RESEARCH ARTICLE
published:31 January 2025
doi: 10.21070/jas.v9i1.1953

Analyzing Profitability, Firm Size, and Capital Structure's Impact on Firm Value

Elisa Dwi Handini[1], *Dwi Ermayanti Susilo*[2]
[1,2] *Progam Studi Akuntansi, ITEBIS PGRI Dewantara, Indonesia.*

General Background: Firm value is a crucial indicator of corporate performance, influenced by profitability, firm size, and capital structure. Understanding these relationships is essential in financial research, particularly in the food and beverage (F&B) sector. **Specific Background:** Previous studies on Indonesia Stock Exchange (IDX)-listed F&B firms (2021–2023) provide inconsistent findings regarding the effects of profitability and firm size on firm value, with capital structure serving as a potential mediating factor. **Knowledge Gap:** While some research suggests a direct impact of profitability and firm size on firm value, others argue that these relationships are indirect or insignificant, indicating a need for further investigation. **Aims:** This study analyzes the influence of profitability and firm size on firm value, considering capital structure as an intervening variable. **Methods:** A quantitative approach was applied, analyzing data from 17 IDX-listed F&B firms using statistical techniques such as path analysis, classical assumption tests, and hypothesis testing. **Results:** Profitability and firm size do not significantly affect firm value directly; however, capital structure mediates their influence. **Novelty:** This study clarifies the mediating role of capital structure in firm value determination, addressing inconsistencies in previous research. **Implications:** The findings suggest that F&B firms should strategically manage their capital structure to enhance firm value, rather than relying solely on profitability or scale.

Keywords: Profitability, Firm Size, Firm Value, Capital Structure

OPEN ACCESS
ISSN 2548-3501 (online)
*Correspondence:
Elisa Dwi Handini
elisadwihandini@gmail.com

Received: 31 Desember 2024
Accepted: 17 January 2025
Published: 31 January 2025
Citation:
Handini and Susilo (2025)
Analyzing Profitability, Firm Size, and Capital Structure's Impact on Firm Value

INTRODUCTION

The value of a company is a crucial indicator reflecting its overall performance and is a primary concern for investors, creditors, and other stakeholders. It represents not only the company's current financial position but also its potential for future growth, sustainability, and resilience in facing economic challenges. Investors often use a company's value as a basis for making investment decisions, as it provides insights into potential future profits and the risks the company may face (Fahmi, 2013 in Lubis & Nugroho, 2023). Companies with high value tend to attract more investors, boost market confidence, and maintain stronger competitiveness in the capital market.

The higher the company value ratio, the wealthier the owner will be (Arsyad et al., 2021). The primary goal of establishing any company is to create and enhance value for its owners through the maximization of shareholder wealth (Ahmad et al., 2018). A high company value ratio is directly linked to increased shareholder wealth, as seen in higher stock prices (Brigham & Houston, 2014 in Nurwulandari et al., 2023). Public companies primarily aim to increase firm value, which in turn shapes investor perceptions and confidence in the company.

One key factor influencing company value is profitability, typically measured using financial ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). Profitability reflects a company's efficiency in utilizing its resources to generate profits. High profitability indicates the company's ability to manage its assets effectively, control costs, and deliver consistent returns, which in turn boosts investor and creditor confidence (Sartono, 2015 in Wanda & Halimatusadiah, 2021). Profitability is also considered a measure of managerial performance and operational effectiveness, contributing significantly to the perception of corporate health.

In addition to profitability, company size also plays a crucial role in determining company value. Larger companies generally have greater access to financial resources, both internally through retained earnings and externally through debt or equity financing. This financial flexibility enables larger companies to execute strategic initiatives, diversify operations, and maintain stability during periods of economic uncertainty. Furthermore, larger firms often benefit from economies of scale, leading to cost efficiencies and improved profit margins. According to Smith & Warner (1979) in DeBoskey et al., (2021), larger companies can more easily finance their investments through the capital market due to reduced information asymmetry. Investors tend to have better access to information from larger firms compared to smaller ones, reducing uncertainty and enabling these companies to secure funding with a lower debt proportion in their capital structure.

Capital structure, as an intervening variable, holds a crucial position in linking profitability and company size to company value. Capital structure refers to the mix of debt and equity financing used by a company to fund its operations and growth initiatives. An optimal capital structure strikes a balance between risk and return, minimizing the cost of capital while maximizing shareholder wealth. Brigham & Houston (2014) in Ernawati & Budiharjo (2020) emphasize that a well-balanced capital structure reduces the risk of financial distress and enhances corporate value by aligning funding strategies with corporate objectives. Companies with excessive reliance on debt may face increased financial risks, while those overly dependent on equity financing may dilute ownership and reduce returns for existing shareholders.

The Pecking Order Theory (Cerkovskis et al., 2022) was first suggested by Donaldson (1961), who was the first to find that an enterprise favors internal funds as a source of capital investment. According to this theory, companies prioritize internal financing over external debt or equity financing. Highly profitable companies are more likely to use retained earnings to fund new investments rather than taking on debt, as internal financing reduces financial risks and avoids potential agency costs. Larger companies, with better access to capital markets and lower information asymmetry, can achieve a more optimal capital structure, thereby enhancing their overall value. Pecking order theory is based on the following assumptions: (i) inflexible dividend policy, (ii) preference for internal sources of financing, (iii) aversion to the issuance of shares, (iv) asymmetry of information between managers and investors, (v) managers act by the interests of shareholders.

The phenomenon of the Research Gap arises from discrepancies in previous studies regarding the relationship between profitability, company size, and firm value, with capital structure acting as an intervening variable. The findings on these relationships present contrasting perspectives, leading to a notable research gap.

First, profitability is generally seen to have a positive and significant effect on firm value. This view is supported by Maharani (2019), Sudiyatno et al. (2021), Margono & Gantino (2021), and Natsir & Yusbardini (2020). However, studies by Asare et al. (2017) and Sudrajat & Setiyawati (2021) argue that profitability does not significantly impact firm value. Similarly, the effect of company size on firm value varies. Some studies, including those by Hirdinis (2019), Sudrajat & Setiyawati (2021), and Natsir & Yusbardini (2020), show that company size has a positive and significant effect on firm value. However, Margono & Gantino (2021) suggest that company size does not significantly affect firm value, while Purwanti (2020) highlights a negative and significant effect. Company size is seen to significantly influence capital structure, as evidenced by Handayani & Darma (2018) and Sudrajat & Setiyawati (2021). In contrast, Dang et al. (2019) find that company size does not significantly affect capital structure. Profitability's relationship with capital structure also shows mixed results. Sari & Sedana (2020) and Manu et al. (2019) confirm a significant impact, while Bhawa & Dewi (2015) in Putra & Handayani (2021) and Suhardjo et al. (2022) argue that profitability does not significantly affect capital structure. Sudrajat & Setiyawati (2021) even report a negative and significant effect of profitability on capital structure.

These contrasting findings underscore the need for further

research to clarify the relationships between liquidity, profitability, company size, and firm value, particularly in the food and beverage subsector listed on the Indonesia Stock Exchange (IDX) from 2021–2023. This study addresses these inconsistencies by focusing on three key aspects. First, it narrows its scope to the food and beverage subsector, which has unique characteristics such as resilience to economic fluctuations and consistent demand as a basic necessity. Unlike prior studies that analyzed these variables broadly, this focused approach provides more industry-specific insights.

Second, the study incorporates capital structure as an intervening variable, a critical yet often overlooked factor in earlier research. By doing so, it seeks to reconcile gaps in findings reported by studies such as Sari & Sedana (2020), Bhawa & Dewi (2015) in Putra & Handayani (2021), and Suhardjo et al. (2022). Lastly, this research uses recent data from 2021–2023 to capture the impacts of the COVID-19 pandemic on financial performance. The pandemic introduced unprecedented challenges to capital structure, profitability, and firm value, making this study particularly relevant for understanding post-pandemic corporate strategies.

By addressing these dimensions, this study contributes to the financial management literature while providing actionable insights for corporate managers, investors, and policymakers to navigate the evolving economic landscape. It offers practical guidance specifically for the food and beverage subsector to enhance competitiveness. High profitability signifies efficient operations, while larger firms can leverage better access to capital markets to support growth and expansion. Furthermore, maintaining an optimal capital structure minimizes financial risks and strengthens investor confidence. In the post-pandemic era, these findings assist companies in adapting strategies to meet shifting consumer preferences and rising costs, ensuring long-term sustainability and resilience.

METHODS

This study employs a quantitative research method, which aims to test hypotheses and examine causal relationships between variables using numerical data that is analyzed statistically (Sugiyono, 2013). The quantitative research method involves data in the form of numbers and statistical analysis, used to study a specific population or sample. Data collection is conducted using research instruments with the objective of testing established hypotheses (Vernando & Erawati, 2020). The quantitative method is chosen because it provides objective, measurable results that can be validated through various statistical tests, such as classical assumption tests and path analysis. This approach is relevant for addressing the research objectives, which focus on the impact of profitability and company size on firm value with capital structure as an intervening variable. Using a quantitative method, the relationships between variables can be clearly measured, and the conclusions drawn can be generalized to a broader population.

The population for this study consists of food and beverage companies listed on the Indonesia Stock Exchange (IDX) from 2021–2023. Samples were selected through purposive sampling based on specific criteria, including companies that consistently published complete financial statements, were not involved in delisting or mergers, and provided data on all relevant variables. A total of 17 companies were selected, resulting in 51 observation data points over three years. Data reliability was ensured by using audited financial statements, while validity was tested through classical assumption tests, such as normality, multicollinearity, and heteroscedasticity checks. Additionally, established financial ratios (e.g., ROA, ROE, DER) were used to enhance content validity, and path analysis was applied to confirm the robustness of causal relationships. This comprehensive approach ensures the reliability and validity of the study's findings.

Independent Variables (X)

Profitability (X1):

Profitability refers to a company's ability to generate profit from its operational activities. It reflects how efficiently a company uses its resources to produce earnings. The ratio used to measure profitability is Return on Assets (ROA). A higher ROA indicates better performance in generating profit. The formula for ROA is as follows (Handayani, 2018):

$$\text{ROA} = \frac{Net\ Profit}{Total\ Assets}$$

Company Size (X2):

Company size refers to the scale of a company, which can influence access to funding, risk management capabilities, and attractiveness to investors. Company size is often measured by the total assets it owns and expressed in natural logarithm (Ln), as follows (Nuridah et al., 2023):

$$\text{Company Size} = \text{Ln. TA}$$

Dependent Variable (Y)

Company Value (Y):

The overall economic value of a company, which reflects the market's perception of the company's performance, growth potential, and stability. Company value is important as it indicates how valuable the company is to shareholders, investors, and other stakeholders. It is measured using Price to Book Value (PBV) with the following formula (Weston & Brigham, 2005:306 in Tombokan et al., 2019):

$$\text{PVB } (\textit{Price book value}) = \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$$

Intervening Variable (Z)

Capital Structure (Z):

Capital structure refers to the composition or ratio of the funding sources used by a company to finance its assets and

operations, consisting of debt and equity. It reflects the company's decision regarding the proportion of external funding (debt) and internal funding (equity). It is measured using the Debt to Equity Ratio (DER) with the following formula (Nuridah et al., 2023):

$$\textit{Debt to Equity Ratio}\ (\text{DER}) = \frac{Total\ Debts}{Total\ Equity}$$

RESULTS AND DISCUSSION

Descriptive Analyze

Table 1 / Descriptive Analyze**]**

Based on the analysis results, the Predicted Value ranges from -1.1753 to 49.6961, with a mean of 3.6371 and a standard deviation of 7.03015. This indicates that the predicted values from the model exhibit considerable variation, reflecting significant differences in the predicted company values across firms. The Residual values, representing the difference between the actual values and the predicted values, range from -9.81403 to 24.74402, with a mean of 0.00000. The mean residual value of zero aligns with the basic assumption of linear regression, where prediction errors are assumed to be evenly distributed around the predicted values.

However, further analysis of the Standardized Residuals reveals the presence of extreme residual values, ranging from -1.681 to 4.239. This suggests the potential presence of outliers, as standardized residuals exceeding ±3 are considered extreme. Additionally, the maximum Cook's Distance value of 2.565 indicates that there are observations exerting a significant influence on the regression model. These observations should be examined further, as they may affect the accuracy of the estimation results. The Mahalanobis Distance values range from 0.028 to 49.010, suggesting the presence of some observations that are considerably distant from the mean, which also points to potential multivariate outliers.

Furthermore, the maximum Centered Leverage Value of 0.980 indicates that some observations have high leverage, contributing significantly to the model parameter estimates. Observations with high leverage should be carefully considered to ensure that the analysis results are not unduly influenced by certain data poin

Classical Assumption Test
Multcolinearity Test

[

Table 2 about here]

Based on the Collinearity Statistics table in the output, the tolerance values for the variables Profitability, Company Size, and Capital Structure are 0.999, 0.986, and 0.987, respectively, with VIF values ranging from 1.001 to 1.014. Since the tolerance values are greater than 0.10 and the VIF values are less than 10, it can be concluded that there are no multicollinearity issues in this model

Heteriscedasticity Test

[Table 3 about here]

Based on the regression results for the absolute residual values (ABS_RES), the significance (Sig.) value is 0.363. Since the Sig. value is greater than 0.05, it can be concluded that the model does not exhibit heteroscedasticity

Normality Test

[

Table 4 about here]

The test results show a statistic value of 0.203 with a significance (Sig.) value of 0.000. Since the Sig. value is less than 0.05, it can be concluded that the residuals are not normally distributed.

Pathaway Test

[Table 5 about here]

Based on the test results, it is found that the significance value for the profitability variable is 0.628 (> 0.05). The R Square value is 0.008, which means that the contribution of profitability and company size variables to the company value variable is 0.80%. The elasticity (el) can be calculated using the formula el = √(1 - 0.008) = 0.995. Therefore, the conclusion is that the profitability variable does not have a significant effect on the company value variable (H1 is rejected). Additionally, the significance value for the company size variable is 0.688 (> 0.05), which leads to the conclusion that the company size variable does not have a significant effect on the company value variable (**H2 is rejected).**

[Table 6 about here]

Based on the test results, it is found that the significance value for the profitability variable is 0.918 (> 0.05). The R Square value is 0.609, which means that the contribution of the profitability, company size, and company value variables to the capital structure variable is 60.9%. The value of e^2 can be calculated using the formula $e^2 = \sqrt{(1 - 0.609)} = 0.625$. Therefore, the conclusion is that the profitability variable does not have a significant effect on the capital structure variable (**H3 is rejected**). Additionally, the significance value for the company size variable is 0.424 (> 0.05), which leads to the conclusion that the company size variable does not have a significant effect on the capital structure variable (**H4 is rejected)**

[Table 7 about here]

Based on the test results, it is found that the significance value for profitability is 0.452 (> 0.05), leading to the conclusion that the profitability variable does not have a significant effect on the capital structure variable. The significance value for company size is 0.086 (> 0.05), which indicates that the company size variable does not have a significant effect on the capital structure variable. Additionally, the significance value for company value is 0.000 (< 0.05), suggesting that the company value variable has a significant effect on the capital structure variable.

[Error! Reference source not found. **here]**

This study aims to analyze the effect of profitability and company size on firm value with capital structure as an intervening variable in food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX) during the period of 2021–2023.

Profitability and Firm Value

The results of this study indicate that profitability does not significantly affect firm value, meaning that even with high profitability, companies may not experience increased investor interest or a positive shift in their perceived market value. This finding challenges the widely accepted view that higher profitability can enhance investor confidence and boost market value, as suggested by Maharani (2019). However, it supports the argument that while profitability is an important operational metric, it may not directly influence firm value, as other factors could intervene in this relationship. The inconsistency in these results highlights an ongoing research gap, suggesting the need for further exploration of the variables that may mediate or moderate the link between profitability and firm value. While profitability is generally regarded as a key factor influencing firm value, as shown by studies such as Maharani (2019), Sudiyatno et al. (2021), Margono & Gantino (2021), and Natsir & Yusbardini (2020), other studies, including those by Asare et al. (2017), Utami & Widati (2022), Yati et al., (2022), Ananda (2017), and Sudrajat & Setiyawati (2021), suggest that profitability does not have a significant impact on firm value.

The finding emphasizes the need for managers to focus on other factors, such as operational efficiency, sustainability, or product diversification, to enhance value. For policymakers, it highlights the importance of frameworks supporting broader determinants of firm value, such as governance and transparency, especially in the post-pandemic economic landscape.

Company Size and Firm Value

The findings indicate that company size does not significantly affect firm value. While larger companies may possess more resources and a greater market presence, this does not automatically result in a higher firm value unless accompanied by effective operational strategies and sound management practices. This supports the view that size alone is not a guarantee of increased market valuation, as mere scale does not inherently translate into greater financial performance or investor confidence. Maharani (2019) suggests that larger companies are often perceived more favorably by investors due to their capacity for growth and stability. However, the effect of company size on firm value varies across studies. Some, such as those by Hirdinis (2019), Sudrajat & Setiyawati (2021), and Natsir & Yusbardini (2020), demonstrate a positive and significant effect, implying that larger firms may benefit from economies of scale, brand recognition, and enhanced market power. The current study's conclusion challenges this view, suggesting that size alone may not be a strong determinant of firm value, especially if operational efficiency and management quality are lacking.

On the other hand, studies by Margono & Gantino (2021), Heliani et al., (2023), Novita et al., (2022), and Bhawa & Dewi (2015) in Putra & Handayani (2021) suggest no significant impact, indicating that company size may not be a determining factor in firm value in certain contexts. This suggests that, in some contexts, factors such as management quality, industry dynamics, and market conditions may be more important determinants of firm value than company size alone. Interestingly, Purwanti (2020) identifies a negative and significant effect, suggesting that for some companies, larger size may introduce inefficiencies or greater complexity that detracts from firm value. This supports the notion that larger size can introduce challenges, such as bureaucratic inefficiencies, that offset the potential benefits of scale.

Practically, the results highlight the need for managers to focus on operational efficiency, innovation, and governance, as size alone cannot drive value. Investors are encouraged to

evaluate firms beyond scale, prioritizing adaptability and management quality. For policymakers, the study suggests fostering regulations that promote efficiency and competitiveness across all company sizes. These insights encourage a shift from viewing size as a key determinant to emphasizing strategic and qualitative factors in enhancing firm value.

Profitability and Capital Structure

Profitability does not significantly affect capital structure, which implies that companies with higher profitability may prefer to rely more on internal financing rather than external debt, in line with the pecking order theory (Brigham & Houston, 2014 in Ernawati & Budiharjo, 2020). This theory posits that firms prioritize internal funds over external debt to avoid the costs associated with external financing. Companies with strong profitability tend to lean towards internal funding options, maintaining lower levels of external debt (Prastika & Candradewi, 2019). However, Maharani (2019) suggests that profitable companies may choose to increase their debt levels to fund growth opportunities, as they might view debt as a means to leverage potential investments and enhance shareholder value. Sari & Sedana (2020) and Manu et al. (2019), confirm a significant impact of profitability on capital structure, indicating that firms with higher profitability may have more flexibility in choosing between debt and equity financing. This difference could be explained by variations in industry characteristics, market conditions, or firm-specific strategies.

Conversely, Bhawa & Dewi (2015) in Putra & Handayani (2021), Astuti & Giovanni (2022), and Suhardjo et al. (2022) argue that profitability does not significantly affect capital structure, implying that companies may not prioritize profitability in their financing decisions, or that other financial or strategic considerations take precedence. Which resonates with the current study's conclusion that profitability alone does not always dictate capital structure decisions. Sudrajat & Setiyawati (2021) even report a negative and significant effect of profitability on capital structure, suggesting that profitable companies may avoid debt to maintain financial stability and reduce the risks associated with financial leverage.

For managers, this underscores the need to balance internal financing with external funding to seize growth opportunities without over-relying on retained earnings. Investors should consider broader financial strategies beyond profitability when evaluating company stability. Policymakers can use these insights to promote balanced financing regulations, helping firms optimize their capital structures while maintaining financial resilience.

Company Size and Capital Structure

Company size does not have a significant effect on capital structure, indicating that while larger companies may have better access to external funding, this does not necessarily lead to the optimization of their capital structure. Larger firms may find it easier to secure debt financing due to their established reputation, greater collateral, and economies of scale; however, this does not guarantee an optimal capital structure that effectively balances risk and return. Maharani (2019) suggests that larger firms are more likely to optimize their capital structure due to their ability to access both debt and equity markets, offering greater flexibility in financing decisions. However, the larger size of a company may also introduce complexities in managing financial risks and structuring capital, potentially resulting in inefficiencies if not strategically managed.

Some studies, such as those by Handayani & Darma (2018) and Sudrajat & Setiyawati (2021), assert that company size significantly influences capital structure, as larger companies tend to have more complex financing needs and strategies. These studies argue that larger firms benefit from economies of scale, enhanced market power, and better reputations, all of which could contribute to improved financing flexibility. In contrast, the current study's findings suggest that merely having size does not guarantee an optimized capital structure. This indicates that while larger firms might have better access to financing, they also face challenges such as increased complexity in managing financial risks and balancing debt-equity decisions.

On the other hand, studies like Dang et al. (2019) and Ekinanda et al., (2021) indicate that company size does not significantly affect capital structure, suggesting that other factors, such as management decisions, industry norms, or market conditions, might play a more influential role in shaping capital structure These studies argue that other factors—such as management decisions, industry-specific conditions, or broader economic environments—are more influential. This suggests that effective capital structure decisions may be more dependent on strategic management and external market forces than on the inherent size of the company.

This insight helps managers focus on balancing debt and equity, guides investors to assess financial strategies, and informs policymakers on ensuring fair financing access. These results address gaps by providing a more nuanced view of how size influences capital structure in the food and beverage sector.

Indirect Effect of Profitability on Firm Value through Capital Structure

Path analysis shows that capital structure mediates the relationship between profitability and firm value. Although profitability does not directly affect firm value, its impact strengthens when mediated through capital structure. This aligns with the pecking order theory and supports Bhawa & Dewi (2015), who suggest that an optimal capital structure helps profitable firms increase market value.

This finding highlights the importance of capital structure in linking profitability to firm value. It demonstrates that profitability alone is not enough; how it is managed through financing decisions plays a crucial role. Nurwulandari (2021) concludes that profitability has a positive and significant effect on firm value when capital structure acts as an intermediary.This study echoes that sentiment, highlighting the importance of managing financing decisions effectively to amplify the benefits of profitability.

However, Sudrajat & Setiyawati (2021) argue that no indirect effect occurs between profitability, capital structure, and firm value, suggesting that other factors may influence firm value more significantly. The contrast emphasizes the complexity of this relationship and suggests that industry-specific factors or firm characteristics could play a significant role in mediating the impact of profitability on firm value.

This insight provides actionable guidance for managers to focus on both profitability and strategic financing decisions. It also suggests to investors that firm value is influenced by how companies structure their finances. Further research is needed to explore industry-specific factors that may impact this relationship.

Indirect Effect of Company Size on Firm Value through Capital Structure

Similar to profitability, company size has a stronger indirect effect on firm value through capital structure. While the direct effect of company size on firm value is not significant, the mediation through capital structure plays a critical role in linking company size to firm value. This reinforces the argument that capital structure is essential in determining how company size impacts firm value. Nurwulandari (2021) finds that firm size has a positive and significant effect on firm value when capital structure is considered as an intermediary. These studies suggest that while larger companies have the potential to increase their market value due to their size, the manner in which they manage their capital structure is crucial in realizing this potential. Similarly, this study finds that capital structure mediates the relationship between company size and firm value, emphasizing that simply being large is not enough; strategic financial management is key to translating size into market value.

However, Sudrajat & Setiyawati (2021) argue that no significant indirect effect occurs between firm size, capital structure, and firm value, suggesting that other factors may play a more prominent role. The differing findings in this study challenge this perspective by showing that capital structure plays a significant role in mediating the relationship between company size and firm value, suggesting that effective capital management can enhance the value derived from being a large firm.

The findings support the results of Maharani (2019), who suggests that the effectiveness of capital structure management can determine the extent to which larger firms can increase their market value. This indicates that, while company size alone may not directly affect firm value, how companies manage their capital structure can significantly influence their ability to leverage their size for greater market valuation. This contrast indicates that the effect of company size on firm value might not be universal, and it may vary depending on the specific context, such as the industry in question or the overall economic environment.

This insight is valuable for corporate managers, as it suggests that while large company size alone does not directly translate into higher firm value, managing capital structure strategically can help leverage this size for greater market valuation. Investors and policymakers can also benefit from understanding that firm value is not solely driven by size but is significantly influenced by how well a company manages its financing decisions.

CONCLUSION

This study concludes that profitability and company size do not have a direct significant effect on firm value. However, both variables exert a stronger indirect influence through capital structure as an intervening variable. This indicates that capital structure plays a crucial role in mediating the relationship between profitability, company size, and firm value, in line with the pecking order theory. While profitability and company size do not directly enhance firm value, the optimization of capital structure can improve the effectiveness of managing the company's financial resources. Therefore, food and beverage subsector companies are advised to focus their strategies on optimizing capital structure management, improving operational efficiency, and building investor trust to enhance firm value sustainably. Future research is recommended to consider other variables such as dividend policy and revenue growth to enrich the analysis results.

Based on the findings, corporate managers should optimize capital structure, improve operational efficiency, and ensure transparent financial reporting to enhance shareholder value. Investors are advised to consider companies' capital structure management, as it indicates financial stability and growth potential, alongside profitability and size.

REFERENCES

Ananda, N. A. (2017). Pengaruh profitabilitas dan struktur modal terhadap nilai perusahaan. *Jurnal Ekonomi Dan Bisnis Indonesia*, 2(1). https://doi.org/10.37673/jebi.v2i1.50

Ariyanti, R. (2019). Pengaruh tangible asset, ROE, firm size, liquidity terhadap price book value dengan struktur modal sebagai variabel intervening pada perusahaan perbankan. *Balance: Economic, Business, Management and Accounting Journal*. https://doi.org/10.30651/blc.v16i1.2450

Asare, N., Alhassan, A. L., & Asamoah. (2017). Intellectual capital and profitability in an emerging insurance market. *Journal of Economic*. https://doi.org/10.1108/JEAS-06-2016-0016

Arsyad, M., Haeruddin, S. H., Muslim, M., & Pelu, M. F. A. (2021). The effect of activity ratios, liquidity, and profitability on the dividend payout ratio. *Indonesia Accounting Journal*, 3(1), 36–44. https://doi.org/10.32400/iaj.30119

Astuti, U. D., & Giovanni, A. (2021). Pengaruh profitabilitas, struktur aktiva, likuiditas, dan ukuran perusahaan terhadap struktur modal (Pada perusahaan pertambangan yang terdaftar di Bursa Efek Indonesia tahun 2014-2018). *Business Management Analysis Journal (BMAJ)*, 4(1). https://doi.org/10.24176/bmaj.v4i1.5864

Cerkovskis, E., Gajdosikova, D., & Ciurlau, C. F. (2022). Capital structure theories: Review of literature. *Ekonomicko-manazerske spektrum*, 16(1), 12–24. https://dx.doi.org/10.26552/ems.2022.1.12

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. https://doi.org/10.1002/jcaf.22371

DeBoskey, D. G., Li, Y., Lobo, G. J., & et al. (2021). Corporate political transparency and the cost of debt. *Review of Quantitative Finance and Accounting*, 57, 111–145.

https://doi.org/10.1007/s11156-020-00941-6

Dharmawan, I. D., Putra, I. G. C., & Santosa, M. E. S. (2023). Pengaruh profitabilitas, struktur modal, likuiditas, kebijakan dividen, serta ukuran perusahaan terhadap nilai perusahaan pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia. *Kumpulan Hasil Riset Mahasiswa Akuntansi (KHARISMA)*, 5(2), 352–362.

Ekinanda, F., Wijayanti, A., & Siddi, P. (2021). Pengaruh profitabilitas, ukuran perusahaan, pertumbuhan penjualan, struktur aktiva, dan pajak terhadap struktur modal. *Jurnal Akuntansi dan Keuangan*, 12(2). http://dx.doi.org/10.36448/jak.v12i2.2148

Ernawati, F., & Budiharjo, R. (2020). Pengaruh Return on Asset, Current Ratio, struktur aktiva, dan pertumbuhan penjualan terhadap struktur modal. *Jurnal Manajemen Strategi dan Aplikasi Bisnis*, 3(2), 97–108.

Handayani, K. A. T., & Sri Darma, G. (2018). Firm Size, Business Risk, Asset Structure, Profitability, and Capital Structure. *Jurnal Manajemen Bisnis*, 15(2), 48–57. https://doi.org/10.38043/jmb.v15i2.591

Handayani, R. (2018). Pengaruh return on assets (ROA), leverage dan ukuran perusahaan terhadap tax avoidance pada perusahaan perbankan yang listing di BEI periode tahun 2012-2015. *Jurnal Akuntansi*, 10(1). https://doi.org/10.28932/jam.v10i1.930

Heliani, H., Fadhilah, N. H. K., & Riany, M. (2023). Analisis pengaruh profitabilitas, ukuran perusahaan dan leverage terhadap nilai perusahaan. *Jurnal Aktiva: Riset Akuntansi dan Keuangan*, 5(1), 16–31. https://doi.org/10.52005/aktiva.v5i1.177

Hirdinis, M. (2019). Capital structure and firm size on firm value moderated by profitability. *International Journal of Economics and Business Administration*, 7(1), 174–191.

Juhandi, N., Fahlevi, M., Abdi, M. N., & Noviantoro, R. (2019). Liquidity, firm size and dividend policy to the value of the firm (Study in manufacturing sector companies listed on Indonesia Stock Exchange). *Advances in Economics, Business and Management Research*, *100(Icon)*, 313–317. https://doi.org/10.2991/icoi-19.2019.53

Lubis, A., & Nugroho, R. A. (2023). Pengaruh leverage dan profitabilitas terhadap nilai perusahaan pada perusahaan sektor manufaktur yang terdaftar di Bursa Efek Indonesia. *Jurnal Akuntansi dan Keuangan Entitas*, 3(1), 90–123.

Manu, R. E. H., Alhabsji, T., Rahayu, S. M., & Firdausi, N. N. (2019). The effect of corporate governance on profitability, capital structure, and corporate value. Research Journal of Finance and Accounting, 10(8), 202. https://doi.org/10.7176/RJFA

Margono, F. P., & Gantino, R. (2021). The influence of firm size, leverage, profitability, and dividend policy on firm value of companies in Indonesia Stock Exchange. *Copernican Journal of Finance & Accounting*, 10(2), 45–61. http://dx.doi.org/10.12775/CJFA.2021.007

Maharani, S. P. (2019). Pengaruh pertumbuhan perusahaan, profitabilitas dan ukuran perusahaan terhadap nilai perusahaan dengan struktur modal sebagai variabel intervening (Studi pada perusahaan subsektor makanan dan minuman yang terdaftar di BEI tahun 2014-2018) [Skripsi, Universitas Islam Negeri Maulana Malik Ibrahim Malang].

Natsir, K., & Yusbardini, Y. (2020). The effect of capital structure and firm size on firm value through profitability as intervening variable. *8th International Conference of Entrepreneurship and Business Management Untar (ICEBM 2019)*, 218–224. https://doi.org/10.2991/aebmr.k.200626.040

Novita, H., Samosir, R. C., Rutmia, Sarumaha, K., & Saragih, E. (2022). Pengaruh harga saham, ukuran perusahaan, profitabilitas, dan leverage terhadap nilai perusahaan manufaktur yang terdaftar di BEI tahun 2018-2020. *Akurasi: Jurnal Studi Akuntansi dan Keuangan*, 5(1), 77–86. https://doi.org/10.29303/akurasi.v5i1.150

Nuridah, S., Supraptiningsih, J. D., Sopian, S., & Indah, M. (2023). Pengaruh profitabilitas dan ukuran perusahaan terhadap struktur modal pada perusahaan ritel. *Jurnal Mutiara Ilmu Akuntansi*, *1(1)*, 155–169. https://doi.org/10.55606/jumia.v1i1.1135

Nurwulandari, A. (2021). Effect of liquidity, profitability, firm size on firm value with capital structure as intervening variable. ATESTASI: *Jurnal Ilmiah Akuntansi*, 4(2), 257–271. https://doi.org/10.57178/atestasi.v4i2.271

Nurwulandari, A., Wibowo, Y., & Hasanudin. (2023). Effect of liquidity, profitability, firm size on firm value with capital structure as intervening variable. ATESTASI: Jurnal Ilmiah Akuntansi, 4(2), 257–271. https://doi.org/10.33096/atestasi.v4i2.835

Prastika, N. P. Y., & Candradewi, M. R. (2019). Pengaruh profitabilitas, struktur aktiva, dan likuiditas terhadap struktur modal perusahaan subsektor konstruksi bangunan di BEI. *Jurnal Manajemen Universitas Udayana*, 8(7), 388654. https://doi.org/10.24843/EJMUNUD.2019.v08.i07.p16

Putra, E. A., & Handayani, N. (2021). Pengaruh profitabilitas, likuiditas dan risiko bisnis terhadap struktur modal perusahaan. *Jurnal Ilmu dan Riset Akuntansi (JIRA)*, 10(3).

Purwanti, T. (2020). The Effect of Profitability, Capital Structure, Company Size, and Dividend Policy on Company Value on the Indonesia Stock Exchange. *International Journal of Seocology*, 1(02), 060–066.

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

Sudiyatno, B., Puspitasari, E., Nurhayati, I., & Rijanti, T. (2021). The relationship between profitability and firm value: Evidence from the manufacturing industry in Indonesia. *International Journal of Financial Research*, 12(3), 466. https://doi.org/10.5430/IJFR.V12N3P466

Sudrajat, J., & Setiyawati, H. (2021). Role of firm size and profitability on capital structures and its impact over firm value. Dinasti *International Journal of Economics, Finance & Accounting*, 2(1), 13–27. https://doi.org/10.38035/dijefa.v2i1.737

Sugiyono. (2013). *Metode penelitian pendidikan: Pendekatan kuantitatif, kualitatif, dan R&D.* Bandung: Alfabeta.

Tombokan, G. L. M., Mangantar, M., & Saerang, I. S. (2019). Pengaruh kepemilikan institusional, ukuran dewan direksi, DER terhadap nilai perusahaan pada perusahaan food and beverage yang terdaftar di BEI periode 2013-2017. *Jurnal EMBA*, 7(4), 5358–5367. https://doi.org/10.35794/emba.7.4.2019.26239

Utami, C. N., & Widati, L. W. (2022). Pengaruh profitabilitas, likuiditas dan kepemilikan manajerial terhadap nilai perusahaan. *Owner: Riset & Jurnal Akuntansi*, 6(1), 885. https://doi.org/10.33395/owner.v6i1.682

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), 13–25.

Wanda, A. P., & Halimatusadiah, E. (2021). Pengaruh solvabilitas dan profitabilitas terhadap penghindaran pajak. *Jurnal Riset Akuntansi*, 59–65. https://doi.org/10.29313/jra.v1i1.194

Yati, I. Y., Alexander, N., & Faisal, Y. (2022). Pengaruh profitabilitas, leverage, dan ukuran perusahaan terhadap income smoothing. *Jurnal Kewirausahaan, Akuntansi dan Manajemen Tri Bisnis*, 4(2). https://doi.org/10.59806/tribisnis.v4i2.226

Zuhroh, I. (2019). The effects of liquidity, firm size, and profitability on the firm value with mediating leverage. *KnE Social Sciences.* https://doi.org/10.18502/kss.v3i13.4206

Conflict of Interest Statement: The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

List of Tables

***Table 1** / Descriptive Analyze*

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-1.1753	49.6961	3.6371	7.03015	51
Std. Predicted Value	-.685	6.552	.000	1.000	51
Standard Error of Predicted Value	.829	5.836	1.177	1.146	51
Adjusted Predicted Value	-37.6854	116.5465	4.2070	17.20358	51
Residual	-9.81403	24.74042	.00000	5.65916	51
Std. Residual	-1.681	4.239	.000	.970	51
Stud. Residual	-1.712	4.294	.050	1.082	51
Deleted Residual	-116.28654	56.96870	-.56995	19.90400	51
Stud. Deleted Residual	-1.749	5.450	.087	1.222	51
Mahal. Distance	.028	49.010	2.941	11.105	51
Cook's Distance	.000	99.207	2.565	14.180	51
Centered Leverage Value	.001	.980	.059	.222	51

a. Dependent Variable: NILAI PERUSAHAAN

Source: Primary data is processed, 2024.

***Table 2** / Multicolinearity Test Results*

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1 (Constant)	-1.009	1.048		-.963	.340		
PROFITABILITAS	-1.075	1.202	-.082	-.894	.376	.999	1.001
UKURAN PERUSAHAAN	-.003	.002	-.148	-1.607	.115	.986	1.014
STRUKTUR MODAL	10.998	1.300	.779	8.460	.000	.987	1.014

a. Dependent Variable: NILAI PERUSAHAAN

***Table 3** / Heteroscedastisity Test Results*

Coefficients[a]

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	3.124	.788		3.965	.000
PROFITABILITAS	-.672	.904	-.105	-.743	.461
UKURAN PERUSAHAAN	-.002	.002	-.141	-.994	.325
STRUKTUR MODAL	1.412	.978	.205	1.444	.155

a. Dependent Variable: ABS_RES2

***Table 4** / Normality Test Results*

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		51
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	5.65915709
Most Extreme Differences	Absolute	.203
	Positive	.203
	Negative	-.117
Test Statistic		.203
Asymp. Sig. (2-tailed)		.000[c]

***Table 5** / Pathway Test Results*

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	3.928	1.367		2.874	.006
	PROFITABILITAS	-.922	1.889	-.070	-.488	.628
	UKURAN PERUSAHAAN	-.001	.003	-.058	-.404	.688

a. Dependent Variable: NILAI PERUSAHAAN

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.090[a]	.008	-.033	9.17371

a. Predictors: (Constant), UKURAN PERUSAHAAN, PROFITABILITAS

***Table 6** / Pathaway Test Results*

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.449	.097		4.649	.000
	PROFITABILITAS	.014	.133	.015	.104	.918
	UKURAN PERUSAHAAN	.000	.000	.116	.806	.424

a. Dependent Variable: STRUKTUR MODAL

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.780[a]	.609	.584	.41234

a. Predictors: (Constant), NILAI PERUSAHAAN, UKURAN PERUSAHAAN, PROFITABILITAS

***Table 7** / Pathaway Test Results*

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.233	.067		3.508	.001
	PROFITABILITAS	.064	.085	.069	.758	.452
	UKURAN PERUSAHAAN	.000	.000	.161	1.756	.086
	NILAI PERUSAHAAN	.055	.006	.775	8.460	.000

a. Dependent Variable: STRUKTUR MODAL

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.116[a]	.013	-.028	.64805

a. Predictors: (Constant), UKURAN PERUSAHAAN, PROFITABILITAS

List of Figures

***Figure 1** / Path Analyze*