

## EFFECT OF FIRM SIZE AND CAPITAL STRUCTURE ON FIRM VALUE WITH PROFITABILITY AS AN INTERVENING VARIABLE IN MANUFACTURING COMPANIES

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**Abstract**

The purpose of this study is to examine the effect of firm size and capital structure on firm value, profitability being an intermediate variable. The sampling method used purposeful sampling, with samples of hilir kuantitas from 60 manufacturing companies listed on the Indonesian Stock Exchange. The analytical methods used are classical hypothesis and multiple linear regression analysis. The results show that firm size has a partial effect on profitability, capital structure has a partial effect on profitability, and firm size has a partial influence on firm value. company, partial profits significantly affect the value of the company. , profitability mediated and unmediated firm size and partial capital structure have a significant effect on firm value, profitability without intermediate variables. R<sup>2</sup> (R squared) adjusted is 0.406 or 40.6%, which indicates that the contribution of the variables of firm size, capital structure and profitability to the firm value variable is 40.6%, while the remaining 59.4% is affected by other external factors. variable. this study such as the financial performance of poros, diversity of the board and other issues.

**Keywords:** Firm Size, Capital Structure, Enterprise Value, Profitability, Ipteks

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## INTRODUCTION

A company must have goals, one of which is to maximize the value of a company. Meanwhile, in this globalization era, rapid developments have occurred in the business world in Indonesia, even the world has been shaken by the Covid-19 outbreak. This condition makes all sectors experience a downturn, one of which is the manufacturing sector. The establishment of a company must be with a clear purpose. The company's goals include getting maximum profits, wanting to prosper company owners and optimizing company value which can be seen from its share price. Maximizing company value is very important for a company, because by maximizing company value it also means maximizing shareholder wealth which is the company's main goal [1].

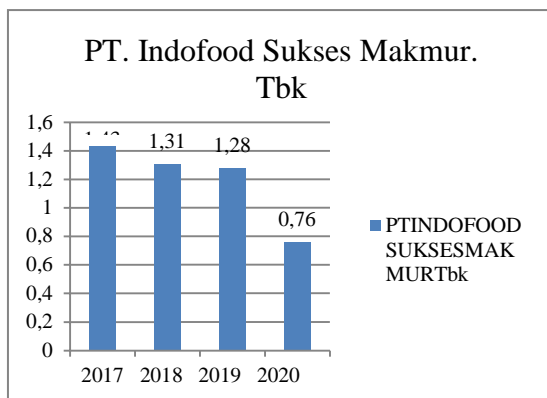


Figure 1. Company Value Growth PT. Indofood Sukses Makmur. Tbk

From the graph above it can be observed that the level of industrial value development at PT.Indofood Berhasil Makmur has experienced depreciation from 2017 to 2020. In 2017 it was 1.43, in 2018 it faced depreciation of 1.31, after that in 2019 it shrank to 1.28, in 2020 it will shrink again to 0.76.

The establishment of a company must be with a clear purpose. The company's goals include getting maximum profits, wanting to prosper company owners and optimizing company value which can be seen from its share price. Maximizing company value is very important for a company, because by maximizing value the company also means maximizing the prosperity of shareholders which is the main goal of the company [2].

Firm value is an assessment of company performance by investors that has an impact on stock prices. If the company has good company performance accompanied by high stock prices, it can optimize company value. Firm value can bring prosperity to its holders if stock prices increase. If a company has a higher stock price, the higher the prosperity of shareholders. An increase in company value will attract investors to continue to trust and continue to invest in the company [3].

Firm value is a certain condition that has been achieved by a company as an illustration of public trust in the company. The main goal is to maximize the wealth or value of the company (value of the firm). Maximizing company value is very important for a company, because maximizing company value can also be interpreted as maximizing shareholder wealth which is the company's main goal [4]. Company size is a company scale that can be grouped into company size based on total assets, total sales and share value. Company size is how big a company is when viewed from assets, total sales, average total sales and average total assets. The company size variable is one of the indicators in assessing a company and is





the reason investors will respond positively to the company if the company size increases as evidenced by the size of the company's sales, total capital, or total assets [5]. The capital structure in a company is only part of the financial structure. The way to maximize company value is to optimize the balance between risk and return, so as to maximize the company's stock price. The capital structure is an important issue for the company because both good and bad will have a direct effect on the company's financial position which will ultimately affect the value of the company [6]. Profitability is a company's ability to generate profits and measures the level of operational efficiency and efficiency in using its assets. Apart from being an indicator of the company's ability to fulfill its obligations to its funders, it is also an element in creating company value that shows the company's prospects in the future. Profitability is a benchmark for investors in assessing company performance in its calculations using Return On Assets (ROA). The higher the company's profit, the better the management of company assets [7]. The influence of profitability describes the company's ability to generate profits from the use and management of assets, equity and debt. The higher the profitability ratio of a company, the company has good management. A high company will reflect good company prospects. The higher the profitability of a company, it will also reflect a high level of company efficiency, so that the company's performance looks good too. [8]. According to previous research conducted by [9] found that profitability has a significant effect on firm value. According to [10] shows that

profitability has a significant negative effect on firm value.

## RESEARCH METHODS

The research object is a reflection of a scientific objective that is to be presented in order to obtain data and information for a specific purpose. The object in this research is a manufacturing industry that is listed on the Indonesia Stock Exchange (IDX) in 2017-2021 via the website address [www.idx.co.id](http://www.idx.co.id). The research design that will be used in carrying out this research is a research design with a causal model, namely research that assesses the relevance due to consequences and aims to carry out tests on a hypothesis about the influence of independent variables (independent variables) on dependent variables (dependent variables) with each other. This research includes descriptive research that uses a quantitative approach. Quantitative information is a type of information that can be measured (measurable) or calculated directly as a number or number variable. The procedure for analyzing information in research is multiple linear regression analysis using the SPSS 23 application. The dependent variable is a variable that is affected or becomes a result, because there are discretionary variables. Variables are often referred to as output variables, criteria, consequences. The dependent variable used in this research is Firm Value (Y).

No	Sampling Withdrawal Criteria	Sum
1	Manufacturing companies listed on the IDX for the 2017-2021.	195
2	Manufacturing companies that do not have complete financial reports in the 2017-2021 study period.	(53)





3	Manufacturing companies which in their financial statements have experienced losses from 2017-2021.	(53)
4	Manufacturing companies that do not present their financial statements in rupiah.	(29)
Number of Samples		60
Number of Observations During 5 year		300

Table 1. Sample Selection Criteria

The table above shows that of the 195 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2021 period, 60 companies were selected as research samples.

## RESULTS AND DISCUSSION

After all data and information has been collected, the data processing stages can be carried out immediately. The data processing process is carried out with the help of the SPSS 2 program. Based on the stages of data processing that have been carried out, a summary of descriptive statistics is obtained.

The results of the descriptive statistical analysis in this study show that the firm value (Y), there are 300 observations made on this variable where the smallest (minimum) value is 0.11, the largest (maximum) value is 82.44 with an average (mean) value of 3.2335 with a standard deviation of 8.00751.

StandardizedResidual		
N		251
NormalParameters <sup>a,b</sup>	Mean	-.0667289
	Std.Deviation	.88746016
	Absolute	.083

MostExtremeDifferences	Positive	.083
	Negative	-.060
Kolmogorov-SmirnovZ		1.322
Asymp.Sig.(2-tailed)		.061

Table 2. One-SampleKolmogorov-SmirnovTest

Based on the normality test using the One-Sample Kolmogorov-Smirnov test, it can be seen that the Kolmogorov-Smirnov value is 1.322 and a significant value is 0.061 above 0.05. This indicates that the residual research data is normally distributed.

The table above shows that the company size variable has a tolerance value of 0.931 > 0.1 and a VIF value of 1.074 < 10 and the capital structure variable has a tolerance value of 0.931 > 0.1 and a VIF value of 1.074 < 10. All independent variables have a VIF value of less than 10 and a tolerance value of more than 0.10. This indicates that this model is free from multicollinearity problems.

Model	CollinearityStatistics	
	Tolerance	VIF
(Constant)		
Size	.987	1.013
Structure	.996	1.004
Profitability	.988	1.013

Table 3. Multicollinearity Test Results

The table above shows that the company size variable has a tolerance value of 0.987 > 0.1 and a VIF value of 1.013 < 10. The capital structure variable has a tolerance value of 0.996 > 0.1 and a VIF value of 1.004 < 10 and the profitability variable has a tolerance value of 0.988 > 0.1 and a VIF value of 1.013 < 10. All independent variables have a VIF value of





less than 10 and a tolerance value of more than 0.10. This indicates that this model is free from multicollinearity problems.

$$Y = -2,035 + 0,648X_1 + 2,979X_2 + 45,547Z + \epsilon$$

From the multiple regression equation above it can be concluded that:

- 1) A constant value of -22.035 means that if the company size, capital structure and profitability are constant (fixed), then the variable value of the company value is - 22.035.
- 2) The regression coefficient of the company size variable is 0.648; if the company size variable increases by one (1) unit, assuming the capital structure and profitability variables are constant (fixed), then the company value variable value will increase by 0.648.
- 3) The regression coefficient of the capital structure variable is 2.979; if the capital structure variable increases by one (1) unit assuming that the firm size and profitability variables are constant (fixed) then the value of the firm value variable will increase by 2.979.
- 4) The regression coefficient of the profitability variable is 45.547; if the profitability variable increases by one (1) unit, assuming that the firm size and capital structure variables are constant (fixed), then the variable value of the company value will increase by 45.547

## CONCLUSION

1. The variable company size partially has a positive and significant effect on profitability in manufacturing companies listed on the Indonesia Stock Exchange in

2017-2021, where the value is sig 0.003 <0.05.

2. The capital structure variable partially has a negative and significant effect on profitability in manufacturing companies listed on the Indonesia Stock Exchange in 2017-2021, where the value is sig 0.000 <0.05.

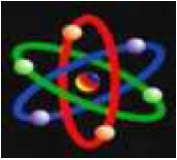
3. The variable company size partially has a positive and significant effect on company value in manufacturing companies listed on the Indonesian Stock Exchange in 2017-2021, where the value is sig 0.005 <0.05.

4. The capital structure variable partially has a positive and significant impact on the company value of manufacturing companies listed on the Stock Exchange

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