The Effect of Business Risk, Firm Size, and Good Corporate Governance on Company Performance with Capital Structure as an intervening variable (Empirical Study on companies listed in the Business-27 Index on the IDX for the 2016-2020 Period)

Siska Oktariani
Faculty of Economics and Business Riau University, Pekanbaru, Indonesia

**Email:** siska.oktariani0633@student.unri.ac.id

ABSTRACT: *This study aims to analyze the effect of business risk, company size, and good corporate governance on company performance and analyze the indirect impact of business risk, company size, and good corporate governance on company performance with capital structure as an intervening variable. The population of this study includes all companies that are members of the Business-27 index, as many as 27 companies. The sampling technique used the purposive sampling method with the number of samples that met the criteria of as many as 14 companies. Partial Least Square (PLS) is used to analyze the data that has been obtained. The results showed that firm size and good corporate governance significantly affected capital structure, while business risk did not. Business risk, company size, and good corporate governance do not affect company performance. For indirect testing, it is proven that company size and good corporate governance indirectly affect company performance through the capital structure as an intervening variable. In contrast, the business risk does not affect company performance through the capital structure as an intervening variable.*

Keywords: Business Risk, Company Size, Good Corporate Governance, Capital Structure, Company Performance

INTRODUCTION

Economic growth is increasing due to globalization and information technology which develops every year. Companies do not lose in the competition to expand their business and always provide exciting innovations. Companies certainly need significant funds but often cannot be fulfilled by banking institutions. The solution for companies experiencing this is to seek external funding sources through the capital market.

The Business 27 Index is a stock index of 27 shares of public companies traded on the IDX and was officially published on January 27, 2009, by the IDX in collaboration with Business Indonesia Daily. Business Indonesia Daily Indonesia can manage this index more independently and flexibly as an independent party. The Business 27 Index was chosen based on three selection criteria, namely fundamental, technical, accountability, and Corporate Governance, to improve the quality of the selection of stocks included in the Business-27 Index.

Figure 1. Business-27 Index Performance for the Last 10 Years
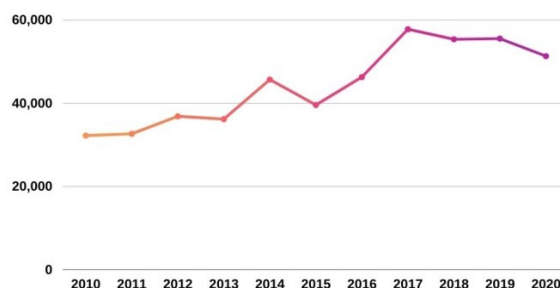
Source: www.investing.com

It can be seen in the graph that the performance of the Business-27 index tended to be stable from 2010-to 2012. It can be seen that in 2013 the performance of the Business-27 index had experienced a not too deep correction and then increased dramatically in 2014. The following year, 2015, the performance of the Business-27 index experienced a correction again and then increased dramatically until 2017. From 2018 to 2020, the version of the index Business-27 is again experiencing a penalty, but not too deep. Thus, from the graph above, it can be seen that the performance of the Business-27 index tends to fluctuate with a not-so-deep correction. The increase in stock prices is an indication that the Business-27 index is attracting investors, which is in line with increasing awareness of investments.

One of the factors seen by investors to determine stock investment is financial performance. The company's financial performance is one of the benchmarks investors and creditors use to invest and lend their funds to a company (Nugroho & Nicholas, 2020). One of the natural causes of declining company performance was the scandal experienced by PT Asuransi Jiwasraya (Persero), one of the largest insurance companies in Indonesia. In 2019, P.T. Jiwasraya was entangled in a financial scandal that resulted in the company's equity crashing so that it was unable to pay its JS Saving Plan policy claim obligations. The failure experienced by P.T. Jiwasraya is attributed to the ineffectiveness of corporate governance, which impacts the high business risk experienced. This study used business risk, company size, disclosure of Good Corporate Governance (GCG), and capital structure to affect company performance.

Table 1. ROA, DER, DAR, DOL, and Ln Assets of Companies Business Index-27 on the IDX 2016-2020

Year	Variable				
	ROA	**DER**	**DAR**	**DOL**	**Ln Assets**
2016	8,82	1,59	0,48	1,74	30,23

Year	Variable				
	ROA	**DER**	**DAR**	**DOL**	**Ln Assets**
2017	9,66	1,52	0,47	3,73	30,38
2018	9,93	1,48	0,46	1,64	30,51
2019	9,05	1,59	0,47	0,15	30,59
2020	7,40	1,78	0,47	3,75	30,68

Source: www.idx.co.id

It can be seen from Table 1 that the average performance of companies as proxied by ROA, which is incorporated in the Business-27 index, fluctuates. It can be seen that the comparison between ROA and DAR in 2020 is not by the Trade-Off Theory. We can observe that in 2020 when the average DAR of the index was stagnant, it was followed by a decline in ROA. To compare firm size and company performance, we can see the relationship between Ln Assets and ROA. Here, in 2019 when ROA decreased, there was an increase in the value of Ln Assets. This result is not in line with signaling theory which reveals that the company's size is a positive signal on the company's performance. The comparison of DOL data to ROA also shows a gap. In 2019 when DOL decreased drastically, ROA in that year also reduced. Based on the above phenomenon, it can be seen that the performance of the Business-27 Index fluctuates up and down every year. This situation makes it necessary to research the company's performance on the Business-27 index.

Based on the research gap phenomenon that occurred in previous studies, researchers are interested in researching company performance which in this study uses indicators: business risk (DOL), company size (Ln Assets), and good corporate governance (IPCG) on company performance. As for the uniqueness of this study, the researcher also developed a model by adding capital structure variables (DER and DAR) as intervening variables between the independent and dependent variables.

LITERATURE REVIEW

Signaling Theory

A signal is an action taken by the company's management that provides clues to investors about how management views the company's prospects. (Brigham & Houston, 2010).

Trade-off theory

Trade-off theory explains the relationship between taxes, bankruptcy risk, and the use of debt caused by capital structure decisions taken by the company. The basic assumption used in the trade-off theory is the existence of asymmetric information that

explains the capital structure decisions taken by a company, namely the information held by the management of a company where the company can convey information to the public.

Agency Theory

Agency theory is a concept that explains the contractual relationship between the principal (owner) and agent (manager) (Jensen & Meckling, 1976). In this agency relationship, the manager is the party who has more information about the company than the owner, resulting in information asymmetry (Hanafi, 2012). Corporate governance is needed to reduce information asymmetry between the principal and the agent and is expected to minimize actions that harm one party.

Effect of Business Risk on Capital Structure

Based on the trade-off theory, every company will face risks due to the company's operations. The theory proposed by Gitman (2006) is that the level of business risk must be taken as a gift. The higher the company's business risk, the more warnings the company has to build a capital structure (Erosvitha & Wirawati, 2016). Companies with high business risk tend to use a high leverage capital structure. Based on previous research conducted by Herlambang et al. (2017), Ningsih and Utami (2018), and Septiani and Suaryana (2016), it is stated that business risk affects capital structure.

Effect of Firm Size on Capital Structure

By signaling theory, a large company size can signal creditors to lend funds to the company. Large companies will be more daring to issue new shares to meet their funding needs when compared to small companies. This condition is because the demand for funds is increasing along with the company's growth. Several previous studies found an influence between company size and capital structure. Anggraini (2019) and Septiani and Suaryana (2016) stated that firm size positively affects capital structure.

Effect of Good Corporate Governance on Capital Structure

Research conducted by OECD (2004) and Prasinta (2012) stated that Good Corporate Governance affects capital structure. Corporate governance and capital structure are two components that form the basis of a company's economic stability. Without these two things, the economic condition of a company will be crippled. If both can be adequately maintained, it will eliminate inadequate control in the company, bad culture, and even failure that leads to bankruptcy. Because, after all, a company must

be controlled by competent people who can make appropriate policies within the company.

Effect of Business Risk on Company Performance

Based on the risk & return theory emphasizes the relationship between risk and stock returns. Stock returns reflect how the performance of a company. Companies with high risk, the higher the return on shares obtained (Adinda & Sugianto, 2020). Based on previous research, research from Septiani and Suaryana (2018) states that risk management positively affects company performance.

Effect of Firm Size on Company Performance

Company size can be seen from the total assets owned by a company. Based on the signaling theory, the company's size is interpreted as a positive signal received by investors that the company has good prospects (Halim et al., 2011). This condition also aligns with the pecking-order theory, which states that companies first prefer to use internal funding. Previous studies also support and say the same thing as Septiani and Suaryana (2018), which state a positive and significant effect between firm size and performance.

Effect of Good Corporate Governance on Company Performance

Corporate governance is needed to reduce information asymmetry between the principal and the agent and is expected to minimize actions that harm one party. Several previous studies that state Good Corporate Governance's influence on financial performance include Tamarini et al. (2015) and Prasinta (2012). Based on agency theory, the manager is the party who has more information about the company than the owner, so information asymmetry arises here.

Effect of Capital Structure on Financial Performance

Based on the Trade-off Theory, if the capital structure is below the optimal point, any additional debt will be able to improve the company's performance and vice versa. Several studies show that the capital structure affects the performance of the company. Handayani et al. (2014) research show that capital structure has a significant negative effect on profitability.

Effect of Business Risk on Company Performance through Capital Structure

High business risk indicates that the company is riskier and riskier in carrying out its operational activities. Based on the Trade-off Theory, there is a relationship between risk and the use of debt caused by the capital structure taken by the company. The business risk caused by the disproportionate composition of the capital structure in the company will have an impact on the decline in the company's performance.

Companies with high business risk due to the extensive use of debt within the company will affect the company performance.

Effect of Firm Size on Company Performance through Capital Structure

Based on signaling theory, company size is one signal creditors consider when lending funds to companies. Companies with large sizes will find it easier to obtain external funding sources because the company's size is seen from the total assets owned by the company. This size makes the company attractive to investors who want to invest their funds. The increasing ease of large-sized companies in obtaining external funds to finance their activities causes the company's productivity to increase. This condition allows a company to generate greater profits to improve company performance.

Effect of Good Corporate Governance on Company Performance through Capital Structure

The implementation of corporate governance in a company is closely related to agency theory, with good governance in the company giving a signal that the application of the composition of the use of funds in the company has been well structured according to the company's needs. This condition will indirectly affect the performance of the company. Companies implement Good Corporate Governance signals that competent people manage the company. Hence, it will influence company performance positively.

METHOD

The type of data in this study is quantitative data. The data used in this study is secondary data from the Indonesia Stock Exchange (IDX), www.idx.co.id. The data used is the annual report of business-27 index companies listed on the IDX for 2016-2020.

.   The sampling technique in this study is purposive sampling, namely the population that meets specific criteria desired by the researcher. The people used in this study were all 27 business-index companies consistently listed on the Indonesia Stock Exchange for the 2016-2020 period, amounting to 27 companies. The criteria chosen by the researchers were:

1. The company is included in the Business-27 Index on the Indonesia Stock Exchange during the 2016-2020 period.
2. Sample companies are consistently incorporated in the Business-27 Index and report annual reports for the 2016-2020 period.

3. Sample companies that publish annual reports on implementing Corporate Governance (GCG) for 2016-2020.

Of the 27 business-27 index companies listed on the IDX, 14 companies have met the sample criteria in this study.

Operational Definitions

a. Company performance

Company performance is an analysis to see how far a company has implemented using financial implementation rules correctly and adequately. Company performance is proxied by ROA (Kasmir, 2010)

b. Capital Structure

Capital structure is the determination of the composition of capital, namely the comparison between debt and own capital. In other words, capital structure is the result or result of funding decisions that essentially choose whether the company will use debt or equity to fund the company's overall operations (Syamsuddin, 2009). Capital structure is proxied by DAR and DER.

c. Business Risk

Business risk is the uncertainty faced by the company in carrying out its business activities. Business risk in this research is proxied by using DOL (Degree of Operating Leverage).

d. Company Size

Company size is a measure of the size of the assets owned by the company in various ways, including total assets, total asset logs, stock market value, and others. This study uses a log entire assets proxy.

e. Good Corporate Government (GCG)

Corporate governance is a process and structure used by corporate organs to provide added value to the company on an ongoing basis in the long term for shareholders while considering other stakeholders' interests based on the prevailing laws and norms (KNKG, 2006). The calculation of good corporate governance (GCG) disclosure in this study uses IPCG with the content analysis method.

Data Analysis Method

Data analysis in this study used Partial Least Square (PLS). PLS is a Structural Equation Modeling (SEM) equation model with an approach based on variance or component-based structural equation modeling. This study has a complex model and a limited number of samples, so the data analysis uses SmartPLS software. Smart PLS uses a bootstrapping method or random multiplication. Therefore the assumption of

normality will not be a problem. In addition, with bootstrapping, Smart PLS does not require a minimum number of samples to be applied to research with a small sample size.

RESULTS AND DISCUSSION

Table 2. Average Value of Each Variable

No.	Code	2016	2017	2018	2019	2020
1	DOL	0.50	3.77	0.38	-0.48	8.44
2	Ln Asset	31.41	31.51	31.62	31.72	31.80
3	IPCG	80.22	79.00	80.80	81.26	80.85
4	DER	2.10	2.05	2.04	2.17	2.53
5	DAR	0.51	0.51	0.51	0.51	0.50
6	ROA	7.49	8.07	8.74	7.40	5.34

Source: Processed Data, 2021

Evaluation of Measurement Model (Outer Model)

1. Convergent Validity Test

Table 3. Value of Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Business Risk	1.000
Company Size	1.000
Good Corporate Governance	1.000
Capital Structure	0.891
Company Performance	1.000

Source: SmartPLS 3.00 (Data Processed, 2021)

The rules of thumb used for convergent validity are outer loading > 0.7, Communality > 0.5 and Average Variance Extracted (AVE) > 0.5 (Chin, 1995). Based on table 5.3. above, the AVE value for all constructs or variables can be seen. The AVE value of business risk, company size, good corporate governance, and company performance is 1,000. The AVE value of the Capital structure is 0.891. Thus the value is by Chin's (1995) theory. The AVE value is above 0.5, so the model proposed in this study is considered good.

2. Discriminant Validity Test

Discriminant validity relates to the principle that different constructs should not correlate with height (Abdillah & Hartanto, 2015).

Table 4. Value of Discriminant Validity (Cross Loading) Indicator

	Business Risk	Company Size	*Good Corporate Governance*	Capital Structure	Company Performance
DOL	**1.000**	0.048	-0.123	-0.006	0.012
Ln Total Asset	0.048	**1.000**	0.564	0.394	-0.304
IPCG	-0.123	0.564	**1.000**	0.564	-0.323
DER	0.013	0.513	0.560	**0.934**	-0.589
DAR	-0.023	0.575	0.510	**0.954**	-0.795
ROA	0.012	-0.304	-0.323	-0.742	**1.000**

Source: SmartPLS 3.00 (Data processed, 2021)

Based on table 4, the cross-loading estimation results show that the correlation value of the construct with its indicators is greater than the correlation value with other constructs. Thus it can be concluded that all constructs or latent variables already have good discriminant validity.

3. Reliability Test

The Cronbach alpha and composite reliability values can be seen to test the reliability of constructs or variables. Cronbach alpha measures the lower limit of the reliability value of a construct, while composite reliability measures the actual value of the reliability of a construct (Chin, 1995). Rule of thumb alpha value or composite reliability must be greater than 0.7, although 0.6 is still acceptable.

Table 5. Value of Cronbach Alpha and Composite Reliability

	Cronbach Alpha	*Composite Reliability*
Business Risk	1.000	1.000
Company Size	1.000	1.000
Good Corporate Governance	1.000	1.000
Capital Structure	0.879	0.942
Company Performance	1.000	1.000

Source: SmartPLS 3.00 (Data Processed, 2021)

Based on table 5 above, the value of cronbach alpha and composite reliability in the table, namely from business risk, company size, good corporate governance, capital structure, and company performance, is more significant than 0.7. Thus, all constructs or variables have an excellent composite reliability value and are declared reliable.

Evaluation of Structural Model (Inner Model)

Table 6. The Value of the Coefficient Determination

	R-Square	R-Square Adjusted
Capital Structure	0.417	0.391
Company Performance	0.578	0.552

Source: SmartPLS 3.00 (Data Processed, 2021)

In structure 1 with the dependent variable capital structure, the coefficient of determination is 0.417 or 41.7%. Then in structure 2 with the company's performance variable, the coefficient of determination is 0.578 or 57.8%. In addition to looking at the R-square value, the PLS model is also evaluated by looking at the predictive Q-square relevance for the constructive model. Q^2 predictive relevance serves to validate the predictive ability of the model (Yamin & Kurniawan, 2011).

$$Q^2 = 1 - \left(1 - R_1{}^2\right)\left(1 - R_2{}^2\right)$$
$$Q^2 = 1 - (1 - 0,417)(1 - 0,578)$$
$$Q^2 = 1 - (0,583)(0,422)$$
$$Q^2 = 0,754$$

The results of the Q-Square calculation in this study are 0.754, which means that 75.4% of the independent and intervening variables are feasible to explain the dependent variable, namely company performance.

Evaluation of the Goodness of Fit model is performed to purify and refine the validity or construct reliability test (Ghozali, 2015). The goodness of Fit is used to validate the overall model. This GoF value in the SmartPLS application can be seen from the NFI (Normed Fit Index) matter.

Table 7. Value of NFI (Normed Fit Index)

	Saturated Model	Estimated Model
SRMR	0.040	0.040
d_ULS	0.034	0.034
d_G	0.089	0.089
Chi-Square	39.138	39.138
NFI	0.815	0.815

Source: SmartPLS 3.00 (Data Processed, 2021)

Based on table 7, the GoF value seen from the NFI above obtained a value of 0.815; it is considered a large GoF. Thus, this research is valid and has a good performance.

Hypothesis Testing

Hypothesis testing is done using path analysis or the model made. The SEM technique can simultaneously test complex structural models so that the path analysis results can be seen in one regression analysis. The basics used in testing the hypothesis are the values contained in the output path coefficients to test the structural model. The t-statistic value compared to the t-table determined in this study was 1.96, and α was 0.05 (two-tailed).

Table 8. Direct Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV.)	T-Statistic (|O/STDEV|)	P Values	Hypothesis
Risk Bussines →SM	0.018	0.023	0.082	0.226	0.821	rejected
Firm Size →SM	0.379	0.391	0.093	4.093	0.000	accepted
GCG→SM	0.352	0.339	0.090	3.920	0.000	aceppted
Risk Bussines→KP	0.009	0.000	0.051	0.180	0.821	rejected
Firm Size →KP	0.156	0.144	0.121	1.295	0.196	rejected
G.C.G. →KP	0.086	0.088	0.114	0.753	0.452	rejected
SM→KP	-0.881	-0.873	0.080	11.037	0.000	accepted

Source: SmartPLS 3.00 (Data Processed, 2021)

Table 9. Indirect Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV.)	T-Statistic (|O/STDEV|)	P Values	Hypothesis
Risk→SM→KP	-0.016	-0.020	0.070	0.231	0.818	rejected
Firm→SM→KP	-0.334	-0.338	0.073	4.545	0.000	accepted
GCG→SM→KP	-0.310	-0.299	0.094	3.303	0.001	accepted

Source: SmartPLS 3.00 (Data Processed, 2021)

Effect of Business Risk on Capital Structure

The t-statistic value of business risk on the capital structure is 0.226, and the p-value is 0.821. From these results, it is known that the p-value is 0.821 > 0.05. With these results, it can be concluded that business risk does not affect the capital structure, so the hypothesis is rejected.

This study shows a positive direction, which means that the greater the company's business risk, the greater the use of its capital structure (debt). This study shows results that are inconsistent with the trade-off theory. Companies with significant

debt tend to have unstable income, which can increase the company's business risk, so companies with high risk should use less debt in company funding to avoid bankruptcy. There is no influence between business risk and capital structure in this study because the DOL value of the business-27 index company tends to fluctuate and is unstable during the research year period, so the impact on the capital structure is not visible.

Effect of Firm Size on Capital Structure

The t-statistic value of firm size on the capital structure is 4.093, and the p-value is 0.000. These results show that the p-value is 0.000 <0.05 with the Original Sample (O) value or the path coefficient of 0.379, which indicates a significant positive direction. With these results, it can be concluded that firm size affects the capital structure, so the hypothesis is accepted.

This study shows a significant positive effect which means that the larger the company's size, the more outstanding the debt, and vice versa. Companies with large sizes will have easier access to funding sources through loans or the capital market to finance their operating activities. This condition is by signaling theory, where the company's size is a signal for creditors to provide easy loans to companies.

Effect of Good Corporate Governance on Capital Structure

The t-statistic value of good corporate governance on the capital structure is 3.920, and the p-value is 0.000. These results show that the p-value is 0.000 <0.05 with the Original Sample (O) value or the path coefficient of 0.352, which indicates a significant positive direction. With these results, it can be concluded that good corporate governance affects the capital structure, so the hypothesis is accepted.

This study finds that Good Corporate Governance has a significant positive effect on the capital structure, which means that the greater the disclosure of the company's GCG, the greater the capital structure and vice versa. This condition is because corporate governance is designed to reduce agency conflicts. With the disclosure of corporate governance, in the eyes of creditors, the company is more transparent in corporate governance so that access to obtain loan funds is higher.

Effect of Business Risk on Company Performance

The t-statistic value of business risk on company performance is 0.180, and the p-value is 0.857. From these results, it is known that the p-value is 0.857 > 0.05. With these results, it can be concluded that business risk does not affect company performance, so the hypothesis is rejected.

This research shows that business risk has a positive direction on company performance. This result means that the higher the business risk, the higher the company's performance, and vice versa. Based on the risk & return theory, companies with increased risk have higher stock returns. The high rate of return on this stock will refer to the company's better performance. In this study, the business risk with the Degree of Operating Leverage (DOL) indicator does not affect the company's performance because each industry has a different level of business risk.

Effect of Company Size on Company Performance

The t-statistic value of firm size on firm performance is 1.295, and the p-value is 0.196. From these results, it is known that the p-value is 0.196 > 0.05. Thus, it can be concluded that firm size does not affect firm performance, so the hypothesis is rejected.

This study found that firm size did not affect firm performance. This study shows a positive direction, which means that the larger the size of a company, the greater the company's performance and vice versa. The results of this study are in line with signaling theory which states that the bigger the company, the more signal that the company has good performance. The results of this study indicate that the larger the company's size, it does not necessarily mean that the company has good performance. The company will also increasingly require significant costs to carry out its operational activities. Insignificant results prove that company size cannot be used to guarantee that large companies have good performance.

Effect of Good Corporate Governance on Company Performance

The t-statistic value of good corporate governance on the company's performance is 0.753, and the p-value is 0.452. From these results, it is known that the p-value is 0.452 > 0.05. Thus, good corporate governance does not affect company performance, so the hypothesis is rejected.

The results show that GCG has a positive direction on financial performance, but the effect is insignificant. A positive approach can be interpreted as the better the disclosure of a company's good corporate governance, the better the company's performance. This little effect can occur because the benefits that can be felt from the implementation of GCG are long-term or long-term, whose success cannot be measured in a short time. At the same time, the value of financial performance in terms of profitability (ROA) is a short-term performance measure. The results achieved are used as the basis for the company's decision-making for a short period. Then there are indications that many companies are still applying the principles of GCG only because of regulatory impetus, so the implementation of good corporate governance has not

been fully implemented. This result is because the general guidelines for GCG in Indonesia are still voluntary, and there are no legal sanctions if the company does not apply these guidelines.

Effect of Capital Structure on Company Performance

The t-statistic value of the capital structure on the company's performance is 11.037, and the p-value is 0.000. From these results, the p-value is smaller than the p-value of 0.000 <0.05 with the Original Sample (O) value or the path coefficient of -0.881, which indicates a significant negative direction. With these results, it can be concluded that the capital structure affects the company's performance, so the hypothesis is accepted.

This study found a significant influence between capital structure on company performance. The study results reveal that the capital structure hurts the company's performance. The results of this study indicate that the capital structure is inversely proportional to the company's performance. Thus the analysis that can be given is that a very high capital structure will reduce the company's profitability due to increased interest costs and the risk of default.

Effect of Business Risk on Company Performance through Capital Structure

The t-statistic value of business risk on company performance through capital structure is 0.231, and the p-value is 0.818. From these results, it is known that the p-value is 0.818 > 0.05. So that business risk does not indirectly affect the company's performance through the capital structure. It can be concluded that business risk does not affect company performance with capital structure as an intervening variable, so the hypothesis is rejected.

This study found that the capital structure does not mediate the relationship between business risk and company performance. Based on direct testing, it was found that business risk had no significant impact on company performance. When mediated by capital structure, business risk also has an insignificant effect on company performance in the business-27 index company. It can be concluded that the capital structure is not the right mediator, so it does not have any influence and can be referred to as no mediation.

Effect of Firm Size on Firm Performance through Capital Structure

The t-statistic value of firm size on firm performance through capital structure is 4.545, and the p-value is 0.000. These results show that the p-value is 0.000 <0.05 with the Original Sample (O) value or the path coefficient of -0.334, which indicates a significant negative direction. It can be concluded that firm size affects firm

performance through the capital structure as an intervening variable, so the hypothesis is accepted.

This study proves an indirect effect between firm size and firm performance through the capital structure as an intervening variable. Based on direct testing, it was found that company size had no significant impact on company performance. When mediated by capital structure, firm size significantly affects firm performance on business-27 index firms. It can be concluded that the capital structure is the right mediator so that it has an influence and can be called a complete mediation.

Effect of Good Corporate Governance on Company Performance through Capital Structure

The t-statistic value of good corporate governance on the company's performance through the capital structure is 3.303, and the p-value is 0.001. From these results, it is known that the p-value is 0.001 <0.05 with the Original Sample (O) value or the path coefficient of -0.310, which indicates a significant negative direction. It can be concluded that good corporate governance affects company performance through the capital structure as an intervening variable, so the hypothesis is accepted.

Based on direct testing, it was found that Good Corporate Governance has no significant effect on company performance. When mediated by the capital structure, Good Corporate Governance has a considerable influence on the company's performance in the business-27 index company. It can be concluded that the capital structure is the right mediator so that it has an impact and can be called a complete mediation.

CONCLUSION

Based on the study results, it can be concluded that business risk has no significant effect on capital structure. Firm size has a significant positive impact on capital structure. Good corporate governance has a significant positive effect on capital structure. Business risk has no significant impact on company performance. Firm size has no significant impact on athletic performance. Good corporate governance has no significant effect on company performance. Capital structure has a significant negative impact on company performance. Business risk has no significant effect on company performance through the capital structure as an intervening variable. Firm size significantly affects athletic performance through the capital structure as an intervening variable. Good corporate governance significantly affects company performance through the capital structure as an intervening variable.

Suggestions for further research are that further research can use additional independent variables that influence company performance, such as corporate social responsibility (CSR), Leverage, Agency Cost, Inflation, Diversification, and other variables. Further research can use only the DER indicator to project the capital structure. This condition is to the results of the Cross Loading DER indicator value, which is higher than the Cross Loading DAR value. Further researchers can use other variables to mediate the relationship between the variables x to y. In the future, each variable can be represented by using two variables so that the investigation is not too simple. For further research, develop a research model using a broader object that is sectoral so that the criteria for the companies studied have similarities and new theories to maximize the research that has been made. This study uses 14 samples of companies with 70 data in 2016-2020 so that further research can add a more extended research year so that more accurate results are obtained.

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