JURNAL RISET AKUNTANSI TERPADU
Vol.15 No.2, 2022
Hal. 180-194

Capital Structure, Profitability, and Firm Value

Akhmadi
Fakultas Ekonomi dan Bisnis, Universitas Sultan Ageng Tirtayasa
akhmadi@untirta.ac.id

Ana Susi Mulyani
Fakultas Ekonomi dan Bisnis, Universitas Sultan Ageng Tirtayasa
anasusimulyani@yahoo.com

Naufal Noviansyah
Fakultas Ekonomi dan Bisnis, Universitas Sultan Ageng Tirtayasa
naufalnoviansyah45@gmail.com

Abstract

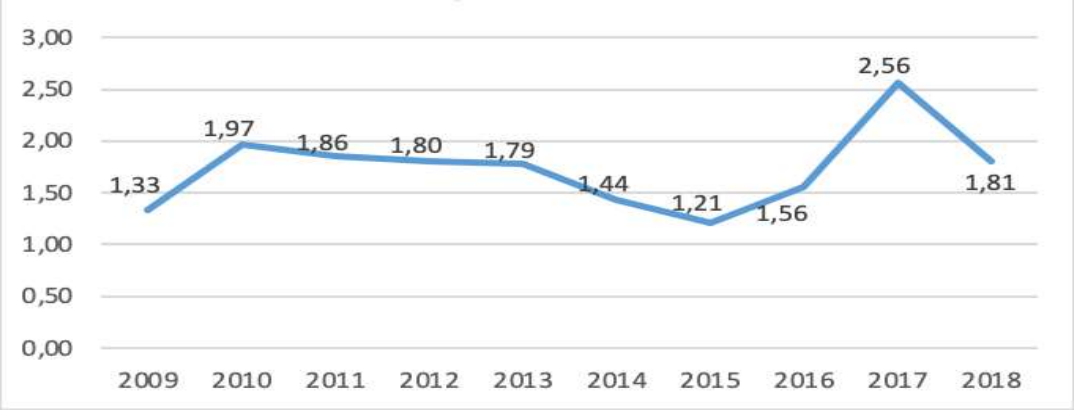
The purpose of this study was to determine the effect of capital structure on firm value, either directly or indirectly. The population in this study are all wholesale companies listed on the Indonesia Stock Exchange (IDX) 2009-2018. While the sample is 22 companies which are determined by using the judgment sampling method. The research design uses a causality design. Data analysis used descriptive statistics, and inferential statistics included classical assumption tests, partial hypothesis tests and mediation tests. The results of the study prove that capital structure has no significant positive effect on firm value. Profitability can mediate the effect of capital structure on firm value.
Keywords: Debt Equity Ratio, Return on Equity, Price to Book Value

INTRODUCTION

Research related to company value is still an interesting topic to be studied.(Bratamanggala, 2018; Endri & Fathony, 2020) examines the factors that affect the value of the company.(Huynh, 2020), examines the relationship of information asymmetry with firm value.(Isidro & Sobral, 2015; Min & Verhoeven, 2013; Servaes & Tamayo, 2013), examines the relationship between corporate governance and corporate social responsibility with corporate values.

The value of the company is becoming an increasingly important aspect that gets the attention of investors and other stakeholders. In the era of globalization, the growing economy has encouraged increasingly fierce competition, causing various companies to try to increase the value of their companies to increase the interest of investors and other stakeholders. Indonesia is one of the countries with the largest population, ranking 4th in the world after China, India, and the United States(www.wikipedia.org). Many Indonesians have consequences for the large supply of goods and services. In this regard, the wholesaler trade sub-sector is part of the service sector that contributes greatly to society in meeting consumer needs. The services sector has

helped the Indonesian economy a lot during the recovery period after the Asian financial crisis. The service sector is becoming increasingly important in the Indonesian economy, in 2000 the service sector contributed 44% of the Gross Domestic Product (GDP). Although there was a slight decline due to the 2008-2009 financial crisis. Service sector GDP grew again to 51% in 2014(www.tpsaproject.com). Different things in the wholesaler sub-sector, the development of company value as measured by price to book value (PBV) in the last 10 years has experienced a tendency to fluctuate.



Source :*www.idx.co.id*(processed using Ms. Excel)

Figure 1.
Development of Price Book Value (PBV) in Trade, Service & Investment companies listed on the Indonesia Stock Exchange for the period 2009-2018

Price Book Value(PBV) experienced the lowest value occurred in 2015, the ratio was only 1.21, much lower than in 2010. Price Book Value (PBV) once reached its highest number, reaching 2.5 in 2017, but eventually dropped sharply to only 1,81 in 2018. Movement Price Book Value (PBV) which tends to fluctuate can be caused by various factors. According to Burhanudin (2018), an increase in debt will increase the productivity of the company to encourage an increase in the value of the company. Whereas Permatasari (2018), revealed that any increase or decrease in capital structure does not affect the value of the company.

A Gap that occurs in the relationship between capital structure and firm value as described above is believed to be a variable that affects the relationship between the two variables. According to Pratama et al., (2019), the use of debt can reduce taxes which can cause the company's profitability to increase. Manoppo & Arie, (2016)As long as the company is able to balance the benefits and costs caused by debt, increasing debt can increase profits. Next according to Luciana, (2017), increasing profits from a company will give a positive signal for investors because the increased company performance will have an impact on the welfare of shareholders. Permatasari (2018), a company that continues to develop has good prospects in the future so that it can create an increase in company value. Empirically the mediating role of profitability is explained by Hamidy et al (2015), Al-Fisah (2016), and Fatiyah et al (2018), which proves that profitability is able to mediate the effect of capital structure on firm value. Based on

these various explanations, this research tries to explore; (1) the effect of capital structure on firm value, and (2) the mediation of profitability on the effect of capital structure on firm value.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Trade Off Theory

Trade-off theory defines that the company will owe up to a certain level of debt, where the tax shields from additional debt equal the cost of financial distress (financial distress). The costs of financial distress are the costs of bankruptcy or reorganization, and agency costs that increase as a result of the decline in the credibility of a company (Myers, 2001, Sulindawati et al., 2017).

Signaling Theory

Companies with good performance tend to make voluntary disclosure easier because doing so is considered an easy way to differentiate themselves from others in the market. (Naseri et al 2015). A company will provide information signals relating to management's efforts to realize what investors need, or other information that can show that their company is better than other companies. (Fajaria & Isnalita, 2018). A company can send a signal to investors through the disclosure of company-owned information to reduce the uncertainty of the company's prospects in the future, (Ningsih & Paramitha, 2019).

Capital Structure

Capital structure is an illustration of the proportional form of the company's finances, namely between owned capital which comes from long-term debt (long-term liabilities), and own capital (shareholders' equity) which is a source of financing for a company, (Fahmi, 2017). Capital structure is a management decision related to company finances that will be used for company operations for company investment activities, (Hidayah & Rahmawati, 2019).

Profitability

Profitability is a ratio that measures the effectiveness of management as a whole, which is indicated by the size of the level of profits obtained in relation to sales and investment, (Fahmi, 2014: 80). Profitability is an indicator of the company's operational success, high profitability will spur the company to grow and develop. Iswajuni et al., (2018).

Firm Value

Firm value is a market perception that comes from investors, creditors, and other stakeholders on the company's condition (Fahmi, 2017: 138). Company value is a value that can be used to measure how big a company is from an investor's point of view, which relates the value of a company to its share price. The higher the value of the company, the more prosperous the shareholders are (Wijoyo, 2018).

Hypothesis Development

Effect of Capital Structure on Firm Value

In the trade-off theory, it is explained that the addition of debt made by the company to expand its business will increase the stock price of the company so that the price book value of the sample company will increase, (Hamidy et al, 2015). Empirically (Widyastuti 2018), proves that if the position of the debt to equity ratio is below the optimal point, each additional debt will increase the price to book value. (Erawati & Dewi 2019), proves that the greater the ratio of the company's capital structure, the better the value of the company. Based on the explanation above, the next research hypothesis 1 is formulated, namely:
H1: The larger the capital structure, the higher the firm value

Effect of Capital Structure on Profitability

In the trade-off theory, it is explained that the company is able to generate large net profits because of the large debt drive. This large debt is guaranteed by a large company's own capital so that the level of profit that will be obtained by the company will increase, (Bonatua 2013). Empirically (Amanda et al., 2018), companies that earn greater than the burden of borrowed funds must be repaid, resulting in increased profits. (Pratama et al., 2019), prove that companies that tend to use debt to fund assets proportionally to support the company's operational activities are able to increase company profits. Based on the explanation above, further research hypothesis 2 is formulated, namely:
H2: The larger the capital structure, the higher the company's profitability

Effect of Profitability on Firm Value

In signaling theory, it is explained that an increase in net profit can increase the value of the company as measured by the price book value. The increase in profitability will have an impact on increasing the value of the company(Hamidy et al., 2015). Empirically (Manurung et al., 2014), prove that a high return on equity indicates the success of a company, thus pushing the price to book value also increases. (Pratama et al., 2019) that companies that are able to earn high profits every year show good performance in the eyes of investors so that they attract investors to invest. This encourages increased value. Based on the explanation above, the next research hypothesis 3 is formulated, namely:
H3: The higher the profitability, the higher the firm value

Effect of Profitability Mediation on the Relationship between Capital Structure and Firm Value.

Amanda et al., (2018), prove that the higher the use of the capital structure and the company gets a greater return from its financial burdens and obligations that must be paid because of the debt, the greater the profitability. (Pratama et al., 2019), prove that companies that use debt proportionally in funding their assets for company operations are able to increase company profits. Lubis et al., (2017), high profitability gives a positive signal to investors so as to encourage increased demand for shares and directly increase the value of the company. (Burhanudin, 2018), high profitability indicates that the company's prospects are very good so that it attracts investors to increase the demand for their shares which encourages an increase in the value of the company. (Putra & Sedana, 2019), a company that has high profitability shows the prospect of good company performance so as to increase the value of the company. Based on the explanation above, further research hypothesis 4 is formulated, namely:

H4: Profitability mediates the relationship between capital structure and firm value

RESEARCH METHODS

Population and Sample.

The population in this study are wholesale sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2009-2018 period, totaling 26 companies. While the sample of this study was 22 Wholesale Durable goods & non-durable good companies listed on the Indonesia Stock Exchange for the 2009-2018 period which were determined using the judgment sampling technique. The source of data used in this study is secondary data in the form of annual financial reports of wholesale sub-sector companies published on the Indonesia Stock Exchange during the 2009-2018 period. In this study, data can be obtained from the financial and annual reports of the wholesale sub-sector for the period 2009-2018 published by the Indonesia Stock Exchange which is accessed through the Indonesia Capital Market Directory (ICMD).

Variable Operation.

As the dependent variable is the value of the company as measured by price to book value (PBV), namely the ratio between the price per share and the book value of shares, (Hamidy et al., 2015), (Erawati & Dewi 2018) and (Pratama et al., 2019). The dependent variable uses the capital structure as measured by the debt to equity ratio (DER), namely the ratio between total debt and equity, (Widyastuti, 2017) and (Amanda et al., 2018). Profitability as an intervening variable is measured by return on equity (ROE), namely the ratio between net profit and total equity, (Manurung et al., 2014) and (Hamidy et al., 2015)

Data analysis.

Descriptive statistics provide an overview or description of data seen from the mean (average value), standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (Ghozali, 2018). The classical assumption test is shown to test the feasibility of the regression model to be used in this study. The classical assumption test used includes; the normality test, multicollinearity test, heteroscedasticity test, as well as autocorrelation test, and linearity test, (Ghozali, 2018). The hypothesis test includes a partial test or t-test, and a mediation test on the regression equation as follows:

$PBV=\alpha+\beta1DER+\varepsilon$……(1)

$ROE=\alpha+\beta2DER+\varepsilon$……(2)

$PBV=\alpha+\beta1DER+\beta2ROE+\varepsilon$……..(3)

RESULTS AND DISCUSSION

Classic assumption test

Normality test

To test whether, in the regression model, the confounding variable or residual has a normal distribution, a normality test is performed. The test was carried out using the Kolmogorov-Smirnov test. The results of the normality test are presented in the following table:

Table 1.

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual Regression Model 1	Unstandardized Residual Sub Structural 2	Unstandardized Residual Sub Structural 3
N		220	220	220
Normal Parameters, b	mean	,0000000	,0000000	,0000000
	Std. Deviation	1.68444786	40,79237870	1.64956409
Most Extreme Differences	Absolute	,137	,212	,126
	Positive	,137	,173	,126
	negative	-,110	-,212	-,102
Kolmogorov-Smirnov Z		2.025	3.144	1,863
asymp. Sig. (2-tailed)		.001	,000	,002
a. Test distribution is Normal.				
b. Calculated from data.				

In table 1 the Kolmogorov-Smirnov (KS) test shows the Asymp value. Sig= 0.001; 0,000 and 0,002< 0.05.The residual has a normal distribution if asymp value. Sig 0.000<0.05 (Ghozali, 2018). Based on those results in the regression model, the residuals are not normally distributed (table 1.1). The data is then transformed into a Square Root (SQRT) form, and a return normality test is carried out. The results are presented in the following table:

Table 2
One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual Sub Structural 1	Unstandardized Residual Sub Structural 2	Unstandardized Residual Sub Structural 3
N	220	220	220
Normal Parameters, b	,0000000	,0000000	,0000000
	,44075527	,20492550	,22858675
Most Extreme Differences	,102	0.045	,084
	0.060	0.045	,084
	-,102	-,041	-,049
Kolmogorov-Smirnov Z	1,298	,574	1,231
asymp. Sig. (2-tailed)	0.069	,896	,097

a. Test distribution is Normal.
b. Calculated from data.

After the transformation of the data, the results of the normality test get the Asymp results. Sig= 0.069; 0,896 and 0,097> 0.05. This shows that in the regression model the data is normally distributed (table 1.2).

Multicollinearity Test

To test whether in the regression model there is an indication of a strong relationship between independent variables, it is necessary to do a multicollinearity test. A good regression model is that there is no strong relationship between the independent variables. The multicollinearity test uses the Tolerance and Variance Inflation Factor (VIF) parameters. The test results are presented in the following table:

Table 3.
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	,792	0.080		9,917	,000		
	Sqrt_DER	-,081	,067	-,092	-1,208	,229	,875	1,143
	Sqrt_ROE	,224	0.037	,462	6,087	,000	,875	1,143

a. Dependent Variable: Sqrt_PBV

Source: SPSS 25 Output Results (data has been processed)

The test results produce a tolerance value of 0.875 > 0.10 and a VIF value of 1.143 < 10. If the Tolerance value > 0.10 and VIF < 10, it can be said that there is no multicollinearity in the research data, (Ghozali, 2018). Based on these results, in the resulting regression model, there are no symptoms of multicollinearity.

Heteroscedasticity Test

To test whether the regression model has inequality of variance from the residuals of one observation to another observation, it is necessary to do a heteroscedasticity test. Heteroscedasticity testing can be done with the white test. The results of the heteroscedasticity test are presented in the following table:

Table 4.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,119a	0.014	,010	,22912

a. Predictors: (Constant), Sqrt_ROE, Sqrt_DER

Source: SPSS 25 Output Results (data has been processed)

The results of the heteroscedasticity test resulted in the value ofc2count which is 3.08 smaller than the value of c2table which is 255.60. In the white test if c2 count < c2 table, it can be concluded that in the regression model there are no symptoms of heteroscedasticity, (Ghozali, 2018). Based on those results can be concluded that the resulting regression model does not occur heteroscedasticity symptoms.

Autocorrelation Test

To test whether in the regression model there is a relationship between the confounding error in period t and the confounding error in period t-1 (previous), it is necessary to perform an autocorrelation test. autocorrelation test can be done with Durbin-Watson Test (DW-Test). The autocorrelation test was performed using the Durbin-Watson Test (DW-Test).

Table 5.
Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,119a	0.014	,010	,22912	2,304

a. Predictors: (Constant), Sqrt_DER
b. Dependent Variable: Sqrt_PBV
Source: SPSS 25 Output Results (data has been processed)

The results of the autocorrelation test above with dL = 1.7698; dU=1.7880. With the results DW = 2.003 in the area dU < 4 – dU (1.7880 < 2.304 < 2.3143. A good regression model is a regression that is free from autocorrelation, ie when DW is at 0<d<dL or dU,d< 4-dU, (Ghozali, 2018) Based on these results, it can be concluded that the regression model there is no autocorrelation symptom.

Linearity Test

To test whether the regression model is linear or not, it is necessary to do a linearity test. The linearity test can be performed using the Lagrange Multiplier (LM-Test) parameter. The test results are presented in the following table:

Table 6.
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,119a	0.014	,010	,22912

a. Predictors: (Constant),Sqrt_ROE, Sqrt_PBV

Source: SPSS 25 Output Results (data has been processed)

The test results produce C2 count = nx R2 = 220 x 0.0142 = 0.04312. While C2 table df = 220 – 1 = 219 is 254,52322. If C2 count is smaller than table C2, it can be concluded that the model is linear, (Ghazali, 2018). Based on these results it can be concluded resulting regression model is linear.

Partial Hypothesis Test (T-Statistical Test)

Test the Effect of Capital Structure on Firm Value

Test the effect of capital structure on firm value using a significant level of 5% (0.05) with df = nk, the results are presented in the following table:

Table 7.
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.993	.053		18,608	.000
	SQRT_DER	.083	.047	.119	1,749	.082

a. Dependent Variable: SQRT_PBV

Source: Data processed

Based on hypothesis testing 1, the coefficient value is 0.083 with a significance value of 0.082 which is greater than = 0.05, and the t-count value = 1.749 < t-table = 1.971 at 5% significance level (α = 0.05) with degrees of freedom (df) = 220 – 1 = 219. These results show that the capital structure proxied by the debt to equity ratio has a positive and insignificant effect on the firm value as proxied by the price book value. Thus Ho is accepted, or H1 is rejected.

The results of this study are not in accordance with the first hypothesis which states that capital structure (DER) has a positive and significant effect on firm value (PBV). The results of this study are not in accordance with the trade-off theory which states that the benefits of increasing debt are still greater than the sacrifices incurred, so the use of debt increases the value of the company. However, the results of the study are in accordance with (Suastini et al., 2016)and (Pratama et al., 2019)which prove that the increase in debt at a certain point, where the tax shield is equal to financial distress, does not affect the value of the company. This result implies that management's policy to increase its debt ratio will not have an impact on increasing or decreasing investor confidence. The position of the existing debt ratio shows a balance between the resulting tax savings with the risk of financial bankruptcy from the policy of increasing the debt in question. In the debt ratio position, investors do not feel the need to respond significantly, either through buying shares or selling shares they own. This insignificant response is based on the expectation that there is no potential risk or a very large increase in return from the company's debt policy.

Test the effect of capital structure on profitability

Test the effect of capital structure on profitability using a significant level of 5% (0.05) with df = nk, the results are presented in the following table:

Table 8.
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.105	,147		7,490	,000
	Sqrt_DER	,646	,135	,354	4,805	,000

a. Dependent Variable: Sqrt_ROE

Source: processed data

Based on hypothesis testing 2, the resulting coefficient value of 0.646 and sig. 0.000 is smaller than = 0.05. The value of t-count = 4.805 > t-table = 1.971 at a significant level of 5% with degrees of freedom (df) = 220 – 2 = 218. These results show that the capital structure proxied by the debt to equity ratio has a positive and significant effect on company value which is proxied by return on equity. Based on these results, Ho is rejected or H2 is accepted.

The results of this study are in accordance with the hypothesis proposed that capital structure has a positive and significant effect on profitability. The results are in accordance with the trade-off theory that the use of debt can reduce taxes or tax savings as long as the debt ratio is still below the optimal point. The tax savings are an incentive to increase the company's profitability. Tax savings occur because companies that have operating profit payable are deducted from interest expenses before tax burdens are paid in advance from taxes, so that income is taxed, so that the tax burden is saved more because the profit before tax is smaller than companies without debt. The results of this study are relevant to the research (Hamidy et al., 2015) and (Manoppo & Arie, 2016) which prove that an increase in the debt ratio followed by good management encourages an increase in net income thereby increasing the company's profitability. return on equity.

The implication of the results of this study is that the more the company's management increases its debt ratio to the optimal debt ratio, the greater the potential for tax savings generated by the company, thus encouraging greater company profitability. While the position of the company's debt ratio is above optimal, the tendency of company management to increase its debt ratio has the potential to increase financial distress which is greater than the resulting tax savings. This has the potential to reduce the company's profitability performance, because the resulting tax savings are no longer able to offset the increase in interest expenses, debt installments and other risks.

Test the Effect of Profitability on Firm Value

Test the effect of profitability on firm value using a significant level of 5% (0.05) with df = nk, the results are presented in the following table:

Table 9.
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	,792	0.080		9,917	,000
	Sqrt_DER	-,081	,067	-,092	-1,208	,229
	Sqrt_ROE	,224	0.037	,462	6,087	,000

a. Dependent Variable: Sqrt_PBV

Source: processed data

Based on hypothesis testing 3, the resulting coefficient value of 0.224 with a significance value of 0.000 is smaller than = 0.05. The value of t-count = 6,087 > t-table = 1,971 at a significant level of 5% (α = 0.05) with degrees of freedom (df) = 220 – 2 = 218. These results indicate that

profitability is proxied by the return on equity ratio positive and significant effect on the value of the company which is proxied by the price book value of the company. Based on these results, Ho is rejected or H3 is accepted.

The results of this study are in accordance with the proposed hypothesis that profitability has a positive and significant effect on firm value.The results are in accordance with the signaling theory that companies with high profitability are a good signal for investors because they show good company prospects. Results relevant to (Burhanudin, 2018) and (Putra & Sedana, 2019) proves that high profitability is a good prospect for the company so as to increase investor interest in company shares which is an incentive to increase company value.

The results of the study imply that the higher the level of profitability, it is evidence that the company's management is able to present good information regarding the effectiveness and efficiency of the company's operations. It also shows that the company is able to increase revenue/sales, and is able to control costs and expenses that occur in operations so as to encourage an increase in the company's ability to increase its profitability. The increased profitability of the company provides incentives for investors in the form of increasing confidence in the security and sustainability of their investment returns. This psychologically will increase the interest of investors to increase their stock investment. The actions of investors will also encourage potential investors to invest their funds in stocks due to increased expectations of returns. Increasing the expectations of investors and potential investors is what drives stock prices higher, thereby increasing the value of the company.

Mediation Test

The test of the mediating factor of profitability on the relationship between capital structure and firm value using the causal step parameter. The results are presented in the following table:

Table 10.
Intervening Test Results

		Consequent								
		M (ROE)					Y (PBV)			
Antecedent		coef.	SE	Sig	t		coef.	SE	Sig	t
X (DER)	*a*	**0.646**	0.135	**0.000**	**4,805**	*c'*	**-0.081**	0.067	**0.229**	**-1,208**
	-	-----	-----	-----	-----	*c*	0.083	0.047	0.082	1,749
M (ROE)	-	-----	-----	-----	-----	*b*	**0.224**	0.037	**0.000**	**6,087**
constant	*eM*	1.105	0.147	0.000	7,490	*iY'*	0.792	0.080	0.000	9,917
	-	-----	-----	-----	-----	*iY*	0.993	0.053	0.000	18,608
							R2' = 0.192			
		R2 = 0.125								
							R2 = 0.014			

a. Dependent Variable: Sqrt_PBV

Source: processed data

Based on the test, the coefficient value of the effect of capital structure (DER) on profitability (ROE) is = 0.646 with a sig value of 0.000. The coefficient of the effect of profitability (ROE) on firm value (PBV) = 0.224 with a sig. 0.000. Both coefficient values show positive and

significant numbers, indicating a unidirectional and strong relationship, so profitability qualifies as a mediating factor in the relationship between capital structure (DER) and firm value. Based on these results, it can be concluded that profitability can mediate the relationship between capital structure (DER) and firm value.

The results of this study are in accordance with hypothesis 4 that profitability can mediate the relationship between capital structure and firm value. The results are in accordance with the packing order theory that debt reduces taxes to be paid, (Pratama et al., 2019). As long as it is able to balance the benefits and costs incurred, debt can increase the company's profitabilityManoppo & Arie, (2016). The results are also in accordance with the signaling theory that profitability will have an impact on increasing the value of the company (Hamidy et al., 2015) and (Pratama et al., 2019). Results relevant to research (Hamidy et al, 2015), (Al-Fisah , 2016), and (Fatiyah et al 2018), that profitability is able to mediate the effect of capital structure on firm value.

The implication of the results of this study is that the higher the debt ratio, the more it encourages an increase in company profitability, because debt as long as it is still below the optimal point results in greater tax savings than financial distress in the form of increased agency costs and other financial risks resulting from the debt. The success of increasing profitability indicates the company's ability to increase sales, and control its costs and expenses of the company. The company's success in presenting efficiency in company operations is interesting information for investors because it shows good company prospects. The estimation of the company's prospects that tend to be good encourages investors to increase their stock investment. If this trend gets bigger, then the actions of investors will be followed by potential investors to invest in the company's shares in question. This will move the value of the company higher.

CONCLUSIONS

In the position that the existing debt ratio shows a balance between the resulting tax savings and the risk of financial bankruptcy, the increase in the debt ratio will not have a significant impact on increasing or decreasing investor confidence. The higher the debt ratio but still below the optimal point, the potential for generating tax savings generated by the company is greater than the financial distress that occurs, thus pushing the company's profitability to be higher.Higher profitability is a good prospect for the company so as to increase investor interest in the company's shares which is an incentive for increasing company value.

This study only uses data from one sub-sector, namely large goods trading sub-sector companies as the research sample, so the research results cannot be generalized to other sub-sectors on the Indonesia Stock Exchange. Only one proxy is used for each of the observed variables, so the results may not necessarily remain consistent when the variable is measured using other proxies. Future research should expand the sample to all sub-sectors listed on the Indonesia Stock Exchange, and use various measurements for each observed variable to determine the consistency of the test results.

REFERENCES

Al-Fisah, MC (2016). Profitability Mediates the Effect of Capital Structure on the Value of Property Companies Listed on the IDX. Journal of Management Science and Research, 5(3).

Amanda, R., Utary, AR, & Defung, F. (2018). The influence of capital structure and company growth and commodity prices on profitability and firm value in the coal mining industry in Indonesia. Journal of Management, 10(2), 147–158.

Burhanudin,N. (2018). Effect of Capital Structure and Profitability on Firm Value With Dividend Policy As Moderating Variable. Journal of Eco-Entrepreneurship, 3(1), 1-20.

Bonatua, Suhadak, E. (2015). Effect of Capital Structure on Profitability (Study of Manufacturing Companies in the Food and Beverage Sub-Sector Listed on the Indonesia Stock Exchange for the 2010-2013 Period). Journal of Business Administration (JAB), 20(2), 1–7.

Bratanggala, R. (2018). Factors affecting earnings per share: The case of Indonesia. International Journal of Economics and Business Administration, 6(2), 92–100. https://doi.org/10.35808/ijeba/160

Diana Permatasari, & Azizah, DF (2018). Effect Of Capital Structure On Company Value (Study on Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange 2013-2016). Journal of Business Administration, 61(4), 100–106.

Endri, E., & Fathony, M. (2020). Determinants Of Firm's Value: Evidence From The Financial Industry. Management Science Letters, 10(1). Https://Doi.Org/10.5267/J.Msl.2019.8.011

Fahmi, I. (2017). Financial Statement Analysis. Bandung: Alphabeta.

Fatiyah, N., Sulistiyo, H., & Sam'ani. (2018). The Effect of Company Growth and Capital Structure on Firm Value with Profitability and Good Corporate Governance as Intervening Variables (Empirical Study of Manufacturing Companies on the IDX in 2012-2016). Journal of Applied Management and Accounting Sciences (JIMAT, 9(1), 2086~3748.

Fajaria,AZ, & Isnalita, NIDN (2018). The effect of profitability, liquidity, leverage and firm growth of firm value with its dividend policy as a moderating variable. International Journal of Managerial Studies and Research (IJMSR), 6(10), 55-69.

Ghozali, Prof. HI (2018). Applications of Multivariate Analysis With the IBM SPSS Program 25. Edition Nine. Semarang: Undip.

Hamidy, RR, Gusti, I., Wiksuana, B., Gede, L., & Artini, S. (2015). Effect of Capital Structure on Firm Value with Profitability as an Intervening Variable in Property and Real Estate Companies on the Indonesia Stock Exchange. 10, 665–682.

Hidayah, NEF, & Rahmawati, R. (2019). The Effect of Capital Structure, Profitability, Institutional Ownership, and Liquidity on Firm Value. Indonesian Journal of Contemporary Management Research, 1(1), 55–64.

Huynh, TLD (2020). Information Asymmetry and firm value: Is Vietnam different? Journal of Economic Asymmetries, 21. https://doi.org/10.1016/j.jeca.2019.e00147

Isidro, H., & Sobral, M. (2015). The Effects of Women on Corporate Boards on Firm Value, Financial Performance, and Ethical and Social Compliance. Journal of Business Ethics, 132(1), 1–19. https://doi.org/10.1007/s10551-014-2302-9.

Isnalita, F. &. (2018). The Effect of Profitability, Liquidity, Leverage and Firm Growth of Firm Value with its Dividend Policy as a Moderating Variable. International Journal of Managerial Studies and Research, 6(10), 55–69. https://doi.org/10.20431/2349-0349.0610005.

Iswajuni, I., Manasikana, A., & Soetedjo, S. (2018). The effect of enterprise risk management (ERM) on firm value in manufacturing companies listed on the Indonesian Stock Exchange year 2010-2013. Asian Journal of Accounting Research, 3(2), 224–235. https://doi.org/10.1108/ajar-06-2018-0006.

Lubis, IL, Sinaga, BM, & Sasongko, H. (2017). Effect of Profitability, Capital Structure, and Liquidity on Firm Value. Journal of Business and Management Applications, 3(3), 458–465. https://doi.org/10.17358/jabm.3.3.458.

Lusiana, A. (2017). Factors Affecting Firm Value In Manufacturing Companies Listed In Bei. Journal of Accounting, University of Jember, 17(1), 13. https://doi.org/10.19184/jauj.v17i1.9804.

Manoppo, H., & Arie, F. (2016). The Effect of Capital Structure, Company Size and Profitability on the Value of Automotive Companies Listed on the Indonesia Stock Exchange for the Period 2011-2014. Journal of Research in Economics, Management, Business and Accounting, 4(2), 485–497. https://doi.org/10.35794/emba.v4i2.13082.

Manurung, SD, Suhadak, S., & Nuzula, NF (2014). The Influence of Capital Structure on Profitability and Firm Value. Journal of Business Administration, 7(2).

Min, B., & Verhoeven, P. (2013). Outsider Board Activity, Ownership Structure and Firm Value: Evidence from Korea. Ssrn, 12(1), 187–214. https://doi.org/10.1111/irfi.12004.

Naseri, MA, Heirany, F., & Addin, MM (2015). The Relationship between Agency Theory and the Theory of Signaling on Voluntary Disclosure; Case Study in Iran. Research Journal of Accounting and Finance, 6(13), 126–133.

Ningsih, NLAP, & Paramitha, PDP (2019). Do Capital Structure and Liquidity Increasing Value of The Firm? A Mediating Role of Profitability. JAGADITHA Journal of Economics & Business, 6(2), 78-84.

Nuraini, B. (2018). Eco-Entrepreneurship, Vol 3 No 2 June 2018. The Effect of Capital Structure and Profitability on Firm Value With Dividend Policy as Moderating Variable Burhanudin, 3(2), 21–36.

Paramitha, N. &. (2019). Do Capital Structure and Liquidity Increasing Value of The Firm ? A Mediating Role of Profitability. 6, 78–85.

Pratama, MF, Syaifuddin, DT, & Saleh, S. (2019). Effect of Capital Structure on Profitability and Firm Value. Journal of Management, Business, And Organization, 3(1), 235–247.

Putra, IGWR, & Sedana, IBP (2019). Capital Structure as a Mediation Variable: Profitability And Liquidity On Company Value In Real Estate Companies In Indonesia Stock Exchange. International Research Journal Of Management, IT And Social Sciences, 6(4), 62–72. Https://Doi.Org/10.21744/Irjmis.V6n4.640.

Servaes, H., & Tamayo, A. (2013). The Impact of Corporate Social Responsibility on Firm Value: The Role of Customer Awareness The Impact of Corporate Social Responsibility on Firm Value: The Role of Customer Awareness. Management Science, 59(5), 1045–1061. https://doi.org/10.1287/mnsc.1120.1630.

Setyabudi, A. (2018). Effect Of Capital Structure On Firm Value In Manufacturing Companies Listed On The Indonesia Stock Exchange. 81–96.

Suastini, NM, Bagus, I., Purbawangsa, A., & Rahyuda, H. (2016). Company Growth Against Company Value in Manufacturing Companies on the Indonesia Stock Exchange (Capital Structure as Moderating Variable).

Sulindawati, NLGE, Yuniarta, GA, & Purnamawati, I GA (2017). Financial Management: As a Basis for Business Decision Making. Depok: Rajawali Press.

Widyastuti, P. (2018). The Effect of Profitability and Capital Structure on Firm Value (Study on the Indonesian Stock Manufacturing Company Exchange in 2011 – 2015). Strategy And Business, 6(1), 1–9.

Wijoyo, A. (2018). Factors that affect the value of the company in property and real estate companies on the Indonesian stock exchange. Journal of Economics, 23(1), 48–61. https://doi.org/10.24912/je.v23i1.333.