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Profitability, Company Size and Capital Structure: Indicators of Corporate Valuation of Miscellaneous Industry Sectors

Profitabilitas, Ukuran Perusahaan dan Struktur Modal Sebagai Indikator Penilaian Perusahaan Sektor Aneka Industri

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Abstract - The purpose of this study is to test and examine empirically how capital structure, company size, and profitability affect the value of manufacturing companies in various industries that are listed on the Indonesia Stock Exchange. The focus on firm development and management to optimize company value, especially in the post-pandemic era, and the extension of the research period are what make this study novel. Purposive sampling was utilized to choose ten companies for the research sample, and the data used is the financial statements of the companies. Using a quantitative approach, the research technique analyzes data using descriptive statistical tests, traditional assumption tests (autocorrelation, heteroskedasticity, multicollinearity, and normality), and hypothesis testing using T-tests and F-tests with the aid of eviews 12 software. According to the study's findings, capital structure significantly lowers business value, profitability significantly increases it, and firm size has no discernible impact. All three factors, however, significantly increase business value at the same time. The research's impacts include giving management advice on how to optimize business value and boost investor trust in capital investments.

Keywords: Capital Structure, Company Size, Company Value, Profitability.

Abstrak *- Penelitian ini bertujuan menguji dan menganalisis secara empiris pengaruh profitabilitas, ukuran perusahaan, dan struktur modal terhadap nilai perusahaan pada perusahaan manufaktur sektor aneka industri yang terdaftar di Bursa Efek Indonesia. Kebaruan penelitian ini terletak pada pembaharuan periode penelitian serta fokus pada perkembangan dan manajemen perusahaan dalam memaksimalkan nilai perusahaan, khususnya pada masa pasca pandemi. Data yang digunakan merupakan laporan keuangan perusahaan yang diperoleh melalui* purposive sampling*, sehingga terpilih 10 perusahaan sebagai sampel penelitian. Metode penelitian menggunakan pendekatan kuantitatif dengan analisis data melalui uji statistik deskriptif, uji asumsi klasik (normalitas, multikolinearitas, heteroskedastisitas, dan autokorelasi), serta pengujian hipotesis menggunakan uji T dan uji F dengan bantuan* software eviews 12*. Hasil penelitian menunjukkan bahwa profitabilitas berpengaruh positif signifikan terhadap nilai perusahaan, ukuran perusahaan tidak berpengaruh signifikan, sedangkan struktur modal berpengaruh negatif signifikan terhadap nilai perusahaan. Namun, secara simultan ketiga variabel tersebut berpengaruh positif signifikan terhadap nilai perusahaan. Implikasi penelitian ini adalah memberikan wawasan bagi manajemen dalam memaksimalkan nilai perusahaan serta meningkatkan keyakinan investor untuk menanamkan modalnya.*

Kata Kunci*: Nilai Perusahaan, Profitabilitas Struktur Modal, Ukuran Perusahaan.*

INTRODUCTION

The economic development of a country, including Indonesia, is significantly influenced by the presence of manufacturing companies. Manufacturing companies are not only responsible for the production of commodities, but they also play acritical role in the development of jobs, the enhancement of product value, and the enhancement of community well-being (Husnan, 2019). The miscellaneous industru subsector, which encompasses automotive and component, textiles and garment, cables, and electronics, experienced substantial growth, as indicated by data from the Indonesia Stock Exchange (IDX, 2022). Manufacturing companies are confronted with novel obstacles as a result of the COVID-19 pandemic, such as market uncertainly, fluctuating raw material prices, and disruptions to the global supply chain.

Conversely, this circumstance motivates organizations to enhance governance, optimize efficiency, and innovate in order to preserve their corporate value. Indrarini, (2019) posits that company value is a measure of the performance of management in managing resources, as well as a reflection of the future prospects of the company for investors. It is crucial for companies to maintain their competitiveness in the face of escalating global competition as public discourse regarding the business world continues to expand. Maximizing company value is a critical strategy that can be implemented to gauge the economic strength and investor confidence of an organization.

Brigham & Houston, (2018) have conducted extensive research on the factors that influence firm value, such as profitability, firm size, and capital structure. A company's capacity to generate profit is denoted by its profitability. Capital structure is a reflection of the company's financing decisions, while company size is related to the capacity of its assets. This is achieved through a combination of debt and equity. Nevertheless, the impact of these variables on company value remains a topic of heated debate, as the results of previous studies have not been consistent. Profitability is a positive indicator for stakeholders, as it indicates a company's capacity to generate consistent profits. Stable profitability is indicative of superior managerial performance, as per (Toni, 2021).

Conversely, investors frequently employ company size as a benchmark when evaluating a company's credibility and growth potential, as indicated by (Karamina & Soekotjo, 2019). In the interim, the optimal capital structure is characterized by a harmonious equilibrium between equity and debt, which can facilitate the enhancement of company value (Sintyana & Artini, 2019). Diverse results have been obtained in prior investigations. For instance, Priyatama & Pratini, (2021) and Kusumaningrum et al., (2022) discovered that profitability has a positive impact on firm value, suggesting that investor confidence increases as profit levels increase.

Nevertheless, Kamila & Yuniati, (2017) and Mercyana et al., (2022) conducted research that revealed a negative correlation, indicating that an increase in company value is not always a direct result of high profits. The variable of company scale also exhibits a comparable trend. Chusnitah & Retnani, (2017) and (Veronica & Viriany, 2020) demonstrated that the scale of a company has a substantial positive impact, as large companies are perceived as more stable and appealing to investors. On the other hand, Ibrahim (2022), Kusumaningrum (2022) and Monicasari (2022) discovered a negative influence, suggesting that large companies are not inherently efficient in resource management, thereby failing to increase company value. The capital structure variable exhibits comparable inconsistencies. The measured use of debt can increase the value of a company, as evidenced by the significant positive effect observed in Widianto (2021) and Kusumaningrum (2022). In contrast, Ibrahim (2022), Monicasari (2022) and Siregar (2019) discovered a detrimental effect, suggesting that excessive debt actually undermines investor confidence. This discrepancy in outcomes indicates a research lacuna that necessitates further investigation.

Furthermore, the consumer goods and infrastructure sectors have been the primary focus of the majority of previous research. Consequently, it is imperative to conduct research that concentrates on the miscellaneous industries subsector in order to offer a more pertinent perspective, particularly during the post-pandemic recovery period. This research was conducted to reevaluate the impact of profitability, firm size, and capital structure on firm value, as a result of the inconsistencies in the results of previous studies. This research is anticipated to make a valuable contribution to the existing body of literature on the determinants of firm value by emphasizing profitability, firm size, and capital structure within the diversified industries subsector. This research has contributed to the enrichment of empirical studies that have demonstrated inconsistent results thus far, as evidenced by the most recent period.’

This research can also be used as a reference for company management to develop financial strategies. An understanding of the impact of profitability, size, and capital structure on company value can assist in the formulation of more well-informed decisions. The findings of this investigation may serve as a factor in the investment decision-making process for investors, particularly in the evaluation of the prospects of companies in the diversified industries subsector on the Indonesia Stock Exchange. Investors can determine which financial factors have a greater impact on the company's value.

This research is unique in that it concentrates on the dynamics of post-COVID-19 pandemic economic recovery, in contrast to previous studies that utilized pre-pandemic periods and concentrated on the miscellaneous industry subsector on the Indonesia Stock Exchange. Unlike the majority of prior research, which focused on the consumer goods or manufacturing sectors, this study adopts a managerial perspective, highlighting the importance of company management in maximizing value in the face of intensive competition and changes in the global business environment.

LITERATURE REVIEW

Signaling Theory

Signaling theory argues that the actions of company management can serve as indicators or information to investors regarding their assessments of the company's future prospects. This theory is also a factor to consider for financial statement users, as it provides information about the company's financial condition, such as the capital structure, company size, and the profit level attained (Dedi Irawan, 2019).

Agency Theory

Agency theory, as cited by Alrasyid & Sudarma, (2022), clarifies the contractual relationship between the principal whether an individual or an institution and the agent designated to represent the principal's interests in the performance of specified tasks. The agent is granted the authority to make decisions in order to execute the responsibilities that have been delegated to them in this relationship.

Value of the company according to Kusniawati & Sugiharti, (2021), the value of a company is a reflection of the prosperity of the company as perceived by investors, which is typically reflected in stock prices. The value of a company is a critical metric, as the higher the stock price, the more wealth shareholders receive, which is indicative of market confidence in the company's current and prospective performance.

Profitability

Profitability is a financial ratio that is employed to assess the capacity of a company to generate profits from its operational activities, as per (Brigham & Houston, 2018). A positive signal for the company's sustainability is a good profitability performance, which can contribute to the increase in company value.

Company Size

According to Utama, (2020) defines company size as an indicator that is employed to categorize the scope of a company. Typically, a larger scale suggests that the company is more widely recognized in the community, which facilitates the acquisition of information and resources to enhance the company's value.

Capital Structure

The capital structure of the company is a financing arrangement that combines internal funds (equity) and external funds (long-term debt) to finance operational requirements (Toni, 2021). This structure is crucial because it can demonstrate the company's financial management's stability and efficacy.

The Impact of Profitability on the Value of a Company

Profitability ratios are employed to ascertain a company's capacity to generate profit from its operational activities during a particular period (Amro & Asyik, 2021). A company's long-term survival is contingent upon profitability. This is due to the fact that profitability can evaluate the likelihood of the business's future success. Therefore, every business entity endeavors to enhance its profitability, as it ensures the business's survival as it increases. This is consistent with research Priyatama & Pratini, (2021) that indicates that profitability has a beneficial impact on the value of a company. This is due to the fact that an increase in profitability value can suggest favorable company prospects for investors, as a significant number of investors will be drawn to companies with strong profitability, which will result in an increase in stock demand and company value. The research hypothesis can be formulated as follows, based on the aforementioned explanation:

H_1: The value of a company is influenced by its profitability.

The Impact of Company Size on Company Value

Company size is a metric that indicates the size of a company, particularly in terms of financial soundness and assets. Potential investors are more inclined to evaluate large companies than small ones due to the fact that they are better prepared to address company issues and maintain more stable financial conditions. Additionally, it is simpler for large organizations to secure financing from both internal and external sources. The operational activities will be more optimal as a result of the increased funding, which will inevitably affect the company's value and the demand for shares from potential

investors. This will also affect the profits and dividends of shareholders. This is consistent with the findings of research conducted by Chusnitah & Retnani, (2017)and Siregar, (2019), which indicated that the value of a company is positively influenced by its scale. Therefore, the research hypothesis can be formulated as follows, based on the aforementioned explanation:
H_2: The value of a company is influenced by its scale.

The Impact of Capital Structure on the Value of a Company

The capital structure of a company is the combination of equity and debt financing. The utilization of debt to finance a company is determined by its capital structure. The financial position and value of a company are also influenced by the integrity of its capital structure, which is why capital structure is a critical concern. Research conducted by Widianingsih, (2020) and Karamina & Soekotjo, (2019) substantiates this assertion, asserting that capital structure has a substantial and beneficial impact on company value. Consequently, the research hypothesis can be formulated as follows, in accordance with the aforementioned discussion:
H_3: The value of a firm is influenced by its capital structure.

The Effect of Profitability, Company Size, and Capital Structure on the Value of a Company simultaneously.

Profitability has a beneficial impact on the value of a company, according to the research conducted by (Priyatama & Pratini, 2021). This demonstrates the acceptance of hypothesis 1 in this investigation. Additionally, the findings of this investigation suggest that the scale of a firm has an impact on its value. This demonstrates the acceptance of hypothesis 2 in this investigation. The research conducted Siregar, (2019) demonstrates that the capital structure of a company has an impact on its value. Consequently, hypothesis 3 is approved in this investigation. The research hypothesis can be formulated as follows, based on the explanation provided above:
H_4: The value of a company is influenced by the combination of profitability, company size, and capital structure

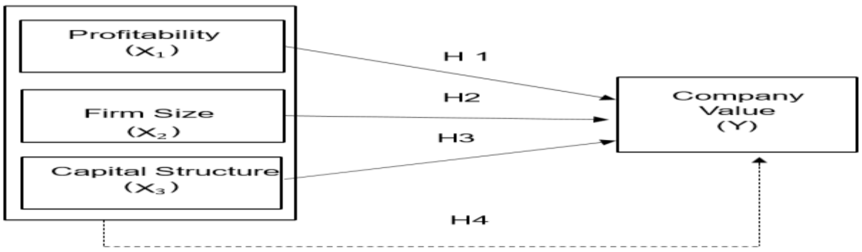

Figure 1: **Framework**

Source: Author

RESEARCH METHOD

This study's population consists manufacturing firms within the miscellaneous industries sector registered on the Indonesia Stock Exchange from 2018 to 2021. The cumulative count of corporations over the four-year study period is 51. A sample is a subset of the whole population, chosen in a certain manner to represent the characteristics of the overall population (Sugiyono, 2019). This study used a purposive sampling strategy. Purposive sampling refers to a sample method that targets certain criteria (Sugiyono, 2019). This study focuses on companies within the miscellaneous industry sector listed on the Indonesia Stock Exchange from 2020 to 2022, which published comprehensive financial statements during the research period and reported profitability. Ten companies that fulfilled the requirements were chosen.

The analysis plan commences with descriptive statistics. Descriptive statistics refers to the branch of statistics employed to examine data by describing or representing the gathered information (Sugiyono, 2019). This encompasses the mean, median, maximum and minimum values, together with the standard deviation. The panel data regression analysis is conducted using eviews, following model selection tests that included the chow test, hausman test, and LM test. Subsequent to selection, classical assumption tests will be administered. Ultimately, hypothesis testing was performed, encompassing T-tests, F-tests, and the coefficient of determination (R^2).

Tabel 1. Operational Variables

No	Research Variables	Definition	Measurement	Scale
1	Nilai Perusahaan (Y)	Utilized as a metric to evaluate the valuation of a stock by contrasting its market price with the company's book value.	$\text{Price to Book Value} = \frac{\text{Market Price}}{\text{Book Value}}$	Ratio
2	Profitability (X_1)	Demonstrates how a corporation produces profit within a designated term.	$\text{Return on Assets} = \frac{\text{Earing After Tax}}{\text{Total Assets}}$	Ratio
3	Company size (X_2)	Describes the total assets owned by a company within a specific time frame	$Size = Ln\,(Total\ Aset)$	Ratio
4	Capital structure (X_3)	Reflecting the balance (comparison) of total debt and equity.	$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{Total\ Equity}$	Ratio

Source: Author's processing.

FINDINGS AND DISCUSSION

Findings

Tabel 2. Statistik Deskriptif

	PBV	ROA	SIZE	DER
Mean	2.178250	0.076750	28.00875	0.535250
Median	1.265000	0.060000	28.71500	0.390000
Maximum	8.060000	0.240000	33.54000	3.340000
Minimum	0.100000	0.010000	19.67000	0.070000
Std.Dev	2.287926	0.057082	3.383717	0.577421
Observations	40	40	40	40

Source: Eviews dataset.

The descriptive analysis of the research variables indicates that the corporate value of the sample, comprising 40 observations, has a mean of 2.178250, a median of 1.265000, and a maximum value of 8.060000 attributed to PT. SLIS in 2021, which is 2.178250. The minimal value is attributed to PT. LPIN in 2018 and 2019, with a firm value of 0.100000 and a standard deviation of 2.287926. Profitability (X_1) has a mean of 0.076750, a median of 0.060000, a maximum value of 0.240000 recorded by PT. SMSM in 2018, a minimum value of 0.010000 recorded by PT. AUTO in 2020, and a standard deviation of 0.057082. The Company size (X_3) exhibits a mean of 28.00875, a median of 28.71500, a maximum value of 33.54000 recorded by PT. ASII in 2021, a minimum value of 19.67000 held by PT. CCSI in 2018, and a standard deviation of 3.383717. The Capital structure (X_4) exhibits a mean of 0.535250, a median of 0.390000, a maximum of 3.340000 recorded by PT. SLIS in 2018, and a minimum of 0.070000 held by PT. LPIN in 2019.

Selection of model the findings of model selection via the chow test indicate a chi-square ratio of 0.0000. This indicates that the significance level is less than 0.05, with H_0 being false and H_1 being true. Consequently, the recognized format of the FEM (fixed effect model) estimate. The hausman test indicates a significance level of 0.0000 for the cross-section random effect. This demonstrates that the significance threshold is indeed less than 0.05. Consequently, H_0 is invalid and H_1 is valid. Consequently, the fixed effect model (FEM) is deemed acceptable. The breusch-pagan cross-section value has a significance level of 0.0425 according to the lagrange multiplier test. consequently, this significance level is less than 0.05. Consequently, H_0 is invalid and H_1 is valid, with the appropriate model being the random effects model (REM). Consequently, the chosen fixed income model.

Test of Classical Assumptions

The normality test findings indicate whether the data for the chosen variables follows a normal distribution. The jarque-bera statistic is 5.649404, which is below the critical chi-square value of

55.758479, while the associated probability value is 0.059326, exceeding the 0.05 threshold. The results demonstrate that the residuals follow a normal distribution.

Table 3. Multicollinearity Test Results

	ROA (X_1)	SIZE (X_2)	DER (X_3)
ROA (X_1)	1.000000	-0.065295	-0.018917
Size (X_2)	-0.065295	1.000000	0.038345
DER (X_3)	-0.018917	0.038345	1.000000

Source: Processed by the researcher using eviews 12.

The correlation coefficient between the variables, as seen in table 3, is less than 0.8. The results demonstrate the absence of multicollinearity. The data in this study indicates a lack of significant association among its independent variables. The heteroscedasticity test indicates that the p-value of the independent variables exceeds 0.05. This signifies the absence of heteroscedasticity in this investigation. This indicates that the data employed in this investigation exhibits unequal variance of residuals for the utilized regression model. The autocorrelation test for the chosen model yields a durbin-watson value of 1.753752. The DW statistic ranges from -2 to +2, indicating the absence of autocorrelation in this analysis. This indicates that the data utilized exhibits no residual association between period (t) and the preceding period (t-1).

Table 4. Results of Linear Regression Analysis (Fixed)

Dependent variable: PBV				
Method: Panel least squares				
Date: 05/08/23 Time: 12:19				
Sample: 2018-2021				
Periods included: 4				
Cross-sections includes: 10				
Total panel (balanced) observations: 40				
Variable	Coefficient	Std. Error	t-Statistic	Prob
C	11.76790	34.94473	0.336758	0.7389
ROA	1.121679	0.3442840	3.271727	0.0024
Size	-0.3169961	1.240424	-0.2555527	0.8003
DER	-1.320053	0.383204	-3.444783	0.0019
Effects Specification				
Cross-section fixed (dummy variables)				
Root MSE	0.514020	R-squared	0.948231	
Mean dependent var	2.178250	Adjusted R-squared	0.925222	
S.D. dependent var	2.287926	S.E. of regression	0.625646	
Akaike info criterion	2.156892	Sum squared resid	10.56867	
Schwarz criterion	2.705778	Log likelihood	-30.13784	
Hannan-quinn criter	2.355352	F-statistic	41.21208	
Durbin-watson stat	1.753752	Prob (F-statistic)	0.000000	

Source: Processed by the author via eviews 12.

According to the results from the fixed effect model shown in table 4, the regression model equation is:

$$Y = 11.76790 + 1.121679\ X_1 - 0.316961\ X_2 - 1.320053\ X_3. \quad (1)$$

The constant value derived from the equation is 11.76790. If the values of profitability (ROA), firm size (size), and capital structure (DER) are same or equal to 0, their impact on company value (PBV) equals 11.76790. The regression coefficient for the profitability variable (ROA) is 1.121679, indicating that a 1-unit increase, with other variables held constant, will result in a 1.121679 rise in firm value (PBV). The regression coefficient for the company size variable (size) is 0.316961, indicating that a 1-unit increase in company size (size), with all other variables held constant, will result in a decrease of 0.316961 in company value (PBV). The regression coefficient for the capital structure variable (DER) is 1.320053, indicating that a 1-unit increase in capital structure (DER), with other variables held constant, will result in a fall of 1.320053 in company value (PBV), and vice versa.

Partial significance testing with t-test, the t-test findings for profitability (ROA) presented in table 4 indicate a t-statistic of 3.271727, exceeding the t-table value of 1.68830. The significance probability is 0.0024, which is below the α threshold of 0.05. Consequently, the initial hypothesis is affirmed, indicating that profitability has a substantial impact on PBV (price-to-book value).

The t-test table 4 indicates that the company size (size) has a t-statistic of -0.255527, which is below the t-table value of 1.68830. Additionally, the probability value is 0.8003, exceeding the α value of 0.05, signifying a significance level of 0.8003. Consequently, hypothesis H_0 is affirmed and hypothesis H_a is dismissed. This indicates that the company's value (PBV) is unaffected by its size (size).

The capital structure (DER) presented in table 4 exhibits a t-statistic of -3.444783, a t-table value of 1.68830, and a significance level of 0.0019. Consequently, these data demonstrate that the t-statistic exceeds the significance level of 0.0019, which is more than the α value of 0.05. Consequently, it can be asserted that the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted. Thus, the capital structure (DER) exerts a significantly adverse impact on firm value (PBV).

The simultaneous significance test (F-test) seeks to ascertain if the independent factors collectively exert an influence on the dependent variables. In the F-test, the following conditions apply: if the p-value is less than the α level of 0.05 or if the F-statistic exceeds the F-table value, a simultaneous and significant effect is indicated. If the contrary occurs, it signifies the absence of a simultaneous effect. The F-test is conducted by contrasting the F-statistic with the F-table value. To ascertain F-tabel, we identify df1 and df2 to reference the F-tabel value. The F-tabel value in this research is 2.87.

Third hypothesis (H_3) the results in output 4.10 indicate that the capital structure t-test (DER) yields a nominal t-statistic of -3.444783, accompanied by a significance level of 0.0019. The results indicate that the T-statistic exceeds the T-table value of 1.68830, with a significance level of 0.0019 surpassing α, which is 0.05. H_0 expressed dissent, while H_a concurred. In other terms, the debt-to-equity ratio (DER) adversely affects business value (PBV). Simultaneous significance test (F-test) profitability variables (ROA), firm size (size), and capital structure (DER) influence firm value (PBV), as seen in table 4, where the F-statistic is 41.21208, exceeding the F-table value of 2.87, with a significance level of 0.000000, which is less than 0.05.

Coefficient of determination (R^2) the adjusted R-squared score in this study is 0.925222. The independent variables in this research account for 92.52% of the dependent variable, with the remaining 7.48% attributed to external variables.

Discussion

The Impact of Profitability (ROA) on Corporate Valuation (PBV)

The T-test results suggest a coefficient value of 1.121679 for profitability, signifying a positive impact on firm value. The significance value of 0.0024, which is less than the α value of 0.05, along with a T-statistic of 3.271727 exceeding the T-table value of 1.68830, indicates a significant partial effect of the profitability variable on firm value. The findings of this study align with the research hypothesis, demonstrating that profitability exerts a substantial positive influence on business value. This indicates that if a company's profitability is robust and rising, its value will therefore improve and increase. Investors typically prefer and have confidence in investing in companies with substantial profitability. Investors inherently anticipate substantial profits; so, the higher the profit generated, the greater the company's valuation. This research corroborates the findings of Dyah Ayu Kusumaningrum (2022), which indicate that profitability positively and significantly influences firm value. This research contradicts the study by Levina Clarinda (2023), which asserts that profitability does not influence firm value.

The Impact of Company Size (SIZE) on Company Value (PBV)

The T-test results indicate that the coefficient for company size is -0.316961, signifying that profitability adversely affects company value. The T-statistic value of -0.255527 is less than the T-table value of 1.68830, and the significance level of 0.8003 above the α value of 0.05, indicating that business size does not exert a significant partial effect on company value.

The findings of this study do not align with the research premise. The size of a firm serves as a metric for assessing and cultivating public trust in the organization. The size of a corporation is regarded as a factor influencing its ability to secure external financing. As firm size increases, its perceived worth escalates. The ability of large corporations to access the capital market is a favorable indicator for investors.

In this study, firm size did not significantly influence company value. A substantial firm size does not ensure high corporate value. The valuation of a firm is not exclusively determined by its size, as the assumption that larger (or smaller) companies have an easier time securing loans or capital market funding is flawed. Nonetheless, it is imperative to evaluate additional indicators that are considered indicative of the company's value.

This research is substantiated by the study conducted by Ibrahim (2022), Mercyana et al., (2022), which indicates that firm size has no significant partial effect on company value. Investors seeking to invest in a firm with substantial value or potential do not solely concentrate on the company's size. They must also evaluate other aspects or facts to ensure confidence in their investment decisions. This analysis contradicts the findings by (Viriany & Wirianata, 2022), which asserted that firm size significantly affects company value.

The Impact of Capital Structure (Debt-to-Equity Ratio) on Firm Value (Price-to-Book Value)

The T-test results indicate a coefficient value of -1.320053 for capital structure, signifying a negative impact on firm value. The significance level is 0.0019, which is less than the α value of 0.05, and the T-statistic value is 3.444783, exceeding the T-table value of 1.68830. This indicates that capital structure exerts a considerable negative partial effect on firm value.

The capital structure represents the ratio of total debt to equity. An increase in a company's debt-to-equity ratio (DER) correlates with a decline in the company's value. The excessive utilization of debt may result in financial distress or insolvency for a corporation, hence diminishing its overall value. An increase in a firm's debt elevates its financial risk, prompting lenders and shareholders to insist on improved risk management by the company. This engenders skepticism among lenders and shareholders over the company's self-financing capabilities, potentially resulting in a decline in the company's valuation, as articulated by (Dang et al., 2020).

This research corroborates the findings of Mercyana et al., (2022), which indicated that capital structure exerts a considerable negative impact on firm value. Conversely, this contradicts the findings of Irvanie et al., (2022), which indicated that capital structure significantly positively affects firm value.

The Impact of Profitability (ROA), Firm Size (SIZE), and Capital Structure (DER) on Firm Value (PBV)

Profitability, firm size, and capital structure collectively and dramatically affect company value. The adjusted R-squared value is 0.925222 (92.52%), indicating that the independent variables account for 92.52% of the variance in the dependent variable, with the remaining 7.48% attributed to external factors not included in the study.

The research findings revealed divergent results relative to prior studies; firm size was determined to have no meaningful impact on company value, although most earlier studies indicated a favorable correlation. Likewise, capital structure, demonstrated to exert a major negative influence, supports the assertion that elevated leverage might diminish firm value. The elevated adjusted R^2 value of 92.52% signifies that this research model is more effective in elucidating the variety in company worth than other prior studies. This research theoretically enhances the literature regarding the interplay between profitability, business size, capital structure, and firm value, especially in post-pandemic Indonesia. The outcomes of this study additionally enhance the academic conversation due to discrepancies with prior results. This research offers practical insights for corporate management in developing financial strategies, namely in maximizing profitability and managing capital structure to increase firm value. This research offers crucial insights for investors to prioritize profitability considerations in their investment decisions, as firm size does not invariably indicate high value. This study reveals that elevated debt levels augment financial risk and diminish corporate value for creditors and shareholders.

CONCLUSION

This study seeks to examine the impact of profitability, firm size, and capital structure on corporate value within the diversified manufacturing sector listed on the Indonesia Stock Exchange. The research findings demonstrate that profitability exerts a substantial positive influence on business value, firm size has no notable impact, however capital structure has a considerable negative effect on firm value. Nonetheless, concurrently, these three variables exert a substantial positive influence on business value. This research substantiates that internal factors, including profitability and capital structure, are the primary determinants affecting business value, whereas firm size is not a significant influence. This research indicates that firm management should prioritize enhancing profitability and maintaining a robust capital structure to elevate company value and attract investor interest. Investors may utilize the findings of this research to evaluate the firm's potential, with profitability serving as the primary metric of financial performance, but company size may not always be pertinent. These findings suggest that authorities should guide corporate capital structure management practices to avoid excessive financial risk, particularly under post-pandemic uncertainty. This study has a limited sample size of only 10 companies, which constrains the generalizability of the research findings. The research period exclusively encompasses post-pandemic settings, hence failing to provide a thorough comparison with pre- or during-pandemic situations. The independent variables considered are restricted to profitability, firm size, and capital structure, while other aspects that may affect company value, like dividend policy, sales growth, corporate governance, and macroeconomic external influences, are not included. Given these constraints, it is advisable for future study to increase the sample size and duration of observation to enhance the representativeness of the findings. The research can be extended to additional industrial sectors, including food and beverage, mining, or banking, facilitating sectoral comparisons to enhance the literature on determinants of business value in Indonesia.

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