

The Influence of Capital Structure and Company Characteristics on Company Value as Mediated by Profitability

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ABSTRACT

This research was conducted to determine the influence of capital structure and company characteristics on company value through profitability. This research uses secondary data obtained directly from the financial reports of consumer goods industry companies listed on the Indonesia Stock Exchange for the 2020-2022 period. Using the Smart-PLS application, it shows that capital structure and company characteristics have no effect on company value, capital structure has an effect on company value, and characteristics have no effect on company value. The research results show that profitability has no effect on company value. Structure capital and company characteristics as indicated by profitability have no effect on company value

INTRODUCTION

Funding decisions are related to the selection of funding sources, both from within and outside the company, which greatly influences the value of the company. The company's internal sources of funds come from retained earnings and depreciation. The company's external source of funds comes from creditors. Fulfillment of funding needs is a debt for the company. Funds obtained from the owner's creditors constitute own capital (Safrida, 2017).

Table 1. Data on Net Profit, Total Debt and Share Prices for Five Consumer Goods Companies Listed on The IDX for The 2020-2022 Period

No	Issuer Code	Year/Period	Net Profit After Tax	Total Debt	Price Share
1	HMSP	2020	IDR 172,506,562,986	IDR 428,590,166,019	Rp. 560
		2021	IDR 176,877,010,231	IDR 572,784,572,607	Rp. 434
		2022	IDR 249,644,129,079	IDR 667,866,337,031	Rp. 645
2	CHEESE	2020	IDR 121,000,016,429	IDR 233,905,945,919	Rp. 1,390
		2021	IDR 144,700,268,968	IDR 181,900,755,126	Rp. 1,190
		2022	IDR 117,370,750,383	IDR 15,659,453,965	Rp. 1,432
3	KLBF	2020	IDR 2,799,622,515,814	IDR 4,288,218,173,294	IDR 1,500
		2021	IDR 3,232,007,683,281	IDR 4,400,757,363,148	Rp. 1,625
		2022	IDR 3,450,083,412,291	IDR 5,143,984,823,285	Rp. 2,090
4	UNVR	2020	IDR 7,163,536	IDR 15,597,264	IDR 7,550
		2021	IDR 5,758,148	IDR 14,747,263	Rp. 4,170
		2022	IDR 5,364,761	IDR 14,320,858	Rp. 4,780
5	CLEO	2020	IDR 132,772,234,495	IDR 416,194,010,942	Rp. 525
		2021	IDR 180,711,667,020	IDR 346,601,683,606	Rp. 472
		2022	IDR 195,598,848,689	IDR 508,372,748,127	Rp. 610

Source: Processed

Based on the table above, it can be seen that a company's profitability is measured from its net profit after tax, and its capital structure is measured from its total debt. From the table above, it can also be seen how the share prices of these two variables affect company value.

HMSP's total debt in 2022 will increase by 16.5% while the share price in 2022 will increase by 48.6%. KEJU experienced a decrease in net profit of 18.8% while the share price increased by 20.3%. Total debt at KLBF rose by 16.8% followed by share prices which also rose by 28.6%. UNVR's net profit fell by 6.83% while the share price increased by 14.6%. CLEO experienced an increase in profits of 8.23%, followed by an increase in total debt of 46.6% and an increase in profits of 29.2%.

A decrease in net profit should result in a decrease in share prices, but in reality a decrease in net income can increase share prices. Likewise, an increase in total debt should reduce share prices, but in reality the increase in total debt in the company causes share prices to increase.

LITERATURE REVIEW

Capital Structure Theory

Modigliani and Miller's (1958) capital structure theory in Bararuallo (2011) is the basis for theoretical arguments for a number of theories for capital structure which are often used as the main basis for explaining the relationship and influence of various financial elements on company value (firm value) in Empirical studies on companies or on specific business organizations.

The theory of Modigliani and Miller (1958) in Bararuallo (2011) is a basic framework for explaining a company's capital structure, especially in inefficient capital markets and where there are various sources of funding options that can be chosen. Therefore, the discussion of financial leverage emphasizes the use of debt to increase company earnings or profits. Because increasing profits will enable the company to always have cash available. The company's availability of cash will increase its liquidity and will further increase the opportunity to pay dividends in cash for companies that are able to achieve sustainable profits. All of these conditions will be able to encourage an increase in share prices and subsequently increase company value.

Pecking Order Theory

The pecking order theory of Myers, et al., (1984) in Bararuallo (2011) uses signaling arguments and shows that the information caused by the release of shares is also large. According to this theory, a company maximizes value systematically beyond the cheapest source of funds available for its investments. Specifically, the existence of adverse selection causes companies to prefer to buy internal sources of funds or retained earnings rather than external funds, and if external funds are not available, companies prefer to choose from debt rather than equity, because the information cost of debt is lower. The company releases its shares as a last alternative if its debt capacity has been used up because otherwise its debt obligations will increase.

Signaling Theory

The main basis of signaling theory is that managers have information about the company's future prospects. Therefore, dividends are a signal that can be used to convey company information to market players, especially to captive investors of certain companies (Bararuallo, 2011).

This theory provides a rationale for changes in dividends. Therefore, a hypothesis was born regarding the effect of dividend publication on stock prices which has been tested empirically. Empirical evidence provided by several financial researchers shows that a company's share price will increase when the amount of dividends paid to shareholders increases, even though it was not previously predicted to increase. Conversely, a company's share price will fall if dividend payments are reduced or paid less than the previous year's dividend (Bararuallo, 2011).

Agency Theory

Theoretically, agency theory was first introduced by Berle and Means (1932). Michael C. Jensen and Mecklinh (1976) popularized it by saying that the relationship between managers and shareholders and the relationship between shareholders and creditors will cause conflict due to differences in interests.

Jensen (1986) in Bararuallo (2011) believes that there is always the possibility of a conflict of interest between shareholders and company executives in making company financial decisions. Therefore, shareholder demands on companies to pay dividends aim to use dividends as a mechanism to limit the freedom of company executives in using net cash flow (free cash flow) or the availability of cash funds in free cash flow items obtained and owned by the company at the end of the year. certain period

The emphasis of this theory is that if the company value is high accompanied by the opening of profitable investment opportunities, then this makes it easier to fund with equity sources. However, at the same time, managers may refuse to utilize debt funding sources so that in the following period there will be a balanced capital structure(Bararuallo, 2011).

The Value of The Company

The company's value will be reflected in its share price. The market price of company shares that is formed between the buyer and seller when a transaction occurs is called the company's market value, because the share market price is considered a reflection of the actual value of the company's assets. The company value formed through stock market value indicators is strongly influenced by investment opportunities(Irnawati, 2021).

The purpose of a company is to maximize company value. Company value is the price that potential buyers or investors are willing to pay if the company is sold. The higher the company value, the greater prosperity the company owner will receive. For companies listed on the stock exchange, the prosperity of share owners is shown in the form of higher share prices, which is a reflection of investment decisions, funding and dividend policies.(Marantika, 2012).

Shares are proof of ownership or participation of individuals or institutions in a public company. The aim of investors to invest their funds in the capital market is to obtain income over a long period of time from activities outside the company's operations. When investing funds in a company, investors need sufficient information about market conditions and the condition of the company. Or in other words, investors need to carry out analysis, one of which is fundamental analysis(Marantika, 2012).

The company's financial performance is the achievements achieved by the company in a certain period which reflects the level of health of the company. From the definition of financial performance presented, a conclusion can be drawn that performance is the results or achievements achieved by the company regarding the company's financial position, information is needed by certain parties to assist them in the decision making process. A company's financial performance is one of the factors that shows an assessment of the effectiveness and efficiency of an organization in achieving its goals. Institutional monitoring activities are able to change the company in increasing the prosperity of share owners thereby increasing company value(Marantika, 2012).

Maximum company value can be achieved if shareholders hand over the management of the company to people who are competent in their fields, such as managers and commissioners. Financial ratios are used by investors to determine the company's market value. This ratio can provide management with

an indication of investors' assessment of the company's past performance and future prospects. Maximizing company value is very important for a company, because maximizing company value also means maximizing shareholder prosperity, which is the company's main goal.(Irnawati, 2021).

Market value is calculated using market ratios. This ratio shows how much the value of the company is from what the company owner has invested or is investing in. The higher this ratio, the greater the additional wealth enjoyed by the company owner. If the market price is below its book value, investors believe that the company does not have enough potential. If an investor is pessimistic about the prospects of a stock, many shares are sold at prices below their book value. On the other hand, if investors are optimistic, shares will be sold at a price above their book value(Hayat et al., 2021).

RatioMarket value is a ratio that shows a group of ratios related to a company's share price compared to company profits, book value per share and market value compared to book value.(Hidayat, 2018).

a. Price Earning Ratio(PER)

Is a ratio that compares price per share with profit per share.

$$\text{Price Earning Ratio(PER)} = \frac{\text{harga per saham}}{\text{laba per saham}}$$

b. Book Value Per Share

Is a ratio that compares Equity Capital (own) with the number of shares outstanding.

$$\text{Book Value Per Share} = \frac{\text{modal ekuitas}}{\text{jumlah saham beredar}}$$

c. Price to Book Value Ratio

Is a ratio that compares the market price per share with the book value per share.

$$\text{Price to Book Value Ratio} = \frac{\text{harga pasar per saham}}{\text{nilai buku per lembar saham}}$$

Capital Structure

Capital structure is a consideration and comparison between foreign capital and own capital, in this case foreign capital is defined as long-term and short-term debt. If a company has a capital structure where more of its own capital is used to carry out its activities than foreign capital, this shows that the company's ability to survive in adverse conditions is better. So the value of the company will increase which is reflected in the high price of the company's shares(Irnawati, 2021).

Funding decisions are company decisions in determining the source of funds that will be used to make investments. Funding decisions in financial terminology are known as capital structure. The optimal funding decision is a combination of own funding sources and foreign funding sources that can maximize company value. The financial structure shows a picture of how the company spends its assets. Practically, the financial structure will appear on the balance sheet next to credit. This financial structure will show composition between current debt, long-term debt and own capital(Student, 2021).

Capital structure is part of the financial structure. If the financial structure shows the composition of all sources for financing its assets, then the capital structure is only how large the long-term sources are for financing its assets.

Capital structure only shows long-term spending. So practically, the capital structure shows the composition between long-term debt and own capital. Capital structure is related to long-term spending which is a composition of long-term debt and own capital. So, capital structure can be measured by comparing long-term debt with the company's own capital. An important decision in capital structure is related to what is the optimal composition of long-term debt and own capital (Student, 2021).

Measuring how much debt is used in company spending. Leverage measures that are often used include Debt to Asset Ratio, Debt to Equity Ratio (Student, 2021).

a. Debt to Asset Ratio

Measuring the proportion of funds originating from debt to finance company assets. The debt ratio shows the magnitude of financial risk. The higher the DAR value, the riskier a company is from a financial perspective.

$$DAR = \frac{\text{total debt}}{\text{total asset}}$$

b. Debt to Equity Ratio (DER)

Shows the proportion of equity in guaranteeing total debt. DER also shows the magnitude of financial risk. The higher the DER value, the higher the risk of the company experiencing bankruptcy.

$$DER = \frac{\text{total debt}}{\text{total equity}}$$

Company Characteristics

Company characteristics are one of the factors that influence company value. Investors will consider the company's development to make investments. Companies that grow and develop reflect good performance, so they receive a high assessment by investors in the capital market. The existence of profits will encourage investors to invest in company shares. Retained earnings reflect that the company is working efficiently and has good prospects (Purbawangsa & Suana, 2019).

The greater the total assets, the greater the size of a company. Large companies with large amounts of assets have more funds to invest and use in the company's operational activities. So investors and creditors believe that companies with a large size have a greater probability of winning the competition or surviving in the industry. Both of these things can increase the company's value as reflected in its share price (Irnawati, 2021).

Retained capital arises as a result of company activities, namely net income. A portion of this net profit will be retained or reinvested into the company. At the end of each accounting period, the net profit generated during the current period will be closed to the retained earnings account through a closing journal entry, where the profit and loss summary account will be debited and the retained earnings account will be credited. The event of announcing dividends (both cash and shares) to shareholders will also be closed to the retained earnings account through a closing journal entry by debiting the retained earnings account and crediting the dividend account. Net profit generated during the current period will increase the amount of retained earnings that existed at the beginning of the period, while dividends declared

during the current period will reduce or minimize retained earnings.(Sinarwati et al., 2020).

The amount of retained earnings at the end of the period is actually the accumulation of the entire period (including the current period) that remains after being distributed to shareholders in the form of dividends. The amount of retained earnings at the end of this period can be calculated by adjusting the retained earnings at the beginning of the period with the retained earnings for the current period. Retained earnings for the current period are calculated by subtracting the net profit generated during one periodperiod (current period) with dividends declared during the current period. The resulting net loss during the current period will cause a deficit in retained earnings for the current period, which ultimately reduces the amount of retained earnings at the beginning of the period(Sinarwati et al., 2020).

For companies in the form of a corporation, in addition to the Balance Sheet and Profit and Loss report, a statement of retained earnings (Statement of Retained Earning) is also presented. Retained earnings are the portion of profits that are reinvested in the company and accumulated over the life of the company. The profits earned by the company are usually not distributed entirely to shareholders (owners) as dividends but will be retained by the company for various purposes(Hidayat, 2018).

If a stock dividend is declared, the estimated retained earnings will be reduced. From a shareholder's perspective, receiving stock dividends, unlike receiving cash dividends, has no tangible value. Payment of stock dividends does not affect assets or liabilities but only results in an adjustment in the equity section of the Balance Sheet. Retained earnings balance decreases and estimated shares (capital / paid in capital) increase by the same amount(Hidayat, 2018)

Profitability

Profitability ratios measure a company's ability to generate profits at certain levels of sales, assets and share capital. Investors and financial analysts often use this financial ratio to assess and choose the type of investment in listed companies. The results of the ratio calculation can be used to estimate the increase or decrease in share prices and the company value of a company on the stock exchange. Financial ratios are proxied by profitability, meaning they can maximize company goals(Marantika, 2012).

The profitability ratio shows the company's success in generating shareholder profits. Profitability is the level of net profit that a company is able to achieve when carrying out its operations. Profits that are worth sharing with share owners are profits after interest and tax. The greater it isThe greater the profits obtained, the greater the company's ability to pay dividends, and this has an impact on increasing company value. The higher the value of this profitability ratio, the greater the value of the company's profitability, which in the end can be a positive information signal for investors in investing in the company.(Marantika, 2012).

Profitability ratios are also called operating performance ratios. In business activities, every company certainly has a main goal, namely profit-oriented. To get this profit, of course the company must be able to sell goods at a

higher price than its production costs. Therefore, every company will always carry out a plan in determining the profits that will be obtained in the future. However, planning for the profits that will be obtained is only a forecast, changes may occur based on situations and conditions that will occur in the future. One of the analytical tools to analyze a company's ability to generate profits is the profitability ratio. The better the profitability ratio, the better it describes the company's ability to generate high profits(Irnawati, 2021).

The profitability ratio can be seen as to the company's level of profitability. Every company wants a high level of profitability. To survive, a company must be in a profitable condition. If the company is in an unfavorable condition, it will be difficult for the company to obtain loans from creditors or investment from outside parties(Irnawati, 2021).

Profitability ratios are ratios that show an overview of the level of effectiveness of company management in generating profits. This ratio is a measure of whether the owner or shareholder can obtain an appropriate rate of return on their investment. The ratio used. Generally includes the following ratios(Hidayat, 2018):

a. Net profit margin (NPM)

Is a ratio that compares net profit after tax with sales.

$$\text{Net Profit Margin(NPM)} = \frac{\text{earning after tax}}{\text{sales}}$$

b. Return on Assets (ROA)

Is a ratio that compares net profit after tax with total assets.

$$\text{Return On Assets(ROA)} = \frac{\text{earning after tax}}{\text{total asset}}$$

c. Return on Equity (ROE)

Is a ratio that compares net profit after tax with equity.

$$\text{Return On Equity(ROE)} = \frac{\text{earning after tax}}{\text{equity}}$$

Earning per share ratioused to measure management's success in achieving profits for company owners. The higher the Earning Per Share value, the greater the profit and the possibility of increasing the amount of dividends received by shareholders. In general, Earning Per Share calculations use year-end financial report data, but you can also use mid-year financial reports. In its implementation, earnings per share are calculated by dividing net profit by the weighted average number of ordinary shares outstanding throughout the year. The average number is needed in the calculation because the number of shares outstanding during one year is not always fixed (changes). The higher the Earning Per Share, the more expensive the share price. Conversely, the lower the Earning Per Share, the cheaper the price of a share.

Earning Per Share can be formulated as follows(Irnawati, 2021):

$$\text{Earnings Per Share:} \frac{\text{earning after tax}}{\text{jumlah saham beredar}}$$

H1: Capital structure influences company value.

H2: Company characteristics influence company value.

H3: Capital structure influences profitability.

H4: Company characteristics influence profitability.

H5: Profitability influences company value.

H6: Capital structure influences company value with profitability as an intervening variable.

H7: Company characteristics influence company value with profitability as an intervening variable.

METHODOLOGY

The approach used by researchers in conducting this research is a quantitative approach. The research object of this research is the variables studied. These variables include the dependent variable, namely company value, the independent variables in this research, namely capital structure, company characteristics, and the intermediary variable in this research, namely profitability.

The data used in this research is secondary data. Data on companies listed on the Indonesian Stock Exchange and the results of processing by other parties in the consumer goods industry. The population of this research is consumer goods sector companies, namely 52 companies listed on the Indonesia Stock Exchange during the 2020-2022 period and publishing company financial reports for that period. The sampling method was carried out by means of purposive sampling, namely a sampling technique with data availability according to the research problem. The consideration criteria used in selecting the sample are as follows:

Table 2. Number of Companies That Meet The Criteria

NO	CRITERIA	NUMBER OF COMPANIES
1	The consumer industrial goods sector listed on the IDX during the 2020-2022 period	53
2	Have a financial statement for the 2020-2022 period	53
3	Had Initial Public Offering before 2020	51
4	Did not experience losses during the research period and has a retained earnings report	33

Source: Processed

The method used to analyze the data used by researchers is Structural Equation Modeling, Partial Least Modeling (SEM-PLS), which is analyzed using SmartPLS Version 4.0 software.

There are two stages of evaluating the measurement model used, measurement model (outer model) and structural model (inner model). The aim of the two stages of measuring model evaluation is intended to assess the validity and reliability of a model. A research concept and model cannot be tested in a relational and causal relationship prediction model if it has not passed the purification stage in the measurement model (Jogiyanto, 2011: 69) in the book(Duryadi, 2021).

RESEARCH RESULTS

Descriptive Statistical Analysis

Descriptive statistical analysis is used to obtain an overall picture of the research variables. The data used in this research comes from financial reports or what are usually called financial reports for the 2020-2022 period from 33 consumer goods sector companies listed on the Indonesian Stock Exchange. The results of this descriptive statistical analysis can be seen in the table below:

Table 3. Descriptive Statistical Analysis

No	Variable	Mean	Median	Min	Max	Standard Deviation
1	DAR	0.410	0.391	0.098	1,194	0.199
2	DER	1,087	0.531	0.109	27,038	2,721
3	Company Size	24,269	27,375	13,773	30,936	5,384
4	Sales Growth	0.324	0.108	-0.998	19,223	1,934
5	Retained earning	22,833	25,658	11,688	30,636	5,603
6	Payment of taxes	0.238	0.221	0,000	0.863	0.106
7	ROA	0.110	0.092	0,000	0.536	0.096
8	ROE	0.191	0.142	0,000	1,451	0.243
9	EPS	6,263	1,222	0,000	93,886	14,655
10	PER	5457.492	997,997	54,461	275,141.124	27,730,033
11	PBV	239,906	119,918	-745,582	3170.820	433,277

(Source: Data Processing Results)

Model Evaluation

Outer Model Evaluation

Starting from the construct validity testing stage which consists of convergent validity, taking into account the loading factor value, AVE value, and discriminant validity as indicated by the cross loading value. Then, the second stage, namely reliability testing, is shown by the composite reliability value.

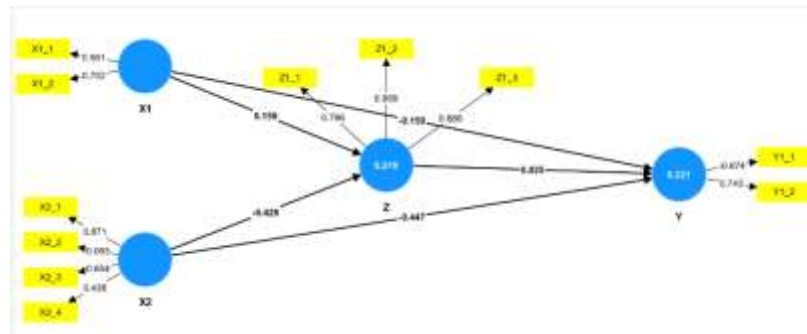


Figure 1. Outer Model Evaluation
(Source: Data Processing Results)

Construct Validity Test

a. Convergent Validity

Table 4. Convergent Validity Test

	Capital Structure	Company Characteristics	The value of the company	Profitability
DAR	0.961			
DER	0.702			
Company Size		0.871		
Sales Growth		0.093		
Retained earning		0.854		
Payment of taxes		0.438		
PER			-0.674	
PBV			0.743	
ROA				0.796
ROE				0.959
EPS				0.886

(Source: Data Processing Results)

The loading factor value for variable X1 (Capital Structure) with two measurement indicators is DAR = 0.961 and DER = 0.702. Next, the value of the variable X2 (Company Characteristics) with four measurement indicators is Company Size = 0.871, Sales Growth = 0.093, Retained Earnings = 0.854, and Tax Payments = 0.438. The value of the variable Y (Company Value) with two indicators is PER = -0.674 and PBV = 0.743. And the Z value (profitability) with 3 indicators is ROA = 0.796, ROE = 0.959 and EPS = 0.886.

All indicators on capital structure and profitability already have loading factors above 0.7 so they are categorized as valid. In terms of company characteristics indicators, there are only 2 indicators that are categorized as valid, namely company size and retained earnings. Likewise, with the company value indicators, only one indicator is categorized as valid, namely PBV.

Therefore, the researchers decided to remove the values from the independent variable indicators (sales growth and tax payments) which were not categorized as valid to see the Average Variance Extracted (AVE) value.

Average Variance Extracted (AVE) Value

Table 5. Average Variance Extraced Value

	Cronbac h's alpha	Composite reliability (rho_a)	composite reliability (rho_c)	Average variance extracted (AVE)
Capital Structure	0.648	1,408	0.814	0.694
Company Characterist ics	0.984	1,004	0.992	0.985
The value of the company	-0.013	0.074	0.448	0.501
Profitability	0.855	0.872	0.914	0.782

(Source: Data Processing Results)

The AVE values for each construct are capital structure = 0.694, company characteristics = 0.985, company value = 0.501 and profitability = 0.782. All constructs are in the valid category in the sense of having an AVE value above 0.5.

Discriminant Validity

a. Cross Loading Value

Table 6. Cross Loading Value

	Capital Structure	Company Characteristics	The value of the company	Profitab ility
DAR	0.975	-0.150	-0.170	0.242
DER	0.660	-0.134	-0.083	0.046
Company Size	-0.100	0.994	-0.279	-0.432
Retained earning	-0.232	0.991	-0.240	-0.365
PER	-0.028	0.036	-0.095	-0.133
PBV	-0.170	-0.261	0.996	0.102
ROA	-0.022	-0.292	0.421	0.756
ROE	0.252	-0.377	0.040	0.970
EPS	0.314	-0.396	-0.104	0.913

(Source: Data Processing Results)

Furthermore, the cross loading value for variable X1 (Capital Structure) with two measurement indicators is DAR = 0.975 and DER = 0.660. Next, the value of the variable X2 (Company Characteristics) with two measurement indicators is Company Size = 0.871, and Retained Earnings = 0.0.991. The value of the variable Y (Company Value) with two indicators is PER = -0.095 and PBV

= 0.996. And the Z value (Profitability) with 3 indicators is ROA = 0.756, ROE = 0.970 and EPS = 0.913.

There are two indicators that are not categorized as valid in the data above, because they do not have a loading factor above 0.7, namely the DER indicator and the PER indicator. Therefore, the next step is to carry out a discriminant validity test by comparing the square root value of AVE with the correlation between latent constructs.

b. Correlation Between Latent Constructs

Table 7. Correlation Between Latent Constructs

	Capital Structure	Company Characteristics	The value of the company	Profitability	AVE	AVE Square Root
Capital Structure	1,000	-0.162	-0.167	0.218	0.694	0.833
Company Characteristics	-0.162	1,000	-0.263	-0.404	0.985	0.992
The value of the company	-0.167	-0.263	1,000	0.113	0.501	0.707
Profitability	0.218	-0.404	0.113	1,000	0.782	0.884

(Source: Data Processing Results)

It can be seen that the correlation value between Capital Structure and Company Characteristics is -0.162, the correlation between Capital Structure and Company Value is -0.167 and the correlation between Capital Structure and Profitability is 0.281. The correlation between Company Characteristics and Company Value is -0.263 and Company Characteristics and Profitability is -0.404 and the correlation between Company Value and Profitability is 0.113. All values between latent variables are smaller than the square root value of AVE for each latent variable, meaning that the four constructs are categorized as valid.

Reliability Test

Table 8. Reliability Test Value

	Cronbach's alpha	Composite reliability (rho_a)	composite reliability (rho_c)	Average variance extracted (AVE)
Capital Structure	0.648	1,408	0.814	0.694
Company Characteristics	0.984	1,004	0.992	0.985
The value of the company	-0.013	0.074	0.448	0.501
Profitability	0.855	0.872	0.914	0.782

(Source: Data Processing Results)

Composite reliability results for Capital Structure = 0.814, Company Characteristics construct = 0.992, Company Value construct = 0.448 and Profitability construct = 0.914. All values above 0.7 are categorized as having good reliability or are categorized as reliable except for the Company Value construct.

Evaluation of The Inner Model

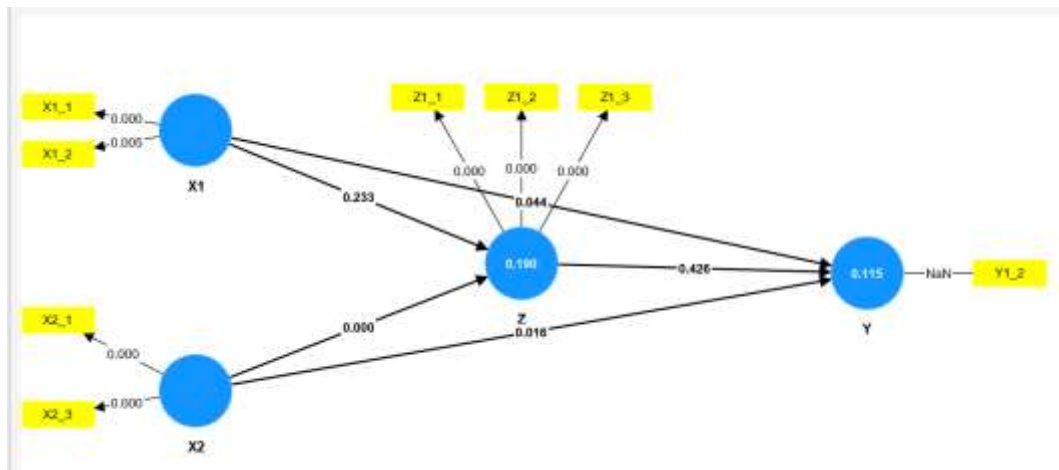


Figure 2. Inner Model Evaluation
(Source: Data Processing Results)

Based on the output from the analysis using boosting, the R-square value for capital structure and characteristics influencing profitability is 0.190 or in the model it is 19%, which is in the weak category. Meanwhile, capital structure, company characteristics and profitability which influence company value by 0.115 or in the model by 11.5% are in the weak category.

Path Analysis

Table 9. Value of Path Analysis

	Original Samples (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics	P Value (P Value)
SM -> NP	-0.223	-0.229	0.130	1,712	0.044
SM -> P	0.163	0.212	0.224	0.730	0.233
KP -> NP	-0.286	-0.282	0.134	2,138	0.016
KP -> P	-0.378	-0.364	0.076	4,980	0,000
P -> NP	0.028	0.055	0.150	0.187	0.426

(Source: Data Processing Results)

Based on this output, it can be concluded that capital structure has an effect on company value as indicated by a significant P value smaller than the 5% alpha level, namely 0.044 and in a negative direction as indicated by the parameter coefficient of -0.223.

Capital structure has no effect on profitability as indicated by a P value greater than the 5% alpha level, namely 0.163.

Company characteristics have an effect on company value as indicated by a significant P value smaller than the 5% alpha level, namely 0.016 and in a negative direction as indicated by the parameter coefficient of -0.286.

Company characteristics have an influence on profitability as indicated by a significant P value smaller than the 5% alpha level, namely 0.000 and in a negative direction as indicated by the parameter coefficient of -0.378.

Profitability has no effect on company value as indicated by a P value greater than the 5% alpha level, namely 0.426.

Table 10. Value of Specific Indirect Effects

	Original Sample	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics	P Value (P Value)
SM -> P -> NP	0.005	0,000	0.049	0.095	0.462
KP -> P -> NP	-0.011	-0.014	0.045	0.235	0.407

(Source: Data Processing Results)

The correlation between capital structure and company value through profitability with a T-statistic value of 0.095 and a P-Value of 0.462. With a T-statistic of $0.095 < 1.96$ and a P-Value of $0.462 > 0.05$ which is not significant, profitability is not able to mediate in influencing these two variables. Correlation of company characteristics through profitability with a T-statistic value of 0.235

and a P-Value of 0.407. With a T-statistic of $0.235 < 1.96$ and a P-Value of $0.407 > 0.05$ which is not significant, profitability is not able to mediate in influencing these two variables.

DISCUSSION

Capital Structure Influences Company Value

The results of this research show that capital structure influences company value in a negative direction. These results are in line with research Sudiyatno et al (2020), Santosa et al (2022), Septiono et al (2011) And Noviani et al (2019).

The higher the amount of debt in the capital structure will cause a decrease in stock market prices. A negative coefficient value indicates that the relationship between capital structure variables and company value is in the opposite direction. The impact of these results is that the higher the capital structure will result in a decrease in company value or the company value will increase when the amount of debt decreases in the company's capital structure (Septiono et al., 2011).

The company's value is reflected in the stock market price, and the increasing use of debt has an impact on decreasing stock prices, which is a phenomenon that occurs in manufacturing companies listed on the Indonesia Stock Exchange. The use of debt as a source of financing will increase the company's risk, namely the risk of bankruptcy. This risk causes investors to be less interested in investing in the company, so the response is negative and results in a decline in stock market prices. Therefore, increasing debt has a negative impact on company value (Sudiyatno et al., 2020).

Debt in the Indonesian context has a negative value, the more debt, the higher the cost of capital so the company value is low because the use of debt is not yet efficient. Trade-off theory explains that if the capital structure position is below the optimal point, each increase in debt will increase the value of the company (Santosa et al., 2022).

If debt continues to increase until it exceeds the optimal point, it can cause financial difficulties and trigger bankruptcy, thereby reducing the value of the company (Noviani et al., 2019).

Company Characteristics Influence Company Value

Company characteristics influence company value in a negative direction. This is in line with research conducted by Safrida (2017), Novia & Nellyana (2021) And Hirdinis (2019) which reveals that company characteristics have a negative effect on company value.

Company size has a negative and significant effect on company value. This means that every decrease in company size will have an effect on increasing company value (Safrida, 2017).

Company size is one measure of a company's performance. Company size can be seen from total assets. Companies with large assets and inventory may not be able to pay dividends (retained earnings) due to assets piling up in receivables and inventory. Therefore, company size has a significant negative effect on company value (Hirdinis, 2019).

Capital Structure Affects Profitability

The results of this research show that capital structure has no effect on profitability. This research is not in line with your research Sudiyatno et al (2020) And Santosa et al (2022) which suggests that capital structure has a significant effect on profitability.

In this research, capital structure has no effect on profitability and does not support Modigliani and Miller's (1958) theory which emphasizes the use of debt to increase company earnings or profits. Because increasing profits will enable the company to always have cash available. This is because the company cannot manage debt well so that the profits generated do not increase.

The use of debt has a positive impact on increasing profitability. Companies can manage their debt well so that the income generated from using debt as a source of financing can cover their capital costs (Sudiyatno et al., 2020).

Capital structure has a negative influence on profitability. Choosing a source of funds for a company usually uses more external funds by borrowing. The company's capital structure tends to be dominated by debt, which will increase the interest burden borne by the company so that the profits obtained will be smaller (Santosa et al., 2022).

However, the results of this study are in line with research Hirdinis (2019) And Maulita & Tania (2018) which states that capital structure does not affect profitability.

The use of debt or own capital does not affect the company's ability to create profits. This may be caused by many factors, such as less than optimal use of capital (Hirdinis, 2019).

One possible reason for the lack of influence of capital structure on profitability can be identified based on the previous paragraph which is caused by less than optimal use of capital.

Company Characteristics Influence Profitability

Company characteristics influence profitability in a negative direction, this is in line with proprietary research Sukmayanti & Triaryati (2019) and Aghnitama et al (2021) who also stated that company characteristics have a negative effect on profitability.

The results in this study show that company size has a significant negative effect on profitability. Negative research results indicate that if company size increases, profitability will decrease (Sukmayanti & Triaryati, 2019).

The greater the total assets of a company, the greater the size of a company. Companies with a large size will find it easier to take on large amounts of debt so that debt is used which will become business capital that can help the company's operational activities. High use of debt with low rate of return on capital which causes reduced profitability (Sukmayanti & Triaryati, 2019).

Profitability Affects Company Value

Profitability does not affect company value. The results of this research are different from those of your own research Sudiyatno et al (2020), Santosa et al (2022), Noviani et al (2019), Manoppo & Arie (2016) And Safrida (2017) which states that profitability has a positive influence on company value, the higher a company's profit, the company value will increase through share prices.

This research shows that profitability has no effect on company value. If seen from the capital side, the profits obtained are high for the company, so the use of capital made by the company must of course be large so that investors get small profits.

Profitability has a positive effect on company value, therefore, the higher the profitability, the higher the company value. The market responds positively where profitability is a representation of the company's performance, so investors are willing to buy the company's shares at a higher price. Investors are interested in buying company shares with the hope of high returns from the investment. (Sudiyatno et al., 2020).

Increasing profitability means that the company's earnings per share will also increase, and the value of the company will also increase. Profitability reflects the company's ability to generate company profits. If profitability increases, investor confidence in the company will improve and from this the value of the company will also increase. (Santosa et al., 2022).

The higher the company's profitability, the greater the income distributed to shareholders, so it can be expected that the company's value will increase. Companies with a high level of profitability will have the ability to pay dividends so that the welfare of shareholders will increase. Good company performance can be seen from the company's ability to generate profits. High company profitability can influence the company's future prospects in a better way so that investors will be interested in investing in their shares, so that the share price will rise, followed by an increase in company value. (Noviani et al., 2019).

However, this research is in line with proprietary research Hirdinis (2019) which states that profitability has no effect on company value. This significance value is greater than the error tolerance value of 0.05. Because the coefficient value is negative and the significance value is greater than 0.05, the profitability variable has no effect on company value (Hirdinis, 2019).

Capital Structure Mediated by Profitability Affects Company Value

Profitability is not able to properly mediate capital structure on company value, this is not in line with proprietary research Santosa et al (2022) which states that profitability is able to mediate well between these two variables.

The higher the debt, the lower the value of profit but increases the value of the company. Capital structure can be generated from debt and own capital. The increase in company value was caused by the position of the capital structure being below the optimal point and additional debt. Increasing profitability can be of particular interest to investors so that demand for shares will increase. The results of this research prove the hypothesis that was developed, where capital structure has a direct or indirect influence on company value. Then the results of the indirect influence research show that capital structure has a positive effect on company value through profitability (Santosa et al., 2022).

However, this research is in line with proprietary research Hirdinis (2019) and Sudiyatno et al (2020). Based on the research results of Hirdinis (2019), the direct influence of capital structure on company value is greater than the indirect influence through profitability. It was concluded that profitability was unable to mediate the influence of capital structure on company value.

Based on tests conducted by Sudiyatno et al (2020), profitability does not mediate capital structure on company value. Sudiyatno et al (2020) get the same conclusion, namely profitability does not mediate the effect of capital structure on firm value. Thus, large-scale companies generate high profitability and the market responds positively. This is because large-scale companies have sufficient capital to develop their business, and the market also responds positively because the security of investors' investments is more guaranteed than the security of investors' investments in small-scale companies.

Company Characteristics Mediated by Profitability Influence Company Value

Profitability is not able to properly mediate company characteristics on company value, this is not in line with proprietary research Sudiyatno et al (2020) which suggests that profitability is able to mediate company size on company value.

Test results conducted by Sudiyatno et al (2020) Profitability mediates the effect of company size on company value. Therefore, profitability is proven to play a role as an intervening variable for company size in influencing company value.

This research is in line with proprietary research Hirdinis (2019) who stated something similar to the results of this study. Hirdinis (2019) revealed that direct influence has a smaller value than indirect influence through profitability. It can be concluded that profitability is unable to mediate the influence of company size on company value.

CONCLUSIONS AND RECOMMENDATIONS

Research conducted on capital structure and company characteristics on company value in 33 consumer goods industry sectors listed on the Indonesia Stock Exchange during the 2020-2022 period obtained the following results:

1. Capital structure affects company value in a negative direction, so investors must pay attention to the debt in a company before investing funds in that company.
2. Company characteristics influence company value in a negative direction. Total assets, sales growth, retained earnings and tax payments if not managed well will reduce the company value.
3. Capital structure has no effect on profitability, the amount of debt in a company does not affect the profits generated by the company. The use of debt or own capital does not affect the company's ability to create profits. This may be caused by less than optimal use of capital.
4. Company characteristics affect profitability in a negative direction, this shows that the indicators contained in company characteristics are in the opposite direction to company value.
5. Profitability has no effect on company value, this shows that even though the profit generated is large, it does not mean it is able to increase the

company value. It is possible that this happened because the time span the researchers took was not within the last 5 years.

6. Capital structure which is mediated by profitability does not affect company value so that in this case profitability is not able to mediate well between these two variables.
7. Company characteristics that are mediated by profitability do not affect company value so that in this case profitability is not able to mediate well between these two variables.

ADVANCED RESEARCH

The conclusions and limitations of this research give rise to several suggestions that can be considered in further research:

1. It is hoped that further research can extend the research time span, because the longer the research time span, the more likely it is that capital structure and company characteristics will influence company value or profitability.
2. Future research should expand the research population and not be limited to one sector.
3. Future research is expected to add variables or indicators that are not in this research which are thought to have an influence on the title of this research.

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