Determinants of Capital Structure and their Effect on Firm Value: Evidence on Food and Beverage Companies in Indonesia

Cut Zahri[1*]; Fandi Iskandar Sopang[2]; Bambang Irwandi[3]

[1*] *Cutzahri_fe@dharmawangsa.ac.id, Dharmawangsa University, Medan, Indonesia*
[2] *Fandiiskandar@dharmawangsa.ac.id, Dharmawangsa University, Medan, Indonesia*
[3] *Bambangirwandi@dharmawangsa.ac.id, Dharmawangsa University, Medan, Indonesia*
*) Corresponding Author

ABSTRACT

Objectives*: In this study, capital structure is used as an intermediary variable to examine how liquidity, profitability, and company size affect firm value. This study is anticipated to serve as a resource for future research as well as help businesses and investors make a variety of decisions.*
Methodology*: This study uses secondary data and is quantitative. These facts were gathered via documentation methods. All of the firms in the food and beverage sectors that are listed on the IDX 2020–2021 make up the study's population. Purposive sampling was used to collect samples from 158 observations.*
Finding*: According to the study's findings, liquidity, profitability, firm size, and capital structure had an impact on share value while only partially having an impact on capital structure. The outcomes of the path analysis demonstrate that while profitability has an impact on share value mediated by capital structure, liquidity, and company size do not have an impact on share value.*
Conclusion*: Future researchers are urged by the findings of this study to include other variables, including external variables like inflation, interest rates, and taxes which may have an impact on business value.*

Keywords*: Capital Structure; Determinant; Firm Value*

_____

INTRODUCTION

The development of various corporate sectors in Indonesia is followed by increasing competition which continues to get tougher. Business opportunities continue promising to make Indonesian people more creative in building their businesses. Mondelez Indonesia performed a poll of 6,000 respondents between 6-20 October 2020 and found that 60% of Indonesians consumed more snacks during the epidemic. "Every individual seeks to feel comfortable when eating snacks (and) 71% of Indonesians eat snacks as they are more practical," stated Prashant Peres, the Main Director of Mondelez Indonesia, at a virtual conference in January 2021. According to the Indonesian Food and Beverage Entrepreneurs Association, the food and beverage sector will rise by 7% by 2021. "Because (food and drink) is not only a necessity but also a part of a lifestyle," explained Alvin Harijanto, Director of PT Delifru Utama Indonesia, in Jakarta on August 2023 (27/8).

Every year, there are more businesses in the food and beverage sectors which leads to an increase in business competition. Companies must innovate in the items they produce if they want to survive in the current environment of fierce competition. Brealey et al said companies need to innovate as well as perform well as a whole. In this scenario, the business must choose wisely when it comes to fundraising and investing. Better fundraising and investment choices can put a business one step ahead of its rivals (Dianty, 2020). The worth of a firm can be used to determine how well it is performing. Investors who are interested in a firm will always recognize its value. According to research by Sari and Sedana (Sari, 2020), the company value is a picture of company performance that can influence investor assessment of the company.

Firm value can also provide a very important function for the company as it provides information to shareholders regarding the company's past performance and plans for the future, as well as material for company guidance regarding funding policies companies that can influence share prices on the stock exchange related to the value of the company (Nasution et al., 2023). According to Bintara (Bintara, 2018), company value is the investor's perception of the level of success of a company which is often related to price share. A high share price increases the company's value, a highly valued company will not only make the market believe in the current performance of the company but also the company's prospects in the future. The stock price is a picture of the firm value that is expected to provide positive benefits to shareholders. The company aims to maximize the welfare of shareholders through investment decisions and policies, leverage, and dividend decisions are reflected in share prices on the stock market (Handriani & Robiyanto, 2018).

A corporation needs sufficient capital to support its operations to increase the value of the business. Other sources of funding, such as internal (own capital) in the form of share capital and retained earnings, as well as external (foreign capital) gained from loans, might be chosen to suit the company's financial needs. External sources include money from creditors and investors, whereas internal sources are money accessible from retained earnings.

Sums of money received from creditors are considered debts owed by the corporation. The ratio of debt to equity is referred to as the "capital structure" (Brigham & Houston, 2018). The size of the capital structure is something that the firm should pay particular attention to since both a good and bad capital structure will have a negative impact on the company's financial health

and eventually reduce its worth. By maximizing the firm's external capital, which is completely utilized to fund the company so that it may enhance its earnings, the company can limit the risk associated with debt. Thus, ideally, the usage of external capital must be effective.

Theoretical and empirical studies suggest that in funding decisions related to capital structure, there are determinant variables that are important in influencing capital structure. These variables consist of liquidity, profitability, company size, and other variables that affect capital structure (Suherman, 2019). Regardless of which approach is taken to determine the optimal capital structure, financial managers need to consider several important factors (Xenna et al., 2020), namely liquidity, profitability, and firm size. Although theoretically, there is agreement on the direction of the influence of these variables on capital structure. According to the theoretical viewpoint adopted, empirical evidence has found mixed results.

The gap in this research is that empirical studies regarding the effect of liquidity on firm value provide inconclusive results. The first group emphasizes that liquidity has an impact on firm value, citing research findings (Mufidah et al., 2018). According to a study (Zulkarnain, 2020), the second group believes that liquidity does not influence firm value.

Then, the effect of profitability was also found to be inconsistent in influencing the firm value. The first group supports the pecking order theory, namely the findings of research (Putu et al., 2021), (Dewi & Suci, 2019), (Dewiningrat & Mustanda, 2018) reporting that profitability affects firm value. This finding means that the higher the company's profitability, the tendency is not to use debt to finance its investment. The company will use internal funding sources first before using external funding sources. The second group contradicts the results of the first group research conducted by (Nabayu et al., 2020), (Agustinus & Mulyani, 2023) that profitability does not affect firm value.

Likewise, with the firm size, the results found were inconsistent. The first group found that firm size affected firm value, namely research by (Utomo & Fitriati, 2022), (Rifiana et al., 2021). Because the larger the size of a company, the greater the funding sources it will require. One of the funding sources most often used by companies is long-term debt, It can be concluded that the size of the company will affect the company's firm value. Meanwhile, the second group stated that company size does not affect firm value, namely research conducted by (Ashop, 2019), (Goh et al., 2022) and (Fung, 2019).

Empirical research on the effect of capital structure on firm value is still inconsistent. Krisnando et al (Krisnando & Novitasari, 2021), (Oktiwiati & Nurhayati, 2020) found that capital structure affects firm value. While (Lisda & Kusmayanti, 2021) found no effect between capital structure and firm value. The results of research conducted by Sadewo et al (Sadewo et al., 2022) found that capital structure can mediate the relationship between liquidity and company value. Meanwhile, research conducted by Aslindar (Astriani Aslindar & Puji Lesatari, 2020) shows that capital structure cannot mediate the influence of liquidity on company value. According to research by (Veno & Marpaung, 2018), (Munthe, 2018) states that profitability has a significant effect on firm value through capital structure. In contrast to Primary research (Darmawan et al., 2020), which states that profitability has no effect significantly on the value of the company through the capital structure. According to (Marpuah et al., 2021), capital structure cannot mediate the effect of the size company on company value. In contrast, the research conducted

by Pratama and Wiksuana (2018) states that the capital structure can mediate the effect of firm size on firm value

Based on the description above, this research phenomenon is based on a research gap where there are inconsistencies in the results of previous research. Then, the urgency and novelty of this research is to test and explain inconsistent results from previous research regarding the determinants of capital structure and its influence on company value. Empirical evidence in previous studies is inconsistent, allowing for additional explanations for the differences in the results of these studies.

LITERATURE REVIEW

1. Agency Theory

Since the company's owner is also its manager, agency issues won't occur. Hence, the owner and manager cannot be distinguished from one another. The owner of the firm and the manager of the company are typically kept apart in businesses that take the form of a corporation (Aryani et al., 2018). Owners, also known as shareholders, are the ones who invest money in the business, whereas managers are individuals the owner appoints and gives management authority to. There may be conflicts of interest between owners and management as a result of the separation between owners and managers (management).

Costs incurred as a result of conflicts of interest between business owners and management are generally referred to as agency expenses. Indirect agency costs include things like lost opportunities for profit and direct expenses. Expenses incurred by the company that are advantageous to management but costly to shareholders can be considered direct costs. Moreover, in the form of costs associated with the requirement for managerial oversight or monitoring. According to Supriyono (Supriyono, 2018) behavioral agency theory (agency) is a concept that explains the relationship between the principal (contract giver) and the agent (contract recipient), the principal contracts the agent to work for the goals they have so that the agent is given the authority to make decisions.

2. Firm Value

Firm value is the price that a potential buyer can pay when the company wants to sell. When a company offers it to the public and is open to sell, it can be said to be the company's value which becomes an investor's perception of a company. The value of the company as a basis for seeing the company's performance by potential investors for the coming period, is related to stock prices (Bintara, 2018)

$$Stock\ Return = \frac{Stock\ Price\ t - Stock\ Price\ t - 1}{HStock\ Price\ t - 1}$$

_____

3. Capital Structure

Sulindawati et al, (Sulindawati et al., 2018) capital structure is balanced or a comparison between foreign capital and own capital. The capital structure shows the proportion of the use of debt to finance investment, so that knowing the capital structure, allows investors to balance risks and return on investment. Capital structure is related to a person's long-term expenditure company as measured by the comparison between term debt along their capital (Sudana, 2019; Arief, H. 2019). The capital structure is divided into two main parts: debt and equity, with the value of the firm being the total of the debt and equity. The capital structure may be determined using the Debt to Equity Ratio (DER). Companies having a high DER value are usually hazardous and illiquid since they rely on debt to fund their operations.

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

4. Liquidity

According to Kasmir (Kasmir, 2018) liquidity ratios or often called ratios Working capital is a ratio used to measure how liquid it is a company. The way to do this is by comparing the existing components balance sheet, namely total current assets with total current liabilities (short-term debt). Assessments can be carried out over several periods so that progress can be seen in company liquidity over time. There are several ways to measure liquidity. Investors will place more and more trust in businesses that have a high level of liquidity since they have a lot of money and can finance investments. The researcher measures the liquidity variable using the current ratio, which shows the company's capacity to service current debt using currently held assets.

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}$$

5. Profitability

According to Kasmir (Kasmir, 2018) the profitability ratio is the ratio for assessing the company's ability to make a profit. This ratio also provides a measure of the level of management effectiveness of a company. This matter is indicated by profits generated from sales and investment income. The point is that the use of this ratio shows the company's efficiency. The profitability ratio is a ratio that describes the company's ability to generate profits through all capabilities and resources it has, namely those originating from activities (Arief, H. et al., 2023).

sales, use of assets, and use of capital (Hery, 2018). Analysis of profitability ratios is a technique used to assess how well a business can make use of its current assets to produce profits over a specific period. The yield that the corporation prints for shareholders is called return on equity (ROE). The ability of the company to generate profitability or profit margins, asset productivity to generate income, and the organization's best use of debt are all factors that affect ROE. In this study, ROE is used as a gauge of how effectively companies utilize their capital.

_____

$$Return\ On\ Equity = \frac{Earning\ After\ Taxes}{Total\ Equity}$$

6. Firm Size

Putu Ayu and Gerianta (Widiastari & Yasa, 2018), stated that company size is a scale on which the size of the company can be classified as measured by total assets, number of sales, share value, and so on. The same was done by (Ramdhonah et al., 2019), the size of the firm reflects the size of the corporate assets that have been authorized by the company. Finding internal or external finance sources that can raise the firm's worth is simpler the larger the company is. Large businesses' economic growth has risen, which should raise their worth. Researchers utilize nominal total assets in the manner shown below to calculate the variable firm size:

$$Firm\ Size = \ Ln\ Total\ Assets$$

Conceptual Framework and Hypothesis

The framework of thinking is an assessment of the relationship between the study's factors. A framework, according to Sugiyono (Sugiyono, 2019), is a compilation of the connections between variables drawn from a variety of ideas that have been described. The goal of this study is to ascertain how capital structure is determined and how it affects firm value in Indonesian food and beverage companies. A research framework for this problem is as follows:
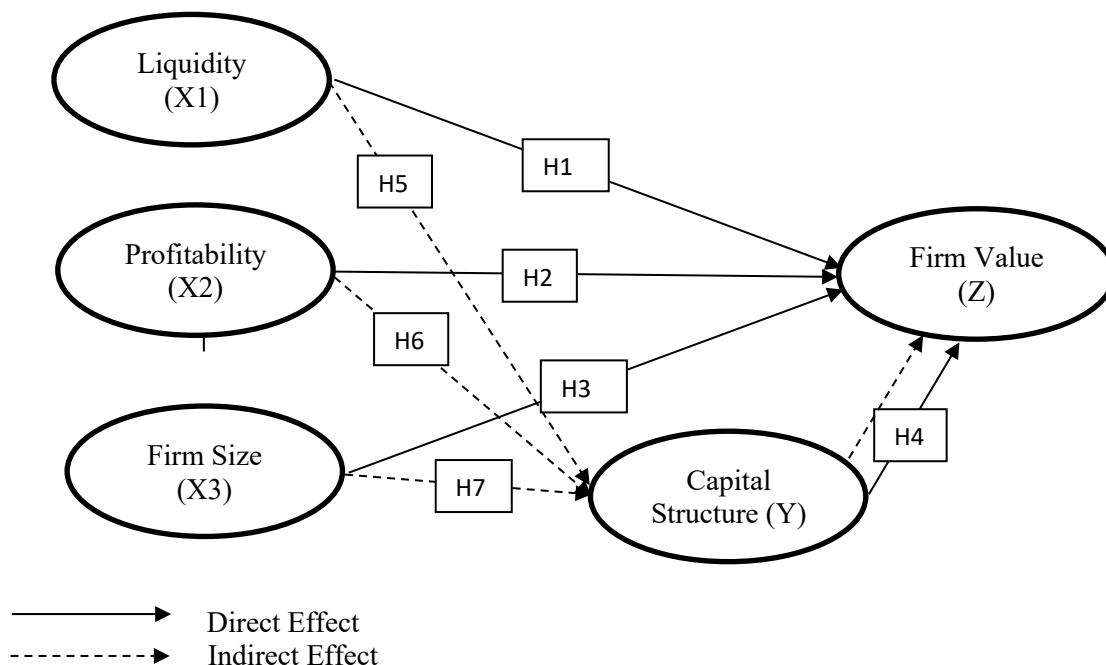

Figure 1. Research Framework

Figure 1 describes the conceptual framework in this study with the following hypotheses:
H1: Liquidity affects firm value

H2: Profitability affects on firm value

H3: Company size affects firm value

H4: Capital structure affects firm value

H5: Liquidity has an effect on firm value through capital structure

H6: Profitability has an effect on firm value through capital structure

H7: Firm size has an effect on firm value through capital structure

METHOD

Research design

This study's research design is an explanatory study. Explanatory study explains the causal link (cause and effect) between factors influencing the hypothesis. The goal of this study is to discover the influence of capital structure and company size on firm value via profitability (Sugiyono, 2017). This study relies on secondary data. Secondary data includes information in the form of evidence, records, or historical accounts recorded in public and unpublished archives (Almilia & Retrinasari, 2007). For the 2020-2021 timeframe, this study relies on secondary data in the form of financial reports and annual reports from food and beverage industry businesses listed on the Indonesia Stock Exchange.

Population and Sample

For the 2020-2021 research period, the population consists of food and beverage industry enterprises listed on the Indonesia Stock Exchange (IDX). A population of 111 firms was derived using IDX data. This study's sample is a food and beverage industry firm comprised of 79 companies in the 2020-2021 time period.

Data Analysis Technique

This study's data analysis approach is panel data analysis. Panel data is a hybrid of time series and cross-section data. Cross-section data is information gathered over time on a large number of people, whereas time series data is information gathered over time on a single person. A panel data regression model is used to test hypotheses. Because this study spans several years and includes several firms, panel data was chosen. First, the use of time series data is planned since this study spans two years, from 2020 to 2021. Then there was the usage of the cross-section itself, because this study gathered data from multiple firms (pooled), with 79 companies in the food and beverage sector serving as research samples. The data processing tools in this study used Microsoft Excel and Eviews 12 software. The stages of analysis to be carried out were: 1). Estimation Model Selection, 2). Classic assumption test, 3). Hypothesis test, 4). Path analysis and 5). Sobel test.

The following is the regression model in this study:

$$Z = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \beta4Y + \varepsilon…………………............(1)$$

$$Y = \alpha + \beta5X1 + \beta6X2 + \beta7X3 + \varepsilon……………………………..….. (2)$$

_____

RESULTS AND DISCUSSION

Estimation Model Selection

The selection of the estimation model used in this research was determined through the Chow test and Hausman test. After carrying out this test, the best estimation model will be obtained, whether using the common effect model, fixed effect model, or random effect model.

1. *Chow Test*

   The Chow Test is used to determine the best model between the common effect model and the fixed effect model. The results of the Chow test for each equation are displayed in Table 1 as follows:

   Table 1.
   Chow Test Results Model Equations I and II

Model	Prob. Cross-section Chi-square
Model Regression 1	0.0000
Model Regression 2	0.0011

   Based on the output results in equation models I and II, it shows that the cross-section probability $F < \alpha$ (0.0000 < 0.05) and $F < \alpha$ (0.0011 < 0.05). This shows that the fixed effect model is better than the common effect model.

2. *Hausman Test*

   The Hausman Test is used to compare the fixed effect model with the random effect model. The results of the Hausman test are shown in table 2 below as follows:

   Table 2.
   Hausman Test Results Model Equations I and II

Model	Prob. Cross-section random
Model Regression 1	0.2870
Model Regression 2	0.3275

   Sources: Eveiws output, 2023

   Based on the output results of the equation I model, it shows that the random cross-section probability is 0.2870 > 0.05. It can be concluded that the model selection decision for equation I, namely the random effect model, is better than the fixed effect model. Meanwhile, the equation II model shows that the random cross-section probability is 0.3275 > 0.05. It can be concluded that the model selection decision for equation II, namely the random effect model, is better than the fixed effect model.

Classic Assumption Test
Normality test

Table 3. Normality Test Results

Model	Jarque-Bera	Probability	Result

Model Regression 1	15.24983	0.267183	Normal
Model Regression 2	30.33325	0.339918	Normal

Sources: Eveiws output, 2023

Based on the results of the normality test for model 3, it can be seen that the probability value for JB is 0.267183 > 0.05, while for model 2 the probability value for JB is 0.339918 > 0.05. This means that models 1 and 2 are normally distributed

District, Sucinaraja District, Limbangan District, and Samarang District; (3) The majority of respondents started their business in the 2018-2023 period.

Multicollinearity Test

Table 4. Multicollinearity Test Results

Model	Effect	Centered VIF	Result
Model Regression 1	X1→Y	1.028583	Free Multicollinearity
	X2→Y	1.048575	Free Multicollinearity
	X3→Y	1.074449	Free Multicollinearity
Model Regression 2	X1→Z	1.057690	Free Multicollinearity
	X2→Y	1.460200	Free Multicollinearity
	X3→Z	1.078717	Free Multicollinearity
	Y→Z	1.056616	Free Multicollinearity

Sources: Eveiws output, 2023

Based on the test results on the two-equation models above, the correlation value for each variable gives a tolerance value greater than 0.1 and a VIF value less than 10 so it can be concluded that the two variables are free from multicollinearity problems.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Model	Obs*r-squared	Probability chi-square	Result
Model Regression 1	4.292650	0.2315	No Heteroscedasticity
Model Regression 2	13.63210	0.4219	No Heteroscedasticity

_____

Sources: Eveiws output, 2023

In Table 4, it can be seen that the probability chi-square value of obs*r-squared is 0.2315 > 0.05. Then, in Table 5, it can be seen that the probability chi-square value of obs*r-squared is 0.4219 > 0.05. So it can be concluded that in this model there is no heteroscedasticity

Hypothesis testing
Direct Effect Results
For the 2020-2021 timeframe, Model I regression analysis was used to examine the influence of liquidity, profitability, and business size on the firm value of food and beverage industry companies listed on the IDX. Tables 6 provide the regression equations for model 1, respectively:

Table 6. Results of Regression Analysis Model 1

Variable	Coefficient	Std Error	t-statistic	Prob
C	48.68146	0.841417	57.85654	0.0003
CR → SR	-0.003761	0.903005	-41.64158	0.0000
ROE → SR	0.253416	0.032629	7.766652	0.0001
SIZE → SR	2.950893	0.051528	57.56788	0.0021
DER → SR	0.129512	0.016538	7.830948	0.0000

Sources: Eveiws output, 2023

Based on Table 4 it can be explained:
1. The probability value in the CR variable (X1) of 0.0000 < 0.05. Therefore, **H1 is accepted** and it can be stated that CR influences Stock Return (SR).
2. The probability value in the variable ROE (X2) of 0.0001 < 0.05. Therefore, **H2 is accepted**, and it can be stated that ROE influences Stock Return (SR).
3. The probability value in the variable SIZE (X3) of 0.0021 < 0.05. Therefore, **H3 is accepted**, and it can be concluded that SIZE influences Stock Return (SR).
4. The probability value in the variable DER (Y) of 0.0000 < 0.05. Therefore**, H4 is accepted**, and it can be concluded that DER influences Stock Return (SR).

Indirect Effect Result
Meanwhile, model 2 regression analysis was performed to estimate the impact of liquidity, profitability, firm size, and capital structure on the value of companies listed on the IDX in the food and beverage industry for the 2020-2021 timeframe.

_____

Table 7. Results of Regression Analysis Model 2

Variable	Coefficient	Std Error	t-statistic	Prob
C	1.081698	1.291410	0.837609	0.4049
CR → DER	-0.054732	0.071914	-0.761071	0.4490
ROE → DER	1.943903	0.047392	41.01784	0.0000
SIZE → DER	0.054118	0.071135	0.760775	0.4491

Sources: Eveiws output, 2023

Based on Table 7 it can be explained:
1. Probability value in the CR variable (X1) of 04490 > 0.05. Therefore, it can be stated that CR does not influence DER.
2. The probability value in the variable ROE (X2) of 0.0000 < 0.05. Therefore, it can be stated that ROE influences DER
3. Probability value in the variable SIZE (X3) of 0.4491 > 0.05. Therefore, it can be concluded that SIZE does not influence DER.

The regression analysis findings of models 1 and 2 serve as the foundation for evaluating the causality connection in the path analysis model. Path analysis is a multiple linear regression extension. Figure 2 depicts the findings of a path analysis of the effect of liquidity, profitability, and company size on firm value using capital structure as the intervening variable.
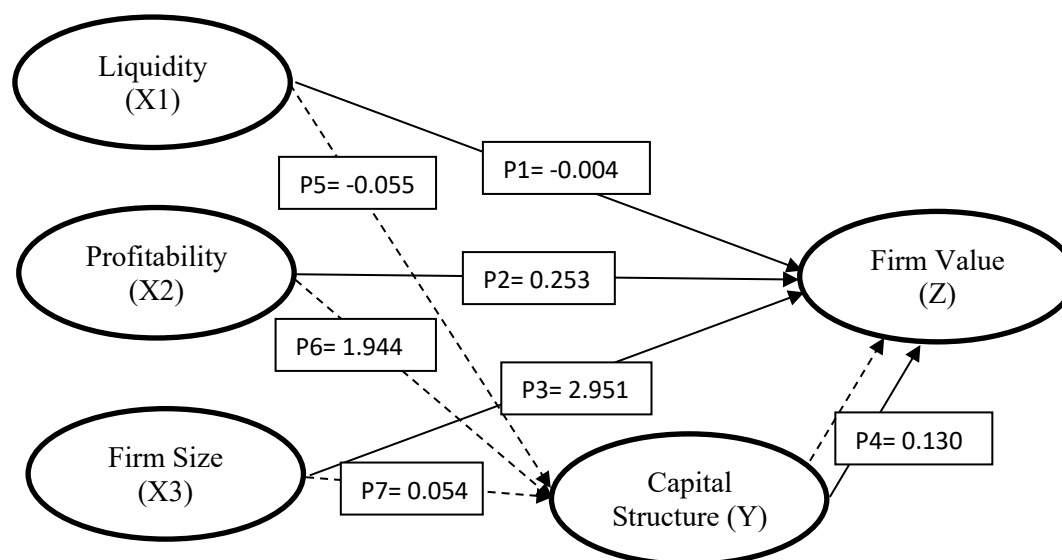

Figure 2. Path Analysis Results

Sobel Test Results
1. **_The Effect of Liquidity on Firm Value Through Capital Structure_**
   Indirect effects = p5 x p4 = -0.055 x 0.130 = -0.00715

_____

Calculating with the Sobel test:

$$Sab = \sqrt{b^2 Sa^2 + a^2 Sb^2 + Sa^2 Sb^2}$$

$$Sab = \sqrt{0.130^2 0.072^2 + -0.055^2 0.016^2 + 0.072^2 0.016^2}$$

$$Sab = \sqrt{0.0000876 + 0.00000077 + 0.00000133}$$

$$Sab = 0.009$$

Calculating the statistical t value of the effect of intervening:

$$t = \frac{\text{Indirect Effects}}{\text{Standar error indirect effects}}$$

$$t = \frac{-0.00715}{0.009}$$

$$t = -0.794$$

The computations resulted in a t-count of -0.794. The capital structure is unable to mediate the impact of liquidity on firm value, as indicated by the fact that this amount is smaller than t table 1.660, and H5 is therefore rejected.

2. *Effect of Profitability on Firm Value through Capital Structure*
   Indirect effects = p6 x p4 = 1.944 x 0.130 = 0.25272
   Calculating with the Sobel test:

$$Sab = \sqrt{b^2 Sa^2 + a^2 Sb^2 + Sa^2 Sb^2}$$

$$Sab = \sqrt{0.130^2 0.048^2 + 1.944^2 0.016^2 + 0.048^2 0.016^2}$$

$$Sab = \sqrt{0.00003894 + 0.00096746 + 0.00000059}$$

$$Sab = 0.0317$$

Calculating the statistical t value of the effect of intervening:

$$t = \frac{\text{Indirect Effects}}{\text{Standar error indirect effects}}$$

$$t = \frac{0.25272}{0.0317}$$

$$t = 7.97$$

The computations resulted in a t-count of 7.97. Since this figure exceeds the threshold in the t table (1.660), it is assumed that the capital structure can mitigate the effect of profitability on firm value, and H6 is thus approved.

3. *Effect of Firm Size on Firm Value through Capital Structure*
   Indirect effects = p7 x p4 = 0.054 x 0.130 = 0.00702
   Calculating with the Sobel test:

$$Sab = \sqrt{b^2 Sa^2 + a^2 Sb^2 + Sa^2 Sb^2}$$

$$Sab = \sqrt{0.130^2 0.071^2 + 2.951^2 0.016^2 + 0.071^2 0.016^2}$$

$$Sab = \sqrt{0.00008519 + 0.00222935 + 0.00000129}$$

$$Sab = 0.048$$

Calculating the statistical t value of the effect of intervening:

$$t = \frac{\text{Indirect Effects}}{\text{Standar error indirect effects}}$$

$$t = \frac{0.00702}{0.048}$$

$$t = 0.14625$$

The computations resulted in a t-count of 0.14625. This result is smaller than 1.660 in the t table, indicating that capital structure is unable to mediate the impact of company size on firm value. Therefore, hypothesis H7 is rejected.

DISCUSSION

1. **The Effect of Liquidity on Firm Value**

   According to the study's findings, liquidity significantly affects business value. This implies that a company's worth may be lowered by high liquidity. This is because a company's revenues are utilized to settle debts less frequently the more liquidity it has. According to the signal theory, a company with high liquidity will be a bad signal (bad news) for the company because high liquidity will result in a decline in profitability and cause investors to reevaluate their decision to invest in the company. The company's worth will go down as a result of this. The results of this study are supported by the results of research conducted by Nuswandari et al (Nuswandari, C. et al., 2019), Utami and Widati (Utami & Widati, 2022) which state that liquidity has a significant negative effect on firm value.

2. **Effect of Profitability on Firm Value**

   Profitability has a favorable and substantial influence on the value of food and beverage sector firms listed on the Indonesia Stock Exchange (IDX) in the 2020-2021 term, according to the research findings. These findings suggest that the value of a manufacturing business can be impacted by the high or low value of the company's profitability. A high degree of profitability will be followed by a rise in a company's value. Big profitability suggests that the firm is capable of earning big profits and is regarded as a favorable indication for investors because the company has promising future potential. The findings of this study are consistent with those of (Putu et al., 2021), (Dewi & Suci, 2019), (Dewiningrat & Mustanda, 2018).

3. **Effect of Firm Size on Firm Value**

   The findings of hypothesis testing show that the size of a corporation has a positive and significant impact on firm value. The positive results suggest that a large firm size leads to a greater company value. This is because huge corporations have more stable working conditions. This circumstance is the reason for the capital market growth in the company's share price. Large corporations have great expectations from investors. Investors anticipate receiving dividend payments from the corporation. An increase in demand for firm shares may cause share prices to rise on the capital market. A large firm will find it simpler to gain access to the capital market, making it easier to attract investors and increase the company's worth through its share price. These findings back up a study by Vernando and Erawati (Vernando & Erawati, 2020) indicating firm size has a strong beneficial influence on firm value.

4. **Effect of Capital Structure on Firm Value**

   According to the test results, capital structure (as assessed by the Debt to Equity Ratio) has a considerable negative influence on business value (as evaluated by Stock Return). This

is explained by Dang et al (Dang et al., 2019), where excessive use of debt has the potential to cause financial difficulties and reduce the business value, even causing bankruptcy. If the company increases its debt, the company's financial risk will also increase, and this makes creditors and shareholders demand the company to manage risk better. Thus creditors and shareholders doubt the company's ability to fund its business, and cause creditors and investors to lose confidence in the company, so that the company's value decreases. The results of this study are in line with the results of research conducted by Mercyana et al (Mercyana et al., 2022).

5. **The Effect of Liquidity on Firm Value Through Capital Structure**

    Based on the hypothesis testing, it is possible to describe how liquidity affects business value via capital structure. These findings imply that the degree of liquidity will not affect the company's value. Low liquidity has no impact on the company's value because it shows an issue with the company's capacity to pay short-term debt. Meanwhile, organizations with high liquidity demonstrate that a lot of money is idle and not utilized for operational activity, reducing corporate profitability. As a result, investors and potential investors lost trust since they felt the firm was performing poorly. The findings of this investigation are consistent with the findings of (Sadewo et al., 2022) which show that liquidity affects firm value through capital structure.

6. **The Effect of Profitability on Firm Value Through Capital Structure**

    The eighth hypothesis states that capital structure can mediate the effect of profitability on firm value. Capital structure is an important issue because the quality of the capital structure affects the company's financial position. The decision to finance a business is very important because choosing the right financing can affect not only the structure of company capital but also the company's profitability (Fauziah and Sudiyatno, 2020: 106). The decision in choosing company funding is very important, besides being able to influence the company's capital structure can also choose the right funding, which will affect the company's profitability. According to research by (Veno & Marpaung, 2018), (Munthe, 2018) states that profitability has a significant effect on firm value through capital structure.

7. **The Effect of Firm Size on Firm Value Through Capital Structure**

    From the results of the Sobel test calculation above, the Sobel Test Statistics value is -0.14625, because the Z value obtained is -0.14625 <1.96 with a significance level of 5%. So it can be said that the capital structure is not able to mediate the size of the company to the value of the company. From the results of calculations that have been done, it can be seen that the high size of the company does not guarantee an increase in company value even though it is mediated by the capital structure. This means that even though a high company size makes it easier to find additional capital and a capital structure can manage liabilities and capital optimally, this is still not able to increase company value, due to other factors such as the use of capital to increase company assets or increase retained earnings. Owned by the company so that the focus of capital management is not on the value of the company. These results are consistent with research from (Zulfa et al., 2022), which states that capital structure cannot mediate the effect of company size on firm value.

CONCLUSION

This study examines the effect of capital structure determination on firm value. The determinants of capital structure used in this study are liquidity, profitability, and firm size. From the results of the direct effect test, liquidity, profitability, size, and capital structure affect firm value. Based on the results of this study, the findings indicate that capital structure is only

_____

able to mediate the effect of profitability on firm value. According to Nisasmara & Musdholifah (Nisasmara & Musdholifah, 2016), capital structure is very important for every company, because good or bad capital structure will affect the financial position and the value of the company. Therefore, company managers are expected to take effective steps in determining the capital structure, to achieve the goal of the company, namely maximizing the value of the company. The purpose of capital structure management is to create a mix of internal and external funding sources that can maximize share prices, with a capital structure, companies can achieve firm value with this optimal capital structure (Andanika & Ismawati, 2017). According to research by (Thaib & Dewantoro, 2017), (Veno & Marpaung, 2018) states that profitability has a significant effect on the value of a company through capital structure. Future studies would be better off considering external elements that have an impact on business value, such as inflation, interest rates, and taxes, in addition to internal elements from the point of view.

REFERENCES

Agustinus, E., & Mulyani, N. (2023). Pengaruh Profitabilitas dan Likuiditas Terhadap Struktur Modal Pada Perusahaan Property Dan Real Estate yang Terdaftar di Bursa Efek Indonesia (Bei) Periode 2017-2021. *Jurnal Arastirma*, *3*(2), 349. https://doi.org/10.32493/arastirma.v3i2.31806

Almilia, L. S., & Retrinasari, I. (2007). Analisis Pengaruh Karakteristik Perusahaan terhadap Kelengkapan Pengungkapan dalam Laporan Tahunan Perusahaan Manufaktur yang Terdaftar di BEJ. *Proceeding Seminar Nasional Inovasi Dalam Menghadapi Perubahan Lingkungan Bisnis*.

Andanika, & Ismawati. (2017). Analisis Pengaruh Profitabilitas Dan Growth Opportunity Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening Pada Perusahaan Yang Terdaftar di Jakarta Islamic Index. *Jurnal Ilmiah Fakultasi Ekonomi*, *3*(2).

Arief, H. (2019). Pengaruh Kinerja Keuangan terhadap Harga Saham dengan Metode Diskriminan Springate pada Industri Migas di Pasar Saham Indonesia. *Jurnal Ilmiah Manajemen dan Bisnis, 5*(1), 53 - 61. doi:http://dx.doi.org/10.22441/jimb.v5i1.5625

Arief, H., Oktaviar, C., Saratian, E. T. P., & Soelton, M. (2023). The Influence of Sales Growth, Profitability and Activity on Financial Distress. *JUDICIOUS*, *4*(1), 157–164. https://doi.org/10.37010/jdc.v4i1.1277

Aryani, Y. A., Rahmawati, I. P., & Setiawan, D. (2018). Apakah Struktur Dewan Komisaris Berpengaruh Terhadap Kinerja Perusahaan? *Mix: Jurnal Ilmiah Manajemen*, *8*(3), 597. https://doi.org/10.22441/mix.2018.v8i3.009

Ashop, B. (2019). Pengaruh Growth Opportunity, Profitability, Bussines Risk dan Size Terhadap Struktur Modal. *JIMF (Jurnal Ilmiah Manajemen Forkamma)*, *2*(2).

Astini, Rina, Ishrat, Kehkashan, Ramli, Yanto, Tafiprios, Chong Kwong, Wing, and Ooi Chee, Keong. Nexus among Crypto Trading, Environmental Degradation, Economic Growth and Energy Usage: Analysis of Top 10 Cryptofriendly Asian Economies. International Journal of Energy Economics and Policy. Volume 13, Issue 5. pp. 339-347. DOI: https://doi.org/10.32479/ijeep.14545

_____

Astini, Rina, Salim, Ansa Savad, Deitiana, Tita, and Ramli, Yanto. (2023). Fintech Growth in Asia: A Shift Towards a Net-Zero Carbon Economy. Przestrzeń Spoleczna (Social Space). Volume 23, No. 3. pp.123-148

Astriani Aslindar, D., & Puji Lesatari, U. (2020). Pengaruh Profitabilitas, Likuiditas Dan Peluang Pertumbuhan Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening. *Dinamika Akuntansi, Keuangan Dan Perbankan*, *9*, 1–16. https://www.unisbank.ac.id/ojs/index.php/fe9/article/view/8232%0Ahttps://www.unisbank.ac.id/ojs/index.php/fe9/article/download/8232/3161

Bintara, R. (2018). PENGARUH PROFITABILITAS, GROWTH OPPORTUNITY, DAN STRUKTUR MODAL TERHADAP NILAI PERUSAHAAN DENGAN GOOD CORPORATE GOVERNANCE SEBAGAI VARIABEL PEMODERASI (Studi Empiris Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2012-2015). *Jurnal Profita*, *11*(2), 306. https://doi.org/10.22441/profita.2018.v11.02.010

Brigham, E. F., & Houston, J. F. (2018). *Dasar-Dasar Manajemen* (T. oleh N. I. S. Dan & F. Kusumastuti (eds.); 14th ed.). Salemba Empat.

Dang, H. N., Vu, V. T., T., Ngo, X. T., & Hoang, H. T. V. (2019). Study the impact of growth, firm size, capital structure, and profitability on enterprise value: evidence of enterprises in Vietnam. *Journal of Corporate Accounting & Finance, 30*(1), 144–160.

Darmawan, A., Ciptaningrum, F., Aryoko, Y. P., & ... (2020). Profitabilitas terhadap nilai perusahaan dengan struktur modal sebagai variabel moderasi pada perusahaan manufaktur industri barang konsumsi yang terdaftar di BEI tahun 2015-2018. *Jurnal Produktivitas ...*, *7*, 152–159. http://123.231.151.250/index.php/jp/article/view/2140

Dewi, R., & Suci, M. (2019). *TERHADAP STRUKTUR MODAL PERUSAHAAN SEKTOR PROPERTY DAN REAL ESTATE. 1*(2), 59–66.

Dewiningrat, & Mustanda. (2018). Pengaruh Likuiditas, Profitabilitas, PertumbuhanPenjualan, Dan Struktur Aset Terhadap Struktur Modal Perusahaan Tekstil dan Garmen Yang Terdaftar Di Bursa Efek Indonesia Periode 2013-2016. *..E-Jurnal Manajemen Unud*, *7*(7), 3486.

Dianty, A. (2020). PENGARUH KEPEMILIKAN MANAJERIAL DAN KEPEMILIKAN INSTITUSIONAL TERHADAP NILAI PERUSAHAAN. *In Search – Informatic, Science, Entrepreneur, Applied Art, Research, Humanism*, *19*(02), 35–39.

Fung, T. S. (2019). Pengaruh Profitabilitas, Pertumbuhan, Ukuran Perusahaan, dan Struktur Aktiva Terhadap Struktur Modal Pada Industri Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *PRIMANOMICS :JURNAL EKONOMI DAN BISNIS*, *17*(2), 176–192.

Goh, T. S., Henry, H., Erika, E., & Albert, A. (2022). Sales Growth and Firm Size Impact on Firm Value with ROA as a Moderating Variable. *Mix: Jurnal Ilmiah Manajemen*, *12*(1), 99. https://doi.org/10.22441/jurnal_mix.2022.v12i1.008

Handriani, E., & Robiyanto. (2018). Corporate Finance and Firm Value in The Indonesian Manufacturing Companies. *International Research Journal of Business Studies*, *11*(2), 113–127. https://doi.org/10.21632/irjbs.11.2.113-127

Hartono, Sri, Ramli, Yanto, Astini, Rina, Widayati, Catur, and Ali, Anees Janee. (2024). The Clinical Information System That Effects The Patients' Satisfaction Of The Healthcare

_____

Services. Jurnal Manajemen. Volume 28, No. 1. pp. 1-22. DOI: https://doi.org/10.24912/jm.v28i1.1463

Hery. (2018). *Analisis Laporan Keuangan : Integrated and Comprehensive.* PT. Gramedia.

Imaningsih, Erna Sofriana, Ramli, Yanto, Widayati, Catur, Hamdan, and Yusliza, Mohd Yusoff. (2023). The Influence of Egoistic Values, Biospheric Values, and Altruistic Values on Green Attitudes for Re-intention to Use Eco-Bag: Studies on Millennial Consumers. Przestrzeń Spoleczna (Social Space). Volume 23, No. 3. pp.123-148. pp. 357-376

Kasmir. (2018). *Manajemen sumber daya manusia (teori dan praktik)*. PT RAJAGRAFINDO PERSADA.

Krisnando, K., & Novitasari, R. (2021). Pengaruh Struktur Modal, Pertumbuhan Perusahaan, dan Firm Size terhadap Nilai Perusahaan Pada Perusahaan Consumer Goods yang Terdaftar di Bursa Efek Indonesia (BEI) Periode 2017-2020. *Jurnal Akuntansi Dan Manajemen*, *18*(02), 71–81. https://doi.org/10.36406/jam.v18i02.436

Lisda, R., & Kusmayanti, E. (2021). Pengaruh Struktur Modal Dan Profitabilitas Terhadap Nilai Perusahaan. *Land Journal*, *2*(1), 87–94. https://doi.org/10.47491/landjournal.v2i1.1102

Marpuah, S., Sunardi, N., & Marjohan, M. (2021). Pengaruh Ukuran Perusahaan, Growth Opportunity Terhadap Nilai Perusahaan Dengan Stuktur Modal Sebagai Variabel Moderating (Studi pada Perusahaaan Consumer Goods yang terdaftar di Bursa Efek Indonesia Tahun 2015-2019). *Jurnal SEKURITAS (Saham, Ekonomi, Keuangan Dan Investasi)*, *5*(1), 43. https://doi.org/10.32493/skt.v5i1.11730

Mercyana, C., Hamidah, & D, K. (2022). Pengaruh Struktur Modal, Profitabilitas, Ukuran Perusahaan dan Likuiditas terhadap Nilai Perusahaan Infrastruktur yang Terdaftar di Bursa Efek Indonesia Periode 2016- 2020. *Jurnal Bisnis, Manajemen, Dan Keuangan*, *3*(1), 101–113.

Mufidah, Ulupui, I. G. K. A., & Prihatni, R. (2018). Pengaruh Profitabilitas, Likuiditas, Dan Risiko Bisnis Pada Sruktur Modal Perusahaan Properti Dan Real Estate Di Bursa Efek Indonesia. *Matrik : Jurnal Manajemen, Strategi Bisnis Dan Kewirausahaan*, *2*, 129. https://doi.org/10.24843/matrik:jmbk.2018.v12.i02.p05

Munthe, I. L. S. (2018). Pengaruh Profitabilitas Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Moderasi Pada Perusahaan Manufaktur Industri Barang Komsumsi Sub Sektor Makanan Dan Minuman Tahun 2014 - 2017. *Jurnal Ilmiah Akuntansi Dan Finansial Indonesia*, *1*(2), 15–22. https://doi.org/10.31629/jiafi.v1i2.1229

Nabayu, Y. P., Marbun, N., Ginting, H. F., Sebayang, N. A., & Sipahutar, T. T. U. (2020). Pengaruh profitabilitas, struktur aktiva, dan likuiditas terhadap struktur modal pada perusahaan makanan minuman yang terdaftar di Bursa Efek Indonesia pada tahun 2014-2017. *Jurnal Paradigma Ekonomika*, *15*(2), 147–162. https://doi.org/10.22437/paradigma.v15i2.10316

Nasution, U. H., Iskandar, E., Rangkuti, S., & Idris, I. (2023). The Determinants of Intellectual Capital Disclosure on Firm Value: The Evidence on the Financial Companies in Indonesia. *Mix: Jurnal Ilmiah Manajemen*, *13*(2), 244.

_____

https://doi.org/10.22441/jurnal_mix.2023.v13i2.001

Nisasmara, P. W., & Musdholifah, M. (2016). Cash Holding, Good Corporate Governance and Firm Value. *Jurnal Dinamika Manajemen*, *7*(2). https://doi.org/10.15294/jdm.v7i2.8196

Nuswandari, C., Sunarto, S., Jannah, A., & Ikromudin, I. (2019). Corporate Social Responsibility Moderated the Effect of Liquidity and Profitability on the Firm Value. *Proceedings of the International Conference on Banking, Accounting, Management, and Economics (ICOBAME 2018)*, 86.

Oktiwiati, E. Dela, & Nurhayati, M. (2020). Pengaruh Profitabilitas, Struktur Modal, Dan Keputusan Investasi Terhadap Nilai Perusahaan (Pada Sektor Farmasi Yang Terdaftar Di Bursa Efek Indonesia Tahun 2013-2017). *Mix: Jurnal Ilmiah Manajemen*, *10*(2), 196. https://doi.org/10.22441/mix.2020.v10i2.004

Putu, N., Purnami, S., Putu, G., & Jana, A. (2021). *Pengaruh Profitabilitas dan Likuiditas terhadap Struktur Modal pada Perusahaan Sub Sektor Batu Bara di BEI. 11*(3), 371–379.

Ramdhonah, Z., Solikin, I., & Sari, M. (2019). *Pengaruh Struktur Modal , Ukuran Perusahaan , Pertumbuhan Perusahaan , Dan Profitabilitas Terhadap Nilai Perusahaan (Studi Empiris Pada Perusahaan Sektor Pertambangan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2011-2017). 7*(1), 67–82. https://doi.org/10.17509/jrak.v7i1.15117

Ramli, Yanto, Imaningsih, Erna Sofriana, Rajak, Adnan and Ali, Anees Janee. (2022). Environmental Sustainability: To Enhance Organizational Awareness towards Green Environmental Concern. International Journal of Energy Economics and Policy. Volume 12, 4. pp.307-316. DOI: https://doi.org/10.32479/ijeep.13275

Ramli, Yanto, Kurniawan, Deden, Imaningsih, Erna Sofriana, Yuliantini, Tine, and Anah, Sri. (2022). Imposing Green Management to Enhance the Organizational Awareness against the Environmental Sustainability. International Journal of Energy Economics and Policy. Volume 13, Issue 1. pp. 518-528. DOI: https://doi.org/10.32479/ijeep.14001

Ramli, Yanto and Kartini, Dwi. (2022). Manajemen Strategik dan Bisnis. Bumi Aksara. Jakarta. Indonesia.

Rifiana, A. S., Febiyanti, E., & Hersugondo, H. (2021). Pengaruh Ukuran Perusahaan, Tangibility, Likuiditas dan Profitabilitas terhadap Struktur Modal pada Perusahaan Industri Pertambangan Batu Bara. *AKSES: Jurnal Ekonomi Dan Bisnis*, *16*(2), 178–192. https://doi.org/10.31942/akses.v16i2.5560

Sadewo, F., Santoso, B., & Putra, I. N. N. A. (2022). PENGARUH PROFITABILITAS DAN LIKUIDITAS TERHADAP NILAI PERUSAHAAN DENGAN STRUKTUR MODAL SEBAGAI VARIABEL INTERVENING (Studi pada Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia Sektor Industri Barang Konsumsi Periode 2015-2019). *Jmm Unram - Master of Management Journal*, *11*(1), 39–55. https://doi.org/10.29303/jmm.v11i1.704

Sari, I. A. G. D. M. (2020). Profitability and liquidity on firm value and capital structure as intervening variable. *International Research Journal of Management, IT and Social Sciences*, *7*(1), 116–127. https://doi.org/10.21744/irjmis.v7n1.828

_____

Shiratina, Aldina, Ramli, Yanto and Hanifah, Haniruzila. (2022). SME Innovation and Social-Media on Intention to Visit Ternate City with Destination Image as the Moderating Variable. Jurnal Bisnis dan Manajemen. Volume 23, No. 1. pp. 66-78. DOI:https://doi.org/10.24198/jbm.v23i1.733

Shiratina, Aldina, Ramli, Yanto, Imaningsih, Erna Sofriana, Rajak, Adnan and Ali, Anees Janee. (2023). The Role of Entrepreneurial Marketing and Relationship Marketing that Strengthen the Women Entrepreneurs' Business Performance. Indonesian Journal of Business and Entrepreneurship. Volume 9 No. 2. pp. 177-185. DOI: 10.17358/IJBE.9.2.177

Sudana, I. M. (2019). *Manajemen Keuangan Teori dan Praktik*. Airlangga University Press.

Sugiyono. (2017). *Metode Penelitian Kuantitatif, Kualitatif, R & D*. Alfabeta.

Sugiyono. (2019). *Metodelogi Penelitian Kuantitatif dan Kualitatif Dan R&D*. Alfabeta.

Suherman, S. (2019). Pengaruh Struktur Aset, Likuiditas, dan Profitabilitas terhadap Struktur Modal yang Dimoderasi Oleh Ukuran Perusahaan. *Mix: Jurnal Ilmiah Manajemen*, *9*(2), 369. https://doi.org/10.22441/mix.2019.v9i2.009

Sulindawati, Ni Luh Gede, E., Yuniarta, G. A., & Purnamawati, I. G. A. . (2018). *Manajemen Keuangan : Sebagai Dasar Pengambilan Keputusan Bisnis*. Rajawali Pers.

Supriyono, R. . (2018). *Akuntansi Keperilakuan*. UGM Press.

Thaib, I., & Dewantoro, A. (2017). Pengaruh Profitabilitas dan Likuiditas Terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Intervening. *Jurnal Riset Perbankan, Manajemen, Dan Akuntansi*, *1*(1), 25. https://doi.org/10.56174/jrpma.v1i1.6

Utami, C. N., & Widati, L. W. (2022). Pengaruh Profitabilitas , Likuiditas dan Kepemilikan. *Owner: Riset & Jurnal Akuntansi*, *6*(1), 885–893.

Utomo, S. R., & Fitriati, I. R. (2022). Pengaruh Ukuran Perusahaan, Struktur Aset, dan Profitabilitas terhadap Struktur Modal. *Kompak :Jurnal Ilmiah Komputerisasi Akuntansi*, *15*(2), 415–427. https://doi.org/10.51903/kompak.v15i2.814

Veno, A., & Marpaung, M. (2018). Pengaruh Profitabilitas dan Firm Size Terhadap Firm Value dengan Capital Structure Sebagai Variabel Mediasi. *AKTSAR: Jurnal Akuntansi Syariah*, *1*(2), 155. https://doi.org/10.21043/aktsar.v1i2.5084

Vernando, J., & Erawati, T. (2020). Pengaruh Ukuran Perusahaan terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Intervening. *Jurnal Riset Manajemen Dan Bisnis*, *15*(1), 13–25.

Widiastari, P. A., & Yasa, G. W. (2018). Pengaruh Profitabilitas, Free Cash Flow, dan Ukuran Perusahaan Pada Nilai Perusahaan. *E-Jurnal Akuntansi*, 957. https://doi.org/10.24843/eja.2018.v23.i02.p06

Xenna, K., Lisiana, M., & Widyarti, E. T. (2020). Analisis Faktor-Faktor Yang Mempengaruhi Struktur Modal Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Periode 2014-2018. *Diponegoro Journal of Management*, *10*(1), 1–12. http://ejournal-s1.undip.ac.id/index.php/dbr

Zulfa, A., Novietta, L., & Azhar, M. K. S. (2022). Pengaruh Profitabiltias, Likuiditas, Ukuran

_____ 63

Perusahaan terhadap Nilai Perusahaan dengan Struktur Modal Sebagai Variabel Moderasi. *Jurnal Ekonomi, Manajemen, Akuntansi, Bisnis Digital Dan Kewirausahaan*, *1*(No. 4), 335–352. https://journal.sinergicendikia.com/index.php/inov

Zulkarnain, M. (2020). Pengaruh likuiditas, struktur aktiva, dan profitabilitas terhadap struktur modal. *Forum Ekonomi*, *22*(1), 49–54. https://doi.org/https://doi.org/10.30872/jfor.v22i1.7005