

ABSTRACT

Purpose – This study aims to test the influence of capital structure, company size, and financial slack on the company's financial performance and empirically analyze the role of sales growth based on research and development investment on the influence of capital structure, company size, and financial slack on the company's economic performance.

Design/methodology/approach – This study looks at the phenomenon of companies needing sufficient funds for their business operations and are able to see investment opportunities to increase sales growth optimally by investing in research and development. Secondary data was obtained from the Indonesia Stock Exchange (IDX) in 2014-2022. The total sample of 360 consists of financial statements and annual reports for 2014-2023 and data on research and development costs for 2014-2023 of companies. Capital structure is measured by Total Debt Ratio = Total Debt / Total Assets; Financial Slack is measured by Current Ratio = Current asset / Current Liabilities; Firm Financial Performance is measured by Return on Asset (ROA) = Earning After Tax/ Total Assets; R&D investment is measured by R&D Expenditure/Total Assets; Sales Growth is measured by Sales Growth (SG) = $\Delta \text{Sales} - \text{Sales}_{t-1} / \text{Sales}_{t-1}$.

Findings – Hypothesis Test Results show that capital structure has a positive effect on the company's financial performance is proxied by leverage and the company's financial performance is proxied by ROA; company size has a significant negative impact on ROA; financial slack has a positive effect on the company's financial performance; Sales Growth Based on Research and Development Investment (PBIRP) acts as a mediator between capital structure and the company's financial performance; Sales Growth Based on Research and Development Investment (PBIRP) acts as a mediator between the size of the company and the company's financial performance; Sales Growth Based on Research and Development Investment (PBIRP) acts as a mediator between financial slack on the company's financial performance and sales growth based on research and development investment (PBIRP) has a positive influence on financial performance.

Practical implications – This study recommends the Trade-Off Theory, which states that the optimal capital structure will be achieved when there is a balance of benefits and debt financing risks. The merger of organizational theory with technology theory emphasizes transaction costs and agency costs in general and institutional industrial technology alike, so the size of the company and the profitability of the company are linked to the trade-off of economies of scale, transaction costs, and agency costs. Economies of scale make the average cost low. Companies with low production costs will generate low prices.

Originality/value – This study stands out for sales growth based on research and development investment, which is a company's policy in financing research and development investment that refers to sales growth. The construction of the variable definition of sales growth is based on research and development investment and its measurement by combining research and development investment decisions and sales growth of companies.

Keywords: *Capital Structure), Firm Size, Financial Slack, Investment and Development Based Sales Growth, Company Financial Performance.*