

ABSTRACT

This study aims to examine the effect of capital structure on financial performance with business risk as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX). Capital structure represents a critical financing decision related to the proportion of debt and equity used to fund corporate operations. Meanwhile, business risk reflects the uncertainty of operating income, which may affect the stability of a firm's financial performance.

This research employs a quantitative method using multiple linear regression with Moderated Regression Analysis (MRA). Data were collected from the financial statements of manufacturing companies for the period 2021–2024. Through purposive sampling, a total of 316 companies were selected, resulting in 1,264 observations. Capital structure is measured by the Debt to Equity Ratio (DER), financial performance by Return on Assets (ROA), and business risk by operating cash flow volatility.

The results indicate that capital structure has a negative and significant effect on financial performance. This finding suggests that higher debt usage tends to reduce financial performance due to increased financial obligations. Furthermore, the moderation test shows that business risk does not significantly moderate the relationship between capital structure and financial performance. This implies that the relationship between capital structure and financial performance is direct and not significantly influenced by the level of business risk. This study suggests that companies should be cautious in determining their capital structure to avoid financial pressure that may reduce performance and contributes to the financial management literature by providing empirical evidence on the role of business risk in Indonesian manufacturing companies.

Keywords: *Capital Structure, Financial Performance, Business Risk, Moderation, Manufacturing Companies, Indonesia Stock Exchange.*