

## THE EFFECT OF PROFITABILITY AND FIRM SIZE ON FIRM VALUE WITH CAPITAL STRUCTURE AS A MEDIATING VARIABLE

Nyoman Cyntia Riesta UTAMI<sup>1</sup>, I Made Wianto<sup>2</sup>, Ida Ayu SURASMI<sup>3</sup>

<sup>1,2,3</sup>Master of Management Postgraduate Program Warmadewa University, Indonesia

Corresponding author: Nyoman Cyntia Riesta Utami

E-mail: [cyntiariesta@gmail.com](mailto:cyntiariesta@gmail.com)

### Abstract:

The property sector can withstand economic crises. The contribution of the property industry as one of the leading sectors to drive the Indonesian economy's GDP. However, historical performance still does not show significant improvement in the property sector. So it is necessary to research to analyze the factors that affect firm value. This study aims to analyze the effect of profitability, company size, and capital structure on firm value. The population in this study amounted to 91 companies, namely all property and real estate companies listed on the Indonesia Stock Exchange in 2024. While sampling in this study used purposive sampling so 13 companies were obtained with 6 years of observation the amount of data in the study was 78 observations. The analysis technique used to answer the hypothesis is path analysis using SPSS. The results of this study indicate that profitability has a negative but insignificant effect on capital structure, firm size has a positive and significant effect on capital structure in the company, profitability has a positive and significant effect on firm value, firm size has a positive but insignificant effect on firm value, capital structure has a negative but insignificant effect on firm value, capital structure does not act as a mediator on the effect of profitability on firm value, and capital structure acts as a perfect mediation on the effect of firm size on firm value in the company.

**Keywords:** Profitability, Firm Size, Capital Structure, Firm Value, Property Sector.

Volume: 6  
Number: 4  
Page: 700 - 713

### Article History:

Received: 2025-05-15

Revised: 2025-05-30

Accepted: 2025-07-15

## INTRODUCTION

The property sector can withstand economic crises. The contribution of the property industry as one of the leading sectors to drive the Indonesian economy to GDP (Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2024). Indonesia has now become the best property investment destination in the world (Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2024). The relatively affordable price of property encourages public interest compared to other investment sectors. The vast potential for property development in both urban and rural areas means the property market never stops growing (Kompas.co.id, 2023). In addition, the property and real estate sector, according to IDX (Indonesian Stock Exchange), offers advantages as an affordable investment, portfolio diversification, protection against inflation, and potential income through dividends and capital gains. The property industry also provides a multiplier effect for supporting industries and influences the development of the financial sector while absorbing labor significantly.

However, this sector experienced a decline in the index due to the COVID pandemic, causing people's purchasing power to decline. It is evident from the property sector index, which continues to be depressed but has shown its performance in 2023, with the index strengthening by 0.4%. In addition, the increase in property prices that followed this recovery led to a decrease in investment interest, especially from consumers whose purchasing power had not fully recovered. This condition



This open-access article is distributed under a  
Creative Commons Attribution (CC-BY-NC) 4.0 license



assumptions are not met. Capital structure reflects managerial decisions on the use of debt and equity, which becomes the link between internal factors of the company and its final value. The optimal capital structure is a capital structure that can minimize costs and balance risk with return (Astakoni et al., 2020). Capital structure is a combination of the company's equity and liabilities as a selection of the company's operational funding policy (Putri & Sakir, 2022). Several previous studies on the effect of capital structure on firm value have been conducted, one of which is research conducted by Vernando & Teguh (2020), which states that capital structure has a positive and significant effect on firm value. Research conducted by Savitri et al. (2021) states that capital structure hurts firm value. Research conducted by Astakoni et al. (2020) states that capital structure has an insignificant positive effect on firm value.

Based on the results of the existing research gap, this study re-raises research with the development of a different research period and variable proxies. The current research focuses on the property and real estate sector because this sector has high resilience, namely the need for housing, which continues to increase along with population growth, and an increase in per capita income, which makes this sector continue to grow and never recede.

**Firm Value.** According to Isnawati & Kesi (2019), the bargaining power of shares is reflected through the value of the company. Companies that are considered to have good prospects in the future, the value of their shares increase. The company has the main goal of increasing the value of the company, which is expected to increase investor interest in investing in the company. Firm value is a reflection of the price that potential buyers are willing to pay if the company is sold. Firm value is the investors' perception of the success rate of a company, which is associated with the stock price. Maximum company value is the most important thing for a company because it reflects the prosperity of shareholders (Muliana & Khilyatin, 2019). According to Anggraini (2019), firm value is the result of the company's management efforts from several dimensions, including net cash flow from investment decisions, growth, and the company's cost of capital. For companies that have high value, the share price will increase because investors will invest their capital. In this study, firm value is measured using the Tobin's Q proxy, which is a ratio that provides the best information because it contains all elements, namely debt, capital, and company assets. Tobin's Q value reflects the condition of investment opportunities in the company. If the Tobin's Q value is above one, it can increase the interest of investors, which can show that investment in assets generates higher profits. Conversely, if the Tobin's Q value is below one, it can reduce investors' interest in the Company. The following is the formula for Tobin's Q (Wicaksono & Mispiyanti, 2020):

$$Q = \frac{MVS + D}{TA}$$

Description:

MVS = Market Value Share

D = Debt

TA = Asset

**Profitability.** According to Muliana & Khilyatin (2019), profitability is the ability of a company to earn profits in a certain period. Profitability describes the company's ability to generate profits using its assets. Profitability can affect investors' policies on investments made. The company's ability to generate profits will attract investors to invest their capital, and conversely, a low level of profit will cause investors to withdraw their capital. Profitability is measured through the company's ability to optimize the productive use of company assets (Isnawati & Kesi, 2019). Profitability is



This open-access article is distributed under a  
Creative Commons Attribution (CC-BY-NC) 4.0 license



important because it is an indicator of the financial performance of a company, which is used as a reference to assess the company. The higher the profitability, the better the prospect of a good quality company, so that investors can respond positively to the signals given and the company's value will increase. In this study, profitability is measured using the Return on Investment (ROI) proxy, which reflects the return on the total assets used in the company. ROI can be calculated using the following formula:

$$ROI = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

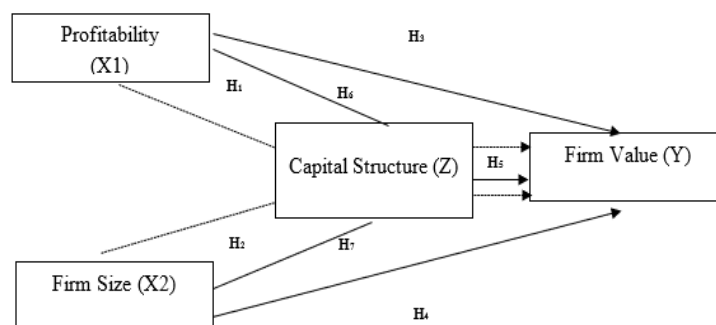
**Size.** Size is an indicator that can show the financial strength of the company. The large company size reflects that the company is experiencing development and growth in good condition, which has an impact on the company's value. Company size can describe the size of a company, which is indicated through total assets, total sales, average total asset sales, and average total assets. This definition also means that company size can be said to reflect the company's assets (Anggraini, 2019). The size of a company is reflected through a value, namely, company size. Investors have the perception that investing in shares of large companies provides more confidence in making profits than investing in shares of small companies. Large companies are also believed to provide more informative disclosures that are needed by investors in making investment decisions (Isnawati & Kesi, 2019). Company size can be measured by the formula (A'yun et al., 2022):

$$\text{Size Ln (Total Asset)}$$

**Capital Structure.** Corporate funding decisions are related to determining the source of funds used to finance the company's needs. The fulfillment of these funding needs can be obtained from internal and external sources. Internal sources are in the form of retained earnings, while external sources are separated into debt financing and equity funding. Debt financing is obtained through loans, and equity funding is obtained from or issuance of shares (Muliana & Khilyatin, 2019). A good capital structure is one with a low cost of capital, and vice versa; a bad capital structure is a very high cost of capital (Anggraini, 2019). According to Ratanadewi and Henryanto (2023), capital structure is the composition of a company's capital, consisting of debt, common stock, and preferred stock. Capital structure is proxied by Debt Equity Ratio (DER), which is a ratio to measures the ratio of debt to equity. If the ratio has a high value, the less own capital compared to the company's debt. DER is calculated using the formula (Pangesti et al., 2020):

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}} \times 100\%$$

The research conceptual framework is described as follows.



**Figure 1.** Research Framework

Based on the problem formulation, theoretical basis, and framework that have been described, the hypotheses that can be made in this study are as follows:

- H1: Profitability has a positive effect on capital structure
- H2: Company size has a positive effect on capital structure
- H3: Profitability has a positive effect on firm value
- H4: Company size has a positive effect on firm value
- H5: Capital structure has a positive effect on firm value
- H6: Capital structure is able to mediate the effect of profitability on firm value
- H7: Capital structure mediates the effect of firm size on firm value

## METHODS

This research was conducted at property and real estate companies listed on the Indonesia Stock Exchange for the period 2019 - 2024. The scope of this research includes the values contained in the financial statements of each company so that data can be found that represent profitability, company size, capital structure, and company value. Quantitative data in this study are in the form of annual financial reports of property and real estate companies listed on the Indonesia Stock Exchange for the period 2019-2024. The data source used in this research is secondary data sources. The secondary data used in this study were obtained from the annual financial statements of property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2024 period, which were accessed through the IDX website, namely [www.idc.co.id](http://www.idc.co.id), and other sites. The analysis technique used to answer the hypothesis is path analysis using SPSS.

The population in this study amounted to 91 companies, namely all property and real estate companies listed on the Indonesia Stock Exchange in 2024. Furthermore, the sampling in this study used purposive sampling, which is based on certain considerations by the researchers themselves. The sampling considerations used are as follows:

- a. Property and real estate companies listed on the Indonesia Stock Exchange in 2024
- b. Companies actively listed on the Indonesia Stock Exchange in the 2019-2024 period.
- c. The company published complete financial reports during the 2019-2024 research period.
- d. The company has the data needed for the measurement of research variables.
- e. The company is not in a delisting or suspension condition during the 2019-2024 research period.
- f. Companies that did not experience losses during the 2019-2024 research period.

## RESULT AND DISCUSSION



**Descriptive Statistics.** Descriptive statistics are statistics that describe or describe the data that has been collected into information that is clearer and easier to understand. The results of the descriptive analysis are presented in Table 1 below:

**Table 1.** Descriptive Analysis

Variable	Minimum	Maximum	Average	Standard Deviation
Company Value (Y)	0,30	4,75	1,16	0,88
Profitability (X1)	0,00	0,94	0,07	0,13
Company Size (X2)	26,23	31,96	29,69	1,74
Capital Structure (Z)	0,08	1,74	0,56	0,41

Table 1 shows that the firm value variable (Y) obtained an average value of 1.16 with a standard deviation of 0.88, which indicates a considerable variation in firm value among companies in the sample. The lowest or minimum company value is owned by Duta Pertiwi Tbk (DUTI) in 2020 with a value of 0.30, while the highest or maximum value is obtained by Metropolitan Kentjana Tbk (MKPI) in 2022 with a value reaching 4.75. It shows that MKPI has a very high market performance compared to other companies in the study period, while DUTI in 2020 was at its lowest point.

Furthermore, the profitability variable (X1) has an average value of 0.07 with a standard deviation of 0.13, which indicates that the distribution is relatively low between companies. The lowest profitability value is 0.00 experienced by Kawasan Industri Jababeka Tbk (KIJA) in 2020 and 2022, which indicates that the company did not make a profit or made very low profits in the study period. Meanwhile, the highest profitability value of 0.94 was obtained by Duta Pertiwi Tbk (DUTI) in 2019, which reflects excellent financial efficiency in that year.

The company size variable (X2) shows an average value of 29.69 with a standard deviation of 1.74, which is relatively small, meaning that the size of the companies in this sample is quite homogeneous. The minimum value of 26.23 was recorded in the Jaya Real Property Tbk (JRPT) company in 2022, while the maximum value of 31.96 was owned by Bumi Serpong Damai Tbk (BSDE) in 2024. It shows that BSDE is a company with the largest assets and scale of operations, while JRPT has a smaller size.

On the capital structure variable (Z), the average value obtained is 0.56 with a standard deviation of 0.41, indicating a moderate variation in the company's capital structure. The minimum value of 0.08 was recorded by Suryamas Dutamakmur Tbk (SMDM) in 2024, which indicates very low dependence on debt. While the highest capital structure of 1.74 was found in Summarecon Agung Tbk (SMRA) in 2020, which indicates high dependence on external financing or debt.

**Hypothesis Test.** Profitability (X1) has a coefficient value of 2.028 with a significance of 0.034 <0.05, meaning that the hypothesis is accepted, which explains that profitability has a positive and significant effect on firm value. Company size (X2) has a coefficient value of 0.054 with a significant value of 0.519 > 0.05, meaning that the hypothesis is rejected, which explains that company size has a positive but insignificant effect on firm value. Capital structure (Z) has a coefficient value of -0.521 with a significant value of 0.071 > 0.05, meaning that the hypothesis is rejected, which explains that capital structure has a negative but insignificant effect on firm value.

Profitability (X1) has a coefficient value of -0.359 with a significant of 0.346 > 0.05 means that the hypothesis is rejected which explains that profitability has a negative but insignificant influence on capital structure. 2 Company size (X2) has a coefficient value of 0.134 with a significant of 0.000 <0.05, meaning that the hypothesis is accepted which explains that company size has a positive and significant influence on capital structure.





Based on the first path analysis test, the direct and indirect effects of profitability on firm value through capital structure show that the direct effect is greater than the indirect effect. Thus, capital structure does not act as a significant mediator in this relationship. In the second path analysis test, the results of the direct and indirect effects of firm size on firm value through capital structure show that the indirect effect is greater than the direct effect. Thus, capital structure acts as a full mediator in this relationship.

**Table 2.** Hypothesis Test Results

Construct	B	Sig	Description
Profitability (X1)	2.028	0.034	Significant
Firm Size (X2)	0.054	0.519	Not Significant
Capital Structure (Y)	-0.521	0.071	Not Significant
<b>Dependent: Firm Value</b>			
Profitability (X1)	-0.359	0.346	Not Significant
Firm Size (X2)	0.134	0.000	Significant
<b>Dependent: Capital Structure (Z)</b>			
	Direct	Inderect	Total
Path Analysis I X1 → Z → Y	2.028	-0,359×(-0,521)= <b>0,187</b>	2,028+0,187= <b>2,215</b>
Path Analysis II X2 → Z → Y	0.054	0,134 × (-0,521) = <b>-0,070</b>	0,054+(-0,070) = <b>-0,016</b>

**The Effect of Profitability on Capital Structure in Property and Real Estate Companies for the 2019-2024 period.** The results showed that profitability has a negative but insignificant effect on the capital structure of property and real estate companies that became research samples in the 2019-2024 period. The coefficient value of -0.359 with a significance level of 0.346 > 0.05 indicates that the higher the level of company profitability, the smaller the capital structure used, but the effect is not significant.

In the property and real estate industry, funding decisions become very strategic, considering that this sector is a capital-intensive industry that often requires large financing in the form of long-term debt. However, companies that have high profitability will usually be more cautious in increasing their debt burden due to the high fluctuations in the property market and the risks associated with the economic cycle. As happened in companies such as Pertiwi Tbk (DUTI), in 2019 recorded the highest profitability (0.94), which can be interpreted as the ability to fund its operations without heavy dependence on debt. At the same time, the company that has the strongest capital structure is Suryamas Dutamakmur Tbk (SMDM) in 2024, which indicates that this company has very little dependence on debt.

The increasing Return on Investment (ROI) reflects that the higher the company's ability to generate profits, meaning that companies tend to be more careful in using funds from third parties. However, in this study, it was found that the average ROI in the property sector companies sampled was 0.07 or 7 percent. This value is included in the sufficient category. Based on the opinion of Agustis et al. (2023) in accordance with industry standards or Return On Investment (ROI) assessment standards, it is said to be good if it is greater than 9.8%. In the sample used in the study, the resulting ROI is a relatively small number.

This low ROI can be caused by the composition of assets in the financial statements of companies in the property sector, most of which are non-fixed assets or included in the inventory category. Low ROI encourages companies to seek additional funding through debt, which in turn causes the company's capital structure to increase. However, ROI often does not fully reflect the actual conditions, because the characteristics of the property sector are strongly influenced by asset



recording, which depends on the accounting standards used. Therefore, this is an important consideration for banks in channeling funds to companies in this sector. The difference in ROI results between sectors is due to the different characteristics of each sector. The property sector is capital-intensive and has a slow monetization process, so it does not immediately generate profits at the same time.

Based on Signal Theory, high profitability can be a positive signal to investors that the company has good prospects and a stable financial condition. In this study, companies with profitability have an insignificant effect on capital structure, which means that high profitability causes companies not to rely on debt in their capital structure because high profits alone signal confidence to the market. The avoidance of debt financing can also be interpreted as a management effort to avoid negative perceptions that may arise if the company uses too much leverage, which can be associated with financial stress or bankruptcy risk.

Attributed to Modigliani and Miller's Capital Structure Theory (1958) in the condition of no tax and perfect market, the capital structure changes due to profitability, meaning that the company is free to choose between funding with debt or equity without any impact on the company's operations. However, in reality, taxes and bankruptcy costs make capital structure relevant. In this case, high profitability can be used as a reason for the company to avoid using debt because it does not really need a tax deduction from interest expense (tax shield).

This is not in line with previous research conducted by Robiyanto et al. (2020), Jemani & Teguh (2020), Astakoni et al. (2020), Nasution (2021), and Putri & Sakir (2022), which state that profitability has a positive effect on capital structure. When compared with previous studies that have different objects and sector contexts, there are variations in results. It can be seen in the research of Robiyanto et al. (2020), which examined the hotel and tourism sector and found that profitability has a significant effect on capital structure, mediated by firm value. Likewise, in Jemani & Teguh's research (2020), which used a sample of manufacturing companies, profitability showed a significant effect on capital structure. In contrast to property companies, the manufacturing and tourism sectors tend to have a faster revenue cycle and higher asset liquidity, so the effect of profitability on capital structure decisions is more direct and significant.

**The Effect of Company Size on Capital Structure in Property and Real Estate Companies for the 2019-2024 period.** The results showed that firm size has a positive and significant effect on capital structure, with a coefficient value of 0.134 and a significance of  $0.000 < 0.05$ . It explains that the larger the size of the company, the greater the capital structure of the company, meaning that its funding composition is more dominated by debt. In the property and real estate industry, large companies such as Bumi Serpong Damai Tbk (BSDE), which have the highest asset size in 2024, have easier access to bank loans or bond markets. At the same time, smaller companies such as Jaya Real Property Tbk (JRPT) may face limitations in external financing. It explains the significant positive relationship between firm size and capital structure in companies in the property and real estate industry.

According to Modigliani and Miller's Theory, by considering taxes and bankruptcy costs, large companies have a lower risk of bankruptcy than small companies, because these companies have stable cash flows, more liquid assets, and easier access to external financing sources. It causes large companies to be more willing to take debt because they will benefit from tax (tax shield) on debt interest, with a relatively small risk of bankruptcy, so that the larger company size will lead to an increasing capital structure. This explanation is also in line with signal theory, which states that large companies tend to use debt in their capital structure, which serves as a positive signal to investors



to show that the company has good prospects and can fulfill its financial obligations, so that the high size of the company encourages an increase in the amount of capital structure.

This result supports the results of previous studies conducted by Pangesti et al. (2020), Savitri et al. (2021), Vernando & Teguh (2020), Hamdani et al. (2022), and Ratanadewi & Henryanto (2023), which concluded that company size has a positive effect on capital structure.

**The Effect of Profitability on Company Value in Property and Real Estate Companies for the 2019-2024 period.** The results showed that profitability has a positive and significant effect on firm value, with a coefficient value of 2.028 and a significance level of  $0.034 < 0.05$ . It indicates that the higher the level of profitability generated by a company, the value of the company in the eyes of investors and the market will increase. Based on descriptive analysis, it is known that one of the companies in the property and real estate industry, namely Metropolitan Kentjana Tbk (MKPI), in 2022 recorded the highest company value of 4.75, with a high level of profitability in that period. In contrast, Jababeka Industrial Estate Tbk (KIJA), which in 2020 and 2022 had profitability close to zero, showed a lower firm value. It shows that a high level of profitability has an impact on the company's value.

Based on signal theory, high profitability can provide a positive signal to investors that the company is managed effectively and has good growth prospects. This signal is then reflected in an increase in the stock price and firm value ratio (Tobin's Q). Conversely, low or unstable profitability can raise concerns about management efficiency and business resilience to economic pressures. It causes high profits to become an important communication tool between management and the market.

These results support the conclusions of research by Muliana & Khilyatin (2019), Ismawati & Kesi (2019), Jemani & Teguh (2020), Putri & Sakir (2022), and Hamdani et al. (2022), which state that profitability has a positive effect on firm value.

**The Effect of Company Size on Company Value in Property and Real Estate Companies for the 2019-2024 period.** The results showed that company size had an insignificant effect on firm value, with a coefficient value of 0.054 and a significance level of  $0.519 > 0.05$ . It indicates that the higher company size does not significantly affect changes in firm value, especially in the property and real estate industry in the 2019-2024 period.

Company size is often perceived as a factor affecting firm value because larger companies have more resources, better access to capital markets, and the ability to deal with greater economic uncertainty and market fluctuations. However, large companies in the property and real estate sector, such as Bumi Serpong Damai Tbk (BSDE), which have greater financial capacity to invest in large projects, should be able to increase the value of the company in the long run, but in reality, BSDE has a lower company value than others, such as Metropolitan Kentjana Tbk (MKPI).

Based on the average company value in the property sector, which reaches 1.16, indicating that the company's market value is higher than its book value. However, based on a relatively small standard deviation, companies in the property sector have a relatively homogeneous size. This condition indicates that the size of the company, as measured by the amount of assets, cannot be used as the main indicator in assessing the performance or value of the company. It is because the value of assets listed in the financial statements does not necessarily reflect the real value of assets actually owned by the company, so the relationship between asset size and firm value becomes insignificant. For example, PT Bumi Serpong Damai Tbk (BSDE) has the highest total assets among other property companies, but the highest company value does not follow it in its sector.

Based on Signal Theory, it is explained that the need for consideration of company size as information that the company is stable and has the potential to grow, but in fact, in the property and

real estate sector, companies, this signal is not always reflected in an increase in company value. Large companies can also be considered to have greater challenges in terms of asset management and operational complexity that can hinder the achievement of optimal market value. It causes an increase in firm size, but does not significantly increase firm value.

These results are in line with the research of Ratanadewi & Henryanto (2023) and Maharani & Wisnu (2022), which state that company size does not always have a significant effect on firm value due to differences in asset structure and the effectiveness of resource use. Nasution's research (2021), which specifically examines the property and real estate sector, also reveals that large company size cannot be directly linked to high company value, because market dynamics and long project cycles strongly influence the value of assets in this sector.

Meanwhile, previous research conducted by Astakoni et al. (2020), Vernando & Teguh (2020), Putri & Sakir (2022), Hamdani et al. (2022), and Ratanadewi & Henryanto (2023) states that company size has a positive effect on firm value. Astakoni et al. (2020), who examined the manufacturing sector, and Putri & Sakir (2022), who tested the consumer sector, obtained different results due to the high liquidity of assets and faster business turnover in these sectors, so that company size better reflects actual performance and is valued positively by the market.

**The Effect of Capital Structure on Firm Value in Property and Real Estate Companies for the 2019-2024 period.** The results showed that capital structure has an insignificant effect on firm value, with a coefficient value of -0.521 and a significance level of  $0.071 > 0.05$ . It shows that a higher capital structure does not significantly affect firm value in the property and real estate industry in the 2019-2024 period. In property and real estate companies, a high capital structure, especially those that depend on debt, can lead to high interest expenses that must be paid, which potentially reduces the profit available to shareholders. It can lower the market's perception of the company, given that the property industry often requires huge capital investments with a long time horizon. A high debt burden amidst market uncertainty may lead to concerns about the company's ability to manage financial obligations, potentially lowering the value of the company.

Companies with DER that exceed 100% indicate that the organization is at high risk (Maulana & Aziz, 2024). Based on the data, the average DER value in property sector companies is 0.56, which is classified as low, while the average company value is above 1.16, which indicates that the company's market value is at a good level. However, the relationship between DER and firm value is not significant, which may be due to the low variation of data and the limited number of samples, so that its contribution in explaining variations in firm value is weak.

In addition, the characteristics of the property sector as a long-term project-based sector also affect these results. Publicly listed companies in this sector generally manage projects with a completion period of between five to ten years. As a result, a low DER does not necessarily reflect better performance or higher firm value. Conversely, low DER may reflect that significant business expansion has not yet taken place. It illustrates a more conservative and less aggressive financing strategy in pursuit of firm value growth. Therefore, low DER is not able to encourage an increase in firm value in the property sector. Modigliani and Miller's (1958) theory, which considers taxes and bankruptcy costs, suggests that a firm's capital structure can affect firm value, but the effect depends on external factors such as market stability, the firm's ability to generate profits, and the risks associated with the level of debt. In this study, although capital structure has a negative effect on firm value, the effect is not significant.

This finding is in line with the results of previous studies that also examine the property sector, such as those conducted by Nasution (2021) and Farid & Maria (2024), which state that capital structure does not significantly affect firm value because debt in property companies is mostly used

to finance asset development which does not necessarily directly generate income. However, these results do not support the research of Muliana & Khilyatin (2019), Robiyanto et al. (2020), Pangesti et al. (2020), Jemani & Teguh (2020), and Wicaksono & Mispiyanti (2020), which state that capital structure has a positive effect on firm value. The study examined sectors other than property with faster operating cycles and higher asset turnover rates, so that the use of debt more directly affects profitability and market perceptions of firm value.

**The Effect of Profitability on Firm Value with Capital Structure as Mediation in Property and Real Estate Companies for the 2019-2024 period.** Based on the analysis, it is known that the direct effect of profitability on firm value is 2.028, while the indirect effect of profitability on firm value through capital structure is 0.187. This value shows that the direct effect is greater than the indirect effect through capital structure. It means that capital structure is not able to mediate the relationship between profitability and firm value significantly. Capital structure functions as a factor that affects the risk and financial management of the company rather than as a mediator between profitability and firm value. A high capital structure (based on debt) can signal that the company is taking advantage of tax opportunities or minimizing the cost of capital, but if the company is unable to show good profitability, then high debt will be a negative signal regarding the potential risk of bankruptcy and financial instability.

Based on signal theory, high profitability can provide a positive signal to the market regarding managerial efficiency and the company's success in generating profits. It leads to an increase in the value of the company in the eyes of investors. Although capital structure can also serve as a signal, especially if the company decides to change the level of debt to increase financing, the results of this study indicate that profitability is stronger in providing signals that directly affect firm value. This result does not support the research of Anggarini (2019), Ismawati & Kesi (2019), Jemani & Teguh (2020), and Astakoni et al. (2020), which state that capital structure is able to mediate the effect of profitability on firm value.

**The Effect of Company Size on Firm Value with Capital Structure as Mediation in Property and Real Estate Companies for the 2019-2024 period.** Based on the analysis, it is known that the direct effect of firm size on firm value is 0.054, while the indirect effect of firm size on firm value through capital structure is -0.070. These results show that the direct effect of firm size on firm value is smaller than the indirect effect through capital structure. It means that capital structure mediates the relationship between firm size and firm value significantly. Large companies have better access to external financing and can obtain capital more easily; ultimately, the capital structure can increase the value of the company in the eyes of investors.

Based on Signal Theory, a large company size will be considered as a signal that the company is stable and reliable in terms of management and competitiveness in the market. Investors have the perception that large companies are better able to face market challenges and have more resources to invest in large projects. This study shows that company size can signal company stability.

This does not support previous research conducted by Anggarini (2019), Pangesti et al. (2020), Nasution (2021), and Vernando & Teguh (2020), which state that capital structure is able to mediate the effect of company size on firm value.

## CONCLUSION

The property sector is a sector that is able to survive in the face of the economic crisis. The contribution of the property industry as one of the leading sectors to drive the Indonesian economy. Based on the research results, the theoretical implications in this study can support Signal Theory and Capital Structure Theory. Signal Theory explains that information conveyed by management,





such as the level of profitability, can be a signal for investors in assessing the company's prospects. The results showed that profitability has a positive and significant effect on firm value, which means that the higher the profitability of a company, the greater the value of the company in the eyes of investors. It is in line with Signal Theory, where high profitability provides a positive signal of the company's prospects, thereby increasing investor confidence and having an impact on increasing company value. Meanwhile, firm size has a positive but insignificant effect on firm value, which indicates that although large companies are perceived to be more stable, this is not strong enough to provide a significant signal to increase firm value.

In relation to Capital Structure Theory, the results show that capital structure has a negative but insignificant effect on firm value. It shows that an increase in the use of debt does not always decrease the value of the company significantly. The effect of profitability on capital structure is also negative and insignificant, which means that companies with high profitability avoid the use of debt, in accordance with the assumptions in capital structure. In contrast, firm size has a positive and significant effect on capital structure, which reflects that large firms have easier access to external funding sources and are more able to bear the risk of debt financing. However, the result of path analysis shows that capital structure does not act as a significant mediator in the relationship between profitability and firm value, but is able to mediate the effect of firm size and firm value. It means that there is an important role of the capital structure in increasing firm value.

Based on the research results, managers and policy makers in the company can consider the following. First, the finding that profitability has a positive and significant effect on company value provides an illustration that companies need to focus more on efforts to improve operational efficiency and profit-increasing strategies, because profitability has proven to be the main factor considered by investors in assessing a company's market performance. Therefore, maintaining stable profitability from year to year is very important in maintaining the company's value in the eyes of investors.

In addition, although company size has a positive but insignificant effect on company value, descriptive results show that the variation in size between companies is small, with a relatively homogeneous average. It shows that companies do not only rely on business scale as a signal of market strength, but also need to utilize this size to encourage efficiency and product diversification, in order to increase competitiveness and profitability.

Capital structure also does not show a significant effect as a mediating variable or directly on company value, although, on average, companies have a moderate dependence on debt. Companies with high profitability should prioritize internal funding and avoid excessive debt, while companies with low profitability should be careful in using debt because it can worsen their financial position. Thus, management needs to be wiser in balancing the funding structure so as not to cause negative perceptions from the market and maintain long-term financial stability.

The study was limited to property and real estate sector companies listed on the Indonesia Stock Exchange, so the results of this study cannot necessarily be generalized to other industrial sectors that may have different financial characteristics and market structures. Further researchers are advised to expand the scope of the research by involving more industrial sectors and extending the observation period so that the research results can be generalized more widely.

## REFERENCES



This open-access article is distributed under a  
Creative Commons Attribution (CC-BY-NC) 4.0 license

- Anggraini, A. (2019). Pengaruh Profitabilitas, Ukuran Perusahaan dan Growth Opportunity Terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Intervening. *Jurnal Statistika Industri dan Komputasi*, 4(1). 15-30. <https://doi.org/10.21460/jrmb.2020.151.344>
- Astakoni, I. M. P. (2020). Ukuran Perusahaan dan Profitabilitas sebagai Determinan Nilai Perusahaan Manufaktur dengan Struktur Modal sebagai Variabel Mediasi. *Jurnal KRISNA*, 12 (1). 35-49. <https://doi.org/10.22225/kr.12.1.1851.1-6>
- Brigham, E. & Joel F. Houston. (2007). *Manajemen Keuangan II*. Jakarta: Salemba Empat.
- Farid, M. N. & Maria, S. (2024). Pengaruh Profitabilitas, Struktur Modal, dan Ukuran Perusahaan Terhadap Nilai Perusahaan (Studi Kasus pada Perusahaan Property dan Real estate yang Terdaftar di Bursa Efek Indonesia Tahun 2017-2023). <https://doi.org/10.33633/jekobs.v3i4.11626>
- Hamdani, L., Partini, S., & Pratama, A. A. (2022). Analisis Pengaruh Profitabilitas, Ukuran Perusahaan dan Likuiditas terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Intervening. *Jurnal Jempper*, 2(2). 244-253. <https://doi.org/10.55606/jempper.v1i2.454>
- Isnawati, F. N. & Kesi, W. (2019). Pengaruh Kepemilikan Institusional, Profitabilitas, Ukuran Perusahaan dan Pertumbuhan Penjualan Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening. *Jurnal Riset Ekonomi dan Bisnis*. 12 (1). 71-84. <https://doi.org/10.26623/jreb.v12i1.1528>
- Jemani, K. R. & Teguh, E. (2020). Pengaruh Profitabilitas Terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Intervening pada Perusahaan Manufaktur yang Terdaftar di BEI. *Jurnal Kajian Bisnis*, 28(1). 51-70. <https://doi.org/10.32477/jkb.v28i1.377>
- Maharani, Y. A. & Wisnu, M. (2022). Pengaruh Profitabilitas, Firm Size, dan Growth terhadap Nilai Perusahaan dengan Struktur Modal sebagai variabel Intervening. *Diponegoro Journal of Management*, 11(1). 1-12. <https://doi.org/10.24843/EJMUNUD.2023.v12.i11.p03>
- Modigliani, F., & Miller, M. (1958). The Cost of Capital, Corporation Finance. And The Theory of Investment. *American Economic Review*, 48(3): 261-. 297.
- Muliana & Khilyatin, I. (2019). Pengaruh Struktur Modal, Pertumbuhan Perusahaan dan Ukuran Perusahaan dengan Profitabilitas sebagai Variabel Intervening terhadap Nilai Perusahaan Sektor Infrastruktur di BEI. *Jurnal Ilmu Manajemen Terapan*, 1(2). 108-121. <https://doi.org/10.31933/jimt.v1i2.52>
- Nasution, R. P. (2021). Pengaruh Keputusan Investasi, Profitabilitas, Ukuran Perusahaan terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Intervening pada Perusahaan Properti dan Real Estate yang terdaftar di BEI. *Jurnal Institusi Politeknik Ganesha Medan*, 4(1). 172-177. <https://doi.org/10.33395/juripol.v4i1.11028>
- Pangesti, G., Mahmudi, B., & Hakim, L. (2020). Pengaruh Ukuran Perusahaan Terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Intervening. *Sultanist: Jurnal Manajemen dan Keuangan*, 8(2). 169-181. <https://doi.org/10.37403/sultanist.v8i2.220>
- Putri, N. A., & Sakir, A. (2022). Pengaruh Profitabilitas dan Ukuran Perusahaan Terhadap Nilai Perusahaan dengan Stuktur Modal sebagai Variabel Intervening pada Perusahaan Sektor Industri Barang Konsumsi yang tercatat di Bursa Efek Indonesia (BEI). *Jurnal Ilmiah Mahasiswa Ekonomi Manajemen*. 7(1). 166-190.
- Ratanadewi, W. & Henryanto, W. (2023). Pengaruh Profitabilitas, Ukuran Perusahaan, dan Pertumbuhan Perusahaan terhadap Nilai Perusahaan dengan Struktur Modal sebagai variabel

mediasi pada sektor Manufaktur yang terdaftar pada IDX tahun 2018-2020. *Jurnal Multiparadigma Akuntansi*, 5(2). 692-702.

- Robiyanto, R., Nafiah, I., Harijono, H., & Inggawati, K. (2020). Pengaruh Profitabilitas Terhadap Nilai Perusahaan Perhotelan dan Pariwisata melalui Struktur Modal sebagai Variabel Intervening. *Jurnal Ilmiah Bisnis dan Ekonomi Asia*. 14(1). 46-57. <https://doi.org/10.32812/jibeka.v14i1.153>
- Savitri, D. A. M., Kurniasari, D., & Mbiliyora, A. (2021) Pengaruh Profitabilitas dan Ukuran Perusahaan Terhadap Nilai Perusahaan dengan Struktur Modal sebagai Intervening (Studi pada Perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2017-2019). *Jurnal Akuntansi dan Pajak*, 21(2). 500-507. <https://doi.org/10.29040/jap.v21i02.1825>
- Vernando, J. & Teguh, E. (2020). Pengaruh Ukuran Perusahaan Terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Intervening: Studi Empiris di BEI. *JRMB*, 15(1). 13-25. <https://doi.org/10.21460/jrmb.2020.151.344>
- Wicaksono, R. & Mispiyanti. (2020). Analisis Pengaruh Profitabilitas dan Kebijakan Dividen terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Mediasi. *Owner: Riset dan Jurnal Akuntansi*, 4(2). 396-411. <https://doi.org/10.33395/owner.v4i2.237>

