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THE EFFECT OF CAPITAL STRUCTURE AND COMPANY GROWTH ON COMPANY VALUE THROUGH PROFITABILITY AS AN INTERVENING VARIABLE

Yohanes Paul Erikson Riba
Universitas Merdeka Malang, Indonesia
Email: erickribba@gmail.com

Abstract

The purpose of this study is to determine the effect of capital structure and company growth on firm value through profitability as variable intervening in consumer goods manufacturing companies listed on the Indonesia Stock Exchange. The method used in this study is descriptive and associative method through a quantitative approach and the data analysis method used is descriptive statistical analysis, classical assumption test, multiple regression analysis and path analysis (path analysis). The population of this research is consumer goods companies listed on the Indonesia Stock Exchange in 2019-2021. The sample is determined based on the method purposive sampling, with a total sample of 47 companies. The data used in this research is secondary data. The data collection method in this research is document study. Based on the results of the tests conducted, it shows that (1) capital structure has no positive effect on firm value, (2) company growth has no positive effect on firm value, (3) capital structure has a positive effect on profitability, (4) company growth has a positive effect on profitability , (5) profitability has a positive effect on firm value, (6) capital structure has a positive effect on firm value through profitability while company growth has no positive effect on firm value through profitability.

keywords: capital structure; company growth; profitability; firm value.

INTRODUCTION

The existence of several industries or companies today has the goal of maximizing profits by increasing sales results and minimizing company expenses. In this context, an entity in question refers to a company operating in part of the consumer products business. This industry is divided into several subsectors, including the food or beverage sector, medicine, tobacco, and cosmetics, as well as household furniture. This business is traded on the IDX, Indonesia Stock Exchange. This industry is engaged in the production of goods needed by the general public, including food or beverages, and medicines, as well as household furniture (Andiani & Astika, 2019)

The increasing development and growth of the national economy can be seen as one of the factors that are quite influential for the growth of the economy of a common living order, it can be illustrated through the level of profitability in the future and the growth of the company due to the high level of profitability, in the future can have a good impact on shareholders who want to invest in the consumer product sector. Manufacturing businesses in the consumer products industry were used in this study. The choice of this sector is due to the fact that it is responsible for producing goods that are basic needs for the general public and are always needed in everyday life. According to information from the Indonesia Stock Exchange, the performance of the consumer goods industry fell 19.31% in 2019. Several business actors involved in the Indonesia Stock Exchange (IDX) experienced a decline in performance. Some diantaraya, PT. Gudang Garam Tbk fell 36.08%, PT. Unilever Indonesia fell 6.66%, and PT. Mayora Indah Tbk fell 17.18%. PT. Hanjaya Mandala Sampoerna Tbk decreased by 43.9%. This is due to the decline in the performance system of the company and the increase in operational costs of the company's activities amid increasingly high competition between industries.

Many companies use debt as a source of internal funds. Therefore, companies need to utilize debt efficiently to increase company growth. It is anticipated to have a beneficial impact on corporate value and effective management. This view is in line with the statement expressed by (Wijaya, 2010), that financial decisions should be taken carefully as they may have an impact on other financial decisions. The main objective is to achieve maximization of corporate value through the implementation of effective financial management. This illustrates how closely the relationship between the form of capital, and the development of the company, as well as the value of the company.

In this study, there is a relationship between the consumer sector that produces basic needs of the general public with the analysis of the capital structure of DER. This research illustrates that by increasing profitability, the form of capital can affect the value of the company. Another influence can be seen from the form of capital on company value caused by the ability of debt to increase company value. In addition, if the debt effort can or can support profitability, then the benefits of the company's value obtained will be greater. Thus, debt has the potential to increase the value of a company as well as the profitability of a company.

Research conducted by Andrian & CHABACHIB, (2013) Above, if it is related to the field of consumer goods in this research that companies in the field of consumption must have the ability to calculate the percentage change in assets from one year to the previous year. Consumer goods sector companies must be able to take action to assess how profitability affects company growth and value. With this measurement method, consumer goods industry companies are able to measure the development of a company's assets within a certain period of years and previous years.

The company is believed to be able to generate profits for shareholders, as well as to meet the main goal of a company, which is to grow the value of shareholders, this profit must be maximized. This is in line with the theory of firms, which in theory aims to maximize wealth for investors. This is because the company's performance is a reflection of the company's value that is able to provide positive value to the company by influencing investor assumptions. The higher the value of the company reflects the level of success and well-being of its owners. Where to measure the success of a company whose operations are financed from debt sources, it must be measured by profitability. This is in accordance with the notion of profitability, where the company's advantage to produce greater profits can help it achieve its main goal, which is to increase the wealth of shareholders.

In this research, return on equity (ROE) is a measure to evaluate profitability. In line with the assumptions put forward by Rakhmadian et al., (2017) and Supriyadi & Ghoniyah, (2022) that profitability becomes a mediator variable between the effect of increasing the company on company value. However, this view is different from Rais, (2021) findings stating that profitability cannot be a mediator between company improvement and company value. Amelia argues that high levels of profitability do not always create high company value, and increasing the growth of a company also often does not create high company value. In fact, increased operating expenses can lead to low levels of profitability even though the va lue of the company remains high. The purpose of the research that wants to be able to describe the influence of capital structure, company growth, profitability and company value. To analyze the effect of capital structure on the value of the company. To analyze the effect of company growth on company value. analyze the influence of capital structure on profitability. As well as analyzing the effect of company growth on profitability.

METHODS

In this work, quantitative methodologies and descriptive and associative methods are used. According to what Sugiyono, (2017) thinks, interpreting the value of each variable without being linked to other variables is the purpose of descriptive research. The data collection method is carried out by document analysis, this approach method requires the collection of information from published papers, including financial statements.

RESULTS AND DISCUSSION

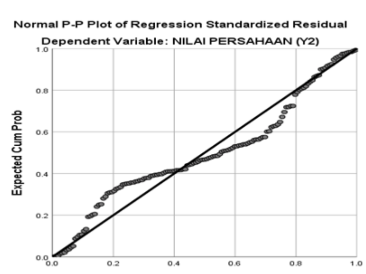

Figure 1 Normality Test Results

The data is scattered around the diagonal line and follows the pattern or direction of the line, according to the normality test results in Figure 1 shown. Thus, a normal distribution of data can be inferred from it. Thus it can be said that the regression model used in this study can be used effectively.

Table 1 Multikolonearitas Test

Coefficients[a]		
Model	Statistik kolinearitas	
	Tolerance	VIF
1 Structure Modal (X1)	.556	1.800
Company Growth (X2)	.578	1.730
Profitabilitas (Y1)	.933	1.072
a. Variabel Dependen: Company Value (Y2)		

Sumber: Analisis SPSS, 2022

Regression models do not appear to be multicollinear, according to the multicollinearity test findings discussed above. This is indicated by the tolerance value of the three variables (X1, X2, and Y1) above 0.10 and the VIF value below 10.00.

Table 2 Autokorelasi Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error Of The Estimate	Durbin-Watson
1	.254[a]	.065	.044	3294861879.93334	1.659
A. Predictors: (Constant), Profitabilitas (Y1), Company Growth (X2), Structure Modal (X1)					
B. Dependent Variable: Company Value (Y2)					

Based on table 2, it can be said that there is no autocorrelation, it can be seen in the Durbin Watson column *which shows the value of* Durbin Watson. Durbin Watson's results in the autocorrelation test are between dU<DW<4-dU where dU = 1.7537 and 4 – 1.7537 = 2.2463 then 1.7537 < 1.759 < 2.246. These results indicate that there is no autocorrelation in the data.

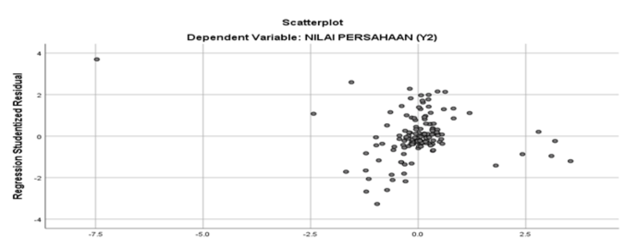

Figure 2: Heteroscedasticity Test Results

As can be seen from the figure above, the study's findings show that there are no distinct patterns in the distribution of data points. The zero point of the Y-axis is surrounded by scattered data points either up and down or around it. This means that no heteroscedacity errors were found.

Table 3 Simultaneous Effect Test Results

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	102565319217558320000.000	3	34188439739186106000.000	3.149	.027[b]
	Residual	1487287728673788800000.000	137	10856114807837874000.000		
	Total	1589853047891347000000.000	140			
a. Variabel Dependen: Value Company (Y2)						
b. Predictors: (Constant), Profitabilitas (Y1), company Growth (X2), Structure Modal (X1)						

The results of simultaneous effect testing obtained Sig. equal to 0.027. Since Sig. 0.05, it means that factors X1, X2, and Y1 simultaneously affect Y2 according to the results of the F test. F count 3.149, and F table value 2.67. It can be concluded that the variables X1, X2, and p Y1 simultaneously affect Y2.

Table 3 Partial Effect Test Results

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	1861491462.747	350956746.295		5.304	.000
	Structure Modal (X1)	-1749432.542	2106596.598	-.092	-.830	.408
	Company Growth (X2)	624293.051	697169.599	.097	.895	.372
	Profitabilitas (Y1)	23375996.818	8969526.889	.223	2.606	.010
A. Variabel Dependen: Company Value (Y2)						

From the results of the partial test above, it can be concluded that the variable X1 has no significant effect on Y2 at all. Significant values of 0.408 > 0.05 support this. The variable X2 has a significance value of 0.372 > 0.05, as well as for that variable. While the Y1 variable has a significant effect on the value of the company. So it is concluded, this variable has a significant effect based on a significant value of 0.010 < 0.05. Thus, it can be stated that the dependent variable Y2 is affected by the intervening variable Y1.

Table 4 Test Results of Coefficient of Determination I

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error Of The Estimate
1	.258[a]	.067	.053	31.27002
A. Predictors: (Constant), Company Growth (X2), Structure Modal (X1)				
B. Dependent Variable: Profitabilitas (Y1)				

Table 5 Test Results of Path I Analysis

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	15.280	3.066		4.983	.000
	Structure Modal (X1)	-.061	.019	-.335	-3.141	.002
	Company Growth (X2)	.013	.007	.218	2.045	.043
a. Variabel I Dependen: Profitabilitas (Y1)						

The Effect of Capital Structure (X1) on Company Value (Y2)

According to the study's findings, in the consumer goods sector industry, capital structure has no influence on firm value. Thus, it is impossible to accept the suggested explanation. In other words, using a modak structure will not be able to reduce risk or increase the company's rate of return. As a result, this can leave a bad impression on investors, which will appear in the company's annual financial statements. Companies in the consumer goods sector industry may attract investors if they make maximum use of debt.

This research is in accordance with the results of research by (Samosir et al., 2020) and (Ardiana & Chabachib, 2018), arriving at the same conclusion that capital structure has no effect on company value. Due to the decline in investment and the inability of companies to manage financial management effectively, investors may have prejudices about consumer goods sector companies due to their high debt levels.

The effect of company growth (X2) on company value (Y2)

Based on the results of the study, it was determined that the growth of the company does not have significant implications for the value of the underlying company. Therefore, the proposed hypothesis must be rejected. This discovery can be due to the fact that the company uses high total assets compared to the previous year. In this study, any increase in changes in total assets will affect the value of the company. For stakeholders, especially shareholders, increasing assets in companies engaged in the consumer products sector industry will be a sign of success.

The study shows that neither internal nor external stakeholders benefit positively from the company. This result is in line with the research of (Ridho et al., 2020) and Markham et al., (2018) both of which did not find a relationship between growth and company value. Investors only care about businesses that are significantly expanding. However, the quality and value of the company will be affected if the organization is able to manage its assets well.

In order to achieve significant growth, it is advisable for companies to utilize equity as a source of funding. In this way, agency fees can be avoided. However, it is important to know that the greater the need for funds to develop a company, the more positive signals will be given to investors. This will also increase investor confidence in the company.

Effect of Capital Structure (X1) on Profitability (Y1)

With the research findings, the hypothesis can be accepted because capital structure and profitability have a considerable relationship. This finding is consistent with the results of research conducted by (DHINATA, 2020) and (Amelia et al., 2019), which showed that having a low level of debt can reduce the risk of bankruptcy for companies. By managing funds efficiently and trying to increase the company's cash inflow, the company can reduce these risks so as not to go bankrupt. Therefore, wisdom in choosing sources of funds is very important for companies, because it can affect the level of profitability. This research was conducted using capital structure as a reference with a comparison between debt and equity ratio (*deb to equity ratio*). A lower ratio indicates a larger firm's capacity to generate profitability, and vice versa.

Through the results obtained from this research will bring positive signals for companies and investors, because companies in the consumer goods sector obtain significant results so as to reduce funds borrowed to external parties lower. In order to maintain investor confidence, the company continues to manage financial management accurately and minimize all company operational costs, with efforts made by the company can increase assumptions to investors that companies in the consumer goods sector can return profits (returns) and are able to minimize debt from the use of company funds.

The Effect of Company Growth (X2) on Profitability (Y1)

In research on the company's growth variables affect profitability, the hypothesis is accepted. This is influenced by the assets owned by the company used optimally, thus affecting the level of company efficiency which affects profitability. The faster the company's growth, the greater the profits that can be obtained. However, if the retained profit in the company is higher, it means that the distribution of profits to investors will be lower. This can lead to a negative reaction to low dividend payments. The announcement of payments and dividend distribution is believed to be one of the events that contains information that can be used to assess the performance and prospects of the company.

Through this research, the company continues to manage its assets well, in order to continue to create investor confidence in the company, the growth of the company becomes a benchmark for the company's future success. To prevent negative signals that will be received by investors, the company must expand its assets. If the company's risk is reduced, the company's growth opportunities in the consumer goods sector will be even greater. This result is in line with the research of Wiwin & Kustijono, (2018) and Putri, (2018) who have the same conclusion about the relationship between company growth and profitability, namely company growth has a influence on profitability.

The effect of profitability (Y1) on company value (Y2)

The findings of this study show that profitability and company value are interrelated. In other words, increased profitability reflects the company's performance in making profits. This increase can also reflect the long-term success of the company, which has a significant impact on the value of the company. This study uses return on equity (ROE) as a method of measuring profitability. If the ROE increases, the higher the rate of return on own capital. Investors are encouraged to invest in companies by encouraging the signals given by the company's financial statements. Increased profits result in higher company value.

In addition, this study will look at how company assets can affect profitability during the research period and provide signals to investors who are interested in joining. The conclusion of this study is that the company's efforts can increase profitability and company value in the consumer products sector industry. This finding is in line with other studies by Anindya & Yuyetta, (2020) and Rahman et al., (2018) which also show that profitability and company value influence each other.

The effect of capital structure and company growth on company value through profitability as *an intervening variable*

The results of this study show that the company's capital structure has an influence on the value of the company through profitability as an intervening variable, both directly and indirectly. Because the capital structure is above the optimal level and there is an increase in debt, a high capital structure can interfere with the company's revenue while increasing the company's value. The growth of profitability is another aspect that attracts investors, increasing the demand for shares of the company. The results of this study have a positive impact on investors who increasingly believe in the company, because a high capital structure indicates that the company maintains its value (company value).

In contrast, the study found that company growth had no impact on company value through profitability as an intervening variable. When the company's growth decreases, this can result in a decrease in the company's profits. This decline can reflect poor company performance and reduce investor confidence. This has a negative impact on investors interested in buying shares, due to the company's inability to deliver quality results. Therefore, profitability does not play an intermediary role in the relationship between the growth of the company and the value of the company.

The results of this corroborating study are previous studies by Anindya & Yuyetta, (2020) and Fan et al., (2019) , which also came to the conclusion that profitability serves as a mediator between capital structure and company value but does not have a mediator role between company growth and company value.

CONCLUSION

Based on the research, the relationship between capital structure and company value is not significant. However, the capital structure and profitability of the industrial goods and consumption sector listed on the Indonesia Stock Exchange for the 2019-2021 period have a considerable impact. In the consumer goods sector industry listed on the Indonesia Stock Exchange for the 2019–2021 period, the capital structure has an impact on company value. The company's growth does not have a direct influence on the company's value, but affects the level of profitability in the consumer goods industry listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period. The growth of companies in the consumer goods sector industry listed on the Indonesia Stock Exchange for the 2019-2021 period does not have a significant influence on company value through profitability. The increase in profitability has a positive effect on the value of companies in the goods and consumption industry sector listed on the Indonesia Stock Exchange for the 2019-2021 period. While a company's growth has no effect on a company's value through profitability as an intermediary variable, capital structure affects a firm's value through profitability.

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