

## **THE INFLUENCE OF PROFITABILITY, CAPITAL STRUCTURE, AND FIRM SIZE ON FIRM VALUE**

**Ai Sipa<sup>1</sup>, Imas Purnamasari<sup>2</sup> and Harpa Sugiharti<sup>3</sup>**

<sup>1,2,3</sup> Faculty of Economics and Business Education, Indonesia University of Education, Dr. Setiabudi Street No.  
229

E-mail: assipa02@gmail.com; imaspurnamasari@upi.edu; missharpa25@gmail.com

### **ABSTRACT**

This study aims to identify factors that influencing firm value in the Consumer NonCyclicals sector listed on the Indonesia Stock Exchange (IDX) in 2019-2023. The independent variables used in this study include profitability as measured by return on assets (ROA), capital structure as measured by debt to equity ratio (DER), and company size as measured by the logarithm of total assets. The dependent variable used is firm value as measured by Tobin's Q ratio. This research applies a quantitative approach with descriptive and verification methods. A sample of 66 companies was determined using purposive sampling technique, which was then multiplied by the research period of five years resulting in a total of 330 data observations. The results of hypothesis testing show that the profitability variable has a positive effect on firm value. High profitability will increase firm value. Meanwhile, the capital structure and firm size variables have no effect on firm value. The capital structure and company size have no effect on firm value because investors prioritize assessing how the company manages its debt and assets to get the expected profit so as to increase company value.

**Key words:** firm value; profitability; capital structure; firm size

### **INTRODUCTION**

Company value is a reflection of a company's condition and performance, which can be seen through its share price (Irnawati, 2021). Investors rate a company as good if its share price is stable and relatively increasing (Ginting & Siregar, 2024). Information published by companies, such as annual reports, forms the basis for investors to analyze the actual condition of the company (Churcill & Ardillah, 2019). This is in line with signal theory, which states that information from companies can be good news or bad news for investors (Setiawanta & Hakim, 2019; Poerwati et al., 2023). Good signals will attract investors to invest because the company is considered to have high value. In practice, internal factors such as profitability, capital structure, and company size are often used as important indicators in measuring company value (Pasaribu et al., 2019; Hafni & Rismawati, 2017; Sudyatno et al., 2020).

However, previous research results still show a research gap regarding the influence of these factors. Several studies state that profitability has a positive effect on company value (Kammagi & Venny, 2023; Yanti & Darmayanti, 2019; Amro & Asyik, 2021; Sudiani & Wiksuana, 2018), but other studies find a negative effect (Susanti & Restiana, 2018) or even no significant effect (Ulya & Sunarto, 2024; Dwicahyani et al., 2022; Aini & Suwarno, 2024). The same thing happened with capital structure and company size, where some studies showed a positive effect (Ulya & Sunarto, 2023; Yanti & Darmayanti, 2019; Azhar, 2020), negative (Kammagi & Venny, 2023; Susanti & Restiana, 2018), or no effect (Masitah & Kholifaturofi'ah, 2022; Sulaiman et al., 2019). The differences in these research results are interesting to explore further, especially in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange, considering that this sector plays an important role in meeting the primary needs of the community and is considered promising for investors (Nugroho & Munari, 2021; Nadya, 2023).

The purpose of this study is to analyze the factors that can affect the value of companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023 based on the selected factors, namely profitability, capital structure, and company size.

### **METHOD**

This study uses a quantitative approach through descriptive and verifiable methods. There are four variables to be examined in this study, three of which are independent variables and one is a dependent variable. The independent variables consist of profitability, capital structure, and company size. The dependent variable in this study is company value. The population in this study consists of companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange (IDX). As of 2023, the number of companies in the Consumer Non-Cyclicals sector listed on the IDX is 126 companies. Sampling was conducted using a non-probability sampling design. The technique applied in sampling was purposive sampling. The sample used consisted of 66 companies

with a research period of 5 years, resulting in a total of 330 data observations in this study. The data collection technique in this study used the panel data documentation technique. The data used in this study was secondary data.

## RESULTS AND DISCUSSION

**Table 1. Descriptive Analysis Results**

Variable	Minimum	Maximum	Mean	Median	Std. Deviation
Profitability	-53,08	94,36	3,66	4,00	12,68
Capital Structure	-4,86	92,50	2,48	0,94	7,21
Firm Size	10,84	19,04	15,08	15,11	1,71
Firm Value	0,43	16,26	1,87	1,31	1,85

(Source: Microsoft Excel output)

Profitability, as proxied by ROA, has a minimum value of -53.08%, a maximum value of 94.36%, an average value of 3.66%, a median value of 4.00%, and a standard deviation of 12.68%. The average ROA value is still below the industry standard of 9%. The average ROA value means that all assets owned by the company can contribute to profit creation of 3.66% or every Rp1.00 of assets owned by the company can generate a profit of Rp0.0366.

The capital structure proxied by DER has a minimum value of -4.86%, a maximum value of 92.50%, an average value of 2.48%, a median value of 0.94%, and a standard deviation value of 7.21%. The average DER value is lower than the industry average of 36.4%. The average DER value is above 1, which means that the company's debt is greater than its equity. This means that the company's business operations are mostly funded by external funds through debt.

The size of companies proxied by Size has a minimum value of 10.84%, a maximum value of 19.04%, an average value of 15.08%, a median value of 15.11%, and a standard deviation of 1.71%. The average value of Size is below the median, indicating that the company size data from 2019-2023 is mostly above average.

The company value proxied by Tobin's Q has a minimum value of 0.43%, a maximum value of 16.26%, an average value of 1.87%, a median value of 1.31%, and a standard deviation of 1.85%. The average value of Tobin's Q can be considered good because it is above one (1).

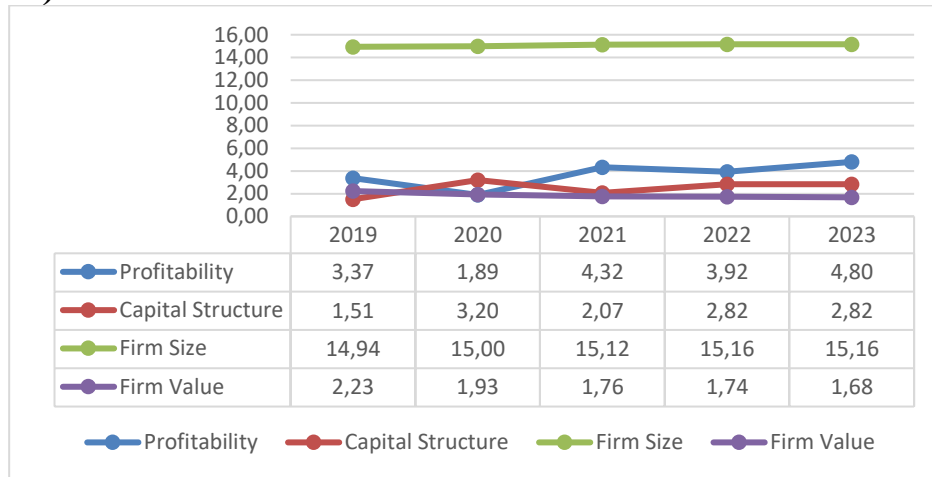
The profitability of companies measured by ROA in the Consumer Non-Cyclicals sector generally shows an upward trend over the last five years. However, the ability of companies in the Consumer Non-Cyclicals sector listed on the IDX to generate profitability is still considered poor because, for five consecutive years, more than half of the companies in this sector have had profitability lower than the industry standard of 9% and below the industry average for the year in question. This condition indicates that most companies are still unable to utilize their assets effectively to generate maximum profits. This will have an impact on the decline in the interest of potential investors to invest in these companies because investors tend to choose companies with profitability values that exceed industry standards for investment.

The capital structure trend measured using the Debt to Equity Ratio (DER) has shown an increasing tendency in the 2019-2023 period. It can be concluded that, in general, companies in the Consumer Non-Cyclicals sector have carried out operations funded by debt. Companies prefer to seek funding through debt rather than increasing equity through the issuance of new shares. Companies with high capital structures also have high risks, particularly in relation to principal and interest payments, which can lead to a loss of confidence from potential investors.

The average company size trend in the Consumer Non-Cyclicals sector in 2019-2023 has an upward trend each year. A high company size value can reflect good performance because the company is considered capable of optimizing the use of assets for company operations. In addition, a large company size can also create high profit opportunities. Thus, the company will be able to attract investors to invest.

The trend in company value development measured using Tobin's Q indicator has tended to decline every year from 2019 to 2023. Although company value measured using the Tobin's Q indicator is considered good because the value is above one (1), the decline in company value is a negative signal for investors because it indicates a weakening of the company's financial performance.

If the average of each variable is presented in graphical form, it can be seen in Figure 1 below.



**Figure 1. Average Values**

**Table 2. Regression Coefficient Significance Test (t-test)**

Variable	t-Statistic	Prob.
C	0.384953	0.7006
ROA	2.150889	0.0324
DER	-0.213258	0.8313
SIZE	0.502329	0.6159

(Source: EViews 12 output)

Based on the t-test results, it is known that the profitability variable has a significance value of 0.0324, which is less than 0.05 or 5%. This indicates that H1 is accepted. Thus, profitability has a positive effect on company value. The results of this study indicate that an increase in profitability will cause the company value to increase as well. Conversely, a decrease in profitability will cause the company value to decrease as well. The influence of profitability on company value can be interpreted as investors tending to use profitability, measured by the ROA indicator, as one of the main indicators in assessing company performance. A higher level of profitability indicates more effective management of company assets in generating profits. In addition, high profitability can also reflect a company's ability to generate large revenues and control costs and expenses. Companies with high and increasing profitability will be a positive signal for external parties, especially investors. Investors believe that when a company has high profitability that tends to increase, the company has the opportunity to provide high returns for investors. The results of this study are in line with research conducted by Kammagi & Venny (2023), Yanti & Darmayanti (2019), Amro & Asyik (2021), Widyantari & Yadnya (2017), Munawaroh & Ramadhan (2022), Dang et al. (2019), and Sudiani & Wiksuana (2018), which state that profitability has a positive effect on company value.

Based on the t-test results, it is known that the capital structure variable has a significance value of 0.8313, which is greater than 0.05 or 5%. This indicates that H1 is rejected. Thus, capital structure does not affect company value. The results of this study indicate that increases and decreases in capital structure will not affect the movement of company value. The results of the study show that capital structure, measured using the DER indicator, does not affect company value measured using the Tobin's Q indicator, which is not in line with signaling theory, which states that ideally, capital structure has a negative or inverse relationship with company value. The lack of influence of capital structure on company value is due to investors having two basic assumptions regarding capital structure namely that every company must have debt to develop its business and that companies need a lot of funds to finance their operations which cannot be fulfilled solely through the company's own capital. On the other hand, investors also do not pay much attention to the level of a company's debt but rather tend to look at the company's ability to generate profits or earnings. When it comes to capital structure, investors will pay more attention to how the company's debt contributes to the company's profits. The results of this study are in line with the results of studies conducted by Aini & Suwarno (2024), Purba & Hasyim (2024), Sudiani & Wiksuana (2018), and Khanh et al. (2020), which state that capital structure has no effect on company value.

Based on the t-test results, it is known that the company size variable has a significance value of 0.6159, which is greater than 0.05 or 5%. This shows that H1 is rejected. Thus, company size does not affect company value. The results of this study indicate that increases and decreases in company size will not affect the movement of company value. The research results showing that company size, measured using the logarithm of total assets indicator, does

not affect company value, measured using the Tobin's Q indicator, are not in line with signaling theory. Based on signaling theory, the larger the size of a company, the better its value, thus providing a good signal to investors. The lack of influence of company size on company value is due to investors' assumption that the size of a company, as measured by the total assets owned by the company for its operational activities, the larger the size of the company, the greater the funds required for its operational activities. On the other hand, investors also do not pay much attention to the size of the company but tend to look at the company's ability to generate profits or income. When linked to the size of the company measured using the logarithm of total assets indicator, investors will pay more attention to how the assets owned by the company contribute to the company's profits. The results of this study are in line with the results of studies conducted by Aini & Suwarno (2024), Masitah & Kholifaturofi'ah (2022), and Sulaiman et al. (2019), which state that company size does not affect company value.

## CONCLUSION

Profitability has a positive effect on company value in the Consumer Non-cyclicals sector listed on the Indonesia Stock Exchange (IDX) in 2019-2023. An increase in profitability will cause company value to rise, while a decrease in profitability will cause company value to fall. Capital structure does not affect company value in the Consumer Non-cyclicals sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. The results of this study indicate that increases and decreases in capital structure will not affect changes in company value. The amount of debt owned by a company does not affect company value. Company size does not affect company value in the Consumer Non-cyclicals sector listed on the Indonesia Stock Exchange (IDX) from 2019-2023. The results of this study indicate that increases and decreases in company size will not affect the movement of company value. The size of the company does not affect company value.

## REFERENCES

- Aini, A., & Suwarno, A. (2024). Pengaruh Profitabilitas, Struktur Modal, Ukuran Perusahaan, Dan Kinerja Keuangan Terhadap Nilai Perusahaan (Studi Pada Perusahaan Sektor Financials Subsektor Banks Yang Terdaftar Di BEI Tahun 2020-2022). *Jurnal Bina Bangsa Ekonomika*.
- Amro, P., & Asyik, N. (2021). Pengaruh Profitabilitas, Ukuran Perusahaan, Dan Struktur Modal Terhadap Nilai Perusahaan. *Jurnal Ilmu dan Riset Akuntansi*.
- Azhar, N. (2020). Do Environmental, Social, and Governance Practices (ESG) Signify Firm Value? Evidence from FTSE4Good Bursa Malaysia (F4GBM). *Global Business and Management Research: An International Journal*.
- Churcill, S., & Ardillah, K. (2019). Pengaruh Struktur Modal, Profitabilitas, Dan Struktur Aktiva Terhadap Harga Saham . *STATERA: Jurnal Akuntansi dan Keuangan*.
- Dang, H., Vu, V., Ngo, X., & Hoang, H. (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*.
- Dwihayani, D., Rate, P., & Jan, A. (2022). Pengaruh Leverage, Profitabilitas, Ukuran Perusahaan, Kepemilikan Manajerial Dan Kepemilikan Institusional Terhadap Nilai Perusahaan Perusahaan Consumer Non Cyclical. *Jurnal EMBA*.
- Ginting, C., & Siregar, Q. (2024). Pengaruh Net Profit Margin Dan Earning Per Share Terhadap Harga Saham Dimediasi Struktur Modal Pada Perusahaan Sub Sektor Batu Bara Yang Terdaftar Di Bursa Efek Indonesia Periode 2019 –2023. *Jurnal Ekonomi dan Bisnis*
- Irnawati, J. (2021). Nilai Perusahaan dan Kebijakan Deviden Pada Perusahaan Construction and Engineering Pada Bursa Efek Singapura. CV. Pena Persada.
- Kammagi, N., & Veny. (2023). Pengaruh Struktur Modal, Profitabilitas, Ukuran Perusahaan Dan Pertumbuhan Perusahaanterhadap Nilai Perusahaan. *Jurnal Akuntansi Bisnis*.
- Khanh, V., Hung, D., Van, V., & Huyen, H. (2020). A study on the effect of corporate governance and capital structure on firm value in Vietnam. *Accounting*.
- Masitah, S., & Khalifaturofi'ah, S. (2023). Nilai Perusahaan Sektor Consumer Cyclical Era Pandemic: Diantara Faktor Determinan Yang Mempengaruhi. *BALANCE : Economic, Business, Management, and Accounting Journal*.
- Munawaroh, A., & Ramadhan, Z. (2022). Analisis Faktor Yang Mempengaruhi Nilai Perusahaan Dengan Kebijakan Deviden Sebagai Variabel Moderating Pada Perusahaan Pertambangan. *Jurnal Muhammadiyah Manajemen Bisnis*.
- Nadya, K. (2023). Apa itu Consumer non Cyclical: Definisi dan Contoh Sahamnya di Modal. Diambil kembali dari <https://www.idxchannel.com/market-news/apa-itu-consumer-non-cyclical-definisi-dan-contoh-sahamnya-di-pasar-modal>.
- Nugroho, I., & Munari. (2021). Pengaruh Intellectual Capital Terhadap Financial Performance Perusahaan Consumer Non-Cyclical Listed Di Bursa Efek Indonesia Tahun 2018-2019. *Jurnal Ilmiah Komputerisasi Akuntansi*.

- Poerwati, P., Nurhayati, I., & Kartika, A. (2023). Faktor Penentu Nilai Perusahaan: Studi Empiris Pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi Yang Terdaftar Di BEI. *Jurnal Ilmu Manajemen dan Akuntansi Terapan (JIMAT)*.
- Purba, N., & Hasyim, D. (2024). Pengaruh Struktur Modal, Profitabilitas, Growth Dan Kepemilikan Manajerial Terhadap Nilai Perusahaan Consumer Non Cyclical Yang Terdaftar Pada Bursa Efek Indonesia Tahun 2018-2019. *CEMERLANG : Jurnal Manajemen dan Ekonomi Bisnis*.
- Setiawanta, Y., & Hakim, M. (2019). Apakah sinyal kinerja keuangan masih terkonfirmasi? : Studi empiris lembaga keuangan di PT. BEI. *Jurnal Ekonomi dan Bisnis*.
- Sudiani, & Wiksuana. (2018). Capital Structure, Investment Opportunity Set, Dividend Policy And Profitability As A Firm Value Determinants.
- Sulaiman, A., Mijinyawa, U., & Isa, K. (2019). Effect of Financial Performance, Capital Structure and Firm Size on Firms' Value of Listed Consumer-goods firms in Nigeria. *Dutse International Journal of Social and Economics*.
- Susanti, N., & Restiana, N. (2018). What's the Best Factor to Determining Firm Value? *Jurnal Keuangan dan Perbankan*, 22(2):301–309.
- Ulya, R., & Sunarto. (2024). Pengaruh Ukuran Perusahaan, Struktur Modal, Likuiditas Dan Profitabilas Pada Nilai Perusahaan Sektor Consumer Non Cyclicals Yang Terdaftar Di Bursa Efek Indonesia (BEI) Periode 2018 2022. *Costing:Journal of Economic, Business and Accounting*.
- Widyantari, N., & Yadnya, I. (2017). Pengaruh Struktur Modal, Profitabilitas Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Food And Beverage Di Bursa Efek Indonesia. *E-Jurnal Manajemen Unud*.
- Yanti, I., & Darmayanti, N. (2019). Pengaruh Profitabilitas, Ukuran Perusahaan, Struktur Modal, Dan Likuiditas Terhadap Nilai Perusahaan Makanan dan minuman. *E-Jurnal Manajemen Unud*