

The Effect of Capital Structure, Firm Size, Firm Growth_JaSA

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THE EFFECT OF CAPITAL STRUCTURE, FIRM SIZE, FIRM GROWTH, AND PROFITABILITY ON FIRM VALUE (EMPIRE STUDY ON MINING SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE 2015-2020)

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Abstract: The purpose of this study was to determine the effect of capital structure, firm size, firm growth, and profitability on firm value in mining sector companies listed on the Indonesia Stock Exchange for the 2015-2020 period. The capital market is a means for making investments that allow investors to place their funds in an asset according to the risk they are willing to bear with the expected level of profit. In this research, the research method used is the descriptive quantitative method. The number of samples in this study is 116 data from companies in the mining sector on the IDX. Determination of the sample using the purposive sampling technique. The data collection technique uses the documentation method by collecting records and documentation that leads to more accuracy. In proving and analyzing this, the classical assumption test, multiple linear regression test and f test (simultaneous), and t-test (partial) are used. The test results show that the variables of capital structure, firm size, firm growth, and profitability simultaneously affect firm value. The results of the partial test show that the capital structure (X1) has a sig value of 0.000 which means ≤ 0.05 so that it affects the firm value. Company size (X2) has a sig value of 0.695, which means ≥ 0.05 so it has no effect on firm value. The firm growth (X3) has a sig value of 0.189, which means ≥ 0.05 so it has no effect on firm value. Likewise with the profitability variable (X4) has a sig value of 0.950 which means ≥ 0.05 so it does not affect firm value.

Keywords: *Capital Structure, Firm Size, Firm Growth, Profitability, Firm Value.*

INTRODUCTION

The capital market in Indonesia consists of many companies with various sectors. The stock price index of each share of each sector listed on the Indonesia Stock Exchange (IDX) is included in the Sectoral Stock Price Index (SSPI). SSPI is the main indicator that describes the movement of stock prices.

The value of the company can provide maximum shareholder prosperity if the company's share price increases. The higher the share price, the higher the prosperity of shareholders. Maximizing the value of the company is the main goal of the company. The value of shares can be reflected in the market price of the shares. Stock prices in the capital market are formed based on an agreement between investor demand and supply. Firm value is very important for a company, so it is important to explore all possible factors that will have an impact on firm value.

Capital structure is a comparison between the amount of long-term debt with the company's capital. What is meant by own capital is capital which is divided into retained earnings and participation in company ownership. The optimal capital structure is a

capital structure that optimizes the balance between risk and returns to maximize share prices.

Several studies have been conducted on the effect of capital structure on firm value but still show varying results including (Syardiana, et al. 2015) states that capital structure does not affect firm value, while research by (Ramdhonah, et al. 2019), (Febriana, et al. 2016) explained that capital structure has a significant effect on firm value.

The firm size is considered to affect the firm value because the larger the firm size, the easier it is for the company to obtain sources of funding that can be used to achieve company goals. However, on the other hand, it will cause a lot of debt because the risk of the company fulfilling its responsibilities is very small. Companies that generate large profits tend to have greater retained earnings so that they can meet their funding needs to expand their business or create new products from internal funding sources. The greater the retained earnings, the greater the need for funds originating from debt.

Several studies have been conducted regarding firm size on firm value, namely (Indriyani, 2017) which states that firm size does not affect firm value. However, unlike the research conducted by (Febriana, et al. 2016) Suwardika and (Mustanda, 2017) and Rumondor, et al. (2015) stated that firm size has a significant effect on firm value.

Firm growth is a ratio that shows the company's ability to maintain its economy during economic growth and its business sector. According to (Kusumajaya, 2011) that growth is an increase or decrease in the total assets owned by the company. The assets of a company are assets used for the company's operational activities, it is expected to increase the company's operational results so that it will increase the trust of outsiders. The company's growth can provide a positive signal that is expected by parties inside and outside the company. According to (Syadiana, et al. 2015) company growth will produce higher returns because growth has beneficial aspects for investors.

Several studies have been conducted regarding the company's growth on the value of the company, but there are still varying results, including states that firm growth has a significant effect on firm value, while research by (Gustian, 2017) and (Syardiana, et al. 2015) states that firm growth has a significant positive effect on firm value.

Profitability is a variable that is also able to affect firm value. Profitability is the net result of various policies and decisions implemented by the company. The value of the company is determined by the profitability of the company, which means that higher profits create a greater possibility that more dividends will be distributed to investors (shareholders) to create high firm value.

Companies that can generate higher profits indicate that the company's performance is getting better so that it can generate good responses from investors which have an impact on increasing the stock price of a company. If the profitability of a company is high, it shows the company is working efficiently and effectively in managing the company's assets in obtaining profits for each period. Investors who invest shares in a company certainly have a goal to get a return, where the higher the company's ability to generate profits, the greater the return expected by investors, resulting in the value of the company increasing.

Several studies have been conducted regarding the profitability on firm value, but there are still many different results, including (Moniaga, 2013) revealing that profitability does not affect firm value. Meanwhile, in contrast to the research conducted by (Pasaribu, et al. 2016), (Indriyani, 2017) states that profitability has a significant effect on firm value.

Signaling Theory, According to experts, a signal is an action taken by the company's management that provides clues to investors about how the future management of the company's prospects will be. Information released by the company is important because it influenced the investment decisions of parties outside the company. This information is important for investors or business people. Because information essentially presents information, notes, or descriptions, both for current and future past conditions for the survival of the company and how it affects the company.

Companies with favorable prospects will try to avoid selling shares and seek any new capital needed by other means, including the use of debt that exceeds the target's normal capital structure. Companies with less favorable prospects will tend to sell their shares. Announcement of share issuance by a company is generally a signal that management views the company's prospects as bleak. If a company offers to sell new shares more often than usual, the share price will decrease, because issuing new shares means giving a negative signal which can then suppress the stock price and the company's prospects are bright.

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Trade off Theory, According to experts, the implications of trade-off theory are: (1) Companies with large business risks must use less debt than companies with low business risks, because the greater the business risk, the greater the use of debt, the higher the interest expense, which will make it more difficult for finances. companies, (2) companies that are subject to high taxes to a certain extent should use a lot of debt because of the tax shield, (3) the target debt ratio will be different from one company to another. Profitable companies and tangible assets have a higher target debt ratio. Unprofitable companies with high risk and intangible assets have lower debt ratios and rely more on equity.

The trade-off theory of leverage is a theory that explains that the optimal capital structure is found by balancing the benefits of financing with debt (favorable corporate tax treatment) with higher interest rates and bankruptcy costs. This concept explains that the company's performance will increase along with the increase in the use of leverage. It comes to a point when the expected costs of financial pressure or bankruptcy costs are greater than interest tax shields, thereby reducing the value of the company. The trade-off suggests that an organization or company should consider a reasonable debt

ratio and try to achieve this goal in the long run. In this way, the company gets big profits by using debt as a cheap source of financing.

The firm value is the company's performance as reflected by the stock price formed by supply and demand in the capital market which reflects the public's assessment of the company's performance. The investor's perception of the company is seen from the firm value. The firm value can be measured by the state of the company's stock price in the market. The reflection of the public's assessment of the company's performance in real terms creates the company's performance, the share price shows how well the management is performing on behalf of the shareholders.

The firm value depends on the value of the shares outstanding on the IDX, the higher the share price of the company, the higher the firm value. Every company certainly wants a high company value and can attract the attention of investors. Maximizing shareholder wealth is one of the company's goals that cannot be ignored. The market value of a company is an important measure of shareholder wealth. There are several types of firm value, namely (1) nominal value, (2) market value, (3) intrinsic value, (4) book value, and (5) liquidation value.

Capital structure is a balance between debt and capital owned by the company. The capital structure in this study is measured by the Debt to Equity Ratio (DER), which is the ratio used to measure the level of use of debt to the total capital owned by the company. In good business conditions, using debt as business capital can accelerate the development of the company if the company can optimize its business operations to get the expected return so that it can also show the company has good business prospects for the future, which in turn will affect the value of the company. Large companies will need large funds to support their operations and one alternative to fulfill them is with foreign capital (debt) if their capital is insufficient.

Capital structure is a balance or combination of foreign capital with its model, in other words, capital structure is a proportion in meeting the company's expenditure needs with long-term funding sources originating from internal funds and external funds. Thus the capital structure is only part of the financial structure.

According to experts, firm size is a scale that can be classified as the size of the company in various ways, including the company's total assets, log size, stock market value, and others. In addition, firm size can also be described through total assets, total sales, average sales of assets, and average total assets of the company. The size of a company can be seen from the assets it has. Larger companies are considered to tend to have better conditions. The firm size with a large and long-standing company will determine the achievement of profitability and stability, easier access to capital markets, and lower transaction costs when compared to small and newly established companies.

The larger the firm size, the easier it is for the company to obtain internal and external sources of funds. Easier accessibility in obtaining these sources of funds will allow larger companies to have greater flexibility and the ability to raise funds in a short time. If these sources of funds can be managed optimally to produce good business feedback, then this can attract potential investors to invest their shares in related companies. This will be in line with the increase in firm value (Ramdhonah, et al. 2019).

Profitability is the company's ability to generate profits. Profitability is one of the barometers of the success of a company. Profitability is one of the fundamental aspects of the company because, in addition to providing a great attraction for investors who will invest their funds, companies are also a measuring tool for the effectiveness and efficiency of using all resources in the company's operational processes (Ramdhonah et al., 2019).

Based on some of these definitions, it can be found that profitability is the company's profit and return on investment. The survival of the company is influenced by many things, including the profitability of the company itself. Profitability is used to determine the level of profit earned by the company in a period, to know the progress of profits from year to year, to know the amount of net profit after tax with own capital, and to know the productivity of all company funds used both loan capital and own capital.

METHODS

The data collection method in this research is the documentation method. Researchers collect notes and documentation that lead to more accuracy. The data source used is secondary data. According to (Indriantoro, 2014) secondary data is research data obtained indirectly through intermediaries (obtained or recorded/historical reports compiled in archives). The secondary data used comes from the published annual financial reports published on the Indonesia Stock Exchange (IDX) in 2015-2020.

Population

The population is a generalization area consisting of objects/subjects that have certain quantities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2010). The population in this study are all mining sector companies listed on the Indonesia Stock Exchange (IDX) in 2015-2020.

Sample

The sample is part of the total and characteristics possessed by the population (Sugiyono, 2010). Sampling in this research using purposive sampling method with the following criteria: Companies in the mining sector listed on the Indonesia Stock Exchange (IDX) in 2015 to 2020. Companies in the mining sector that do not publish financial reports on the Indonesia Stock Exchange (IDX) from 2015 to 2020. Companies in the mining sector that do not have complete financial data on the Indonesia Stock Exchange (IDX) from 2015 to 2020.

After purposive sampling, the research sample was 23 companies for 6 years, so that 138 research data were obtained.

RESULTS AND DISCUSSION

Deskriptive Statistics

Descriptive statistics are statistics used to analyze data by describing or describing data that has been collected as well as without the intention of making conclusions. This analysis explains the minimum, maximum, and mean values of the

total capital structure, firm size, firm growth, profitability used by the sample. Following are the results of descriptive statistical analysis:

Table 2. Deskriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The value of the company	138	-116.488	243.249	8.823	34.032
Capital Structure	138	-32.282	101.574	2.325	10.906
Company Size	138	23.654	32.263	29.506	1.579
Company Growth	138	-.991	369.591	4.229	33.813
Profitability	138	-2.829	4.012	.056	.533
Valid N (listwise)	138				

Source: SPSS processing 2021

From the results of descriptive statistics, it is known that: The capital structure (X1) has a minimum value of -32.282, a maximum value of 101.574, a mean of 2.325, and std. deviation of 10.906. The firm size (X2) obtained a minimum value of 23,654, the maximum value of 32.263, the mean of 29.506, and std. deviation of 1.579. The firm growth (X3) obtained a minimum value of -0.991, a maximum value of 369.591, a mean of 4.229, and an std. deviation of 33,813. Profitability (X4) obtained a minimum value of -2.829, a maximum value of 4.012, a mean of 0.056, and std. deviation 0.533. Firm value (Y) has a minimum value of -116.488, a maximum value of 243.249, a mean of 8.823, and std. deviation of 34,032.

Classical Assumption Test Normality Test

A normality test is a test of the normality of the data to be analyzed. Based on the results of the normality test using the SPSS program, the skewness ratio and the kurtosis ratio were obtained. Skewness and Kurtosis can be used to determine the level of normality of the data, using the process of calculating the skewness ratio and kurtosis ratio by looking at the skewness and kurtosis values below as follows::

Tabel 3. Normality Test before Outliers

Descriptive Statistics	N	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	138	4.473	.206	35.746	.410
Valid N (listwise)	138				

Source: SPSS processing 2021

In the above results, the value of the skewness ratio and the kurtosis ratio before the outliers are as follows:

$$Z_{skewness} = \frac{\text{Statistic Skewness}}{\text{Std. Error}} = \frac{4,473}{0,206} = 21,7135922$$

$$Z_{kurtosis} = \frac{\text{Statistic Kurtosis}}{\text{Std. Error}} = \frac{35,746}{0,410} = 87,1853659$$

From the analysis, the skewness value is $21.7135922 > 1.96$, meaning that the data is not normally distributed. The kurtosis value is $87.1853659 > 1.96$, meaning that the data is not normally distributed.

Table 4. Normality Test after Outliers

Descriptive Statistics					
	N	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	116	.227	.225	.206	.446
Valid N (listwise)	116				

Source: SPSS processing 2021

In the results above, the value of the skewness ratio and the kurtosis ratio after the outliers are as follows:

$$Z_{skewness} = \frac{\text{Statistic Skewness}}{\text{Std. Error}} = \frac{0,227}{0,225} = 1,00888889$$

$$Z_{kurtosis} = \frac{\text{Statistic Kurtosis}}{\text{Std. Error}} = \frac{0,206}{0,446} = 0,46188341$$

From the analysis, the skewness value is $1.00888889 < 1.96$, meaning that the data is normally distributed. The kurtosis value is $0.46188341 < 1.96$, meaning that the data is normally distributed.

Multicollinearity Test

According to Ghozali (2016), the multicollinearity test is a test to determine the correlation between independent variables in the regression model. This test is detected using tolerance and VIF values. The following are the results of the multicollinearity test:

Table 4. Multikolinieritas Test

Coefficients		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance VIF
1	(Constant)	6.912	8.945		.773	.441	
	Capital Structure	.958	.042	.909	22.843	.000	.987 1.013
	Company Size	-.119	.303	-.016	-.393	.695	.975 1.026
	Company Growth	-.108	.082	-.053	-1.322	.189	.971 1.030
	Profitability	.086	1.377	.002	.063	.950	.987 1.013

a. Dependent Variable: Company Value

Source: SPSS processing 2021

In the test results, it can be seen that each independent variable has a tolerance value of ≥ 0.10 and $VIF \leq 10$. So it can be concluded that there is no multicollinearity problem between independent variables.

Autocorrelation Test

Autocorrelation test is a test of assumptions in regression where the dependent variable is not correlated with itself. The meaning of correlation with itself is that the value of the dependent variable is not related to the variable itself. This study used the Durbin-Watson test. Here are the test results:

Table 5. Autocorrelation Test

Model Summary		Adjusted R Square		Std. An error of the Durbin-Watson	
Model	R	R Square	Square	Estimate	Watson
1	.910 ^a	.828	.822	5.057761	1.955

Predictors: (Constant), Profitability, Company Size, Capital Structure, Company Growth
b. Dependent Variable: Firm Value

Source: SPSS processing 2021

The data above shows the Durbin Watson value of 1.955. With four independent variables and the number of observations of 116 data, the table values are obtained as follows:

dL = 1,6265

dU = 1,7690

4-dL = 2,3735

4-dU = 2,231

So it can be concluded that the Durbin Watson value is between the dU value and the 4-dU value, it is clear that the value of $dU < DW < 4-dU$ ($1.7690 < 1.955 < 2.231$) which means that the autocorrelation is free.

Heteroscedasticity Test

According to Ghozali (2016) the heteroscedasticity test is a test to determine the difference in variance from the residuals of one observation to another in the regression model. This test uses the Glejser test. Here are the test results:

Table 6. Heteroscedasticity Test

Coefficients		Unstandardized Coefficients		Standardize d Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.153	5.011		.629	.530
	Capital Structure	-.038	.024	-.154	-1.631	.106
	Company Size	.034	.170	.019	.203	.840
	Company Growth	-.051	.046	-.106	-1.116	.267
	Profitability	.129	.771	.016	.168	.867

a. Dependent Variable: AbsRes2

Source: SPSS processing 2021

Based on the results of the table above, it can be seen that each independent variable has a value of sig ≥ 0.05 so that it is free from heteroscedasticity symptoms.

Multiple Linear Regression Test

In this study uses multiple linear regression analysis models which intend to determine the magnitude of the effect of capital structure, firm size, firm growth, profitability on firm value. The results of multiple linear regression are as follows:

Table 7. Multiple Linear Regression Test

Coefficients		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	6.912	8.945		.773	.441
	Capital Structure	.958	.042	.909	22.843	.000
	Company Size	-.119	.303	-.016	-.393	.695
	Company Growth	-.108	.082	-.053	-1.322	.189
	Profitability	.086	1.377	.002	.063	.950

a. Dependent Variable: Company Value

Source: SPSS processing 2021

According to the results of the multiple linear regression test, the regression equation is made as follows::

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$$

$$= 6,912 + 0,958X_1 - 0,119X_2 - 0,108X_3 + 0,086X_4$$

Based on the results of the multiple linear regression equation above, it has been explained as follows: The constant value of 6.912 means that if the variables of capital structure, firm size, firm growth, and profitability are equal to zero, the firm value will be reduced by 6.912. 1 = 0.958, which means that when the capital structure variable increases by 1 unit, it will increase the firm value by 0.958. 2 = -0.119 means that when the firm size variable decreases by 1 unit, it will reduce the firm value by -0.119. 3 = -0.108 means that if the firm growth variable decreases by 1 unit, it will reduce the firm value by -0.108. 4 = 0.086 means that if the profitability variable increases by 1 unit, it will increase the firm value by 0.086.

F Test

Based on (Ghozali, 2013) the independent variable as a benchmark in the model must have a simultaneous influence on the dependent variable, this is called the F test. This test is carried out by looking at the sig level of 0.05 or 5%. If the value of sig \leq 0.05. The following are the results of the F test:

Table 8. F Test

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13562.362	4	3390.590	132.544	.000 ^a
	Residual	2813.904	110	25.581		
	Total	16376.266	114			

a. Predictors: (Constant), Profitability, Company Size, Capital Structure, Company Growth

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13562.362	4	3390.590	132.544	.000 ^a
	Residual	2813.904	110	25.581		
	Total	16376.266	114			

b. Dependent Variable: Firm Value

Source: SPSS processing 2021

Based on the table above, it can be seen that the sig value shows a value of $0.000 \leq 0.05$, meaning that the variables of capital structure, firm size, firm growth, and profitability have a joint effect on firm value.

Coefficient of Determination (R²)

The coefficient of determination is used as a measure of how far the model's ability to explain the dependent variable is. If the ability of the independent variable in explaining the dependent variable is very limited, it means that the value of the coefficient of determination is small or close to zero. Indicators that show the stronger the ability to explain changes in the independent variable to the dependent variable show the coefficient of determination is close to one, so the independent variable almost provides all the information to predict the dependent variable. From the coefficient of determination, a value is obtained to measure the contribution of several independent variables to the dependent variable which is usually expressed in percentages. Here are the test results:

Table 9. Coefficient of Determination (R²)

Model Summary

Model	R	R Square	Adjusted Square	R Std. An error of the Estimate
1	.910 ^a	.828	.822	5.057761

a. Predictors: (Constant), Profitability, Company Size, Capital Structure, Company Growth

Source: SPSS processing 2021

In the table above, it can be seen that the value of Adjusted R Square is 0.822 or 82.2%. This means that 82.2% of firm value is influenced by capital structure, firm size, firm growth, and profitability, while the remaining 17.8% is influenced by other factors not included in this study.

Hypothesis Test (t-Test)

Based on Ghozali (2013), the t-test can show the magnitude of the influence of one explanatory variable (X) in explaining the dependent variable (Y). The test is carried out by comparing the sig t-count with the provision that if the value of $\text{sig} \leq 0.05$, then H₀ is rejected, meaning that there is a significant effect between the independent variables on the dependent variable. Here are the test results:

Table 10. t-Test

Coefficients		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	6.912	8.945		.773	.441
	Capital Structure	.958	.042	.909	22.843	.000
	Company Size	-.119	.303	-.016	-.393	.695
	Company Growth	-.108	.082	-.053	-1.322	.189
	Profitability	.086	1.377	.002	.063	.950

a. Dependent Variable: Company Value

Source: SPSS processing 2021

The table above is described as follows: Effect of Capital Structure on Firm Value In table 4.10 it can be seen that the significant value of the capital structure is 0.000 (< 0.05). So, H₁ is accepted, which means that in this study it can be concluded that the capital structure has a positive effect on firm value. The Effect of Firm Size on Firm Value In table 4.10 it can be seen that the significant value of company size is 0.695 (> 0.05). So, H₂ is rejected, which means that in this study it can be concluded that firm size does not affect firm value. The Effect of Firm Growth on Firm Value In table 4.10 it can be seen that the significant value of the company's growth is 0.189 (> 0.05). So, H₃ is rejected, which means that in this study it can be concluded that firm growth does not affect firm value. The Effect of Profitability on Firm Value In table 4.10 it can be seen that the significant value of profitability is 0.950 (<0.05). So, H₄ is rejected, which means that in this study it can be concluded that profitability does not affect firm value.

CONCLUSION

The capital structure partially has a positive influence on the value of the mining sector companies listed on the IDX in 2015-2020. The results of this study indicate that the company is considered capable of fulfilling its obligations in the future following the provisions set by the lender, meaning that the higher the capital structure, the higher the firm value. The firm size in partially does not affect the firm value in the mining sector companies listed on the IDX in 2015-2020. The results of this study indicate that the larger the size of a company, the easier it is for the company to obtain funding sources which can then be utilized by management to increase the value of the company. The possibility that can occur from the results of this study is that companies are more likely to prefer internal funding than debt so that the size of the company does not affect the use of external funding sources. The firm growth partially does not affect the firm value in the mining sector companies listed on the IDX in 2015-2020. The results of this study indicate that there is a decrease in the total assets owned by the company followed by a decrease in the value of the outstanding share price which is an illustration that the company's condition is not good. The firm growth is highly expected by internal and external parties of a company because it can provide a positive aspect for them. Profitability partially has no effect on firm value in mining sector companies listed on the

IDX in 2015-2020. The results of this study indicate that increased company profitability will reduce company value because from an investor's perspective, companies that can generate high profitability mean that the company is not able to manage the company's capital, including the share capital that has been invested by investors properly. This further reduces investor confidence that the capital owned has been used in investments that are not profitable so that the decision of investors to invest their shares in related companies is inappropriate.

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