Ekspektra : Jurnal Bisnis dan Manajemen, Volume 7, Nomor 2, Hal. 168-181
ISSN 2549-3604 (Online), ISSN 2549-6972 (Print)
DOI: https://doi.org/10.25139/ekt.v7i2.6959

Capital Structure As A Mediator Between Profitability And Company Size To Company's Value In Textile And Garment Sector Companies Listed On The Indonesia Stock Exchange (IDX)

Oky Fauzul Zakina[1],
(okyfauzulzakina@gmail.com)
Economic and Busines Faculty, Dr. Soetomo University, Surabaya, Indonesia

Sri Utami Ady[2]*,
(sri.utami@unitomo.ac.id)
Economic and Busines Faculty, Dr. Soetomo University, Surabaya, Indonesia

(Submit : 18th September 2023, Revised : 20th September 2023, Accepted : 20th September 2023)

ABSTRACT

Company's value is a part that investors really take into account when making decisions to buy shares. This study aimed to determine the effect of profitability and company size on company's value with capital structure as an intervening variable in textile and garment sector companieslisted on the Indonesia Stock Exchange (IDX). This research used a quantitative approach and secondary data from annual financial statements from www.idx.co.id. The population in this study was textile and garment sector companies listed on the Indonesia Stock Exchange (IDX) in the 2018-2022 period. Used 18 company with purposive sampling method, Data analysis was performed using SEM-PLS version 3.0. The results of this study showed that profitability had significant positive effect on capital structure. The size of the company had no impact on the capital structure. Profitability had a significant positive effect on the company's value. The size of the company had no impact on the company's value. Capital structure had a significant positive effect on the company's value. Profitability had a significant positive impact on the value of the company with capital structure as an intervening variable; the size of the company did not affect the value of the company with capital structure as an interveningvariable. The recommendation from the results of this research is that it is important for companies to always increase investor and creditor confidence by increasing profitability periodically to increase company value in the future. For future research use other financial variables that influence company value besides company size

***Keywords** : Company Size; Capital Structure; Company Value; Profitability*

1. INTRODUCTION

Indonesia has experienced economic development, which creates higher competition between companies. The textile and garment sector is one of the strategic industries for the Indonesian economy. The textile and garment industry has made considerable employment. The Ministry of Industry (Ministry of Industry, 2022) stated that the textile industry absorbed a workforce of 3.65 million people or had reached 18.79%. The textile and clothing sector contributed to Gross Domestic Product (GDP) by 1.21% in 2020 and decreased in 2021 to 1.06%. The Central Statistics Agency (BPS) noted that Gross Domestic Product (GDP) based on constant prices in the textile and clothing industryin 2021 decreased by 4.08% from 2020. It was also noted that public expenditure on Clothing purchases decreased by 12.07% by Rp. 31,745 per month in 2021 2021 (Karnadi, 2022). This decline occurred due to the COVID-19 pandemic.

With this phenomenon, it can be seen that market absorption is still weak, as seen fromthe low purchasing power of the community. It will require companies to continue to innovate to avoid bankruptcy. Companies must compete to get the best results tosurvive and achieve company goals.

Ekspektra : Jurnal Bisnis dan Manajemen, Volume 7, Nomor 2, Hal. 168-181
ISSN 2549-3604 (Online), ISSN 2549-6972 (Print)
DOI: https://doi.org/10.25139/ekt.v7i2.6959

The company's goals, according to Maharani & Mawardhi (2022) are divided into two: the first is a short-term goal where the company's goal is to obtain maximum profit, while the second is a long-term goal where the company's goal is to prosper the company's shareholders and maximize the company's value which will be reflected in the company's stock price. The primary purpose of companies that go public or have been listed on the Indonesia Stock Exchange (IDX) is to earn profits to increase the prosperity of shareholders by increasing the company's value.

According to Thaib & Dewantoro (2017), company’s value is a measure of shareholder prosperity. If there is an increase in stock price, the higher the share price, the higher the company's prosperity. A high company’s value will follow a high stock price. The company's value will affect the interest of potential investors to invest and reduce investor doubts about the capital they will save. Investors tend to observe companies through the movement of shares transacted on the exchange in companies that go public.

According to (Permata, 2018) the company's value can be reflected by Price to Book Value (PBV), which is an overview of how much the market can appreciate the company's Book Value. Price to Book Value (PBV) is obtained by comparing the price pershare with the book value per share (Permata, 2018). PBV can show the state of a good company if its stock price exceeds the company's Book Value. The higher the Price to Book Value (PBV), the better the company's condition and can attract investors.

Table 1: Company Value (PBV) of Textile & Garment Companies in 2018-2022

No	Nama Perusahaan	Kode	Tahun				
			2018	2019	2020	2021	2022
1	Polychem Indonesia Tbk	ADMG	0,346	0,252	0,385	0,321	0,257
2	Argo Pantes Tbk	ARGO	-0,239	-0,230	-0,506	-0,428	-0,297
3	PT Trisula Textile Industries Tbk	BELL	0,267	0,544	4,494	4,075	4,104
4	Eratex Djaja Tbk	ERTX	0,579	0,672	0,600	0,969	1,635
5	Ever Shine Textile Industry Tbk	ESTI	0,694	0,646	0,573	1,124	0,468
6	Indorama Synthetics Tbk	INDR	0,766	0,319	0,376	0,413	0,505
7	PT Asia Pacific Investama Tbk	MYTX	3,438	1,416	11,497	-5,006	-2,926
8	Pan Brothers Tbk	PBRX	0,982	0,935	0,403	0,240	0,130
9	Golden Flower Tbk	POLU	2,885	10,921	3,496	2,316	1,664
10	Asia Pasific Fibers Tbk	POLY	-0,028	-0,012	-0,011	-0,015	-0,010
11	Ricky Putra Globalindo Tbk	RICY	0,237	0,213	0,196	0,199	0,227
12	PT Sri Rejeki Isman Tbk	SRIL	0,979	0,645	0,565	-0,525	-0,243
13	Sunson Textile Manufacturer Tbk	SSTM	2,459	3,098	3,582	3,882	3,876
14	Buana Artha Anugerah Tbk	STAR	0,840	1,469	1,026	1,412	1,294
15	Tifico Fiber Indonesia Tbk	TFCO	0,688	0,605	0,560	0,792	0,705
16	Trisula International Tbk	TRIS	1,094	1,255	1,014	1,021	1,041
17	PT Uni-Charm Indonesia Tbk	UCID	1,215	1,695	1,359	1,228	0,881
18	Mega Perintis Tbk	ZONE	2,091	1,439	1,303	1,270	3,086
Rata-rata			**1,072**	**1,438**	**1,717**	**0,738**	**0,911**

Source: Processed from idx 2018-2022

In the table above, it can be found that there is a phenomenon in the company value (PBV) of the textile and garment sector in 2018-2022, experiencing fluctuations in each period. The highest average company value in 2020 was 1.717, and the lowest average was in 2021, with 0.738. Of the 18 textile and garment companies in 2018-2022, two companies have negative PBV values from 2018-2022, respectively, in Argo Pantes Tbk (ARGO) and Asia Pacific Fibers Tbk (POLY) companies. Two companies have decreased consecutively in Pan Brothers Tbk (PBRX) and PT Sri Rejeki Isman Tbk (SRIL). A decrease in the company's value can affect the stock price because the higher the stock price, the company's value will increase. Many factors affect thevalue of a company, including profitability, company size, and capital structure.

ISSN 2549-3604 (Online), ISSN 2549-6972 (Print)
DOI: https://doi.org/10.25139/ekt.v7i2.6959

According to (Purnomo & Erawati, 2019), profitability is the net profit a company obtains when carrying out its operations. A higher profitability ratio will reflect a high rate of return on investment. The research results by Kosimpang et al. (2017) found that profitability affects company's value but is inversely proportional to the result sof research by Thaib & Dewantoro (2017) which found that profitability does not significantly affect company value.

The next factor is the size of the company. Company size is a scale that classifies the size of a company. The more investors are interested in owning shares of the company, the higher the share price offer so that the company's value can increase (Maharani & Mawardhi, 2022). In research conducted by Vernando & Erawati, (2020), It was found that company size has a positive and significant effect on company value, but this is contrary to the results of research by (Savitri et al., 2021), which has shown that company size does not affect company value.

The next factor is the capital structure. According to Kosimpang et al., (2017), capital structure compares the amount of long-term debt and own capital. According to Savitri et al., (2021), the high value of the company can provide confidence to investors so that the company more easily obtains capital. Research of Maharani & Mawardhi, (2022) found that the results of capital structure have no effect on company value, and the results of this study are inversely proportional to the results of research by Purnomo & Erawati, (2019) that capital structure has a positive and significant influence on company value.

Based on the explanation above, textile and garment companies experience fluctuationsin company value (PBV), and there is a research gap from previous research, so researchers are interested in conducting further research with the title "Capital Structure as a Mediator Between Profitability and Company Size to Company Value in Textile & Garment Sector Companies Listed on the Indonesia Stock Exchange (IDX) for the 2018- 2022 Period."

2. THEORETICAL FRAMEWORK AND HYPOTHESIS FORMULATION

The Relationship between Profitability and Capital Structure

Companies with a high ability to earn profits tend to have significant cash. High profits can show good company performance in the long term (Purnomo & Erawati, 2019). Companies with a high ability to generate profits can finance their operational activities using their capital (retained earnings) without using outside funds. Outside funds are used if there is insufficient financing from retained earnings (Kosimpang et al., 2017). From the explanation above, the greater the profitability, the greater the cash so that the company can use its capital without outside funds. This is supported by research conducted by Purnomo & Erawati (2019); Kosimpang et al. (2017); and Maharani & Mawardhi (2022), which shows that company size affects capital structure.

H1: It is suspected that profitability affects the capital structure.

The Relationship between Company Size and Capital Structure

Companies with a large scale will be easier to obtain external funding, because a company that has good business prospects will indicate that the company can develop from a small company. Large companies can more easily get funding from various sources, so creditors will find it easier to provide loans to companies, and viceversa with smaller companies (Kosimpang et al., 2017). It is supported by research conducted by Maharani & Mawardhi (2022) and Kosimpang et al. (2017), which shows that company size affects capital structure.

H2: The company's size is suspected to affect the capital structure.

The Relationship between Profitability and Company Value

The profitability ratio is used to measure a company's ability to earn profits from its usual company activities (Hery, 2017, p. 192). By showing that the company can get high profits and provide returns as investors expect, they will be more confident and interested in increasing their capital to increase their stock price and value (Purnomo & Erawati, 2019). So, the higher the

Ekspektra : Jurnal Bisnis dan Manajemen, Volume 7, Nomor 2, Hal. 168-181
ISSN 2549-3604 (Online), ISSN 2549-6972 (Print)
DOI: https://doi.org/10.25139/ekt.v7i2.6959

company's ability to get profits, the greater the investors' expectations and will improve the company's value. It is supported by research conducted by Kosimpang et al., (2017); Putri & Sakir, (2022) and Maharani & Mawardhi (2022) which shows the results that profitability influences company value.

H3: It is suspected that profitability affects the value of the company.

The Relationship Between Company Size and Company Value

Company size measures the size of a company as illustrated by total assets or netsales (Hery, 2017). The greater the company's total assets, the larger the company's size. Investors often assume that investing in large companies will be more convincing and will get more profit than small companies. The more investors are interested in owning company shares, the more they can increase the share price offer to increase the company's value (Maharani & Mawardhi, 2022). It is supported by research conducted by Thaib & Dewantoro (2017); Maharani & Mawardhi (2022); and Vernando & Erawati (2020), which shows that company size affects companyvalue.

H4: It is suspected that the size of the company affects the value of the company.

The Relationship between Capital Structure and Corporate Value

According to Putri & Sakir (2022), Capital structure is a combination of debt and company equity as a selection of the company's operational funding policy. Suppose the company uses internal funds or retained earnings to finance the company's operations. In that case, the risk of bankruptcy is low, so that investors will be more interested in companies with a low risk of bankruptcy. If the company's external funds (debt) can be put to good use, it will get a relatively high profit. With this, the use of debt can increase the company's value. Therefore, the company must be able to determine how much debt will be used. It is supported by research conducted by Vernando & Erawati (2020) and Purnomo & Erawati (2019), which found that capital structure affects company value.

H5: The capital structure is suspected to affect the company's value.

The relationship of profitability and value of the company with capital structure as intervening variables

High profitability will allow the company to finance its operations with itsown or internal company funds. Companies with high profitability can minimizethe use of debt or external funds to finance company operations. Using minimal debt can give confidence to investors to invest in the company. Investors will think companies with low debt levels can avoid the risk of bankruptcy to increase the company's value. It is supported by research conducted Isnawati & Widjajanti (2019), which found that profitability affects the company's value withcapital structure as an intervening variable.

H6: It is suspected that profitability affects the value of the company with capital structureas an intervening variable

The relationship of company size to company value with capital structure as an intervening variable

Companies with large company sizes will get more access and trust from creditors than companies with small sizes. Companies with large sizes will find it easier to get funds from external companies (debt). If the company's external funds can be put to good use, it will increase the value of the company. High debt will be used for investments that produce more output and can increase the company's value. It is supported by research conducted by Yanti et al. (2018) ,which found that company size influences company value with capital structure as an intervening variable.

H7: It is suspected that profitability affects the value of the company with capital structureas an intervening variable.

Ekspektra : Jurnal Bisnis dan Manajemen, Volume 7, Nomor 2, Hal. 168-181
ISSN 2549-3604 (Online), ISSN 2549-6972 (Print)
DOI: https://doi.org/10.25139/ekt.v7i2.6959

3. RESEARCH METHOD

This research is quantitative approach. The variables used in this studyconsist of dependent variables, independent variables, and intervening variables. The dependent variable or variable Y is Company Value. The independent variables or X are Profitability (X1) and Company Size (X2). They is intervening variable or variable Z, i.e., Capital Structure. The population in this study is all Textile & Garmen Sector companies listed on the Indonesia Stock Exchange during the 2018-2022 period. Sampling in this study used a purposive sampling method with specific considerations and resulted in a sample of 18 companies. In this study, Partial Least Square (PLS) analysis was applied. The research hypothesis model is depicted in Figure 1.

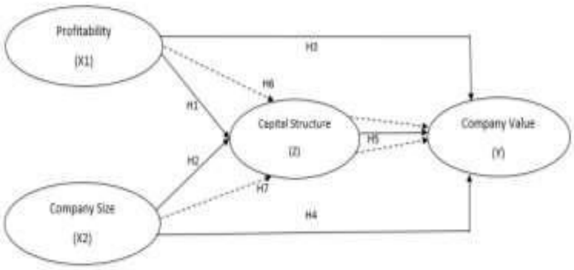

Figure 1: Research Hypothesis Model

The operational variables in this study are as follows:

Table 2: Variable Operations

Variable	Indicator	Scale
Company Value (Y)	$\text{PBV} = \dfrac{\text{Price per share}}{\text{Book value per share}}$	Ratio
Profitability (X1)	$\text{ROA} = \dfrac{\text{Net profit}}{\text{Total assets}}$	Ratio
Company Size (X2)	Company Size (Size) = Ln (Total Assets)	Ratio
Capital Structure (Z)	$\text{DER} = \dfrac{\text{Total amount of debt}}{\text{Total capital}}\ X\ 100\%$	Ratio

Source: Secondary Data Processed by SEM-PLS, 2023

4. RESULTS AND DISCUSSION

Based on the results of statistical tests using Partial Least Square (PLS), the results of statistical tests are obtained as follows:

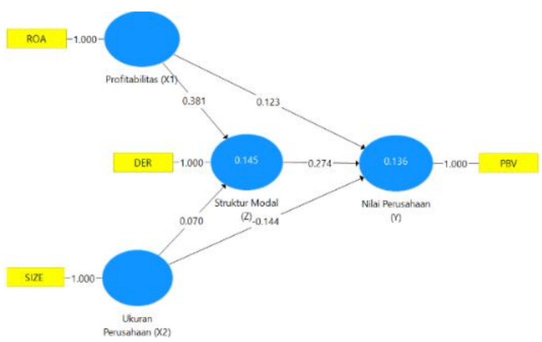

Figure 2: Model PLS

ISSN 2549-3604 (Online), ISSN 2549-6972 (Print)
DOI: https://doi.org/10.25139/ekt.v7i2.6959

Validity Test

Evaluate the measurement model to specify each indicator about its latent variables—test validity with convergent and discriminant validity. Convergent validity can be seen from the correlation between indicator and variable scores. Convergent validity can be evaluated by the Loading Factor and Average Variance Extracted (AVE) values. The indicator is declared to meet the convergent validity criteria or can be considered valid if the loading factor value is more significant than 0.70 and AVEis greater than 0.5.

Table 3: Loading factor value

Variable	Company Value (Y)	Profitability (X1)	Capital Structure (Z)	Company Size (X2)
DER			**1.000**	
PBV	**1.000**			
ROA		**1.000**		
SIZE				**1.000**

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the table above, it can be known that the loading factor value in the variables profitability, company size, capital structure, and company value has a value of 1,000 or greater than 0.70, so it can be said to be valid and can meet the requirements of convergentvalidity.

Table 4: AVE Value

Variable	AVE	Critical Value	Model Evaluation
Profitability	1.000	> 0,5	Valid
Company Size	1.000	> 0,5	Valid
Capital Structure	1.000	> 0,5	Valid
Company Value	1.000	> 0,5	Valid

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the table above, it can be known that the value of Average Variance Extracted (AVE) on the variables of probability, company size, capital structure, and company valuehas a value of 1,000 or greater than 0.05, so it can be said to be valid and can meet the requirements of convergent validity.

Discriminant validity can be interpreted by cross-loading, which can assess whether the constructhas adequate discriminant by comparing the value of the construct greater than the value of other constructs. The indicator declared valid in the discriminant validity test has a cross-loading value greater than 0.70 and is more significant than the cross-loading value of other variables.

Table 5: Cross-Loadings Value

Variable	Company Value (Y)	Profitability (X1)	Capital Structure (Z)	Company Size (X2)
DER	0,315	0,375	**1.000**	0,036
PBV	**1.000**	0,238	0,315	-0,145
ROA	0,238	**1.000**	0,375	-0,088
SIZE	-0,145	-0,088	0,036	**1.000**

Source: Secondary Data Processed by SEM-PLS, 2023

Ekspektra : Jurnal Bisnis dan Manajemen, Volume 7, Nomor 2, Hal. 168-181
ISSN 2549-3604 (Online), ISSN 2549-6972 (Print)
DOI: https://doi.org/10.25139/ekt.v7i2.6959

Based on the table above, it can be known that the value of cross-loadings on the ROA, SIZE, DER, and PBV indicators has a value of 1,000 > 0.70 and is greater than the valueof other variable cross-loadings, so it can be said to be valid and can meet the requirementsfor discriminant validity.

Reliability Test

Reliability tests are performed to determine how consistent and capable indicators can measure latent constructs. Reliability tests can be seen from Cronbach's alpha and composite reliability values. An indicator is declared reliable if Cronbach's alpha value ismore significant than 0.7 and the composite reliability value is greater than 0.7 (Imam Ghozali, 2021).

Table 6: The value of Cronbach's Alpha

Variable	Cronbach's Alpha	Critical Value	Model Evaluation
Profitability	1.000	> 0,7	Reliable
Company Size	1.000	> 0,7	Reliable
Capital Structure	1.000	> 0,7	Reliable
The value of the company	1.000	> 0,7	Reliable

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the test results, Cronbach's alpha value on the variables profitability, company size, capital structure, and company value is 1,000. All of the above variables are reliable because the value of Cronbach's Alpa is more significant than 0.7, so the indicator can measure latent constructs consistently.

Table 7: Composite Reliability Value

Variable	Composite Reliability	Critical Value	Model Evaluation
Profitability	1.000	> 0,7	Reliable
Company Size	1.000	> 0,7	Reliable
Capital Structure	1.000	> 0,7	Reliable
The value of the company	1.000	> 0,7	Reliable

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the test results, the composite reliability value on the profitability variables, company size, capital structure, and company value is 1,000. All the variables above are reliable because the Composite Reliability value is more significant than 0.7, so the indicator can measure latent constructs consistently. Structural model evaluation examines the relationship between the contracting variable, significance value, and R-square for each latent variable. The model is robust, moderate, and weak, with R-square values of 0.75, 0.50, and 0.25.

Table 8: R-Square and Adjusted R-Square values

Variable	R Square	Adjusted R Square
Firm Value (Y)	0,136	0,106
Capital Structure (Z)	0,145	0,126

Source: Secondary Data Processed by SEM-PLS, 2023

Table 8 above shows the Adjusted R-Square value for the company value variable of 0.106 or 10.6% and the capital structure variable of 0.126 or 12.6%. This value shows the ability of profitability variables and company size to explain the variation in the value of the company’s value variable by 10.6%, the value of the capital structure variable by 12.6%, and the rest for the

Ekspektra : Jurnal Bisnis dan Manajemen, Volume 7, Nomor 2, Hal. 168-181
ISSN 2549-3604 (Online), ISSN 2549-6972 (Print)
DOI: https://doi.org/10.25139/ekt.v7i2.6959

company's value variable by 89.4% and for the capital structure variable by 87.4% is influenced by other variables outside of the variables in this study.

This hypothesis test is done by a bootstrapping procedure that can generate t-statistical values in any relationship path used to test the hypothesis and will be compared with t-table values. In this study, the confidence level was 95%, so that the alpha value was 5% or 0.05. If the t-statistic value is smaller than the t-table (1,66196), then H0 is accepted, and Ha is rejected. If the t-statistic value exceeds the t-table (1,66196), H0 is rejected, and Ha is accepted.

Based on Table 9 below, it can be seen that the t-statistic value between profitability (X1)to capital structure (Z) is 5.302 > 1,66196 and p-value 0.000 < 0.05 so that it can be concluded that H1, which states that profitability (X1) affects capital structure (Z) is accepted.

Based on the table above, it can be seen that the t-statistic value between company size (X2) to capital structure (Z) is 0.723 < 1,66196 and p-value 0.470 > 0.05 so it can be concluded that H2, which states that company size (X2) affects capital structure (Z) is rejected.

Based on the table above, it can be seen that the t-statistic value between profitability (X1) to company value (Y) is 1.975 > 1,66196 and p-value 0.049 < 0.05 so that it can be concluded that H3 which states that profitability (X1) affects the value of the company (Y)is accepted.

Based on the table above, it can be seen that the t-statistic value between company size (X2) to company value (Y) of 0.980 < 1,66196 and p-value of 0.328 > 0.05 so that it can be concluded that H4, which states that company size (X2) affects company value (Y) is rejected.

Based on the table above, it can be seen that the t-statistical value between capital structure (Z) and company value (Y) is 2.479 > 1,66196 and p-value 0.014 < 0.05 so that it canbe concluded that H5 which states that capital structure (Z) affects the value of the company (Y) is accepted.

Table 9: Hypothesis Test Results

Hypothesis	T-Statistics	T-table	Hypothesis Status (T Test)	P Value	Hypothesis Status
Profitability (X1) -> Capital Structure (Z)	5,302	> 1,66196	Accepted	0,000	Accepted
Firm Size (X2) -> Model Structure (Z)	0,723	< 1,66196	Rejected	0,470	Rejected
Profitability (X1) -> Firm Value (Y)	1,975	> 1,66196	Accepted	0,049	Accepted
Company Size (X2) -> Company Value (Y)	0,980	< 1,66196	Rejected	0,328	Rejected
Capital Structure (Z) -> Firm Value (Y)	2,479	> 1,66196	Accepted	0,014	Accepted

Source: Secondary Data Processed by SEM-PLS, 2023

Smart PLS 3.0 includes the results of indirect influence calculations that are useful in analyzing the strength of mediator variable relationships with other variables. The value is automatically calculated with smart PLS 3.0 when the bootstrapping process is run after testing the hypothesis.

Ekspektra : Jurnal Bisnis dan Manajemen, Volume 7, Nomor 2, Hal. 168-181
ISSN 2549-3604 (Online), ISSN 2549-6972 (Print)
DOI: https://doi.org/10.25139/ekt.v7i2.6959

Table 10: Mediation Analysis

Construct	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (|O/STDEV)	P Value
Profitability (X1) -> Capital Structure (Z) -> Firm Value (Y)	0,105	0,100	0,048	2,175	0,030
Company Size (X2) -> Capital Structure (Z) -> Firm Value (Y)	0,019	0,021	0,028	0,676	0,499

Source: Secondary Data Processed by SEM-PLS, 2023

Table 10 shows that the t-statistical value of profitability to company value is 2.175 > 1.66196, and the p-value is 0.030 < 0.05, shows that capital structure can mediatethe effect of profitability on company value and that H6 is accepted.

The t-statistic value of company size to company value of 0.676 < 1.66196 and p-valueof 0.499 > 0.05, thus indicating that capital structure cannot mediate the effect of company size on company value, and H7 is rejected.

DISCUSSION

The Effect of Profitability on Capital Structure (H1)

Based on the test results using SEM-PLS, it is known that profitability, as measured by Return On Assets (ROA), has a significant positive effect on the capital structure as measured by the debt to the debt-to-equity ratio (DER). It can be seen from the t-statistic values. of 5.302 > 1.66196 and p-values of 0.000 < 0.05. Based on these results, the H1 in thisstudy states that "Allegedly profitability has a direct effect on capital structure" is accepted.

The higher the company's ability to make a profit, the company tends to have large cash. Therefore, external parties of the company prefer and make it easier for companieswith high cash flow to avoid the risk of defaulting on company debt. The higher theprofitability of the company, the easier it is for the company to get external funds from the company.

The results of this study are supported by the results of research conducted by Putri & Sakir (2022); Valinarta & Handini (2022) and research conducted by Purnomo & Erawati (2019), which show that profitability has a positive and significant effecton capital structure. The results of this study are also supported by research conducted by Sadiq et al. (2020), explaining that profit management that is the same as Return On Assets(ROA) can also be influenced by corporate governance. One of corporate governance is how companies manage debt. For example, a company that owes money without propercalculations can harm the company. The results of this study contradict the results of research conducted by Thaib & Dewantoro (2017) and research conducted by Yanti et al. (2018), which show that profitability does not affect capital structure.

The Effect of Company Size on Capital Structure (H2)

Based on the test results using SEM-PLS, it is known that the company's size measured by Ln (Total Assets) does not affect the debt-to-equity ratio (DER) capital structure. It can be seen from the t-statistic value of 0.723 < 1.66196 and the p-value of 0.470 > 0.05. Based on these results, the H2 in this study stated, "It is suspected that the size of the company has a direct effect on the capital structure," which was rejected.

Companies that belong to the size of large and small companies do not affect the company's capital structure. Companies that belong to a large company size only sometimes have large debts; companies that belong to large companies can allow such companiesto have low debt levels. Likewise, companies included in a small company size only sometimes have a low level of debt; companies included in a small company sizecan also allow the company to have a high level of debt. So, the company's size doesnot affect the level of company debt.

The results of this study are supported by the results of research conducted by Kosimpang et al. (2017); Maharani & Mawardhi (2022); Timbangnusa et al. (2023); and Siska Novita Saragih (2023),which show the results that the size of the company does not affect the capital structure. The results of this study contradict the results of research conducted by Savitri et al. (2021); Andika & Sibp (2019), and the results of research conducted by Sulastri et al. (2019), which show that the size of the company affects the capital structure.

The Effect of Profitability on Company Value (H3)

Based on the test results using SEM-PLS, it is known that profitability measured by Return On Assets (ROA) has a significant positive effect on the value of the company as measured by price-to-book value (PBV). It can be seen from the t-statistic values of 1.975 > 1.66196 and p-values of 0.049 < 0.05. Based on these results, the H3 in this studystates that "It is suspected that profitability has a direct effect on company value" is accepted.

Companies that have high company profitability can be a signal for investors to describethe state of the company. Investors believe that with high profits, the company can providereturns that investors expect and can provide confidence and investors. Interest to invest in the company. With investor interest, it will increase the company's stock price so that it can increase the company's value. So, the higher the company's abilityto get profits, the greater the investors' expectations and will improve the company's value.

The results of this study are supported by the results of research conducted by Hartanti et al., (2019); Purba & Africa (2019); Purwanti (2020); Nyoman et al. (2021) and research conducted by (Kusumawati & Setiawan, n.d.) shows the result that profitability has a positive and significant effect on the value of the company. The resultsof this study contradict the results of research conducted by Thaib & Dewantoro (2017) and the results of research conducted by Savitri et al. (2021), which show thatprofitability does not affect company value.

The Effect of Company Size on Company Value (H4)

Based on the test results using SEM-PLS, it is known that the size of the company measured by Ln (Total Assets) has no effect on the value of the company measured by Price to Book Value (PBV). It can be seen from the t-statistic value of 0.980 < 1.66196and the p-value of 0.328 > 0.05. Based on these results, the H4 in this study states, "Itis suspected that the size of the company has a direct effect on the value of the company"is rejected.

Companies, including large and small company sizes, do not influenceinvestors' decisions to invest their capital. Investors do not look at the company's size to invest in a company, so it does not affect the company's value. So, the size of the company cannot affect the value of the company.

The results of this study are supported by the results of research conducted by Anisa et al. (2021); Savitri et al. (2021); Yanti et al., (2018); Andrean nesta & Amir (2023); Garin Pratiwi Solihati (2023) Furthermore, Grace Sriati Mengga et al. (2022) show the results that the size of the company does not affect the value of the company. The results of this study contradict the results of research conducted by Maharani & Mawardhi (2022); Sariyanti & Handini (2022); Agustiningsih (2023); Pratiwi et al. (2023); and the results of research conducted by Vernando & Erawati (2020) which show the results that company size affects company value.

Ekspektra : Jurnal Bisnis dan Manajemen, Volume 7, Nomor 2, Hal. 168-181
ISSN 2549-3604 (Online), ISSN 2549-6972 (Print)
DOI: https://doi.org/10.25139/ekt.v7i2.6959

The Effect of Capital Structure on Company Value (H5)

Based on the test results using SEM-PLS, it is known that the capital structure of the debt-to-equity ratio (DER) has a significant positive effect on the value of the companyas measured by Price to Book Value (PBV). It can be seen from the t-statistic values of 2.479 > 1.66196 and p-values of 0.014 < 0.05. Based on these results, the H5 in this study states that "It is suspected that capital structure has a direct effect on company value"is accepted.

Companies that use the company's external funds can utilize and manage external funds well by utilizing the company's external funds to make acquisitions of companies that have added value for the company or can use the company's external funds to open new branches and enter new markets that can expand market share and can increase company value. A capital structure that can be appropriately utilized can benefit thecompany and increase the value of the company.

The results of this study are supported by the results of research conducted by Vernando & Erawati (2020) and research conducted by Purwanti (2020); Purnomo & Erawati (2019) which show the results that capital structure has a positive and significanteffect on company value. The results of this study contradict the results of research conducted by Kosimpang et al. (2017) and the results of research conducted by Maharani & Mawardhi (2022) which shows the results that capital structure does not affect companyvalue.

The Effect of Profitability on Company Value with Capital Structure as an Intervening Variable (H6)

Based on the test results using SEM-PLS, it is known that profitability to the value of companies with capital structure as an intervening variable has a positive and significant effect. It can be seen from the t-statistic values of 2.175 > 1.66196 and the p-values of 0.030 < 0.05. Based on these results, the H6 in this study states, "It is suspected that profitability has an indirect effect on the value of the company with capital structure as anintervening variable" is accepted.

Companies that experience an increase in company profitability will have the convenience and trust of creditors to get the company's external funds used to make acquisitions of companies that have added value for the company or can use the company'sexternal funds to open new branches and enter new markets that can expand market shareand can increase company value.

The results of this study are supported by the results of research conducted by Musabbihan & Purnawati (2018) and research conducted by Isnawati & Widjajanti (2019), which show that there is an effect of profitability on the value of the company with capital structure as an intervening variable accepted. This result contradictsthe results of research conducted by Yanti et al. (2018) and the results of research conducted by (Putri & Sakir, 2022), which show the results that the effect of profitabilityon company value with capital structure as an intervening variable is rejected.

The Effect of Company Size on Company Value with Capital Structure as anIntervening Variable (H7)

Based on the test results using SEM-PLS, it is known that the company's size does not affect the company's value with capital structure as a variable. It can be seenfrom the t-statistic value of 0.676 < 1.66196 and the p-value of 0.499 > 0.05. Based on these results, H7 in this study states, "It is suspected that company size has an indirecteffect on company value with capital structure as an intervening variable" is rejected.

Companies that are included in the size of large companies only sometimes have high debt and do not rule out the possibility of the company having a low level of debt, and viceversa. Investors no need to look at the company's size and capital structureto invest their capital.

Ekspektra : Jurnal Bisnis dan Manajemen, Volume 7, Nomor 2, Hal. 168-181
ISSN 2549-3604 (Online), ISSN 2549-6972 (Print)
DOI: https://doi.org/10.25139/ekt.v7i2.6959

Investors do not consider the company's size by; going throughthe capital structure is essential to influence the company's value.

The results of this study are supported by the results of research conducted by Sulastri et al., (2019); Putri & Sakir (2022) and research conducted by Isnawati & Widjajanti (2019), which showed that the size of the company affects the value of the company with capital structure as an intervening variable rejected. This result contradicts the results of research conducted by Yanti et al. (2018) and research conducted by Vernando & Erawati (2020), which show the results that company size affects company value with capital structure as an intervening variable accepted.

5. CONCLUSIONS

Based on the data analysis and discussions that have been carried out, this study shows that profitability has a significant positive effect on capital structure. The size of the company does not affect the capital structure. Profitability has significant positive effect on the value of the company. The size of the company does not affect the value of the company. Capital structure has a significant positive effect on The company's value. Profitability has a significant positive effect on the company's value with capital structure as an intervening variable, and company size does not affect the company's value with capital structure as an intervening variable. The recommendation from the results of this research is that it is important for companies to always increase investor and creditor confidence by increasing profitability periodically to increase company value in the future. For future research use other financial variables that influence company value besides company size

6. REFERENCE

Agustiningsih, W. (2023). *The Effect of Financial Performance , Leverage and Company Size on Company Value in the Food and Beverage Manufacturing Sector*. *2*(3), 289–308.

Andika, I., & Sibp. (2019). The Effect Of Profitability, Asset Structure, And Firm Size On Capital Structure. *E-Journal Of Management, 8*(9), 25–32. https://doi.org/10.24034/jiaku.v2i2.5883

Andrean nesta, K., & Amir. (2023). *Ratio : Reviu Akuntansi Kontemporer Indonesia The Effect Of Capital Structure , Profitability , Leverage And Company Size On Company Ratio : Reviu Akuntansi Kontemporer Indonesia The Effect Of Capital Structure , Profitability ,. M*(August). https://doi.org/10.30595/ratio.v4i2.18204

Anisa, N., Hermuningsih, S., & Maulida, A. (2021). Pengaruh Ukuran Perusahaan, Leverage, Kebijakan Dividen dan Profitabilitas terhadap Nilai Perusahaan. *Reslaj : Religion Education Social Laa Roiba Journal*, *4*(2), 321–335. https://doi.org/10.47467/reslaj.v4i2.707

Garin Pratiwi Solihati. (2023). *the Effect of Leverage, Return on Assets, Company Size and Sales Growth on Company Value. EPRA International Journal of Multidisciplinary Research (IJMR), February*, 17–27. https://doi.org/10.36713/epra12314

Grace Sriati Mengga, Gregorius Edy, & Agustinus Mantong. (2022). *Effect of Dividend Policy, Capital Structure and Company Size To Company Value in Pharmaceutical Companies Listed on Indonesia Stock Exchange. Proceeding of The International Conference on Economics and Business, 1*(2), 192–205. https://doi.org/10.55606/iceb.v1i2.123

Hartanti, R., Yulandani, F., Riandi, M. R., Economic, F., & Trisakti, B. U. (2019). *The Effect Of Profitability , Capital Structure , And Implementation Of Corporate Governance On*. *0832*, 83–98.

Hery. (2017). *Analisis Laporan Keuangan: Integered and Comrehensive*. Jakarta:PT Gramedia.

Isnawati, F. N., & Widjajanti, K. (2019). Pengaruh Kepemilikan Institusional, Profitabilitas, Ukuran Perusahaan Dan Pertumbuhan Penjualan Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening. *Jurnal Riset Ekonomi Dan Bisnis*, *12*(1), 71. https://doi.org/10.26623/jreb.v12i1.1528

Karnadi, A. (2022). Kinerja Industri Tekstil Kembali Trkontraksi Pada 2021. Data Indonesia. https://dataindonesia.id/sektor-riil/detail/kinerja-industri-tekstil-kembali-terkontraksi-pada-2021

Kemenperin. (2022). Pulih dari Pandemi, Utilisasi Industri TPT Naik Jadi 70 Persen. Kemenperin.Go.Id. https://kemenperin.go.id/artikel/23435/Pulih-dari-Pandemi,-Utilisasi-Industri-TPT-Naik-Jadi-70-Persen

Kosimpang, A. D., Andini, R., & Oemar, A. (2017). Pengaruh Profitabilitas, Ukuran Perusahaan Terhadap Nilai perusahaan dengan Variabel Struktur Modal Sebagai Variabel Intrvening Pada Prusahaan Pertambangan yang Terdaftar di BEI Periode Tahun 2012-2016. *Jurnal Universitas Pandanaran*, 1–15.

Kusumawati, E., & Setiawan, A. (n.d.). *The Effect of Managerial Ownership , Institutional Ownership , Company Growth , Liquidity , and Profitability on Company Value*. 136–146.

Maharani, Y. A., & Mawardhi, W. (2022). Pengaruh Profitabilitas, Firm Size, Dan Growth Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening (Studi Kasus Pada Perusahaan Food And Beverage Yang Terdaftar Pada Bursa Efek Indonesia Tahun 2015-2020). *Diponegoro Journal of Management*, *11*, 1–12.

Musabbihan, N. A., & Purnawati, N. K. (2018). Pengaruh Profitabilitas Dan Kebijakan Dividen Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Pemediasi. *E-Jurnal Manajemen Universitas Udayana*, *7*(4), 1979. https://doi.org/10.24843/ejmunud.2018.v07.i04.p10

Nyoman, N., Febrianty, A., & Mertha, I. M. (2021). *Open Access Effect of Profitability , Investment Opportunity Set and Good Corporate Governance on Company Value*. *2*, 238–246.

Permata, N. A. (2018). Pengaruh Profitabilitas, Struktur Modal, dan Ukuran Perusahaan Terhadap Nilai Perusahaan (Studi Pada Perusahaan Farmasi Yang Terdaftar di BEI Tahun 2013-2016).

Pratiwi, A., Basyith, A., & Safitri, E. (2023). Disclosure of Green Banking, Profitability and Company Size on Company Value in Banking in Indonesia. *International Journal of Finance Research*, *4*(2), 115–127. https://doi.org/10.47747/ijfr.v4i2.1211

Purba, J. T., & Africa, L. A. (2019). *The effect of capital structure , institutional ownership , managerial ownership , and profitability on company value in manufacturing companies*. *9*(1), 27–38. https://doi.org/10.14414/tiar.v9i1.1619

Purnomo, E., & Erawati, T. (2019). Pengaruh Profitabilitas Terhadap Nilai Perusahaan dengan Struktur Modal Sebagai Variabel Intervening (Studi Kasus pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2012- 2016). *Jurnal Akuntansi Pajak Dewantara*, *1*(1), 1–12. https://doi.org/10.24964/japd.v1i1.882

Purwanti, T. (2020). *The Effect of Profitability, Capital Structure, Company Size, and Dividend Policy on Company Value on the Indonesia Stock Exchange*. *01*(02), 60–66.

Putri, N. A., & Sakir, A. (2022). Pengaruh Profitabilitas Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening Pada Perusahaan Sektor Industri Barang Konsumsi Yang Tercatat Di Bursa Efek Indonesia (Bei). *Jurnal Ilmiah Mahasiswa Ekonomi Manajemen SINTA*, *4*(1), 166–190. http:jim.unsyiah.ac.id/ekm

Sadiq, M., Pantamee, A. A., Mohamad, S., Aldeehani, T. M., & Ady, S. U. (2020). Corporate governance and earnings management: Evidence from listed non-financial firms. *Polish Journal of Management Studies*, *22*(2), 456–469. https://doi.org/10.17512/pjms.2020.22.2.30

Sariyanti, D. L., & Handini, S. (2022). B. Pengaruh Profitabilitas, Likuiditas, Ukuran

Perusahaan, Kebijakan Deviden Dan Kebijakan Hutang Terhadap Nilai Perusahaan Manufaktur Di Bursa Efek Indonesia Periode 2016-2020. *Economics and Sustainable Development*, *7*(2), 16. https://doi.org/10.54980/esd.v7i2.199

Savitri, D. A. M., Kurniasari, D., & Mbiliyora, A. (2021). Pengaruh Profitabilitas dan Ukuran Perusahaan terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Intervening (Studi pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia tahun 2017-2019). *Jurnal Akuntansi Dan Pajak*, *21*(02), 500–507. https://doi.org/10.29040/jap.v21i02.1825

Siska Novita Saragih, S. H. (2023). Pengaruh Likuiditas, Ukuran Perusahaan Dan Pertumbuhan Penjualan Terhadap Struktur Modal Pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi Di Bei 2017-2020. 2.

Sulastri, N. K., Surasni, N. K., & Hermanto, H. (2019). Pengaruh Profitabilitas Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening Pada Perusahaan Pembiayaan Yang Terdaftar Di Bei. *Distribusi - Journal of Management and Business*, *7*(2), 169–180. https://doi.org/10.29303/distribusi.v7i2.90

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

Timbangnusa, E., Tulung, J. E., Untu, V. N., Tulung, J. E., & Untu, V. N. (2023). Pengaruh Profitabilitas Dan Ukuran Perusahaan Terhadap Struktur Modal Tahun 2016-2020 (Pada Sektor Pertambangan Yang Terdaftar Di Bursa Efek Indonesia) The Effect Of Profitability And Company Size On Capital Structure In 2016- 2020 (In The Mining Sekto. *11*(1), 910–919.

Valinarta, A. A., & Handini, S. (2022). a. Pengaruh Kebijakan Dividen, Profitabilitas, Leverage, Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Sektor Properti Dan Real Estate Yang Terdaftar Di Bei Tahun 2016-2020. *Economics and Sustainable Development*, *7*(2), 1. https://doi.org/10.54980/esd.v7i2.198

Vernando, J., & Erawati, T. (2020). Pengaruh Ukuran Perusahaan Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening: Studi Empiris Di Bei. *Jurnal Riset Manajemen Dan Bisnis*, *15*(1), 13. https://doi.org/10.21460/jrmb.2020.151.344

Yanti, C. Y., Budi, L., & Santoso, E. B. (2018). Pengaruh Profitabilitas, Ukuran Perusahaan dan Growth Opportunity Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening Pada Perusahaan Manufaktur Sektor Farmasi Yang Terdaftar Di Bursa Efek Indonesia Tahun 2011-2015. *Journal of Accounting*, *2*(1), 1–17.