2023 is 0.717092, indicating a good level of funding decisions, with a standard deviation value of 0.6631859.

Normality Test

Table 3. Results of Normality Test Before Data Transformation Using Square Root

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		342
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,65451168
Most Extreme Differences	Absolute	,136
	Positive	,136
	Negative	-,122
Test Statistic		,136
Asymp. Sig. (2-tailed)		,000[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

*Data processed by the author, 2024

Based on Table 3, it shows a significance level of 0.000, which is below or less than 0.05. Therefore, it can be concluded that the data is not normally distributed. Based on the non-normally distributed data, efforts were made to normalize the data by performing a data transformation. In this test, data transformation using Square Root was performed in SPSS because the histogram graph had a moderate positive skewness, reducing the total sample from 342 to 187 samples.

Table 4. Results of Normality Test
After Data Transformation Using Square Root

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		187
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,29846590
Most Extreme Differences	Absolute	,046
	Positive	,046
	Negative	-,035
Test Statistic		,046
Asymp. Sig. (2-tailed)		,200 [c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

*Data processed by the author, 2024

After conducting the normality test with the second Kolmogorov-Smirnov test, a significance level of 0.200 was obtained, which is above or more than 0.05. The results of this test can be concluded that the data is normally distributed.

Multicollinearity Test

Table 5. Multicollinearity Test

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,801	,084		9,510	,000		
	Sales Growth (X1)	,254	,102	,182	2,497	,013	,957	1,045
	Profitability (X2)	-,542	,200	-,193	-2,708	,007	,998	1,002
	Business Risk (X3)	,011	,014	,055	,756	,451	,956	1,046
a. Dependent Variable: Funding Decision								

*Data processed by the author, 2024

Based on Table 5, the results of the multicollinearity test calculations show that VIF < 10 and Tolerance value > 0.10. It can be concluded that the regression model does not exhibit correlation

between independent variables or that the regression model in the study does not experience multicollinearity.

Autocorrelation Test

Table 6. Results of the Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,263[a]	,069	,054	,30090	1,268
a. Predictors: (Constant), Risiko Bisnis, Profitabilitas, Pertumbuhan Penjualan					
b. Dependent Variable: Keputusan Pendanaan					

*Data processed by the author, 2024

Based on table 6 above, the results of the autocorrelation test show a Durbin Watson value of 1.268, so it can be concluded that there is no autocorrelation. The criteria for determining the presence or absence of autocorrelation symptoms can be done by looking at the Durbin Watson. If the DW value is between -2 and +2, it can be concluded that there is no autocorrelation problem. The DW value in the table is 1.268, which lies between -2 and +2, so it can be concluded that there is no autocorrelation problem in this study.

Heteroscedasticity Test

Table 7. Results of the Heteroscedasticity Test Before Using Weighted Least Square (WLS)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,199	,052		3,805	,000
	Sales Growth (X1)	,162	,063	,190	2,568	,011
	Profitability (X2)	-,163	,124	,095	-1,315	,190
	Business Risk (X3)	,002	,009	,017	,231	,818
a. Dependent Variable: ABS_RES						

*Data processed by the author, 2024

Based on Table 7, the significance level result for the sales growth variable is 0.011, which is less than 0.05, indicating the presence of heteroskedasticity. Based on the data, efforts were made to prevent heteroscedasticity by using the Weighted Least Square (WLS) method.

Table 8. Results of the Heteroscedasticity Test After Using Weighted Least Square (WLS)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	20,516	4,313		4,757	,000
	TRANSFORM_X1	-23,318	26,573	-,149	-,878	,381
	TRANSFORM_X2	-3,187	66,536	-,006	-,048	,962
	TRANSFORM_X3	3,157	4,945	,071	,639	,524
a. Dependent Variable: ABS_RES3						

*Data processed by the author, 2024

After conducting the second heteroskedasticity test, it can be seen in Table 9 that all independent variables have significance values > 0.05. So it can be concluded that there is no heteroscedasticity in this study.

Multiple Linear Regression Analysis Test

Table 9. Results of Multiple Linear Regression Analysis Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,801	,084		9,510	,000
	Sales Growth (X1)	,254	,102	,182	2,497	,013
	Profitability (X2)	-,542	,200	-,193	-2,708	,007
	Business Risk (X3)	,011	,014	,055	,756	,451
a. Dependent Variable: Keputusan Pendanaan						

*Data processed by the author, 2024

Berdasarkan hasil uji regresi linear berganda pada tabel 10 diatas maka diperoleh nilai yakni

Funding Decision (Y) = 0,801 + 0,254 (X1) – 0,542 (X2) + 0,011 (X3) + E

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Hypothesis Testing

Coefficient of Determination Test (R2)

Table 10. Results of the Coefficient of Determination (R2) Test

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,263[a]	,069	,054	,30090
a. Predictors: (Constant), Sales Growth (X1)Profitability (X2), Business Risk (X3)				
b. Dependent Variable: Funding Decision				

*Data processed by the author, 2024

Based on Table 10 above, the coefficient of determination value in the R Square column is 0.069. It can be concluded that all independent variables, namely Sales Growth, Profitability, and Business Risk, influence Funding Decisions by 6.9%. Meanwhile, the remaining 93.1% is influenced by other factors not included in this study.

Partial Test (T Test)

Table 11. Results of Partial Test (t-test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,801	,084		9,510	,000
	Sales Growth (X1)	,254	,102	,182	2,497	,013
	Profitability (X2)	-,542	,200	-,193	-2,708	,007
	Business Risk (X3)	,011	,014	,055	,756	,451
a. Dependent Variable: Funding Decision						

*Data processed by the author, 2024

Based on the results of the partial test (t-test) in table 4.10 above, it can be concluded as follows:

1. The sales growth variable has a value of 2.497 > 1.97301 and a significance value of 0.013, which is less than 0.05. Thus, H1 is accepted, which means that sales growth has a positive and significant impact on funding decisions. Sales growth has a positive and significant relationship with funding decisions, meaning that an increase in the sales growth rate also leads to an increase in a company's capital structure. This is because if sales increase, it means that

a large amount of capital is needed to support the increase in production and operations. Therefore, if the company's internal funds are insufficient to finance it, the company will use loans or external funds. Based on the trade-off theory, as long as the benefits outweigh the sacrifices, the company should use external funding sources to finance its operations. The results of this study are in line with the research conducted by Ardiansyah & Hartono (2020), Mas & Dewi (2020), and Miswanto et al. (2022), which state that sales growth positively affects funding decisions.

2. The profitability variable has a value of -2.708 < -1.97301 and a significance value of 0.007, which is less than 0.05. Thus, H2 is accepted, which means that profitability has a negative and significant effect on funding decisions. Profitability in this study has a negative relationship with funding decisions, meaning that an increase in profitability in the company impacts a decrease in the company's capital structure. Profitability in this study has a small average value as seen in the descriptive statistics, meaning that the profitability or profit of the companies during the period 2021 – 2023 was low because almost all the companies in this study experienced unstable income due to the COVID-19 pandemic in Indonesia. The company experienced a decline in revenue due to relatively low market demand and an uncertain economic environment. The instability of the economic conditions during COVID-19 also made manufacturing companies hesitant to seek external funding even though they were making a profit. The basic concept of the pecking order theory states that companies will use internal funding rather than external funding. Companies that have profits prefer to use internal funds first rather than seeking loans or external funds. The results of this study are in line with the research by Gunadhi & Putra (2019), Kurniawan (2022), and Miswanto et al. (2022), which explain that profitability has a negative and significant effect on funding decisions.
3. The business risk variable has a value of 0.756 < 1.97301 and a significance value of 0.451 greater than 0.05. Thus, H3 is rejected, which means that business risk does not affect funding decisions. The business risk in this study does not have an impact on funding decisions, which means that whether the business risk is low or high does not affect funding decisions. The business risk in this study has a low average because only a small portion of manufacturing companies during this period had high risk. The low business risk is caused by the economic instability experienced by manufacturing companies during this period, which makes them hesitant to take risks by using loans or external funds. Mistakes in determining the source of funds to be used can lead to the company's inability to meet its debt repayment obligations. Therefore, the company's management must be careful in determining the sources of funding to be used. Based on the trade-off theory, using loans will increase the burden or risk borne by the company. The use of debt increases the business risk of the company, which can lead to bankruptcy. The results of this study are in line with the research by Ardiansyah & Hartono (2020), which explains that business risk does not affect funding decisions.

V. CONCLUSION

This study aims to examine the influence of sales growth, profitability, and business risk on financing decisions in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2021-2023. The analysis results show that sales growth has a positive and significant impact on funding decisions. This indicates that companies with high sales growth tend to use more debt to finance expansion and take advantage of growth opportunities. On the contrary, profitability was found to have a negative and significant impact on financing decisions. Companies with high profitability tend to rely on internal funds, such as retained earnings, to finance their operations, in accordance with the pecking order theory. Interestingly, business risk does not show a significant influence on funding decisions in this study.

Practically, these findings provide important insights for the management of manufacturing companies in making funding decisions. They need to consider sales growth and profitability as key factors in determining the optimal capital structure. Strong sales growth can justify the use of debt, while high profitability allows for the use of internal funds. Although business risks are not significant in this study, companies still need to monitor and manage these risks effectively. From a theoretical perspective, this research provides empirical support for the trade-off theory and the pecking order

theory in the context of manufacturing companies in Indonesia. These results also highlight the importance of financial factors in corporate funding decision-making. However, this research has several limitations, including a limited research period and the use of certain statistical methods. Future research could extend the study period, include other relevant variables, and use more advanced statistical methods to strengthen these findings.

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