Eduvest – Journal of Universal Studies
Volume 4 Number 04, April, 2024
p- ISSN 2775-3735- e-ISSN 2775-3727

THE EFFECT OF COMPANY SIZE AND CAPITAL STRUCTURE ON FIRM VALUE WITH PROFITABILITY AS AN INTERVENING VARIABLE

Rosy Meidiana Puri[1], Yuliani Yuliani[2], Kemas M. Husni Thamrin[3]
[1,2,3] Fakultas Ekonomi Universitas Sriwijaya, Indonesia
Email: meidianarosy@gmail.com

ABSTRACT

This study investigates the influence of company size and capital structure on firm value with profitability as an intervening variable in the Property and Real Estate sector companies listed on the Indonesia Stock Exchange during the period 2016-2022. Using a sample of 20 companies, this research employs a quantitative method with path analysis using the Eviews program. The results indicate that company size does not have a significant influence on profitability, while capital structure has a positive and significant impact on profitability. Company size positively and significantly affects firm value, whereas capital structure does not significantly influence firm value. Profitability shows a positive and significant effect on firm value and acts as an intervening variable between company size and firm value, as well as between capital structure and firm value. The theoretical implications of this research underline aspects of agency theory and the relationship among company size, profitability, and firm value. Practically, the findings suggest that profitability is more crucial than company size in determining firm value. It also emphasizes the need to optimize capital structure to prevent negative impacts on firm value.

KEYWORDS *Company Size, Capital Structure, Profitability, Firm Value,*

INTRODUCTION

The Property and Real Estate companies are a sub-sector of service companies listed as public companies in the Property, Real Estate, and Construction sectors on the Indonesia Stock Exchange (IDX). Property and real estate remain a primary choice for investors to invest their funds due to the potential for stock price increases within this sector. This is evidenced by several companies in the Property and Real Estate sector showcasing their business prospects maximally. This

How to cite: Rosy Meidiana Puri, Yuliani, Kemas M. Husni Thamrin. (2024). The Effect Of Company Size And Capital Structure On Firm Value With Profitability As An Intervening Variable. *Journal Eduvest*. *4*(4): 2274-2292
E-ISSN: 2775-3727
Published by: https://greenpublisher.id/

situation drives investors to compete in investing their funds in companies within the Property and Real Estate sector. This sector is significant as it can absorb a large workforce and has a cascading effect on other economic sectors (Kholifah, 2020).

Corporate value represents the reputation a company earns through its operations over a specific period. A high corporate value is a goal for every company, as a high corporate value attracts investors to invest in the company (Martha et al., 2018). Corporate value can be gauged by the company's stock market price since the stock market price reflects investors' assessment of the company's overall equity (Chasanah, 2018). Hence, maximizing corporate value equates to maximizing the company's stock market price (Adur et al., 2018). Corporate value can be measured by observing stock price trends in the secondary market; if the stock price increases, so does the corporate value. Corporate value is essentially the market value of bonds or long-term stock market values, making it attractive to investors, a crucial aspect of the modern market economy (Thamrin et al., 2018). Data from the Indonesia Stock Exchange shows that the property, real estate, and building construction sector index fell by 4.31% throughout 2017, while the Composite Stock Price Index (IHSG) surged by 19.99%. The property sector's performance did not improve despite Bank Indonesia's interest rate cuts and relaxed loan-to-deposit ratio policies (market.bisnis.com).

Research on factors affecting corporate value has been extensive. Typically, financial factors are used to explain their influence on corporate value. These financial factors include company size, capital structure, and profitability (Dang et al., 2019). Company size is indicated or assessed by total assets, sales, profits, and tax burden. Large assets are often used as collateral for borrowed funds; companies with significant assets are more trusted by creditors for funding (Shania & Hanaantijo, 2023). Capital structure shows the financial composition of a company, consisting of equity shareholders and long-term debt (Krisnando & Novitasari, 2021). Profitability is a ratio to assess a company's ability to generate profit (Nainggolan, 2017). Below is the average of company size, capital structure, and profitability on corporate value.

Strong property demand from consumers and investors can drive the growth of property companies. The decline in property company size in 2020 during the pandemic was a direct result of the economic impact caused by COVID-19. During the pandemic, many countries implemented lockdowns and social restrictions, leading to a decrease in property demand. Increased demand can include housing, commercial, and industrial properties. Large company size indicates the company's resilience in certain conditions, as large companies tend to secure funding easily (Aziz & Widati, 2023).

The capital structure variable, proxied using the Debt to Equity Ratio (DER), was 0.77 in 2016, increased to 0.88 in 2017 and 2018, slightly decreased to 0.63 in 2019, slightly increased to 0.76 in 2020, decreased again to 0.73 in 2021, and increased to 0.79 in 2022. Besides company size and capital structure, profitability can affect corporate value. Higher capital structure values mean higher risks for companies in securing long-term debt, as it will incur capital costs (Permatasari & Azizah, 2018).

Profitability, proxied using Return on Equity (ROE), was 14% in 2016, decreased to 10% in 2017, dropped to 9% in 2018, further decreased to 8% in 2019, and fell to 5% in 2020 and 2021. In 2022, it increased to 8%. The decline in profitability from 2016-2020 reflects economic uncertainty or a slowdown in property demand. The COVID-19 pandemic, starting early 2020, caused major disruptions in the property industry. By 2021-2022, the property market and the overall economy began recovering post-pandemic. Economic recovery can boost property demand, improving property company performance and increasing profitability. High profitability positively impacts corporate value by boosting investor confidence and attracting new investors (Yanti et al., 2023).

The Corporate Value variable, proxied using the Price to Book Value (PBV), showed an initial value of 2.11 in 2016. PBV for property and real estate companies declined to 1.99 in 2018, 1.43 in 2017, and 0.92 in 2019. In 2020, it slightly increased to 1.04 but fell again to 0.87 in 2021. However, in 2022, the PBV for property and real estate companies rose to 2.07. This can be verified by sales data of property companies listed on the IDX, where most companies did not meet targets, and a few remained stagnant. The 2020 COVID-19 pandemic further impacted this. The pandemic led to decreased profits and revenues for many companies. Post-pandemic, the property and real estate sub-sector began recovering in 2022. This recovery is reflected in rising property prices, increased buyer and tenant demand, and higher property investment activity.

Previous research results reveal significant differences. The research gap table shows diverse findings from previous studies, ranging from the influence of profitability and company size on corporate value with capital structure as an intervening variable in manufacturing companies to the impact of growth, company size, capital structure, and profitability on corporate value in companies in Vietnam and Indonesia. Previous research results indicate inconsistencies in factors affecting corporate value. Therefore, this research aims to explore the influence of company size, capital structure, and profitability on corporate value, titled "The Influence of Company Size and Capital Structure on Corporate Value with Profitability as an Intervening Variable in Property and Real Estate Companies Listed on the Indonesia Stock Exchange (Study of Property and Real Estate Companies Listed on IDX for the Period 2016-2022)." This study aims to analyze the direct influence of company size and capital structure on corporate value, and the influence of company size and capital structure with profitability as an intervening variable on corporate value, within the context of property and real estate companies in Indonesia. This research is expected to contribute theoretically by adding literature related to agency theory and practically by providing insights for investors on the principal-agent relationship affecting corporate value. These findings are based on the research gap table, including results from Azmi, Isnurhadi, and Hamdan (2018), Bui, Nguyen, and Pham (2023), Dang et al. (2019), Marisa, Isni, and Thamrin (2022), Santoso et al. (2023), and Azka, Shelfi, and Yuliani (2024).

RESEARCH METHOD

This research focuses on the impact of profitability, company size, and capital structure on corporate value in the Property and Real Estate Sector companies listed on the Indonesia Stock Exchange (IDX) during the period from 2016 to 2022. Quantitative data was obtained through the financial reports of these companies from the official IDX website. The research method used is quantitative, employing purposive sampling to select samples that meet the research objectives. The population consists of property and real estate companies listed on the IDX during the specified period. The research sample includes 20 companies, totaling 140 financial reports over 7 years. The research instrument uses a quantitative approach with path analysis utilizing the Eviews program. Data analysis was conducted using panel data regression techniques, classical assumption tests, descriptive analysis, and coefficient of determination tests. The final stage involves mediation analysis to understand the influence of independent variables on the dependent variable through the mediator variable..

RESULT AND DISCUSSION

Research Analysis Results

Data Description of Research Objects

The scope of this research is to analyze and determine the effect of company size and capital structure on corporate value with profitability as an intervening variable in property and real estate sector companies listed on the Indonesia Stock Exchange (IDX) for the period of 2016-2022. The data used includes 20 companies listed on the IDX from the property and real estate sector over a span of 7 years (2016-2022), resulting in a total of 140 observations. The data was collected from financial reports.

Descriptive Analysis Results

Table 4.1 Descriptive Statistics of the Research

Description	Company Size	Capital Structure	Profitability	Corporate Value
Mean	30.026	0.666	0.090	0.800
Median	29.660	0.710	0.080	0.740
Maximum	31.810	1.730	0.240	2.200
Minimum	29.440	0.030	0.000	0.210
Std. Dev.	0.621	0.449	0.052	0.427
Observations	140	140	140	140

Source : Data Processing Results, Eviews (2023)

Based on table 4.1 which displays the results of descriptive statistics of variables using EViews from the data above, the dependent variable is the value of the company, while the independent variable is the size of the company and the capital structure, with the intervening variable being profitability. The results of the statistical description can be described as follows: The size of the company, calculated based on total assets (ln total assets), has an average of 30,026 out of 20 samples, with a low value of 29,440 and a high of 31,810, as well as a standard

deviation of 0.621. The capital structure, measured by the DER (debt to equity ratio), has an average of 0.666, with a low of 0.03 and a high of 1.73, as well as a standard deviation of 1.730. The company's value, measured by PBV (price book value), has an average of 0.800, with a low of 0.210 and a high of 2.200, as well as a standard deviation of 0.427. Finally, profitability, calculated by ROE (return on equity), has an average of 0.090, with the lowest value of 0.00 and the largest determined by the value not available in the text.

Data Analysis Results

Model Selection Estimation in Equation 1

The selection of the panel data regression model estimation method is an analytical step to determine the best estimation model to be used in this study to understand the effect of company size (proxied by the size of Ln total assets) and capital structure (proxied by DER, debt to equity ratio) on profitability (proxied by ROE, return on equity). The panel data regression estimation models include the Chow test, Hausman test, and Lagrange multiplier test to determine the best estimation model to be used in this study.

Chow test

The Chow test is a statistical test conducted to determine whether the model falls under the fixed effect or common effect, which is most appropriate for estimating panel data in this study, to understand the effect of company size (proxied by the size of Ln total assets) and capital structure (proxied by DER, debt to equity ratio) on profitability (proxied by ROE, return on equity).

Table 4.6 Chow Test Results

Redundant Fixed Effects Tests
Equation : Untitled
Test cross-section fixed effects

Effect Test	Statistic	d.f	Prob.
Cross-section F	1.659	(19,118)	0.053
Cross-section Chi—square	33.150	19	0.023

Source : Data Processing Results, Eviews (2023)

Based on Table 4.6, if the probability value is less than 0.05, the model used is the fixed effect. However, if the probability value is greater than 0.05, the model used is the common effect. Table 4.6 shows that the probability value for the cross-section chi-square is 0.0231 < 0.05. Thus, based on the Chow test results using Eviews, it can be concluded that the fixed effect model is better.

Hausman test

The Hausman test is a statistical test conducted to determine whether the fixed effect or random effect model is most appropriate for estimating panel data in this study, to understand the effect of company size (proxied by the size of Ln total assets) and capital structure (proxied by DER, debt to equity ratio) on profitability (proxied by ROE, return on equity).

Table 4.7 Hausman Test Results

Correlated Random Effects – Hausman Test			
Equation : Untitled			
Test Cross-section random effects			
Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f**	**Prob.**
Cross-section random	1.830	2	0.400

Source : Data Processing Results, Eviews (2023)

Based on table 4.7, if the probability value is less than 0.05, then the model used is fixed effect. But if the probability value is greater than 0.05, then the model used is random effect. Table 4.7 shows that the P-Value value in the random cross-section of 0.4005 > 0.05 can be interpreted that the random effect model is more appropriate compared to the fixed effect model.

Equation 1 can be concluded that using the random effect model in interpreting the results of the regression of panel data in this study because the LM test is carried out if the results of the Chow test are common and in the Hausmant test the results are random even though the results of the chow test are fixed and the hausmant test is random, then the LM test does not need to be done again, so that when the LM test is carried out, the results will show a statement Not Available for panel equations with estimated effects.

Table 4.8 Random Effect Model Regression Estimation Results

Variable	**Coefficient**	**Std.Error**	**t-Statistic**	**Prob.**
C	0.457	0.247	1.846	0.067
Company Size	-0.011	0.008	-1.378	0.170
Capital Structure	-0.033	0.011	-2.825	0.005
Effect Specification				
R-Squared	0.091	Mean dependen var		0.068
Adjusted R-Squared	0.078	S.D. dependen var		0.049
S.E. of regression	0.047	Sum squared resid		0.304
F-Statistic	6.914	Durbin-Watson stat		1.222
Prob(F-Statistic)	0.001			

Source : Data Processing Results, Eviews (2023)

Model Selection Estimation in Equation 2

The selection of the panel data regression model estimation method is an analytical step to determine the best estimation model to be used in this study to understand the effect of company size (proxied by the size of Ln total assets), capital structure (proxied by DER, debt to equity ratio), and profitability (proxied by ROE, return on equity) on corporate value (proxied by PBV, price book value). The panel data regression estimation models include the Chow test, Hausman test, and Lagrange multiplier test to determine the best estimation model to be used in this study.

Chow Test

The Chow test is a statistical test conducted to determine whether the model falls under the fixed effect or common effect, which is most appropriate for estimating panel data in this study, to understand the effect of company size (proxied by the size of Ln total assets), capital structure (proxied by DER, debt to equity ratio), and profitability (proxied by ROE, return on equity) on corporate value (proxied by PBV, price book value).

Table 4.12 Chow Test Results

Redundant Fixed Effects Tests
Equation : Untitled
Test cross-section fixed effects

Effect Test	Statistic	d.f	Prob.
Cross-section F	10.331	(19,117)	0.000
Cross-section Chi—square	137.900	19	0.000

Source : Data Processing Results, Eviews (2023)

Based on Table 4.12, if the probability value is less than 0.05, the model used is the fixed effect. However, if the probability value is greater than 0.05, the model used is the common effect. Table 4.12 shows that the probability value for the cross-section chi-square is 0.000 < 0.05. Thus, based on the Chow test results using Eviews, it can be concluded that the fixed effect model is better.

Hausman Test

The Hausman test is a statistical test conducted to determine whether the fixed effect or random effect model is most appropriate for estimating panel data in this study, to understand the effect of company size (proxied by the size of Ln total assets), capital structure (proxied by DER, debt to equity ratio), and profitability (proxied by ROE, return on equity) on corporate value (proxied by PBV, price book value).

Table 4.13 Hausman Test Results

Correlated Random Effects – Hausman Test
Equation : Untitled
Test Cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-section random	10.026	3	0.018

Source: Data Processing Results, Eviews (2023)

Based on table 4.13, if the probability value is less than 0.05, then the model used is fixed effect. But if the probability value is greater than 0.05, then the model used is random effect. Table 4.13 shows that the P-Value value in the random cross-section is 0.018 < 0.05, which can be interpreted that the fixed effect model is more accurate compared to the random effect model.

Equation 2 can be concluded that using the fixed effect model in interpreting the results of the regression of the panel data in this study because the LM test is carried out if the results of the Chow test are common and in the Hausmant test the results are random even though the results of the chow test are fixed and the

hausmant test is random, then the LM test does not need to be done again, so when the LM test is carried out, the results will show a statement Not Available for panel equations with estimated effects.

Table 4.14 Estimation Results of Fixed Effect Model Regression

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	6.496	2.163	3.003	0.003
Company Size	-0.192	0.072	-2.665	0.008
Capital Structure	-0.115	0.131	-0.872	0.384
Profitability	1.727	0.471	3.664	0.000
Effect Specification				
R-Squared	0.731	Mean dependen var		0.800
Adjusted R-Squared	0.680	S.D. dependen var		0.427
S.E. of regression	0.241	Sum squared resid		6.816
F-Statistic	14.480	Durbin-Watson stat		1.007
Prob(F-Statistic)	0.000			

Source : Data Processing Results, Eviews (2023)

Regression Analysis on Equation 2

Panel data regression analysis is a combination of *time series* and *cross-section* data. Panel data regression analysis is an analysis to determine the relationship between one dependent variable or with two or more independent variables, which in this study examines the influence of the size of the proxied company (*Ln total assets*), the capital structure proxied with DER (*debt to equity ratio*) and the profitability proxied with ROE (*return on equity*) on the value of the company proxied by PBV (*price book value*).

Based on table 4.14, it shows that the results are estimated using the *fixed effect model*. So the regression equation of the panel data is obtained as follows:

PBV = 6.496 – 0.192 SIZE – 0.115 DER + 1.727 ROE

The results of the regression equation show that the constant has a value of 6.496, indicating that when all independent variables, namely Size, DER, and ROE, have a value of zero, the value of the dependent variable PBV will be 6.496. In addition, the regression coefficients of Size and DER have negative values of -0.192 and -0.115, respectively, which indicates that a decrease in the size of a company or capital structure will result in a decrease in the PBV value of -0.192 and -0.115, respectively. On the other hand, the ROE regression coefficient has a positive value of 1,727, indicating that an increase of one unit in profitability will increase the PBV value by 1,727.

Test Hypothesis in Equation 2

T Test

The results of the hypothesis test for partial testing were used t-test to show how significant the influence of independent variables was on the dependent variable. In this study, there are three significant or level f significant, namely significance at the level of 0.01 (1%), 0.05 (5%), or 0.1 (10%). The results of this

study can be concluded if the variables that affect the company's value have a p-value of significance below 0.01, 0.05 and 0.1 or a significance level value below 1%, 5% and 10%. The following are the results of the t-test based on the estimated results of the fixed effect model on the company's value:

Table 4.16 T Test Results

Variabel	Coefficient	Std.Error	t-Statistic	Prob.
C	6.496	2.163	3.003	0.003
Company Size	-0.192	0.072	-2.665	0.008
Capital Structure	-0.115	0.131	-0.872	0.384
Profitability	1.727	0.471	3.664	0.000

Source : Data Processing Results, Eviews (2023)

Based on the results of the analysis in table 4.16, the company size variable (X1) shows a coefficient of -0.192 with a p-value of 0.008 < 0.05, indicating that the company size has a significance at a confidence level of 95%, and has a significant effect on the value of companies in Property and Real Estate Sector Companies listed on the IDX for the 2016-2022 period. Meanwhile, the capital structure variable (X2) showed a coefficient of -0.115 with a p-value of 0.384 > 0.05, which indicates that the capital structure is not significant at the 95% confidence level and does not have a significant effect on the value of the company in the same period and sector. However, the profitability variable (Z) showed a coefficient of 1.727 with a p-value of 0.0004 < 0.05, indicating that profitability has a significance at a confidence level of 95% and has a significant effect on the value of the company in the same period and sector. Therefore, it can be concluded that the profitability variable has a significant influence on the value of the company, while the variable of company size has a significant effect but the capital structure does not have a significant effect.

Model Test on Preparation 2

Test F

Based on table 4.17, the F test is used to determine whether independent variables together with dependent variables have a significant effect or not. The F test can be seen from the *p-value* on the output of the regression analysis results, from the results it can be concluded that the variable is influential if *the p-value* has a significance below 0.05 or a significance level value below 5%. The following are the results of the F test based on the results of the fixed effect model estimation on the company's value:

Table 4.17 F Test Results

Description	*P-Value*	Description	*P-Value*
R-Squared	0.731	Mean dependen var	0.800
Adjusted R-Squared	0.680	S.D. dependen var	0.427
S.E. of regression	0.241	Sum squared resid	6.816
F-Statistic	14.480	Durbin-Watson stat	1.007
Prob(F-Statistic)	0.000		

Source : Data Processing Results, Eviews (2023)

The results obtained based on the results of the *fixed effect* model estimate on the value of the company are F – Statistics in this study of 14,480 and *p-value* 0.000 < 0.05, so it can be concluded that the independent variables of company size, capital structure and profitability together – both affect the dependent variable of company value (PBV).

Coefficient of Determination (R2)

Based on table 4.18, it shows that the use of the determination coefficient is to test the degree of attachment between dependent and independent variables which can be seen from the magnitude of the determinant coefficient value (*Adjusted R-Square*). A larger *Adjusted R Square* (R2) means that the independent variable provides the dependent variable with almost all the information it needs to predict the variation that occurs in the dependent variable. The following are the results of the determination coefficient based on the results of the fixed effect model estimation on the company's value.

Table 4.18 Coefficient of Determination Results

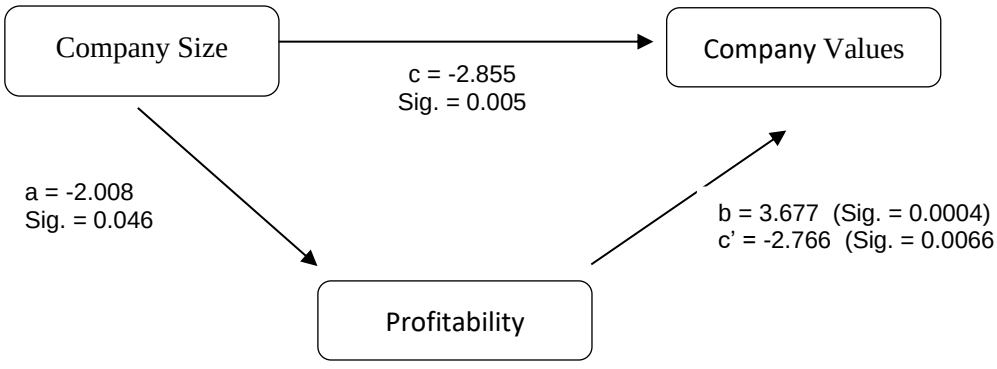
Description	***P-Value***	**Description**	***P-Value***
R-Squared	0.731	Mean dependen var	0.800
Adjusted R-Squared	0.680	S.D. dependen var	0.427
S.E. of regression	0.241	Sum squared resid	6.816
F-Statistic	14.480	Durbin-Watson stat	1.007
Prob(F-Statistic)	0.000		

Source : Data Processing Results, Eviews (2023)

The result used based on the estimated results of the *fixed effect* model is the value of the determinant coefficient or *adjusted R Square* (R2) of 0.680. This indicates that the value of the company is attached or can be explained by the size of the company, capital structure and profitability of 68.08% and the rest or 31.92% is determined by variables outside the study (company value).

Intervening Variable Testing

Causal Step Strategists



Source : Data Processing Results, Eviews (2023)

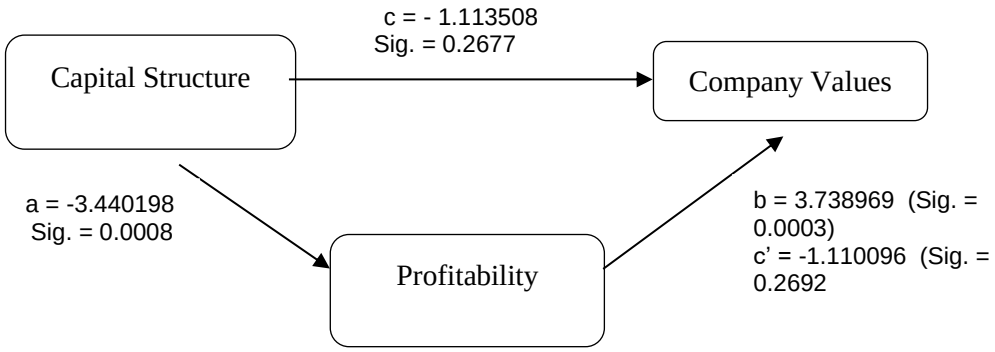
Figure 4.1. *Causal Step Strategy*

(Effect of Profitability between Company Size and Company Value**)**

$$PBV = \beta SIZE + \beta ROE + e$$

From the three regression equations, it is revealed that the size of the company (X1) has a significant influence on profitability (Z) and company value (Y) directly. However, when considering the two together, the size of the company (X1) still retains its influence on the value of the company (Y) after controlling for profitability (Z), indicating the presence of partial mediation. These findings are supported by the results of the analysis which shows that the direct effect (c') is smaller than the regression coefficient (c), with a significance value indicating that the size of the company (X1) remains significant to the value of the company (Y) after taking into account profitability (Z) as a mediator. Thus, it can be concluded that this model is included in the category of partial Mediation, where the size of the company (X1) has a direct or indirect influence on the value of the company (Y), through the profitability variable (Z) as a mediator.

Causal Step Strategy



Data Processing Results, Eviews (2023)

Figure 4.2 ***Causal Step Strategy***

(Effect of Profitability between Capital Structure on Company Value**)**

$$PBV = \beta DER + \beta ROE + e$$

From the three regression equations, it was found that capital structure (X2) significantly affected profitability (Z), but did not have a significant direct effect on the value of the company (Y) when not considering intervening variables. However, when considering both the dependent variable (Y) and the intervening variable (Z), the capital structure (X2) significantly affects the value of the company (Y), with some of its effects mediated by profitability (Z), in accordance with the finding that the direct effect (c') is smaller than the regression coefficient (c). Therefore, this model can be categorized as a Full Mediation model, where the capital structure (X2) has a direct or indirect influence on the company's value (Y), through the profitability variable (Z) as a mediator.

Discussion of Research Results

The Influence of Company Size on Profitability

This study uses panel data with the random effect method to examine the influence of company size, proxied by the logarithm of total assets, on the profitability of Property and Real Estate Sector Companies listed on the IDX for the period 2016–2022. The analysis results show that the company size variable does not have a significant effect on profitability, as indicated by a coefficient of -0.011 with a p-value of 0.1704 > 0.05. This finding indicates that the size of a company does not significantly affect its profitability. This contrasts with previous research, such as that by Rahmawati and Mahfudz (2018), which suggested that larger companies tend to have higher profitability because they can optimize performance with their assets. However, these results do not align with the agency theory assumption that managers will behave opportunistically to achieve beneficial outcomes, especially in smaller companies that may be less monitored by the public. Therefore, regardless of size, companies need to manage their debt usage optimally according to their ability to diversify risks and leverage tax advantages to enhance profitability.

This study is consistent with research by Ayu and Dana (2022) and Nur, Sri, and Alfiatul (2022), which state that company size does not affect profitability. However, it is not consistent with Rahmawati and Mahfudz (2018), which found that company size affects profitability.

The Influence of Capital Structure on Profitability

Capital structure is proxied by the Debt to Equity Ratio (DER). The researchers found that capital structure has a significant effect on profitability. Based on the panel data output using the random effect method, the capital structure variable (X2) has a coefficient of -0.033509 with a p-value of 0.0054 < 0.05, indicating that capital structure is significant at the 5% level. This proves that capital structure significantly affects profitability by 95%, indicating a significant influence of capital structure on the profitability of Property and Real Estate Sector Companies listed on the IDX for the period 2016–2022.

Capital structure represents the proportion of financial resources of a company, specifically the long-term debt and equity used as financing sources (Rosalia & Budiyanto, 2018). The DER is a leverage ratio that assesses debt relative to equity (Kasmir, 2010). A higher ratio reflects higher financial risk, as the company's equity cannot cover its debts.

A significant influence of capital structure on profitability means that the higher the capital structure, the higher the company's profitability. Capital structure is crucial because a poor capital structure will negatively affect the company's financial position, especially with large debt burdens (Harmoko, 2021).

According to agency theory, the separation of ownership and control can create conflicts of interest between company owners and managers. Managers aim to increase investments that can enhance company profits, and the use of debt can reduce tax burdens and agency costs (Jensen & Meckling, 1976). Thus, companies using debt can save on taxes, leading to higher profits.

This study aligns with research by Prasetyo and Hemawan (2023) and Nurlela and Laili (2021), which state that capital structure significantly affects profitability.

However, it contradicts Muhammad Shareza (2020), who found no influence of capital structure on profitability.

Influence of Company Size on Firm Value

Company size is proxied by the logarithm of total assets. The researchers revealed that company size has a significant effect on firm value. Based on the data output for the company size variable (X1), the coefficient value is -0.192 with a p-value of 0.008 < 0.05, which means company size is significant at the 5% level. This signifies that the confidence level that company size affects firm value is 95%, leading to the conclusion that the company size variable significantly influences the firm value of Property and Real Estate Sector Companies listed on the IDX for the period 2016–2022.

Company size represents the scale of a company, which can be observed through the amount of capital used, total assets owned, and total sales generated. Large-scale companies indicate growth and development, which are essential for maximizing firm value. As the company size increases, the stock price tends to rise because investors perceive larger companies as more capable of providing returns or investment yields compared to smaller companies, ultimately enhancing the company's value (Imam and Khusnul, 2022).

In line with agency theory, larger companies with higher agency costs tend to disclose more information to reduce these costs. Additionally, larger companies generally face higher public demand for information compared to smaller companies (Dina and Vaya, 2019).

This study aligns with research conducted by Ni Luh, Wayan, and Gede Putu (2018) and Imam and Khusnul (2022), which found that company size significantly affects firm value. However, it contradicts research by Lani and Sugeng (2022) and Immu and Sari (2019), which stated that company size does not significantly affect firm value.

Influence of Capital Structure on Firm Value

Capital structure is proxied by the Debt to Equity Ratio (DER). The researchers found that capital structure does not have a significant effect on firm value. Based on the data output for the capital structure variable (X2), the coefficient value is -0.115 with a p-value of 0.384 > 0.05, meaning capital structure is not significant at the 5% level. This indicates that the confidence level that capital structure affects firm value is 95%, leading to the conclusion that the capital structure variable does not significantly influence the firm value of Property and Real Estate Sector Companies listed on the IDX for the period 2016–2022.

Capital structure is a ratio that shows the comparison between debt and equity and is a critical issue in spending decisions. According to Robiyanto, Nafiah, Harijono, and Inggarwati (2020), capital structure can affect firm value, as having a significant portion of capital from investors or creditors does not necessarily reflect good company performance. Companies with sufficient capital to conduct production and sell products expect profits from their activities and aim to maximize these profits.

In agency theory, the external monitoring approach involves using debt. Adding debt to the capital structure can reduce the use of equity, thereby minimizing equity agency costs (Irawan & Kusuma, 2019). However, companies must repay loans and interest periodically. Excessive debt usage can lead to agency conflicts between shareholders and debtholders, resulting in debt agency costs. These agency costs do not alter the firm's value.

Capital structure does not significantly affect firm value. This could occur because a high capital structure can decrease firm value, as it involves long-term debt funding. Continuous debt financing may render a company unable to repay its debt and interest, negatively impacting the firm and resulting in suboptimal firm value (Heni and Andi, 2022).

This research aligns with studies by Desire and Indah (2020) and Heni and Andi (2022), which found that capital structure does not significantly affect firm value. However, it differs from research by Sing and Bagga (2021), which found that capital structure does affect firm value.

Influence of Profitability on Firm Value

Profitability is proxied by return on equity (ROE). The researchers found that profitability has a significant impact on firm value. Based on the data output for the profitability variable (Z), the coefficient value is 1.727 with a p-value of 0.0004 < 0.05, indicating that profitability is significant at the 5% level. This signifies that the confidence level that profitability affects firm value is 95%, leading to the conclusion that the profitability variable significantly influences the firm value of Property and Real Estate Sector Companies listed on the IDX for the period 2016–2022.

According to agency theory, profitability information reported in financial statements can reduce agency problems by avoiding information asymmetry between company management and owners. Information on a company's high profitability can positively influence investors or owners, as it indicates that management has effectively managed the capital provided by the owners, achieving their goals (Hermawaty & Sudana, 2023). Additionally, the net profit to equity ratio measures shareholders' returns (Brigham & Houston, 2010). ROE demonstrates the company's ability to generate profits for shareholders. The higher the ROE, the better, as it indicates that the company is effectively using equity to generate profits.

Profitability reflects how effectively a company generates profits from its operations. Investors seeking to invest in a company typically desire high returns. Companies with high profitability indicate good prospects and are perceived by investors as capable of providing high returns on investment. This perception can increase investor demand for the company's shares, resulting in positive responses such as rising stock prices and consequently enhancing the company's value (Desire and Indah, 2020).

This indicates that the company's ability to generate high returns for shareholders, measured by ROE, affects firm value. A higher ROE corresponds to a higher firm value, and vice versa (Immu and Sari, 2019).

This study aligns with research conducted by Ni Luh, Wayan, and Gede Putu (2019), Dina and Vaya (2019), and Nur, Sri, and Alfiatul (2022), which found that profitability significantly affects firm value. However, it contradicts research by

Imam and Khusnul (2022), which stated that profitability does not significantly affect firm value.

Profitability: Influence of Company Size on Firm Value

The analysis results indicate that company size significantly influences profitability with a significance value of $0.0465 < \alpha = 0.05$ and a regression coefficient (a) = -2.008. Firm Value (Y) on the independent variable of company size (X1). The analysis further reveals that company size significantly affects firm value with a significance value of $0.0051 < \alpha = 0.05$ and a regression coefficient (c) = -2.855. The dependent variable firm value (Y) on the company size (X1) independent variable and the intervening variable profitability (Z). The analysis results indicate that company size significantly influences firm value, after controlling for profitability with a significance value of $0.0004 < \alpha = 0.05$ and a regression coefficient (b) = 3.677. Furthermore, a direct effect c' was found to be -2.766, which is smaller than c = -2.855. It can be concluded that this model falls into the category of partial mediation.

Company size is often used to assess a company's ability to meet operational costs because larger companies tend to incur higher operational costs for maintaining their assets. Company size also indicates an increase in the company's assets. Indirectly, this increases both profit and company value (Nurul, Chabachib, & Kholiq, 2018).

This implies that as company size increases, so does the firm's value. This is consistent with Riyanto's (2001) view that larger companies tend to attract more investor attention, thereby increasing the company's value in investors' eyes. This is because larger companies are more likely to have stable conditions and generate higher profitability.

This study aligns with Imam and Khusnul's (2022) research, which suggests that profitability mediates the relationship between company size and firm value. However, it contradicts Heri and Andi's (2022) research, which states that profitability does not mediate the relationship between company size and firm value.

Profitability: Influence of Capital Structure on Firm Value

The analysis results show that capital structure significantly influences profitability with a significance value of $0.0008 < \alpha = 0.05$ and a regression coefficient (a) = -3.440. The analysis further reveals that capital structure does not significantly affect firm value with a significance value of $0.2677 > \alpha = 0.05$ and a regression coefficient (c) = -1.113. However, after controlling for profitability, the analysis results indicate that capital structure significantly influences firm value with a significance value of $0.0003 < \alpha = 0.05$ and a regression coefficient (b) = 3.738. Furthermore, a direct effect c' was found to be -1.110, which is smaller than c = -1.113. It can be concluded that this model falls into the category of full mediation.

Capital structure refers to the proportion of debt financing in a company, measured by the debt-to-equity ratio (DER). Debt is a component of a company's capital structure and is crucial for improving productivity and company performance. The capital structure theory explains that a company's financing policy determines its capital structure (the mix of debt and equity) aimed at optimizing firm

value to maximize the company's stock price and enhance profitability (Vivi & Deasy, 2020).

This study agrees with Singh and Bagga's (2019) research, which states that profitability mediates the relationship between capital structure and firm value. However, it disagrees with Desire and Indah's (2020) research, which suggests that profitability does not mediate the relationship between capital structure and firm value.

CONCLUSION

This study investigates the influence of company size and capital structure on firm value with profitability as an intervening variable. It was conducted on companies in the Property and Real Estate sector listed on the Indonesia Stock Exchange (BEI) during the period 2016-2022, with a sample of 20 companies. The analysis results indicate that company size does not significantly affect profitability, while capital structure has a positive and significant influence on profitability. Company size has a positive and significant effect on firm value, whereas capital structure does not significantly affect firm value. Profitability shows a positive and significant impact on firm value and acts as an intervening variable between company size and firm value, as well as between capital structure and firm value.

The theoretical implications of this research highlight aspects of agency theory and the relationships among company size, profitability, and firm value. Practically, the findings underscore that profitability is more crucial than company size in determining firm value. Furthermore, it emphasizes the importance of optimizing capital structure to mitigate negative impacts on firm value.

REFERENCES

Adityaputra, S., Andi, & Perdana, D. (2024). Pengaruh Struktur Modal Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Mediasi. Jurnal Ekonomi & Ekonomi Syariah Vol 7 No 1, Januari 2024.

Adur, M. D., Wiyani, W., & Ratri, A. M. (2018). Analisis Kinerja Keuangan Perusahaan Rokok. 5(2), 204–212.

Ali, J., Faroji. R., & Ali, O. (2021). Pengaruh Profitabilitas Terhadap Nilai Perusahaan. Studi Empiris Pada Perusahaan Sektir Industri Barang Konsumsi Di Bursa Efek Indonesia Tahun 2017-2019). Sekolah Tinggi Ekonomi Hidayatullah, Vol. 1, No. 2, Mei 2021.

Aprianingsih, R., & Hasim As'ari, H. (2023). Pengaruh Perputaran Kas, Leverage Dan Ukuran Perusahaan Terhadap Profitabilitas Pada Perusahaan Manufaktur Sub Sektor Makanan Dan Minuman Yang Tercatat Di Bei (2020-2022). Jurnal Ilmiah MEA (Manajemen, Ekonomi, dan Akuntansi)Vol. 7 No. 3, 2023.

Arianti, B., Fitri, dan Yatiningrum, R. (2022). Pengaruh Struktur Modal, Pertumbuhan Penjualan Dan Keputusan Investasi Terhadap Nilai Perusahaan. Gorontalo Accounting Journal Vol. 5, No. 1, April 2022.

Aziz, M. S. N. H., dan Widati, L. W. (2023). Pengaruh Leverage, Profitabilitas, Pertumbuhan Perusahaan dan Ukuran Perusahaan Terhadap Nilai Perusahaan Manufaktur Industri Barang Konsumsi. 7(1), 171–184.

Azmi, N., Isnurhadi, I., & Hamdan, U. (2018). Pengaruh Profitabilitas Ukuran Perusahaan Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening Pada Perusahaan Manufaktur Yang Terdaftar di BEI. Jurnal Ilmiah Manajemen Bisnis danTerapan, 15(2), 95-108.

Burhanudin, M & Cipta, W. (2021). Pengaruh Struktur Modal dan Ukuran Perusahaan Terhadap Nilai Perusahaan pada Perusahaan Sub Sektor Perdagangan Besar Barang Produksi yang Terdaftar di Bursa Efek Indonesia pada Tahun 2016 – 2018. Jurnal Akuntansi Profesi Voume 12 Nomor 1 2021, 192 – 202.

Chasanah, A. Nur (2018). Pengaruh Rasio Likuiditas, Profitabilitas, Struktur Modal Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur Yang Terdaftar Di Bei Tahun 2015-2017. Jurnal Penelitian Ekonomi dan Bisnis, 3 (1), 2018, Hal : 39 – 47.

Dang, H.N, Vu, V.T.T., Ngo, XT & Hoang, H.T.V. (2019). Study the Impact of Growth, Firm Size, Capital Structure, and Profitability on Enterprise Value: Evidence of Enterprisw Vietnam. The Journal of Corporate Accounting & Finance, 30,1,144-160.

Dewi, N.P.I., Kartika, & Abundanti, N. (2019). Pengaruh Leverage Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Mediasi. E-Jurnal Manajemen, Vol. 8, No. 5, 2019 : 3028-3056.

Dhinata, R. & Krisnando. (2020). Pengaruh Struktur Modal Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Intervening (Studi Kasus Pada Perusahaan Makanan Dan Minuman Yang Terdaftar Di Bei Tahun 2015-2018). Sekolah Tinggi Ilmu Ekonomi Indonesia.

Fadmala, R., Santoso, R, & Hidayati, S., Aisyah. (2023). Pengaruh Struktur Modal Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Intervening. Jurnal Pendidikan Indonesia. Volume 06, No. 01, 2023.

Hendryani, V. & Amin, M. Nuryatno. 2021. Pengaruh Ukuran Perusahaan, Profitabilitas, Kebijakan Hutang dan Kebijakan Dividen Terhadap Nilai Perusahaan. Akuntabilitas Vol. 16, No. 1, Januari 2022.

Ismanto, J., &Setiawan, I. (2023). Pengaruh Ukuran Perusahaan, Keputusan Pendanaan, Dan Kinerja Keuangan Terhadap Nilai Perusahaan (2023). Surplus : Jurnal Ekonomi Dan Bisnis Tahun 2023, Volume 1, Nomor 2, Bulan Juni: hlm 126-141.

Jurizen & Fatin, I. N. A. (2020). Pengaruh Debt to Equity Ratio, Return on Equity, Return on Assets, dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Farmasi. Jurnal Humaniora, 4 (1), 183-195.

Kholifah, S. (2020). Pengaruh Price Earning Ratio, Return On Equity, Dan Debt To Equity Ratio Terhadap Harga Saham Sub Sektor Property Dan Real Estate Di Bursa Efek Indonesia. eJournal Administrasi Bisnis, 2020,8(4): 325-335.

Makkulau, A. Runis , Amin, F. & Hakim, A. (2018). Pengaruh Struktur Modal Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Intervening Pada Perusahaan Properti dan Real Estate Yang Terdaftar Di

Bursa Efek Indonesia Sigma: Journal of Economic and Business Vol. 1 (2), July 2018, pp. 67 – 74.

Marisa, C., Andriana, I., & Thamrin, K.M., Husni. (2022). Pengaruh Kebijakan Dividen, Profitabilitas dan Ukuran Perusahaan terhadap Nilai Perusahaan pada Perusahaan Sub Sektor Perkebunan yang Terdaftar di Bursa Efek Indonesia. Al-Kharaj: Jurnal Ekonomi, Keuangan & Bisnis Syariah Volume 4 No 6 (2022) 1615-1627.

Martha, L., Sogiroh, N. U., Magdalena, M., Susanti, F., & Syafitri,Y. (2018). Profitabilitas Dan Kebijakan Dividen Terhadap Nilai Perusahaan Lidya. 3(2), 227–238.

Mia Natalia Nainggolan, Andre Sirait, Okky Nawa Nasution, Fuji Astuty, 2022. Pengaruh Ukuran Perusahaan, Pertumbuhan Penjualan, Leverage terhadap Profitabilitas pada sektor Food and Beverage dalam Bursa Efek Indonesia periode 2015-2019. Owner: Riset & Jurnal Akuntansi –ISSN : 2548-9224 | p–ISSN : 2548-7507 Volume 6 Nomor 1, Januari 2022.

Muliana & Ikhsani, K. (2019). Pengaruh Struktur Modal, Pertumbuhan Perusahaan Dan Ukuran Perusahaan Dengan Profitabilitas Sebagai Vari Abel Intervening Terhadap Nilai Perusahaan Sektor Infrastruktur Di BEI. Volume 1, Issue 2, November 2019.

Nainggolan, D.K., Siregar, L., Tarigan, P., & Supitriyani. (2017). Pengaruh Profitabilitas Dan Leverage Terhadap Nilai Perusahaan Pada Perusahaan Sub Sektor Konstruksi Dan Bangunan Yang Terdaftar Di Bursa Efek Indonesia. Jurnal FINANCIAL,3(2), 71–78.

Natsir, K. & Yusbardini. (2019). The Effect of Capital Structure and Firm Size on Firm Value Through Profitability as Intervening Variable. Advances in Economics, Business and Management Research, volume 145.

Nurhanif, M. Azka, Malinda, S., & Yuliani (2024). Likuiditas, Leverege, Profitabilitas dan Pengaruhnya Terhadap Nilai Perusahaan Sub Sektor Transportasi Di Indonesia. Al-Kharaj: Jurnal Ekonomi, Keuangan & Bisnis SyariahVol6 No2(2024) 545-556.

Permatasari, D., & Azizah, D. F. (2018). Pengaruh Struktur Modal Terhadap Nilai Perusahaan (Studi Pada Perusahaan Sub Sektor Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia Tahun 2013-2016). Jurnal Administrasi Bisnis, 61(4),100–106.

Pratiwi, I. D. A. I., & Wiksuana, I. G. B. (2020). Pengaruh Struktur Modal, Ukuran Perusahaan dan Profitabilitas Terhadap Nilai Perusahaan Property di Bursa Efek. E-Jurnal Manajemen Universitas Udayana, 9(6), 2394–2413.

Prasetyo, D., Wahyu & Hermawan, A. (2023). Profitabilitas, Ukuran Perusahaan, Dan Struktur Modal Terhadap Nilai Perusahaan. Jurnal Ekonomi & Ekonomi Syariah Vol 6 No 1, Januari 2023.

Rahayu, Maryati dan Sari, Bida. 2018. Faktor-faktor yang Mempengaruhi Nilai Perusahaan. Ikraith-Humaniora. 2(2).

Santoso, B., Sulastri, Muizzudin, & Widiyanti, M. (2023) The Effect Of Financial Distress, Capital Structure And Firm Size On Firm Value In The Banking Sector In Southeast Asia. Jurnal Ekonomi,Volume 12, No 04 2023.

Sari, R., & Sayadi, M., Hamdan (2020) Pengaruh Uk uran Perusahaan terhadap Nilai Perusahaan dengan Moderasi Komite Audit. Jurnal Ilmiah Ekonomi Global Masa Kini Volume 11 No. 02 Desember 2020.

Setiawan, M., Ramadhan, Susanti, N., & Nugraha, N., Mohammad (2021). Pengaruh Struktur Modal, Perputaran Modal Kerja, dan Ukuran Perusahaan Terhadap Nilai Perusahaan. Owner: Riset & Jurnal Akuntansi.

Siti Miftahul Jannah ,Nurfina Sari, Indah Yuliana 2022. Effect of Firm Size and Capital Structure on the value of the Company with Profitability as an Intervening Variable. American Journal of Humanities and Social Sciences Research (AJHSSR). Volume-6, Issue-3, pp-128-138.

Suryanti, Suryani, A., & Surono, Y. (2021). Pengaruh Likuiditas, Kebijakan Hutang, Pertumbuhan Perusahaan dan Ukuran Perusahaan Terhadap Nilai Perusahaan dengan Profitabilitas Sebagai Variabel Intervening pada Perusahaan Sub Sektor Farmasi Di Bursa Efek Indonesia Periode 2014 – 2019. Jurnal Manajemen dan Sains, 6(1), April 2021, 68-77.

Suyanto, Chintya N. Bilang 2023. The Impact Of Financial Performance, Firm Size And Capital Structure On Firm Value. Financial: Jurnal Akuntansi Published by Program Studi Akuntansi STIE Sultan Agung Volume 9-Number 1, June 2023, (Page 75-89).

Thamrin, K.M., Husni, Syamsurijal, Sulastri and Isnurhadi. 2018. Dynamic Model Of Firm Value : Evidence From Indonesia Manufacturing Companies. SIJDEB.

Bui, T. Ngoc, Nguyen, X., Hung, and Pham, K. Trang 2023. The Effect of Capital Structure on Firm Value: A Study of Companies Listed on the Vietnamese Stock Market. International Journal of Financial Studies 11: 100.

Yanti, I. P., Febri, Usdeldi, Muthmainnah. (2023). Pengaruh Perputaran Kas, Perputaran Piutang, Perputaran Persediaan Dan Ukuran Perusahaan Terhadap Return On Asset Pada Perusahaan Di Jakarta Islamic Indeks. Jurnal Ilmiah Manajemen, Bisnis dan Kewirausahaan Vol. 3 No. 3 Oktober 2023. Hal 391-409.

Yusuf, A., Ratnawati, T., Brahmayanti, I. A. Sri. 2023. The Effect of Leverage, Liquidity and Firm Size on Firm Value with Earning Management as Mediator and Good Corporate Governance as Moderator of Real Estate, Property and Building Construction in The Indonesia Stock Exchange. Journal of Economics, Finance and Management Studies. Volume 6 Issue 1 January 2023. Page No. 146-158.