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# PROFITABILITY AND COMPANY SIZE INFLUENCE ON COMPANY VALUE WITH CAPITAL STRUCTURE AS A MEDIATION VARIABLE (Empirical Study on Manufacturing Companies Listed on the Indonesian Stock Exchange (BEI) period 2017-2022

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### *Abstract*

*This research aims to determine the influence of profitability and company size on company value with capital structure as a mediating variable (empirical study on manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2022 period). This research uses secondary data. Meanwhile, the sampling technique used was purposive sampling and the data analysis method used was Path Analysis with SPSS. The results of this research show that profitability and company size have an influence on company value with capital structure as a mediating variable (empirical study on manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2022 period) some have a positive and significant effect and some have a negative and insignificant effect.*

**Keywords:** Profitability, company size, company value, capital structure

## INTRODUCTION

Manufacturing companies listed on the Indonesian Stock Exchange have a short-term goal of obtaining maximum profits, in the long term to prosper owners and shareholders and maximize company value relative to the share price of the manufacturing company. Maximizing company value will be seen from the share price of manufacturing companies, the higher the share price, the higher the company value. A high company value is the desire of company owners, because a high value shows that shareholder prosperity is also high. Company value can be reflected in company performance. Company value is very important for investors, because it is an indicator for the market to assess the company as a whole. Company value is reflected in the addition of the company's equity to the company's debt. Company value can describe the condition of the company, as the company value increases, the company will be viewed favorably by potential investors, and vice versa, shareholder value will increase if the company value increases, which is indicated by a high level of return on investment to shareholders.

Many factors influence company value such as profitability and capital structure. Profitability is a company's ability to generate profits and measures the level of operational efficiency and efficiency in using the assets it owns. Profitability can be used as a reflection to measure management performance in running a business, this can be seen from operating profit, net profit, rate of return on investment and rate of return on owner's equity. Company size with total assets is how much assets the company owns. Company size is the size of the company which can be measured by the total assets/amount of company assets using the logarithmic value of total assets. Company size is a measure of how large or small a company is, which can be seen

from various scales and sizes of the company and determines the level of ease in obtaining funds from the capital market in a company.

The larger the company will have an impact on the company's level of confidence in increasing its capital structure. Capital structure is an effort to fulfill the company's spending needs with long-term funding sources originating from internal funds and external funds. Capital structure is a balance or combination of foreign capital and own capital. Capital structure is the decision to choose a source of financing or the composition of the selection of funding which is a comparison in determining the fulfillment of the company's spending needs where the funds obtained are a combination of sources originating from long-term funds which consist of two main sources both from within and outside the company.

## RESEARCH METHODS

This research was carried out on the Indonesian Stock Exchange including data on company value obtained from IDX Statistics or the Indonesian Capital Market Dictionary (ICMD). The data used in this research concerns quantitative data. In this research the author uses secondary data obtained from financial reports of manufacturing companies listed on the Indonesian Stock Exchange (BEI) for the 2017-2022 period.

Data analysis uses the classical assumption test, normality test, multicollinearity test, heteroscedasticity test, autocorrelation test.

Multiple linear regression analysis using two models, namely  
Regression Model I

$$Y = \alpha + b_1x_1 + b_2x_2 + e$$

Regression Model II

$$Z = \alpha + b_1x_1 + b_2x_2 + b_3Y + e$$

Hypothesis testing and path analysis (Path Analysis)

Path I model

$$Y = \rho_{yx1} + \rho_{yx2} + \rho_{zy} + \varepsilon_1$$

Path II model

$$Z = \rho_{zx1} + \rho_{zx2} + \varepsilon_2$$

## RESULTS AND DISCUSSION

### Multicollinearity test results

Table 1  
Multicollinearity tolerance and VIF test results (model one)  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-585,604	1.412,160		-,415	,684		
1 ROA	5349,299	2.507,326	,481	2,133	,050	1,000	1,000
TA	20,692	58,982	,079	,351	,731	1,000	1,000

a. Dependent Variable: PBV

Source: SPSS 21, Data processed

Table 2  
Multicollinearity tolerance and VIF test results (model two)  
**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-160,471	26,879		-5,970	,000		
ROA	-134,121	54,177	-,091	-2,476	,027	,767	1,303
TA	5,478	1,121	,158	4,888	,000	,992	1,008
PBV	,134	,005	1,008	27,349	,000	,763	1,311

a. Dependent Variable: DER

Source: SPSS 21, Data processed

### Autocorrelation test results

Table 3  
Autocorrelation test results (model one)  
**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,487 <sup>a</sup>	,237	,136	1.246,39327	2,606

a. Predictors: (Constant), TA, ROA

b. Dependent Variable: PBV

Source: SPSS 21, Data processed

Table 4  
Autocorrelation test results (model two)  
**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,993 <sup>a</sup>	,986	,982	23,58903	1,908

a. Predictors: (Constant), PBV, TA, ROA

b. Dependent Variable: DER

Source: SPSS 21, Data processed

### Hypothesis testing results

Table 5  
Hypothesis testing of all variables simultaneously  
**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	7.255.637,304	2	3.627.818,652	2,335	,131 <sup>b</sup>
Residual	23.302.442,580	15	1.553.496,172		
Total	30.558.079,884	17			

a. Dependent Variable: PBV

b. Predictors: (Constant), TA, ROA

Source: SPSS 21, Data processed

Table 6  
Hypothesis testing of all variables simultaneously  
ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	529.600,919	3	176.533,640	317,254	,000 <sup>b</sup>
Residual	7.790,192	14	556,442		
Total	537.391,110	17			

a. Dependent Variable: DER

b. Predictors: (Constant), PBV, TA, ROA

Source: SPSS 21, Data processed

## DISCUSSION

Table 7  
Hypothesis testing results

Hypothesis	B	Sign	comparison	decision
Ha 1 ROA To PBV	0,481	0,050	0,05	Accepted
Ha 2 TA To PBV	0,079	0,731	0,05	Rejected
Ha 3 ROA To DER	-0,091	0,027	0,05	Accepted
Ha 4 TA To DER	0,158	0,000	0,05	Accepted
Ha 5 ROA, PBV To DER	0,484	0,000	0,05	Accepted
Ha 6 TA, PBV To DER	0,007	0,000	0,05	Accepted
Ha 7 DER To PBV	1,008	0,000	0,05	Accepted

## CONCLUSION

In table 7 above, the test results and discussion regarding profitability and company size influence company value with capital structure as a mediating variable (empirical study on manufacturing companies listed on the Indonesian Stock Exchange (BEI) for the 2017-2022 period) both partially and simultaneously some have a positive and significant effect and some have a negative and insignificant effect.

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