



A Mediated Analysis of Capital Structure: The Effects of Size, Profitability, and Asset Growth on Firm Value in Indonesia's Food and Beverage Sector

Karin Sukma Dhiana ^a, Wida Purwidiанти ^{a*},
Maulida Nurul Innayah ^a and Restu Frida Utami ^a

^a Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto, Indonesia.

Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

Aims: This study examines the influence of company size, profitability (ROE), and asset growth on firm value (Tobin's Q) through company capital structure (DER).

Study design: This research design is quantitative research with a balanced panel data regression approach and Sobel test to test the relationship between company size, profitability and asset growth variables on firm value and the mediating role of capital structure in the relationship.

Place and Duration of Study: Food and beverage companies listed on the Indonesia Stock Exchange for 2020-2023.

*Corresponding author: Email: widapurwidiанти@ump.ac.id;

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Methodology: The method used is linear regression and uses the Sobel test to analyse the mediating role of capital structure in the relationship between independent variables and dependent variables. In addition, this study uses a quantitative approach to analyse data using multiple linear regression, which tests the effect of independent variables (Company Size, Profitability, and Asset Growth) on the dependent variable (Company Value) and the mediating variable (Capital Structure). The population used is food and beverage companies listed on the Indonesia Stock Exchange for the period 2020-2023, and took a sample of 34 companies that met the sample criteria.

Results: Regression analysis demonstrates that company size and profitability have a significant positive effect on firm value, while company size has a significant negative effect on firm value and in contrast to profitability which has a significant positive effect on firm value.

Conclusion: As companies grow in size and profitability, they tend to rely more heavily on debt financing to support their expansion. In developing countries, firms often prioritize debt financing to drive growth and enhance firm value. By increasing profitability, firms can maximize their value.

Keywords: Company size; profitability; asset growth; capital structure; firm value.

1. INTRODUCTION

The condition of the Indonesian economy, which continues to experience rapid development, makes every company try to increase firm value. This value represents a company's market worth and is commonly viewed as an investor's perception of a company's performance (Margono & Gantino, 2021). A company is successful if its value increases (Savitri et al., 2021). Every company must strive to maintain its firm value at a high value. The purpose is to maintain the company's reputation regarding its performance as seen by investors. However, some companies have difficulty increasing their value quickly, and several companies still experience a drop in stock prices (Dwiastuti & Dillak, 2019).

This phenomenon is exemplified by the food and beverage industry in Indonesia. Food and beverage companies contribute significantly to Indonesia's manufacturing growth, as evidenced by Regulation of the Minister of Industry of the Republic of Indonesia No. 15 of 2020, which

outlines the ministry's strategic plan for prioritizing food and beverage companies. This illustrates the significant contribution of the food and beverage industry to Indonesia's economic growth. However, there has been a notable decline in the valuation of companies within this sector. The figure below presents a clear illustration of this decline in valuation.

Maximizing company profits is not only a company's primary objective but also a key determinant of its financial success and that of its shareholders. To achieve this, the company must maximize its value, as investors will assess its performance based on the share price (Wibowo et al., 2021). The decline in companies' value in the food and beverage sector from 2020 to 2023, causes concern for shareholders who see a risk because it will have an impact on investor welfare and trust (Dwiastuti & Dillak, 2019). Certain factors including company size influence firm value itself (Dewi & Ekadjaja, 2020), profitability (Iman et al., 2021), asset growth (Hestinoviana et al., 2020), and capital structure (Rasyid et al., 2022).

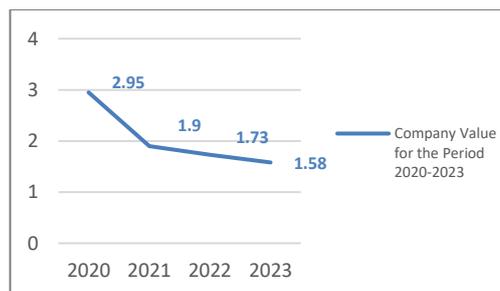


Fig. 1. Firm value of food and beverage companies for the period 2020-2023

Source: Indonesia Stock Exchange (2024)

According to Anggita & Andayani, (2022), company size can influence investor assessments of the company's opportunities to gain external financial sources that can boost the company's value due to its obligations and future prospects. The research findings by (Anggita, 2022; Arianto, 2022; Aziz, 2023; Muharramah, 2021; Ristiani, 2022; Rivandi, 2022) stated, company size can increase firm value. Contrary to Amin et al., (2022) and Komalasari & Yulazri, (2023) Company size cannot enlarge firm value.

High levels of company profitability will open up opportunities for investors to invest, increasing firm value. Like the study Dessriadi et al., (2022); Putri & Puspitasari, (2022) Which states that profitability increases firm value. This contradicts Savitri et al., (2021) which reveals that profitability is unable to provide a boost in firm value.

Firm value could be affected by asset growth, which will strengthen a company's position in controlling the business market (Windaputri & Muharam, 2022). This is supported by research (Melinia & Priyadi, 2021; Suastra et al., 2023) Optimising asset growth will increase firm value. However, research Maghfirandito & Adiwibowo, (2022) States that asset growth does not increase firm value.

Capital structure can be used as an investor's assessment material in planning and seeing the risk of investing in a company (Novitasari & Krisnando, 2021). When the capital structure or debt increases, this will cause the company's fixed costs without consideration of the income earned. If the company's debt level exceeds the limit, it can reduce the company's value (Suastra et al., 2023). This supports the findings by (Novitasari et al., 2021; Novitasari & Krisnando, 2021; Nurwulandari et al., 2021), a low capital structure will boost firm value. The research results by (Amro & Asyik, 2021; Nopianti & Suparno, 2021), however, a high capital structure adds to the company's value.

The critical economic situation in 2020 has had an impact. Until now, many industrial sectors have restructured corporate capital by increasing the level of corporate debt so that companies will survive in critical economic conditions (Baihaqi et al., 2021). Investment and funding policies are one way to boost firm value, the company's funding needs can be obtained from multiple sources, either internally through retained earnings, or externally through debt and the issuance of new company shares.

Capital structure could be affected by corporate funding decisions, with the selection of the right source of funds being the main factor for the success of the company which impacts the company's value (Wibowo et al., 2021). Capital structure can be affected by many factors, which includes company size (Pertwi et al., 2022), profitability (Sari & Sedana, 2020), asset growth (Mulyasri & Subowo, 2020).

The capital structure can be increased with company size, making it more convenient for companies to gain external financing. The following research Wulandari, (2021); Setyani et al., (2022); Hakim & Santoso, (2022), but in research Anindita & Durya, (2022) and Wardhani et al., (2021), capital structure cannot be improved by company size.

High profitability can foster creditor confidence to lend funds owned to the company so that the company will get additional costs from external parties. This is also stated in the research Nurhasanah et al., (2022); Rahmadiani & Yuliandi, (2020); Ramadhan et al., (2021) This reveals that profitability increases capital structure. However, the study's results by Pramana & Darmayanti, (2020) and Savitri et al., (2021) state that with an increase in profitability, the capital structure will decrease.

Asset growth is often used as a reference in the development of a company to measure its success in determining the capital structure (Melinia & Priyadi, 2021). Like the research findings by (Wijaya & Ardini, (2020); Aslindar & Lestari, (2020) which revealed that increasing *asset growth* can improve capital structure. Research by (Auelia & Setijaningsih, (2020); Lukman & Hartikayanti, (2022) states that if asset growth decreases, it will increase the capital structure.

In mediation, the capital structure is the link between company size, profitability, asset growth, and firm value. This is an indication that company size, profitability, as well as asset growth directly and indirectly impact firm value (Wibowo et al., 2021). The research findings by (Nasution, 2021; Pangesti et al., 2020; Vernando & Erawati, 2020), capital structure can function as a mediator of company size with firm value because it successfully controls risk with the level of return offered and demonstrates a contribution on the increase of firm value.

In addition, capital structure can mediate the relationship between profitability as well as firm

value. This support the research by (Anggraini, 2019; Nurhasanah et al., 2022; Puri & Lisiantara, 2023) which revealed that capital structure mediates profitability with firm value. This is due to a controlled capital structure that strengthens the company's quality in accordance with its ability to obtain profitability. Investors are more likely to show interest in a company with strong financial performance.

Capital structure can also function as a mediator of the connection between asset growth as well as firm value. By research (Ardiansyah et al., 2022; Rahmawati et al., 2022), capital structure mediates the connection between asset growth with firm value. Companies with high asset growth optimise their equity. Conversely, if asset growth is low, firm value decreases, which affects capital structure.

From the description of the problems in the background review, the researcher raises the phenomenon of decreasing firm value in the food and beverage sector. Researchers also want to analyse whether the decline in firm value is caused by capital structure. So, researchers will take the title "A Mediated Analysis of Capital Structure: The Effects of Size, Profitability, and Asset Growth on Firm Value in Indonesia's Food and Beverage Sector". From the literature gap in prior research, it was found that the research results were inconsistent, and intended to conduct development research. This research is a development research from Wibowo et al., (2021) which examines the impact of ownership structure, free cash flow, and company size through capital structure on firm value. In the research, Wibowo et al. (2021), ownership structure and free cash flow variables have no influence on capital structure and firm value. So this study using profitability variables (Iman et al., 2021) and asset growth (Hestinoviana et al., 2020) which can impact capital structure as well as firm value.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Literature Review

2.1.1 Signalling theory

According to Spence's (1973) signalling theory, there are two parts, which means that internally, company management acts as a signal sender, while externally, investors act as signal receivers. In his research, Spence believes that providing

useful information can help investors align investment decisions obtained from company information, such as company size, profitability, and asset growth, in interpreting firm value.

2.1.2 Firm value

A company that maximizes company value is the same as maximizing shareholder prosperity which is the company's goal, because firm value is how investors perceive a company's overall success, usually evidenced by its stock price. The firm value has healthy condition if the stock price is high (Wibowo et al., 2021). High value is accompanied by ensuring the prosperity of shareholders through the returns generated by the company and can make the market believe in the company's current performance and also in the company's prospects in the future (Farida, 2022).

2.1.3 Company size

Company size refers to the scale, size, or even a metric that represents a company's size which depends on numerous factors including net assets, share value, number of shares, total revenue and others (Nurwulandari, 2021). Schiffer and Weder (2001) observed that large companies have better access to external financing, especially in the capital market. They also said that large companies will have a low risk of bankruptcy due to their stability and easy access to capital.

2.1.4 Profitability

Profitability is considered important in determining a company's policy and decision because profitability allows the company's management to know the results obtained from its operational activities (Markonah et al., 2020). Profitability can be a tool to assess companies' profitability by measuring the efficiency of company management in utilising company assets to gain profits from sales and investments.

2.1.5 Asset growth

Ross, Westerfield, and Jordan (2008), say that asset growth is the indicator of the capability of a company to increase the number and value of assets owned, with this asset growth making a measure of the efficiency of a company in capital management as well as adding value to shareholders. According to (Putri et al., 2024)

Rapid asset growth can cause instability in a company's value, and high asset growth could potentially pay out greater dividends. Thus, companies with significant asset growth can increase the rate of return.

2.1.6 Capital structure

The capital component of a company, which may be derived from debt or owner's equity, is referred to as the capital structure (Suastra et al., 2023). The objective of optimizing the capital structure is to achieve a balance between the tax benefits of adding debt and the associated costs, to maximize firm value (Vernando & Erawati, 2020). In developing countries, companies that opt to utilize debt as a source of capital in their operational activities must meticulously weigh the advantages and disadvantages of debt financing, as elucidated by (Booth et al., 2001). The capital structure or composition must be designed to achieve financial stability and ensure the company's survival. Companies that adjust their business operations to align with their stated goals through the use of debt as capital can enhance the company's prospects, which in turn has a positive impact on the company's value (Wardhani et al., 2021).

2.2 Hypothesis Development

2.2.1 Company size on capital structure

Based on signalling theory, debt is incorporated by large companies into their capital structure to provide signals regarding their prospects. In addition, companies are more accessible to obtain significant sources of funds (Amin et al., 2022). High debt in large companies is usually due to having to finance extensive operational activities, therefore, company size impacts capital structure (Nurhasanah et al., 2022). According to (Hakim & Santoso, 2022; Setyani et al., 2022; Wulandari & Sari, 2021) capital structure is positively affected by company size.

H₁ : Company size has a significant positive effect on capital structure.

2.2.2 Profitability on capital structure

As in signalling theory, companies with high profitability will give positive signals about their financial stability. A high rate of return from the company will allow the collection of additional funds from external parties because it is considered capable of fulfilling the principal debt

obligations (Rahmadiani & Yuliandi, 2020). Referring to research results by (Nurhasanah et al., 2022; Ramadhan et al., 2021; Sari, 2020) which revealed that capital structure is significantly and positively influenced by profitability.

H₂ : Profitability has a significant positive effect on capital structure.

2.2.3 Asset growth on capital structure

Based on the opinion of Khoiriyah & Rasyid (2020), the relationship between asset growth and capital structure explains that high asset growth can signal good company development. So in signalling theory high asset growth can provide trust to creditors with assets as collateral for corporate debt. That way the company will rely on external funding sources expected to reduce debt issuance costs. The higher the company's assets growth can act as a guarantee of corporate debt which makes the company obtain a high amount of debt. Following the research results (Aslindar & Lestari, 2020; Setiawati & Veronica, 2020; Wijaya & Ardini, 2020), asset growth positively impacts capital structure.

H₃ : Asset growth has a significant positive effect on capital structure.

2.2.4 Company size on firm value

Company size triggers investor's interest in making investments. Likewise, in signalling theory, company size, which functions as a positive signal, will reflect a company's stability towards its prospects, which ultimately boosts the company's value (Anggita & Andayani, 2022). By research Muharramah & Hakim, (2021); Rivandi & Petra, (2022) and Ndatika et al., (2024) states that company size significantly and positively impacts firm value.

H₄ : Company size has a significant positive effect on firm value.

2.2.5 Profitability on firm value

From signalling theory, profitability is a positive signal that provides information about company performance. High profitability will boost the company's value, meaning that it reflects management's capability to manage its operational activities. This is considered good for maximizing the company's profit earned by

reducing expenses. (Amin et al., 2022). Activities that are managed optimally by management will generate investor interest which directly impacts increasing firm value (Dessriadi et al., 2022). According to the results of research, Putri & Puspitasari (2022) state that profitability significantly and positively influences firm value.

H₅ : Profitability has a significant positive effect on firm value.

2.2.6 Asset growth on firm value

High company asset growth indicates that the company's operational objectives can be achieved well. With high prospects, the company will positively impact all parties of the company (Windaputri & Muharam, 2022). The increasing assets indicate that the company is experiencing an increase in assets that will support its operational capacity, as a result, the company's share price will rise and the shareholders' prosperity is maximized due to the company's high value (Aslindar & Lestari, 2020). The research results by (Melinia & Priyadi, 2021; Suastra et al., 2023) conveyed that asset growth can increase firm value.

H₆ : Asset growth has a significant positive effect on firm value.

2.2.7 Capital structure on firm value

In the context of signalling theory, excessive use of debt will lead to corporate risk, impacting firm value. Companies with a certain amount of debt ownership can provide control over the return to be generated and the company's value, which sends investors a positive signal (Wibowo et al., 2021). The findings by Novitasari et al., (2021); Savitri et al., (2021); and Ariani et al., (2024), capital structure demonstrates a significant negative impact on firm value.

H₇ : Capital structure has a significant negative effect on firm value.

2.2.8 Capital structure mediates company size on firm value

Large sized companies, according to Wibowo et al. (2021), obtain a significant amount of assets. They can be used as collateral in obtaining debt, as expressed in signalling theory that the company's capital structure will reflect its performance in good debt management.

Therefore, large companies will utilise their long-term debt to meet their funding needs. Tax savings from a large debt level can boost the company's value. The findings by (Nasution, 2021; Pangesti et al., 2020; Vernando & Erawati, 2020) conveyed that capital structure acts as a mediator of company size with firm value

H₈ : Capital structure mediates the effect of company size on firm value.

2.2.9 Capital structure mediates profitability on firm value

In signalling theory, a balanced capital structure illustrates the utilisation of the company's profitability well to boost the company's value. High profitability allows a company to easily fund its investments and operations, as well as maintain a balance of equity against the use of corporate debt (Isnawati & Widjajanti, 2019) An increase in firm value accompanies companies with high profitability levels, so investors take interest in companies that continue to experience development. (Nurwulandari et al., 2021). The findings by Nurhasanah et al., (2022); Puri & Lisiantara, (2023); and Febrianti et al., (2024) revealed that profitability and firm value can be mediated by capital structure.

H₉ : Capital structure mediates the effect of profitability on firm value.

2.2.10 Capital structure mediates asset growth on firm value

From signalling theory, the capital structure will send a signal about the utilisation of asset growth related to the optimal use of debt in increasing firm value. According to (2022), good corporate asset growth boosts the company's value, creating opportunities for good development in the future due to the effective debt usage. In its placement, the company depends on debt as capital to finance its operations with the hope that it will generate optimal profits and make investors interested because the company has high profits and the value owned increases. By the research results (Andanika & Ismawati, 2015; and Ardiansyah et al., 2022), capital structure mediates the connection between asset growth and firm value.

H₁₀ : Capital structure mediates the effect of asset growth on firm value.

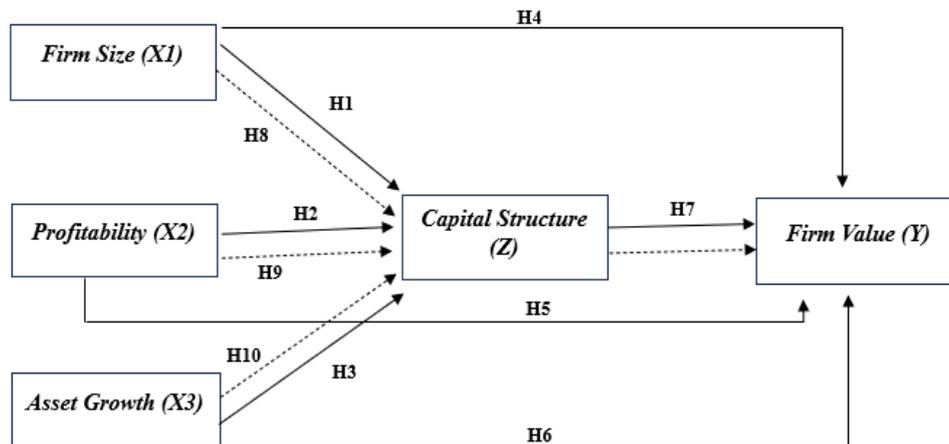


Fig. 2. Research framework

3. METHODS

This quantitative research analyses 34 sample IDX-listed food and beverage companies in Indonesia during 2020-2023, with the method used in this study is saturated sampling or census with the following sample selection criteria were as this study's sample, namely IDX-listed food and beverage companies, earn profits from 2020-2023, and issue yearly financial reports for 2020-2023.

Secondary data from the official IDX website was used and then analysed using SPSS software for hypothesis testing, multiple linear regression models and the product of coefficient method (Sobel test) for mediation.

3.1 Variable Measures

3.1.1 Firm value

In this study, firm value is gauged using the Tobin Q, which is correlated with the return on investment and the company's performance (Dwiastuti, 2019). The formula for finding Tobin's Q can be used as follows:

$$TBQ = \frac{(MVE + Debt)}{Total Asset}$$

Description:

- MVE : Market value of shares outstanding
- Debt : Company Debt

3.1.2 Company size

The magnitude of assets issued by a company indicates the company's size, which is proportional to the assets owned by the

company. A larger company is more likely to utilize funding sources, both internal and external, which can enhance the company's value (Vernando & Erawati, 2020). The measurement of the company is done with total assets, sales, and even the capital of the company, formulated as follows (Wibowo et al., 2021):

$$Size Firm = Ln (Total Asset)$$

3.1.3 Profitability

Profitability is defined as the company's capacity to generate profits, as indicated by income derived from sales and investment income. This can be expressed by return on equity (ROE), a ratio used to assess the efficiency with which a company utilizes its capital. A higher ROE reflects a stronger position for the company owner, whereas a lower ROE indicates a weaker position (Sari & Nofiyanti, 2022). The formula for finding Return on Equity can be used as follows:

$$ROE = \frac{Earning After Tax}{Equity} \times 100\%$$

3.1.4 Asset growth

Asset growth can be defined as the expansion of a company's assets over a specified period of time, typically measured by comparing the total assets of the previous year with those of the current year. Companies that experience asset growth demonstrate their capacity to achieve organizational objectives from both internal and external perspectives (Wijaya & Ardini, 2020). In this study, the measurement of asset growth is formulated using the following ratio (Melinia, 2021):

Table 1. Sample criteria

No.	Criteria	Does not match the criteria	Match Criteria
1.	Food and Beverage companies listed on the Indonesia Stock Exchange for the period 2020-2023		95
2.	Companies that do not report annual financial statements for the period 2020-2023	(35)	60
3.	Companies that do not earn profits	(26)	34
4.	Observation Year		4
5.	Number of research data	4 years x 34 emiten	136
	Number of research data for the period 2020-2023		136

Source: Indonesia Stock Exchange data processed (2024)

$$AG = \frac{Total\ Asset\ t - Total\ Asset\ t_{-1}}{Total\ Asset\ t_{-1}}$$

3.1.5 Capital structure

Capital structure refers to the proportionate mix of debt and equity a company employs to finance its operations. It represents a subset of the overall financial structure, serving as a basis for determining the extent to which the company utilizes debt to support its assets (Suastra et al., 2023). Measurement of capital structure with the use of DER, a ratio of total debt to company equity. Formulated using the following ratio:

$$DER = \frac{Total\ Debt}{Equity}$$

4. DATA ANALYSIS

4.1 Descriptive Statistics

Descriptive statistics illustrate and make a description of data through mean, standard deviation, variance, as well as the maximum and minimum values (Resita, 2022).

Table 2 displays the descriptive statistical analysis results of every variable in the study. The mean company size (UP) value is 29.4605, which is then subjected to anti-Ln treatment to

determine the actual value. Thus, the average company size (UP) owned is IDR 6,230,638,927,185

The mean value of profitability (ROE) owned by food and beverage companies is 0.1492, meaning they make an average profit of 14.92%. Then, for the mean value of asset growth (AG), which obtained a positive value, it was concluded that food and beverage companies experienced asset growth of 0.0852.

The capital structure (DER) obtained the mean value of 0.9001, indicating that for every 1 unit of equity, the company has 0.9001 debt. Meanwhile, the firm value (TBQ) obtained a mean of 378.243. This average value indicates the return rate or stock return that will be received by investors.

4.2 Normality Test

In the opinion of Ghazali (2013: 160), the normality test in regression finds that the confounding variables have a normal distribution with a Significance value > 0.05. The findings of normality testing in equation one and the second equation obtained a significance value of > 0.05. Therefore, a conclusion can be made that the residuals have a normal distribution.

Table 2. Descriptive statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
UP	136	25.447	32.859	29.4605	1.43323
ROE	136	0.001	0.861	0.1492	0.11577
AG	136	-0.154	1.676	0.0852	0.18399
DER	136	0.102	4.935	0.9001	0.75473
TBQ	136	0.549	7188.636	378.2431	1301.50214
Valid N (Listwise)	136				

Source: Processed Data (2024); Note: Company Size (UP), Profitability (ROE), Asset Growth (AG), Capital Structure (DER), Firm Value (TBQ)

Table 3. Normality and multicollinearity test

Variable	Tolerance	VIF
Regression Equation Model 1 (Sig. 0.074)		
Company Size	0,93	1,075
Profitability	0,95	1,051
Asset Growth	0,95	1,050
Regression Equation Model 2 (Sig. 0.052)		
Company Size	0,94	1,059
Profitability	0,95	1,051
Asset Growth	0,98	1,018
Capital Structure	0,95	1,048

Source: Processed Data (2024)

4.3 Multicollinearity Test

From the results displayed in Table 3, in Equations one and two, every variable demonstrates a tolerance value of > 0.10 and a VIF value of < 10. Thus, a conclusion can be made that in the regression model used in both equations, no multicollinearity is present among the independent variables.

4.4 Heteroscedasticity Test

From the Table 4 results, the significance of the variables of company size, profitability, asset growth, and capital structure demonstrates a value that exceeds 0.05 (> 0.05). Thus, a conclusion can be made that no symptoms of heteroscedasticity are present.

4.5 Autocorrelation Test

The Durbin-Watson value is 0.664 in equation one and 0.980 in the second equation for the autocorrelation test, so conclusions are taken based on decision-making according to Santoso (2012), the Durbin Watson value ranging from -2

to 2, there is no autocorrelation. Therefore, a conclusion can be made that in both equations, no symptoms of autocorrelation are found, or the autocorrelation test is fulfilled.

4.6 Goodness of Fit Test

From the F test results performed with a sig. level of 5%, in the first regression equation, the F_{count} value of 2.72 > F_{table} 2.67 with a sig. value of 0.047 < 0.05. Meanwhile, in the second regression equation, the F_{count} value of 21.96 > F_{table} 2.45 and sig. Level of 0.000 < 0.05. Therefore, H_0 is rejected, while H_a is accepted, the equation model used is fit or feasible.

4.7 Coefficient of Determination (R^2)

The capital structure variable test result indicates an Adj R2 value of 0,038 or 3.8%, indicating that the independent variable can explain the capital structure by 3.8%. Then, the Adj R2 value for the firm value variable demonstrates a value of 0.415 or 41.5%, an indication that the independent value can explain the firm value by 41.5%.

Table 4. Heteroscedasticity test

Regression Equation Model 1	Sig (2-tailed)
Company Size	0.191
Profitability	0.809
Asset Growth	0.264
Regression Equation Model 2	
Company Size	0.966
Profitability	0.139
Asset Growth	0.190
Capital Structure	0.403

Source: Processed data (2024)

4.8 Hypothesis Test

The hypothesis is accepted if the t-statistics > t-table of the first equation 2.67 and t-table of the second equation 2.45, also with a significance value below 0.05. The results are displayed below:

Table 5. Hypothesis test

Hypothesis	Correlation Coefficient	t Statistic	Significance	Results
H1	0.091	2.369	0.019*	Supported
H2	0.858	1.854	0.066**	Supported
H3	0.043	0.143	0.887	Not Supported
H4	-0.166	-2.894	0.005	Not Supported
H5	5.891	8.172	0.000*	Supported
H6	0.643	1.458	0.148	Not Supported
H7	-0.073	-0.587	0.558	Not Supported

Source: Processed data (2024), Note: * 5% significance; ** 10% significance

Table 4 explains the analysis results of the direct effect of the independent variable with the dependent variable, the sig. value < 0.05 and the t-statistic value > t-table can be said to have a significant or supported effect. In determining the direction of the effect of the analysis carried out, whether it has a negative or positive direction, one can look at the correlation coefficient value. In the Baron's Kenny method (1986), if the mediator variable (Z) is found to have no significant effect on the dependent variable (Y), then the mediation test cannot be continued. Consequently, hypotheses 8, 9, and 10 cannot be tested.

5. DISCUSSION

5.1 The Effect of Company Size on Capital Structure

The results of the initial hypothesis analysis indicate that company size has a positive and statistically significant impact on capital structure, as evidenced by a significance value of 0.019, which is less than 0.05. Companies with substantial capacity require reliable funding sources to support their operational needs and investment activities. The capacity of a company with a large size to obtain long-term debt demonstrates a promising outlook, which is perceived as a positive signal by creditors (Vernando & Erawati, 2020).

This finding is consistent with Wulandari & Sari, (2021); Setyani et al., (2022); and Hakim & Santoso, (2022) prior research indicating a significant influence of company size on capital structure. This study concentrates on large companies, which are more readily able to secure external funding for the purpose of enhancing the capital structure. This approach is undertaken with the objective of facilitating the growth of the company while maintaining a favorable financial leverage position.

Company size, defined as a company's scale and operational capacity, is a significant factor in financial decision-making. Large companies are perceived as having low credit risk, enabling them to readily access external funding. This aligns with the signaling theory, which posits that external parties perceive company size as an indicator of creditworthiness. Consequently, company size plays a pivotal role in determining capital structure, a conclusion supported by empirical evidence (Vernando & Erawati, 2020). This relationship demonstrates that company size significantly influences the formation of capital structure strategy.

5.2 The Effect of Profitability on Capital Structure

The results of the second hypothesis analysis indicate that profitability has a positive and significant influence on capital structure, as evidenced by a significance value of 0.066, which is less than 0.01. Companies with high profitability are able to readily obtain the necessary funding sources, which in turn affects the company's capital structure.

This research is consistent with the findings of previous studies conducted by (Rahmadiani & Yuliandi, 2020; Ramadhan et al., 2021; Sari & Sedana, 2020), which indicates that companies with high profitability tend to expand their capital structure. In the food and beverage sector, this strategy is frequently employed to secure additional funds to support increased operational costs in line with production growth and market expansion.

In accordance with the signal theory put forth by Spence, (1973), an increase in profitability followed by a corresponding expansion of the capital structure conveys a positive signal to stakeholders regarding the company's capacity to fulfill its obligations and optimize growth. This outcome demonstrates that firms with robust

financial performance are more inclined to leverage debt, underpinned by their assurance in meeting their obligations. Consequently, this reinforces the perspective that profitability exerts a pronounced influence on the company's financial strategy.

5.3 The Effect of Asset Growth on Capital Structure

The result of the third hypothesis analysis demonstrates that the asset growth has no influence on the capital structure, which is proved by the significance value of $0.887 > 0.05$. This result demonstrates that the fluctuation that occurs in asset growth, the company will maintain a stable capital structure.

These findings align with the conclusions drawn by Fajriah et al., (2022); Riasi et al., (2024) and Lestari et al., (2024) in their research. The findings consistently emphasize that the capital structure of a company is not directly influenced by asset growth. In developing countries, companies tend to prioritize financing that minimizes dependence on external funding sources, relying more on internal funds. This approach reflects a strategic intention to maintain financial stability and reduce the risk of external debt.

This result is pertinent to the pecking order theory by (Myers, 1984), which posits that companies tend to prioritize internal funding sources over external options to mitigate additional risk and cost. By leveraging retained earnings, companies can circumvent alterations in capital structure or an uptick in leverage. This interconnection elucidates the significance of internal funding allocation in fostering growth and upholding the company's financial equilibrium. Consequently, the resilience of capital structure in the face of asset expansion substantiates that firms will predominantly prioritize sustainable and efficient financial management.

5.4 The Effect of Company Size on Firm Value

The results of the fourth hypothesis test indicate a significant negative correlation between company size and firm value. This suggests that as company size increases, the value of the company in question tends to decline. This finding raises the possibility that there may be a discrepancy between the size of assets and the capacity for value creation.

These results are consistent with those of previous research conducted by Fajriah et al., (2022); Riasi et al., (2024) and Lestari et al., (2024), which concluded that a company's size has a negative impact on its value. The companies analyzed in this study face challenges in managing their assets on a large scale, which can lead to operational inefficiencies or a decrease in profitability. These findings highlight the importance of effective asset management to balance the negative impact of larger company size.

In accordance with the signal theory put forth by Spence, (1973), the accumulation of significant assets will convey a negative signal to investors. This occurs when management is perceived to be unable to efficiently manage resources, thereby endangering the interests of shareholders with regard to the company's future performance. The empirical evidence from this study lends further support to this theory, as the negative correlation between company size and firm value underscores the crucial importance of aligning asset growth with the effective utilization of financial resources. Consequently, while a large company size may indicate growth, it is imperative that management adopt robust practices to mitigate the adverse impact on firm value.

5.5 The Effect of Profitability on Firm Value

The fifth hypothesis demonstrates that profitability has a statistically significant positive effect on firm value, as evidenced by a p-value of 0.000, which is less than 0.05. These results indicate that high profitability will directly increase the company's value, thereby demonstrating its capacity to generate sustainable profits for its stakeholders.

These findings align with the conclusions of Amin et al., (2022); Dessriadi et al., (2022); Lestari et al., (2024) and Ariani et al., (2024), who posit that profitability is the primary determinant of company value. In developing countries like Indonesia, firms in the food and beverage sector that demonstrate high profitability tend to exhibit robust and effective financial management, both in operational terms and in terms of providing consistent returns to shareholders. Profitability is a key indicator of a company's ability to compete effectively and attract investors.

Following Spence's (1973) signal theory, profitability functions as a positive signal or indicator of the company's prospective prospects. A high level of profitability signals financial stability and managerial efficiency, instilling investors' confidence regarding the company's capacity to enhance shareholder value and sustain long-term growth. The findings of this study reinforce the correlation between profitability and firm value, confirming that sustainable financial performance bolsters investor confidence and culminates in a favorable market valuation of the company.

5.6 The Effect of Asset Growth on Firm Value

The results of the sixth hypothesis test indicate no statistically significant relationship between asset growth and firm value, as evidenced by a significance value of 0.148, which is greater than 0.05. These results suggest that changes in asset growth, whether increasing or decreasing, do not directly impact changes in firm value.

This statement is in accordance with the findings of previous research conducted by Aripin & Handayani, (2020); Dhani & Utama, (2020); Maghfirandito & Adiwibowo, (2022), which indicates that asset growth does not directly impact firm value. Companies prioritize efficient asset utilization over asset expansion, aiming to balance asset management and profitability to maintain financial stability and long-term sustainability.

From the signaling theory perspective, fixed asset growth can positively indicate a company's performance and future potential. High asset growth reflects expansion and the capacity to increase production, which can attract investors. However, in this study, asset growth is not sufficient for increasing firm value, as its effectiveness depends on the ability to generate profits from the assets owned. Therefore, although asset growth can reflect the company's development, the effect on firm value will still depend on strategic asset management.

5.7 The Effect of Capital Structure on Firm Value

The seventh hypothesis test indicates that capital structure exerts a negative but insignificant influence on firm value. This suggests that variations in capital structure do not affect firm value. This result aligns with Riasi et al., (2024),

Novitasari & Krisnando (2021), and Savitri et al. (2021), findings, who concluded that capital structure does not significantly affect firm value because companies prioritize maintaining financial flexibility over-relying on excessive debt.

As with the capital structure theory set forth by Modigliani & Miller, (1958), it posits that a company's value can be enhanced when debt is utilized effectively due to the advantages of tax savings. Furthermore, the deployment of debt can mitigate agency conflicts, which motivates managers to optimize company performance.

6. CONCLUSION

The preliminary findings indicate that the direct effect of capital structure, when considered as a dependent variable, is significantly and positively influenced by both firm size and profitability in the context of food and beverage companies. The second analysis, with firm value as the dependent variable, indicates that firm value is influenced by profitability. In contrast, the results indicate that firm size exerts a significant negative effect, while asset growth and capital structure do not affect firm value. With regard to the indirect relationship, it was found that capital structure is unable to act as a mediating variable. This is because the influence of capital structure (Z) on firm value (Y) is not statistically significant, thereby precluding the possibility of testing for an indirect effect. This finding can be used as a reference for companies in analysing funding decisions using capital structure. By examining the size and profitability of the company, the company can assess the risks it will encounter and the optimal funding decisions for the company. Furthermore, if the company increases the value of the company by enhancing the profitability derived from the company's operational and investment activities, the company will increase its value.

The relatively low coefficient of determination observed in this study suggests that the selected independent variables only account for a minor proportion of the observed variation in firm value. This suggests that other significant factors affecting firm value may not have been incorporated into the model. Furthermore, the present study was conducted with a limited sample population, focusing exclusively on food and beverage companies. The narrow scope of the study may limit the extent to which the findings can be generalised to other sectors or periods. It is recommended that future research

expand the scope of analysis by including additional variables, such as dividend policy, corporate governance, and market conditions that may affect firm value, as well as using other alternative variables such as company performance to serve as mediating variables.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc.) and text-to-image generators have been used during the writing or editing of this manuscript.

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