



CAPITAL STRUCTURE OF BUGO JEPARA VILLAGE BAKERY INDUSTRY CENTER...? SALES GROWTH AND PROFITABILITY

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ABSTRACT

The study aims to determine sales growth and profitability of the capital structure for the bakery industry in Bugo Village as an Industrial Center. The research design uses quantitative descriptive research using skunder data taken directly from respondents in the form of sales reports and financial statements. The population and sample are owners or decision makers in the bakery industry totaling 24 respondents. The results of the study explained that profitability was not able to improve the capital structure for MSMEs in Bugo Village, but sales growth was able to improve the capital structure. This is because most MSMEs in Bugo Village have been in business for a long time and are carried out consistently, dare to compete and always prioritize the ability to increase sales by innovating. Research findings turn out that the need to innovate is very important in order to survive in the global era.

Keywords: capital structure; profitability; sales growth

INTRODUCTION

Bugo's signature bread is bread produced by the people of Bugo village, Welahan District, Jepara Regency. Until 1987, the Bread Center in Bugo village grew quite rapidly until the majority of Bugo villagers switched professions to do home industry by making bread. Viewed from history, Bugo Typical Bread actually started from 3 types of bread, namely bolang-baling bread, please and twist. The bakery business in Bugo village has become an attraction for all wholesalers and retailers. One of the largest sectors in the Indonesian economy is micro, small and medium enterprises (MSMEs). Covid-19 is a health crisis that can cause a slowdown in economic growth so that a number of industries are slumped. In BPS data, the proportion of workers in this industry reached 3.75% in 2020. The proportion recorded an increase of 0.01% compared to 2019 of 3.74%. The resilience of the food and beverage sub-sector industry can be seen from its high utilization during the pandemic. (Ministry of Industry) Putu Juli Ardika stated that industrial utilization reached around 89%, domestic and foreign demand also increased (Yudhistira, 2021).

The problem that occurred in this study was the average fluctuation in research variables caused by the Covid-19 pandemic which affected sales growth, profitability and capital structure in 66 Bugo village bakery businesses in 2019-2022. Harahap (2016: 309) states that Sales Growth is the difference between the number of sales in this period and the previous period. If the sales growth generated is positive, the funds generated will be profitable for MSMEs. Harahap (2018:304) Profitability describes a company's ability to earn profits through all capabilities. Profitability is a familiar scope of MSMEs, because of how the business earns profits. The profit generated is without tax or interest, so the income generated is pure. If the profit generated increases, MSMEs can benefit from MSMEs as a result of business activities. If the profit generated decreases, it must be seen from various aspects.

Capital structure is one of the main compositions built on MSMEs, because without capital, the business cannot be run. Capital structure can be seen from how MSMEs get the capital itself, both from debt. There is a research gap in research with previous journals that found varied results, namely in the research of Buana and Khafid, (2018) which showed the results that asset structure has a positive effect on capital structure. The instability in the research variables was caused by the COVID-19 pandemic in 2020-2021, and in 2022 the surge in raw materials was due to the recession of the Ukraine war, thus affecting the increase in available bakery ingredients. From that information, the purpose of the study is to determine sales growth and profitability of the capital structure for the bakery industry in Bugo Village as an Industrial Center.

LITERATURE REVIEW

Profitability

Harahap (2018:304) Profitability describes a company's ability to earn profits through all capabilities. Sudana (2011: 22) Profitability is the profit generated by small/macro scale companies as a result of business activities. Kasmir (2016) the types of profitability ratios that can be used are Return on Assets (ROA), Return on investment (ROI) and Return on Sales.

Capital Structure

Sudana (2019:189) Capital structure is related to the company's long-term expenditures, which are assessed from the ratio of long-term debt to own capital. Nurlaela, *et al.*, (2019) Capital structure is permanent financing consisting of long-term debt. Dzikriyah and Sulistyawati., (2020) Capital structure is a balance of the amount of short-term debt that is permanent. Sudana., (2017) Capital structure relates to the long-term expenditure of a company as measured by the ratio of long-term debt to own capital. Khaki and Akin., (2020) Capital circulation is essential for broader economic growth in the future through sustainable and growing business. The resulting cash flow, reallocated from equity claimants, divides the cash flow by allocating relatively safer cash flow to debt holders and riskier flow to shareholders.

Capital structure as a balance or comparison between the amount of long-term debt and own capital, means how much capital and how much long-term debt will be used so that it can be optimal. Companies that have optimal capital will produce optimal returns as well, so that not only companies that benefit, but shareholders also benefit. A capital structure that is not optimal will incur capital costs that need to be large. Kasmir (2014: 158) explained the formula for finding the capital structure, namely the DAR ratio is used to measure the percentage of funds or capital provided by creditors, the ratio of total debt to capital or this ratio is used to measure the balance between obligations owned by the company and its own capital.

Sales Growth

Dramawan (2015) The increasing sales growth will increase MSME revenue and help companies to be able to expand their business so that the value of the company increases. Sales growth has an important role in working capital management. By knowing how much profit you get. Harahap (2016: 309) states that Sales Growth is the difference between the number of sales for this period and the previous period divided by the sales of the previous period.

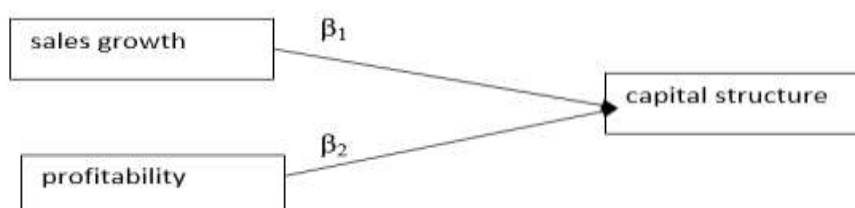
Previous Research

Nugroho., N. C., (2014) Sales growth and profitability variables have a significant effect on capital structure. The profitability variable is proven to have a significant negative effect on the capital structure variable. Sales growth variables are proven to have a significant positive effect

on capital structure variables. The variable size of the company has been shown to have a significant positive effect on the variable structure of capital. The company's age variable has been shown to have a significant positive effect on capital structure variables. Ariyani, H. F, *et al.*, (2018) Profitability has a negative and significant effect on capital structure, company size has a positive and significant influence on capital structure, and company growth has a negative and significant effect on capital structure. Rahayu, N. P (2019) Capital structure, and asset structure have a positive and significant effect on capital structure.

Indrajaya *et al.*, (2011) The results showed that asset structure and *profitability* variables affect capital structure variables. Asset structure variables have a significant positive effect on capital structure variables. The variable size of the company has a significant positive effect on the capital structure. The *profitability variable* has a significant negative effect on the capital structure variable. The variables of growth rate and business risk have no significant effect on capital structure variables. Carnevela, C. R (2017) sales growth, firm size, and asset structure together have an influence on capital structure variables. Hakim, M.Z. & Apriliani, D. (2020) Asset structure, sales growth, and profitability affect capital structure.

Research framework



Source: Previous research developed by researchers

Hypothesis:

H1 : Sales Growth affects Capital Structure

H2 : Profitability affects Profitability

METHOD

Quantitative methods have research data in the form of numbers and analysis using statistics. Quantitative methods can be interpreted as research methods based on the teachings or philosophy of *positivism*, which are used to study certain populations and samples. The sampling method uses *purposive sampling techniques*, which is the withdrawal of samples with certain considerations or using certain criteria. Kuncoro, et al (2023: 17) explained that this method is also called the discovery method because it can be used to discover and develop various types of new science and technology. Whether the formulated hypothesis is proven or not. Quantitative research was conducted with samples taken randomly, so that the conclusions of the study could be generalized to the population (66 bakers in Bugo village) from which the sample (24 bakers in Bugo village who met the criteria) was taken (Sugiyono, 2017: 7).

RESULTS

Descriptive statistics is a data analysis that provides information about the minimum, maximum, average value and standard deviation of data used in research. In this analysis, if the average value of the data is higher than the standard deviation value, then the spread of values is considered even.

Table 1.
Descriptive Statistical Test

Variable	N	Min	Max	Mean	Std.Dev
Sales Growth	96	-59.52	68.18	16.3315	37.35689
Profitability	96	14.10	68.83	41.0348	12.41875
Capital Structure	96	25.00	66.67	43.0646	10.27450

Table 1 it is explained that the value of standard deviation describes the amount of variation in data, where if the value of standard deviation > the mean value, the data used in the variable has a large distribution so that the deviation of data on the variable can be said to be not good. Meanwhile, if the standard deviation value < the mean value, then the data used in the variable has a small distribution so that the deviation of data on the variable can be said to be good.

DISCUSSION

A good company can be recognized by its ever-growing annual turnover. An increase in sales that exceeds the increase in costs leads to an increase in the company's profits. So that if the profit generated increases, there is an increase in the capital structure generated through own capital. Sales growth at the Bugo Village Bread Center must have an impact on the capital structure, because through the capital structure sales growth can be created. In Bugo Village Bread Center, sales growth affected the Capital Structure generated, although in 2020 there were significant changes, this occurred due to the *Covid-19 pandemic*. However, in 2021-2022, sales growth has increased, impacting the capital structure. Sales growth is the foundation of how the capital structure can be managed properly. In addition, high sales growth can be obtained based on factors such as MSMEs with large growth rates will require additional assets to support sales growth so that MSMEs have large sales growth using more debt. This is one of the reasons sales growth affects the capital structure.

This research is in line with research conducted by Gunadhi & Putra., (2019) states that the results of Sales Growth *have a positive effect on capital structure, but the results of this study are in line with research conducted by Dzikriyah, D., & Sulistyawati, AI, (2020) producing different findings, contrary to claims that capital structure is not affected by sales growth.* In industry, the greater the surplus generated, the lower the capital used in operations, because the firm uses the profits generated to conduct operations compared to the capital used. However, if the surplus produced is small, the capital issued increases. Because of the small surplus generated, the company must try more to increase revenue through capital spent, either through its own capital or debt. In addition, profitability is a ratio to measure the ability of MSMEs to generate profits can be seen from various factors. Profitability does not affect the capital structure because of factors such as high sales levels but the resulting profitability is small because it is diverted to pay debts from sales, assets under management are less than optimal but the profitability obtained is good, and so on.

This study is not in line with Z.A *et al.*, (2021) states that the profitability variable partially has a significant positive effect on capital structure. However, not in line with the research Febriana, D., & Yulianto, A. (2017) claim that capital structure is disadvantaged by profitability. In the Bugo Village Bread Center, the partial test section is different from the simultaneous test where the capital structure is influenced by three independent variables (asset structure, sales growth, profitability). This is due to the significant level of difference produced. If the three independent variables (asset structure, sales growth, profitability) are examined together, it produces an influence on capital structure. Because there are factors such as sales stability, market conditions, nature of management and so on. This research is in line with research conducted by Pratiwi, P. C., Sugandha., (2022) which states that asset structure, sales growth and

profitability have multiple positive and significant effects on capital structure. as well as research conducted by Sudiyatno, B. *et, al.*, (2019) stated that asset structure, sales growth and profitability multiple affect capital structure.

CONCLUSION

Sales growth is able to improve the capital structure, meaning that the components contained in sales growth in the form of sales periods from year to year can affect the capital structure that has its own debt and capital components. So that between growth and sales and capital structure has a relationship. Because in addition, high sales growth can be obtained based on factors such as MSMEs whose large growth rate will require additional assets to support sales growth so that MSMEs have large sales growth using more debt. This is one of the reasons sales growth affects the capital structure.

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