

Hasil Korespondensi Artikel

**Capital Structure As A Mediator Between Profitability And Company
Size ToCompany's Value In Textile And Garment Sector Companies
Listed On The Indonesia Stock Exchange (IDX)**

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Hello,

JM Ekspektra has submitted the manuscript, "The Capital Structure as A Mediator Between Profitability and Company Size to Company Value in Textile And Garment Sector Companies Listed on The Indonesia Stock Exchange (IDX) " to Ekspektra : Jurnal Bisnis dan Manajemen.

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Sri Utami Ady

Capital structure as a mediator between profitability and company size to company value in textile and garment sector companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period

ABSTRACT

This study aimed to determine the effect of profitability and company size on company value with capital structure as an intervening variable in textile and garment sector companies listed on the Indonesia Stock Exchange (IDX) for 2018-2022. This research used a quantitative approach and secondary data from annual financial statements from www.idx.co.id. The population in this study was textile and garment sector companies listed on the Indonesia Stock Exchange (IDX) in the 2018-2022 period, with a population of 22 companies. Determining research samples used the purposive sampling method, and 18 companies with 90 data points were obtained as samples. Data analysis was performed using SEM-PLS version 3.0. The results of this study showed that profitability had a significant positive effect on capital structure. The size of the company had no impact on the capital structure. Profitability had a significant positive effect on the value of the company. The size of the company had no impact on the value of the company. Capital structure had a significant positive effect on the value of the company. Profitability had a significant positive impact on the value of the company with capital structure as an intervening variable; the size of the company did not affect the value of the company with capital structure as an intervening variable.

Keywords : Profitability; Company Size; Capital Structure; Company Value

1. INTRODUCTION

Indonesia has experienced economic development, which creates higher competition between companies. The textile and garment sector is one of the strategic industries for the Indonesian economy. The textile and garment industry has made considerable employment. The Ministry of Industry (Ministry of Industry, 2022) stated that the textile industry absorbed a workforce of 3.65 million people or had reached 18.79%. The textile and clothing sector contributed to Gross Domestic Product (GDP) by 1.21% in 2020 and decreased in 2021 to 1.06%. The Central Statistics Agency (BPS) noted that Gross Domestic Product (GDP) based on constant prices in the textile and clothing industry in 2021 decreased by 4.08% from 2020. It was also noted that public expenditure on clothing purchases decreased by 12.07% by Rp. 31,745 per month in 2021 (Karnadi, 2022). This decline occurred due to the COVID-19 pandemic.

With this phenomenon, it can be seen that market absorption is still weak, as seen from the low purchasing power of the community. It will require companies to continue to innovate to avoid bankruptcy. Companies must compete to get the best results to survive and achieve company goals. The company's goals, according to (Maharani & Mawardhi, 2022) are divided into two: the first is a short-term goal where the company's goal is to obtain maximum profit, while the second is a long-term goal where the company's goal is to prosper the company's shareholders and maximize the company's value which will be reflected in the company's stock price. The primary purpose of companies that *go public* or have been listed on the Indonesia Stock Exchange (IDX) is to earn profits to increase the prosperity of shareholders by increasing the company's value.

According to (Thaib & Dewantoro, 2017), company value is a measure of shareholder prosperity. If there is an increase in stock price, the higher the share price, the higher the

company's prosperity. A high company value will follow a high stock price. The company's value will affect the interest of potential investors to invest and reduce investor doubts about the capital they will save. Investors tend to observe companies through the movement of shares transacted on the exchange in companies that *go public*.

According to (Permata, 2018) the company's value can be reflected by *Price to Book Value (PBV)*, which is an overview of how much the market can appreciate the company's *Book Value*. *Price to Book Value (PBV)* is obtained by comparing the price per share with the book value per share (Permata, 2018). PBV can show the state of a good company if its stock price exceeds the company's *Book Value*. The higher the *Price to Book Value (PBV)*, the better the company's condition and can attract investors.

Table 1. Company Value (PBV) of Textile & Garment Companies in 2018-2022

No	Nama Perusahaan	Kode	Tahun				
			2018	2019	2020	2021	2022
1	Polychem Indonesia Tbk	ADMG	0,346	0,252	0,385	0,321	0,257
2	Argo Pantes Tbk	ARGO	-0,239	-0,230	-0,506	-0,428	-0,297
3	PT Trisula Textile Industries Tbk	BELL	0,267	0,544	4,494	4,075	4,104
4	Eratex Djaja Tbk	ERTX	0,579	0,672	0,600	0,969	1,635
5	Ever Shine Textile Industry Tbk	ESTI	0,694	0,646	0,573	1,124	0,468
6	Indorama Synthetics Tbk	INDR	0,766	0,319	0,376	0,413	0,505
7	PT Asia Pacific Investama Tbk	MYTX	3,438	1,416	11,497	-5,006	-2,926
8	Pan Brothers Tbk	PBRX	0,982	0,935	0,403	0,240	0,130
9	Golden Flower Tbk	POLU	2,885	10,921	3,496	2,316	1,664
10	Asia Pasific Fibers Tbk	POLY	-0,028	-0,012	-0,011	-0,015	-0,010
11	Ricky Putra Globalindo Tbk	RICY	0,237	0,213	0,196	0,199	0,227
12	PT Sri Rejeki Isman Tbk	SRIL	0,979	0,645	0,565	-0,525	-0,243
13	Sunson Textile Manufacturer Tbk	SSTM	2,459	3,098	3,582	3,882	3,876
14	Buana Artha Anugerah Tbk	STAR	0,840	1,469	1,026	1,412	1,294
15	Tifico Fiber Indonesia Tbk	TFCO	0,688	0,605	0,560	0,792	0,705
16	Trisula International Tbk	TRIS	1,094	1,255	1,014	1,021	1,041
17	PT Uni-Charm Indonesia Tbk	UCID	1,215	1,695	1,359	1,228	0,881
18	Mega Perintis Tbk	ZONE	2,091	1,439	1,303	1,270	3,086
Rata-rata			1,072	1,438	1,717	0,738	0,911

Source: Processed from idx 2018-2022

In the table above, it can be found that there is a phenomenon in the company value (PBV) of the textile and garment sector in 2018-2022, experiencing fluctuations in each period. The highest average company value in 2020 was 1.717, and the lowest average was in 2021, with 0.738. Of the 18 textile and garment companies in 2018-2022, two companies have negative PBV values from 2018-2022, respectively, in Argo Pantes Tbk (ARGO) and Asia Pacific Fibers Tbk (POLY) companies. Two companies have decreased consecutively in Pan Brothers Tbk (PBRX) and PT Sri Rejeki Isman Tbk (SRIL). A decrease in the company's value can affect the stock price because the higher the stock price, the company's value will increase. Many factors affect the value of a company, including profitability, company size, and capital structure.

According to (Purnomo & Erawati, 2019), profitability is the net profit a company obtains when carrying out its operations. A higher profitability ratio will reflect a high rate of return on investment. The research results by (Kosimpang et al., 2017) found that profitability affects company value but is inversely proportional to the results of research by (Thaib & Dewantoro, 2017) which found that profitability does not significantly affect company value.

The next factor is the size of the company. Company size is a scale that classifies the size of a company. The more investors are interested in owning shares of the company, the higher the share price offer so that the company's value can increase. (Maharani & Mawardhi,

2022). In research conducted by (Vernando & Erawati, 2020) It was found that company size has a positive and significant effect on company value, but this is contrary to the results of research by (Savitri et al., 2021), which has shown that company size does not affect company value.

The next factor is the capital structure. According to (Kosimpang et al., 2017), capital structure compares the amount of long-term debt and own capital. According to (Savitri et al., 2021), the high value of the company can provide confidence to investors so that the company more easily obtains capital. Research (Maharani & Mawardhi, 2022) found that the results of capital structure have no effect on company value, and the results of this study are inversely proportional to the results of research by (Purnomo & Erawati, 2019) that capital structure has a positive and significant influence on company value.

Based on the explanation above, textile and garment companies experience fluctuations in company value (PBV), and there is a *research gap* from previous research, so researchers are interested in conducting further research with the title "Capital Structure as a Mediator Between Profitability and Company Size to Company Value in Textile & Garment Sector Companies Listed on the Indonesia Stock Exchange (IDX) for the 2018- 2022 Period."

2. THEORETICAL FRAMEWORK AND HYPOTHESIS FORMULATION

The Relationship between Profitability and Capital Structure

Companies with a high ability to earn profits tend to have significant cash. High profits can show good company performance in the long term (Purnomo & Erawati, 2019). Companies with a high ability to generate profits can finance their operational activities using their capital (retained earnings) without using outside funds. Outside funds are used if there is insufficient financing from retained earnings (Kosimpang et al., 2017). From the explanation above, the greater the profitability, the greater the cash so that the company can use its capital without outside funds. This is supported by research conducted by (Purnomo & Erawati, 2019), (Kosimpang et al., 2017) and (Maharani & Mawardhi, 2022), which shows that company size affects capital structure.

H1: It is suspected that profitability affects the capital structure.

The Relationship between Company Size and Capital Structure

Perusahaan dengan skala besar untuk mendapatkan pendanaan dari luar akan lebih Easy, because a company that has good business prospects will indicate that the company can develop from a small company. Large companies can more easily get funding from various sources, so creditors will find it easier to provide loans to companies, and vice versa with smaller companies (Kosimpang et al., 2017). It is supported by research conducted by (Maharani & Mawardhi, 2022) and (Kosimpang et al., 2017), which shows that company size affects capital structure.

H2: The company's size is suspected to affect the capital structure.

The Relationship between Profitability and Company Value

The profitability ratio is used to measure a company's ability to earn profits or profits from its usual company activities (Hery, 2017, p. 192). By showing that the company can get high profits that can provide returns that investors expect, investors will be more confident and interested in increasing their capital to increase their stock price and value (Purnomo & Erawati, 2019). So, the higher the company's ability to get profits, the greater the investors' expectations and will improve the company's value. It is supported by research conducted by (Kosimpang et al., 2017), (Putri & Sakir, 2022) and (Maharani & Mawardhi, 2022) which shows the results that profitability influences company value.

H3: It is suspected that profitability affects the value of the company.

The Relationship Between Company Size and Company Value

Company size measures the size of a company as illustrated by total assets or net sales (Hery, 2017) the greater the company's total assets, the larger the company's size. Investors often assume that investing in large companies will be more convincing and will get more profit than small companies. The more investors are interested in owning company shares, the more they can increase the share price offer to increase the company's value (Maharani & Mawardhi, 2022). It is supported

by research conducted by (Thaib & Dewantoro, 2017), (Maharani & Mawardhi, 2022), and (Vernando & Erawati, 2020), which shows that company size affects company value.

H4: It is suspected that the size of the company affects the value of the company.

The Relationship between Capital Structure and Corporate Value

According to (Putri & Sakir, 2022), Capital structure is a combination of debt and company equity as a selection of the company's operational funding policy. Suppose the company uses internal funds or retained earnings to finance the company's operations. In that case, the risk of bankruptcy is low, so that investors will be more interested in companies with a low risk of bankruptcy. If the company's external funds (debt) can be put to good use, it will get a relatively high profit. With this, the use of debt can increase the company's value. Therefore, the company must be able to determine how much debt will be used. It is supported by research conducted by (Vernando & Erawati, 2020) and (Purnomo & Erawati, 2019), which found that capital structure affects company value.

H5: The capital structure is suspected to affect the company's value.

The relationship of profitability and value of the company with capital structure as intervening variables

High profitability will allow the company to finance its operations with its own or internal company funds. Companies with high profitability can minimize the use of debt or external funds to finance company operations. Using minimal debt can give confidence to investors to invest in the company. Investors will think companies with low debt levels can avoid the risk of bankruptcy to increase the company's value. It is supported by research conducted (Isnawati & Widjajanti, 2019), which found that profitability affects the company's value with capital structure as an intervening variable.

H6: It is suspected that profitability affects the value of the company with capital structure as an intervening variable

The relationship of company size to company value with capital structure as an intervening variable

Companies with large company sizes will get more access and trust from creditors than companies with small sizes. Companies with large sizes will find it easier to get funds from external companies (debt). If the company's external funds can be put to good use, it will increase the value of the company. High debt will be used for investments that produce more output and can increase the company's value. It is supported by research conducted by (Yanti et al., 2018), which found that company size influences company value with capital structure as an intervening variable.

H7: It is suspected that profitability affects the value of the company with capital structure as an intervening variable.

3. RESEARCH METHOD (15%)

This research is a research with a quantitative approach. The variables used in this study consist of dependent variables, independent variables, and intervening variables. The dependent variable or variable Y is Company Value. The independent variables or X are Profitability (X1) and Company Size (X2). They are intervening variables or variable Z, i.e., Capital Structure. The population in this study is all Textile & Garmen Sector companies listed on the Indonesia Stock Exchange during the 2018-2022 period. Sampling in this study used a *purposive sampling* method with specific considerations and resulted in a sample of 18 companies. In this study, Partial Least Square (PLS) analysis was applied. The research hypothesis model is depicted in Figure 1.

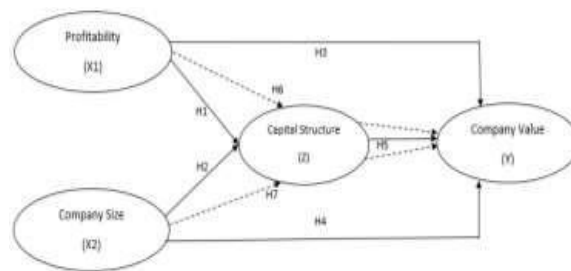


Figure 1. Research Hypothesis Model

The operational variables in this study are as follows:

Table 2. Operational Variabel

Variabel	Indikator	Skala
Nilai perusahaan (Y)	$PBV = \frac{\text{Harga per lembar saham}}{\text{Nilai buku per lembar saham}}$	Rasio
Profitabilitas (X1)	$ROA = \frac{\text{Laba bersih}}{\text{Total Aset}}$	Rasio
Ukuran Perusahaan (X2)	Ukuran Perusahaan (Size) = $\ln(\text{Total Assets})$	Rasio
Struktur Modal (Z)	$DER = \frac{\text{Total hutang}}{\text{Total modal}} \times 100\%$	Rasio

4. RESULTS AND DISCUSSION

Based on the results of statistical tests using Partial Least Square (PLS), the results of statistical tests are obtained as follows:

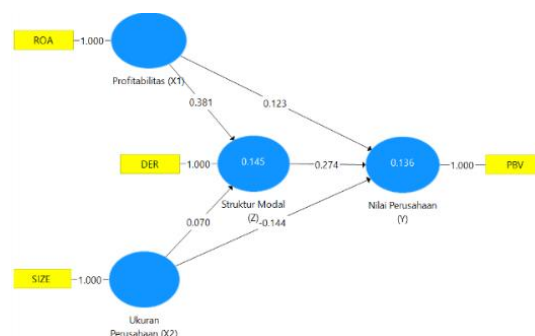


Figure 2. Model PLS

Validity Test

Evaluate the measurement model to specify each indicator about its latent variables—test validity with convergent and discriminant validity. Convergent validity can be seen from the correlation between indicator and variable scores. Convergent validity can be evaluated by *the Loading Factor* and *Average Variance Extracted (AVE)* values. The indicator is declared to meet the convergent validity criteria or can be considered valid if the *loading* factor value is more significant than 0.70 and AVE is greater than 0.5.

Table 3. Loading factor value

Variable	Company Value (Y)	Profitability (X1)	Capital Structure (Z)	Company Size (X2)
DER			1.000	
PBV	1.000			
ROA		1.000		
SIZE				1.000

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the table above, it can be known that the *loading factor* value in the variables profitability, company size, capital structure, and company value has a value of 1,000 or greater than 0.70, so it can be said to be valid and can meet the requirements of convergent validity.

Table 4. AVE value

Variable	AVE	Critical Value	Model Evaluation
Profitability	1.000	> 0,5	Valid
Company Size	1.000	> 0,5	Valid
Capital Structure	1.000	> 0,5	Valid
Company Value	1.000	> 0,5	Valid

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the table above, it can be known that the value of *Average Variance Extracted (AVE)* on the variables of probability, company size, capital structure, and company value has a value of 1,000 or greater than 0.05, so it can be said to be valid and can meet the requirements of convergent validity.

Discriminant validity can be interpreted by *cross-loading*, which can assess whether the construct has adequate discriminant by comparing the value of the construct greater than the value of other constructs. The indicator declared valid in the discriminant validity test has a *cross-loading value* greater than 0.70 and is more significant than the cross-loading value of other variables.

Table 5. Cross Loadings Value

Variable	Company Value (Y)	Profitability (X1)	Capital Structure (Z)	Company Size (X2)
DER	0,315	0,375	1.000	0,036
PBV	1.000	0,238	0,315	-0,145
ROA	0,238	1.000	0,375	-0,088
SIZE	-0,145	-0,088	0,036	1.000

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the table above, it can be known that the value of cross-loadings on the *ROA, SIZE, DER, and PBV* indicators has a value of 1,000 > 0.70 and is greater than the value of other variable cross-loadings, so it can be said to be valid and can meet the requirements for discriminant validity.

Reliability Test

Reliability tests are performed to determine how consistent and capable indicators can measure latent constructs. Reliability tests can be seen from *Cronbach's alpha* and *composite reliability* values. An indicator is declared reliable if *Cronbach's alpha value is more significant than 0.7* and the composite reliability value is greater than 0.7 (Imam Ghozali, 2021).

Table 6. The value of Cronbach's Alpha

Variable	Cronbach's Alpha	Critical Value	Model Evaluation
Profitability	1.000	> 0,7	Reliable
Company Size	1.000	> 0,7	Reliable
Capital Structure	1.000	> 0,7	Reliable
The value of the company	1.000	> 0,7	Reliable

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the test results, Cronbach's alpha value on the variables profitability, companysize, capital structure, and company value is 1,000. All of the above variables are reliable because the value of *Cronbach's Alpha* is more significant than 0.7, so the indicator can measure latent constructs consistently.

Table 7. Composite Reliability Value

Variable	Composite Reliability	Critical Value	Model Evaluation
Profitability	1.000	> 0,7	Reliable
Company Size	1.000	> 0,7	Reliable
Capital Structure	1.000	> 0,7	Reliable
The value of the company	1.000	> 0,7	Reliable

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the test results, the composite reliability value on the profitability variables, company size, capital structure, and company value is 1,000. All the variables above are reliable because *the Composite Reliability* value is more significant than 0.7, so the indicator can measure latent constructs consistently. Structural model evaluation examines the relationship between the contracting variable, significance value, and *R-square* for each latent variable. *The model is robust, moderate, and weak, with R-square values of 0.75, 0.50, and 0.25.*

Table 8. R-Square and Adjusted R-Square values

Variable	R Square	Adjusted R Square
Firm Value (Y)	0,136	0,106
Capital Structure (Z)	0,145	0,126

Source: Secondary Data Processed by SEM-PLS, 2023

Table 8 above shows the Adjusted R-Square value for the company value variable of 0.106 or 10.6% and the capital structure variable of 0.126 or 12.6%. This valueshows the ability of profitability variables and company size to explain the variation in the value of the company value variable by 10.6%, the value of the capital structure variable by 12.6%, and the rest for the company value variable by 89.4% and for the capitalstructure variable by 87.4% is influenced by other variables outside of the variables in thisstudy.

This hypothesis test is done by a *bootstrapping procedure* that can generate t-statistical values in any relationship path used to test the hypothesis and will be compared with t-table values. In this study, the confidence level was 95%, so that the alpha value was 5% or 0.05. If the t-statistic value is smaller than the t-table (1.66196), then H0 is accepted, and Hais rejected. If the t-statistic value exceeds the t-table (1.96), H0 is rejected, and Ha is accepted.

Based on Table 9 below, it can be seen that the t-statistic value between profitability

(X1) to capital structure (Z) is $5.302 > 1.66196$ and p-value $0.000 < 0.05$ so that it can be concluded that H1, which states that profitability (X1) affects capital structure (Z) is accepted.

Based on the table above, it can be seen that the t-statistic value between company size (X2) to capital structure (Z) is $0.723 < 1.66196$ and p-value $0.470 > 0.05$ so it can be concluded that H2, which states that company size (X2) affects capital structure (Z) is rejected.

Based on the table above, it can be seen that the t-statistic value between profitability (X1) to company value (Y) is $1.975 > 1.66196$ and p-value $0.049 < 0.05$ so that it can be concluded that H3 which states that profitability (X1) affects the value of the company (Y) is accepted.

Based on the table above, it can be seen that the t-statistic value between company size (X2) to company value (Y) of $0.980 < 1.66196$ and p-value of $0.328 > 0.05$ so that it can be concluded that H4, which states that company size (X2) affects company value (Y) is rejected.

Based on the table above, it can be seen that the t-statistical value between capital structure (Z) and company value (Y) is $2.479 > 1.96$ and p-value $0.014 < 0.05$ so that it can be concluded that H5 which states that capital structure (Z) affects the value of the company (Y) is accepted.

Table 9. Hypothesis Test Results

Hypothesis	T-Statistics	T-table	Hypothesis Status (T Test)	P Value	Hypothesis Status
Profitability (X1) -> Capital Structure (Z)	5,302	> 1,66196	Accepted	0,000	Accepted
Firm Size (X2) -> Model Structure (Z)	0,723	< 1,66196	Rejected	0,470	Rejected
Profitability (X1) -> Firm Value (Y)	1,975	> 1,66196	Accepted	0,049	Accepted
Company Size (X2) -> Company Value (Y)	0,980	< 1,66196	Rejected	0,328	Rejected
Capital Structure (Z) -> Firm Value (Y)	2,479	> 1,66196	Accepted	0,014	Accepted

Source: Secondary Data Processed by SEM-PLS, 2023

Smart PLS 3.0 includes the results of indirect influence calculations that are useful in analyzing the strength of mediator variable relationships with other variables. The value is automatically calculated with smart PLS 3.0 when the bootstrapping process is run after testing the hypothesis.

Table 10. Mediation Analysis

Construct	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (O/STDEV)	P Value
Profitability (X1) -> Capital Structure (Z) -> Firm Value (Y)	0,105	0,100	0,048	2,175	0,030
Company Size (X2) -> Capital Structure (Z) -> Firm Value (Y)	0,019	0,021	0,028	0,676	0,499

Source: Secondary Data Processed by SEM-PLS, 2023

Table 10 shows that the t-statistical value of profitability to company value is 2.175

> 1.66196 , and the p-value is $0.030 < 0.05$, shows that capital structure can mediate the effect of profitability on company value and that H6 is accepted.

The t-statistic value of company size to company value of $0.676 < 1.66196$ and p-value of $0.499 > 0.05$, thus indicating that capital structure cannot mediate the effect of company size on company value, and H7 is rejected.

Discussion

The Effect of Profitability on Capital Structure (H1)

Based on the test results using SEM-PLS, it is known that profitability, as measured by *Return On Assets* (ROA), has a significant positive effect on the capital structure as measured by *the debt to the debt-to-equity ratio* (DER). It can be seen from the t-statistic values of $5.302 > 1.66196$ and p-values of $0.000 < 0.05$. Based on these results, the H1 in this study states that "Allegedly profitability has a direct effect on capital structure" is accepted.

The higher the company's ability to make a profit, the company tends to have large cash. Therefore, external parties of the company prefer and make it easier for companies with high cash flow to avoid the risk of defaulting on company debt. The higher the profitability of the company, the easier it is for the company to get external funds from the company.

The results of this study are supported by the results of research conducted by (Putri & Sakir, 2022) (Valinarta & Handini, 2022) and research conducted by (Purnomo & Erawati, 2019), which show that profitability has a positive and significant effect on capital structure. The results of this study are also supported by research conducted by (Sadiq et al., 2020), explaining that profit management that is the same as *Return On Assets* (ROA) can also be influenced by corporate governance. One of corporate governance is how companies manage debt. For example, a company that owes money without proper calculations can harm the company. The results of this study contradict the results of research conducted by (Thaib & Dewantoro, 2017) and research conducted by (Yanti et al., 2018), which show that profitability does not affect capital structure.

The Effect of Company Size on Capital Structure (H2)

Based on the test results using SEM-PLS, it is known that the company's size measured by Ln (Total Assets) does not affect the *debt-to-equity ratio* (DER) capital structure. It can be seen from the t-statistic value of $0.723 < 1.66196$ and the p-value of $0.470 > 0.05$. Based on these results, the H2 in this study stated, "It is suspected that the size of the company has a direct effect on the capital structure," which was rejected.

Companies that belong to the size of large and small companies do not affect the company's capital structure. Companies that belong to a large company size only sometimes have large debts; companies that belong to large companies can allow such companies to have low debt levels. Likewise, companies included in a small company size only sometimes have a low level of debt; companies included in a small company size can also allow the company to have a high level of debt. So, the company's size does not affect the level of company debt.

The results of this study are supported by the results of research conducted by (Kosimpang et al., 2017), (Maharani & Mawardhi, 2022), (Timbangnusa et al., 2023), and (Siska Novita Saragih, 2023), which show the results that the size of the company does not affect the capital structure. The results of this study contradict the results of research conducted by (Savitri et al., 2021), (Andika & Sibp, 2019), and the results of research conducted by (Sulastri et al., 2019), which show that the size of the company affects the capital structure.

The Effect of Profitability on Company Value (H3)

Based on the test results using SEM-PLS, it is known that profitability measured by *Return On Assets* (ROA) has a significant positive effect on the value of the company as measured by *price-to-book value* (PBV). It can be seen from the t-statistic values of $1.975 > 1.66196$ and p-values of $0.049 < 0.05$. Based on these results, the H3 in this study states

that "It is suspected that profitability has a direct effect on company value" is accepted.

Companies that have high company profitability can be a signal for investors to describe the state of the company. Investors believe that with high profits, the company can provide returns that investors expect and can provide confidence and interest to invest in the company. With investor interest, it will increase the company's stock price so that it can increase the company's value. So, the higher the company's ability to get profits, the greater the investors' expectations and will improve the company's value.

The results of this study are supported by the results of research conducted by (Hartanti et al., 2019), (Purba & Africa, 2019), (Purwanti, 2020), (Nyoman et al., 2021) and research conducted by (Kusumawati & Setiawan, n.d.) shows the result that profitability has a positive and significant effect on the value of the company. The results of this study contradict the results of research conducted by (Thaib & Dewantoro, 2017) and the results of research conducted by (Savitri et al., 2021), which show that profitability does not affect company value.

The Effect of Company Size on Company Value (H4)

Based on the test results using SEM-PLS, it is known that the size of the company measured by Ln (Total Assets) has no effect on the value of the company measured by *Price to Book Value* (PBV). It can be seen from the t-statistic value of $0.980 < 1.66196$ and the p-value of $0.328 > 0.05$. Based on these results, the H4 in this study states, "It is suspected that the size of the company has a direct effect on the value of the company" is rejected.

Companies, including large and small company sizes, do not influence investors' decisions to invest their capital. Investors do not look at the company's size to invest in a company, so it does not affect the company's value. So, the size of the company cannot affect the value of the company.

The results of this study are supported by the results of research conducted by (Anisa et al., 2021), (Savitri et al., 2021), (Yanti et al., 2018), (Andrean nesta & Amir, 2023), (Garin Pratiwi Solihati, 2023) Furthermore, (Grace Sriati Mengga et al., 2022) show the results that the size of the company does not affect the value of the company. The results of this study contradict the results of research conducted by (Maharani & Mawardhi, 2022), (Sariyanti & Handini, 2022), (Agustiningasih, 2023), (Pratiwi et al., 2023), and the results of research conducted by (Vernando & Erawati, 2020) which show the results that company size affects company value.

The Effect of Capital Structure on Company Value (H5)

Based on the test results using SEM-PLS, it is known that the capital structure of the *debt-to-equity ratio* (DER) has a significant positive effect on the value of the company as measured by *Price to Book Value* (PBV). It can be seen from the t-statistic values of $2.479 > 1.66196$ and p-values of $0.014 < 0.05$. Based on these results, the H5 in this study states that "It is suspected that capital structure has a direct effect on company value" is accepted.

Companies that use the company's external funds can utilize and manage external funds well by utilizing the company's external funds to make acquisitions of companies that have added value for the company or can use the company's external funds to open new branches and enter new markets that can expand market share and can increase company value. A capital structure that can be appropriately utilized can benefit the company and increase the value of the company.

The results of this study are supported by the results of research conducted by (Vernando & Erawati, 2020) and research conducted by (Purwanti, 2020), (Purnomo & Erawati, 2019) which show the results that capital structure has a positive and significant effect on company value. The results of this study contradict the results of research conducted by (Kosimpang et al., 2017) and the results of research conducted by (Maharani

& Mawardhi, 2022) which shows the results that capital structure does not affect company value.

The Effect of Profitability on Company Value with Capital Structure as an Intervening Variable (H6)

Based on the test results using SEM-PLS, it is known that profitability to the value of companies with capital structure as an intervening variable has a positive and significant effect. It can be seen from the t-statistic values of $2.175 > 1.66196$ and the p-values of $0.030 < 0.05$. Based on these results, the H6 in this study states, "It is suspected that profitability has an indirect effect on the value of the company with capital structure as an intervening variable" is accepted.

Companies that experience an increase in company profitability will have the convenience and trust of creditors to get the company's external funds used to make acquisitions of companies that have added value for the company or can use the company's external funds to open new branches and enter new markets that can expand market share and can increase company value.

The results of this study are supported by the results of research conducted by (Musabbihan & Purnawati, 2018) and research conducted by (Isnawati & Widjajanti, 2019), which show that there is an effect of profitability on the value of the company with capital structure as an intervening variable accepted. This result contradicts the results of research conducted by (Yanti et al., 2018) and the results of research conducted by (Putri & Sakir, 2022), which show the results that the effect of profitability on company value with capital structure as an intervening variable is rejected.

The Effect of Company Size on Company Value with Capital Structure as an Intervening Variable (H7)

Based on the test results using SEM-PLS, it is known that the company's size does not affect the company's value with capital structure as a variable. It can be seen from the t-statistic value of $0.676 < 1.66196$ and the p-value of $0.499 > 0.05$. Based on these results, H7 in this study states, "It is suspected that company size has an indirect effect on company value with capital structure as an intervening variable" is rejected.

Companies that are included in the size of large companies only sometimes have high debt and do not rule out the possibility of the company having a low level of debt, and vice versa. Investors no need to look at the company's size and capital structure to invest their capital. Investors do not consider the company's size by; going through the capital structure is essential to influence the company's value.

The results of this study are supported by the results of research conducted by (Sulastri et al., 2019), (Putri & Sakir, 2022) and research conducted by (Isnawati & Widjajanti, 2019), which showed that the size of the company affects the value of the company with capital structure as an intervening variable rejected. This result contradicts the results of research conducted by (Yanti et al., 2018) and research conducted by (Vernando & Erawati, 2020), which show the results that company size affects company value with capital structure as an intervening variable accepted.

5. CONCLUSIONS

Based on the data analysis and discussions that have been carried out, this study shows that profitability has a significant positive effect on capital structure. The size of the company does not affect the capital structure. Profitability has a significant positive effect on the value of the company. The size of the company does not affect the value of the company. Capital structure has a significant positive effect on The value of the company. Profitability has a significant positive effect on the company's value with capital structure as an intervening variable, and company size does not affect the company's value with capital structure as an intervening variable.

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Review Details: The Capital Structure as A Mediator Between Profitability and Company Size to Company Value In Textile And Garment Sector Companies Listed on The Indonesia Stock Exchange (IDX)



Eddy Soegiarto K

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Emphasize the key findings from the results of this research. Also mention suggestions and implications both theoretically and practically

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Add implications and recommendations in the conclusion

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Review Details: The Capital Structure as A Mediator Between Profitability and Company Size to Company Value in Textile And Garment Sector Companies Listed on The Indonesia Stock Exchange (IDX)



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Capital Structure As A Mediator Between Profitability And Company Size To Company's Value In Textile And Garment Sector Companies Listed On The Indonesia Stock Exchange (IDX)

ABSTRACT

Company's value is a part that investors really take into account when making decisions to buy shares. This study aimed to determine the effect of profitability and company size on company's value with capital structure as an intervening variable in textile and garment sector companies listed on the Indonesia Stock Exchange (IDX). This research used a quantitative approach and secondary data from annual financial statements from www.idx.co.id. The population in this study was textile and garment sector companies listed on the Indonesia Stock Exchange (IDX) in the 2018-2022 period. Used 18 company with purposive sampling method, Data analysis was performed using SEM-PLS version 3.0. The results of this study showed that profitability had significant positive effect on capital structure. The size of the company had no impact on the capital structure. Profitability had a significant positive effect on the company's value. The size of the company had no impact on the company's value. Capital structure had a significant positive effect on the company's value. Profitability had a significant positive impact on the value of the company with capital structure as an intervening variable; the size of the company did not affect the value of the company with capital structure as an intervening variable. The recommendation from the results of this research is that it is important for companies to always increase investor and creditor confidence by increasing profitability periodically to increase company value in the future. For future research use other financial variables that influence company value besides company size

Keywords : *Company Size; Capital Structure; Company Value; Profitability*

1. INTRODUCTION

Indonesia has experienced economic development, which creates higher competition between companies. The textile and garment sector is one of the strategic industries for the Indonesian economy. The textile and garment industry has made considerable employment. The Ministry of Industry (Ministry of Industry, 2022) stated that the textile industry absorbed a workforce of 3.65 million people or had reached 18.79%. The textile and clothing sector contributed to Gross Domestic Product (GDP) by 1.21% in 2020 and decreased in 2021 to 1.06%. The Central Statistics Agency (BPS) noted that Gross Domestic Product (GDP) based on constant prices in the textile and clothing industry in 2021 decreased by 4.08% from 2020. It was also noted that public expenditure on Clothing purchases decreased by 12.07% by Rp. 31,745 per month in 2021 (Karnadi, 2022). This decline occurred due to the COVID-19 pandemic.

With this phenomenon, it can be seen that market absorption is still weak, as seen from the low purchasing power of the community. It will require companies to continue to innovate to avoid bankruptcy. Companies must compete to get the best results to survive and achieve company goals. The company's goals, according to Maharani & Mawardhi (2022) are divided into two: the first is a short-term goal where the company's goal is to obtain maximum profit, while the second is a long-term goal where the company's goal is to prosper the company's shareholders and maximize the company's value which will be reflected in the company's stock price. The primary purpose of companies that go public or have been listed on the Indonesia Stock Exchange (IDX) is to earn profits to increase the prosperity of shareholders by increasing the company's value.

According to Thaib & Dewantoro (2017), company's value is a measure of shareholder prosperity. If there is an increase in stock price, the higher the share price, the higher the company's prosperity. A high company's value will follow a high stock price. The company's value will affect the interest of potential investors to invest and reduce investor doubts about the capital they will save. Investors tend to observe companies through the movement of shares transacted on the exchange in companies that go public.

According to (Permata, 2018) the company's value can be reflected by Price to Book Value (PBV), which is an overview of how much the market can appreciate the company's Book Value. Price to Book Value (PBV) is obtained by comparing the price per share with the book value per share (Permata, 2018). PBV can show the state of a good company if its stock price exceeds the company's Book Value. The higher the Price to Book Value (PBV), the better the company's condition and can attract investors.

Table 1. Company Value (PBV) of Textile & Garment Companies in 2018-2022

No	Nama Perusahaan	Kode	Tahun				
			2018	2019	2020	2021	2022
1	Polychem Indonesia Tbk	ADMG	0,346	0,252	0,385	0,321	0,257
2	Argo Pantas Tbk	ARGO	-0,239	-0,230	-0,506	-0,428	-0,297
3	PT Trisula Textile Industries Tbk	BELL	0,267	0,544	4,494	4,075	4,104
4	Eratex Djaja Tbk	ERTX	0,579	0,672	0,600	0,969	1,635
5	Ever Shine Textile Industry Tbk	ESTI	0,694	0,646	0,573	1,124	0,468
6	Indorama Synthetics Tbk	INDR	0,766	0,319	0,376	0,413	0,505
7	PT Asia Pacific Investama Tbk	MYTX	3,438	1,416	11,497	-5,006	-2,926
8	Pan Brothers Tbk	PBRX	0,982	0,935	0,403	0,240	0,130
9	Golden Flower Tbk	POLU	2,885	10,921	3,496	2,316	1,664
10	Asia Pasific Fibers Tbk	POLY	-0,028	-0,012	-0,011	-0,015	-0,010
11	Ricky Putra Globalindo Tbk	RICY	0,237	0,213	0,196	0,199	0,227
12	PT Sri Rejeki Isman Tbk	SRIL	0,979	0,645	0,565	-0,525	-0,243
13	Sunson Textile Manufacturer Tbk	SSTM	2,459	3,098	3,582	3,882	3,876
14	Buana Artha Anugerah Tbk	STAR	0,840	1,469	1,026	1,412	1,294
15	Tifico Fiber Indonesia Tbk	TFCO	0,688	0,605	0,560	0,792	0,705
16	Trisula International Tbk	TRIS	1,094	1,255	1,014	1,021	1,041
17	PT Uni-Charm Indonesia Tbk	UCID	1,215	1,695	1,359	1,228	0,881
18	Mega Perintis Tbk	ZONE	2,091	1,439	1,303	1,270	3,086
Rata-rata			1,072	1,438	1,717	0,738	0,911

Source: Processed from idx 2018-2022

In the table above, it can be found that there is a phenomenon in the company value (PBV) of the textile and garment sector in 2018-2022, experiencing fluctuations in each period. The highest average company value in 2020 was 1.717, and the lowest average was in 2021, with 0.738. Of the 18 textile and garment companies in 2018-2022, two companies have negative PBV values from 2018-2022, respectively, in Argo Pantas Tbk (ARGO) and Asia Pacific Fibers Tbk (POLY) companies. Two companies have decreased consecutively in Pan Brothers Tbk (PBRX) and PT Sri Rejeki Isman Tbk (SRIL). A decrease in the company's value can affect the stock price because the higher the stock price, the company's value will increase. Many factors affect the value of a company, including profitability, company size, and capital structure.

According to (Purnomo & Erawati, 2019), profitability is the net profit a company obtains when carrying out its operations. A higher profitability ratio will reflect a high rate of return on investment. The research results by Kosimpang et al. (2017) found that profitability affects company's value but is inversely proportional to the result of research by Thaib & Dewantoro (2017) which found that profitability does not significantly affect company value.

The next factor is the size of the company. Company size is a scale that classifies the size of a company. The more investors are interested in owning shares of the company, the higher the share price offer so that the company's value can increase (Maharani & Mawardhi, 2022). In research conducted by Vernando & Erawati, (2020), It was found that company size has a positive and significant effect on company value, but this is contrary to the results of research by (Savitri et al., 2021), which has shown that company size does not affect company value.

The next factor is the capital structure. According to Kosimpang et al., (2017), capital structure compares the amount of long-term debt and own capital. According to Savitri et al., (2021), the high value of the company can provide confidence to investors so that the company more easily obtains capital. Research of Maharani & Mawardhi, (2022) found that the results of capital structure have no effect on company value, and the results of this study are inversely proportional to the results of research by Purnomo & Erawati, (2019) that capital structure has a positive and significant influence on company value.

Based on the explanation above, textile and garment companies experience fluctuations in company value (PBV), and there is a research gap from previous research, so researchers are interested in conducting further research with the title "Capital Structure as a Mediator Between Profitability and Company Size to Company Value in Textile & Garment Sector Companies Listed on the Indonesia Stock Exchange (IDX) for the 2018- 2022 Period."

2. THEORETICAL FRAMEWORK AND HYPOTHESIS FORMULATION

The Relationship between Profitability and Capital Structure

Companies with a high ability to earn profits tend to have significant cash. High profits can show good company performance in the long term (Purnomo & Erawati, 2019). Companies with a high ability to generate profits can finance their operational activities using their capital (retained earnings) without using outside funds. Outside funds are used if there is insufficient financing from retained earnings (Kosimpang et al., 2017). From the explanation above, the greater the profitability, the greater the cash so that the company can use its capital without outside funds. This is supported by research conducted by Purnomo & Erawati (2019); Kosimpang et al. (2017); and Maharani & Mawardhi (2022), which shows that company size affects capital structure.

H1: It is suspected that profitability affects the capital structure.

The Relationship between Company Size and Capital Structure

Companies with a large scale will be easier to obtain external funding, because a company that has good business prospects will indicate that the company can develop from a small company. Large companies can more easily get funding from various sources, so creditors will find it easier to provide loans to companies, and vice versa with smaller companies (Kosimpang et al., 2017). It is supported by research conducted by Maharani & Mawardhi (2022) and Kosimpang et al. (2017), which shows that company size affects capital structure.

H2: The company's size is suspected to affect the capital structure.

The Relationship between Profitability and Company Value

The profitability ratio is used to measure a company's ability to earn profits from its usual company activities (Hery, 2017, p. 192). By showing that the company can get high profits and provide returns as investors expect, they will be more confident and interested in increasing their capital to increase their stock price and value (Purnomo & Erawati, 2019). So, the higher the company's ability to get profits, the greater the investors' expectations and

will improve the company's value. It is supported by research conducted by Kosimpang et al., (2017); Putri & Sakir, (2022) and Maharani & Mawardhi (2022) which shows the results that profitability influences company value.

H3: It is suspected that profitability affects the value of the company.

The Relationship Between Company Size and Company Value

Company size measures the size of a company as illustrated by total assets or netsales (Hery, 2017). The greater the company's total assets, the larger the company's size. Investors often assume that investing in large companies will be more convincing and will get more profit than small companies. The more investors are interested in owning company shares, the more they can increase the share price offer to increase the company's value (Maharani & Mawardhi, 2022). It is supported by research conducted by Thaib & Dewantoro (2017); Maharani & Mawardhi (2022); and Vernando & Erawati (2020), which shows that company size affects company value.

H4: It is suspected that the size of the company affects the value of the company.

The Relationship between Capital Structure and Corporate Value

According to Putri & Sakir (2022), Capital structure is a combination of debt and company equity as a selection of the company's operational funding policy. Suppose the company uses internal funds or retained earnings to finance the company's operations. In that case, the risk of bankruptcy is low, so that investors will be more interested in companies with a low risk of bankruptcy. If the company's external funds (debt) can be put to good use, it will get a relatively high profit. With this, the use of debt can increase the company's value. Therefore, the company must be able to determine how much debt will be used. It is supported by research conducted by Vernando & Erawati (2020) and Purnomo & Erawati (2019), which found that capital structure affects company value.

H5: The capital structure is suspected to affect the company's value.

The relationship of profitability and value of the company with capital structure as intervening variables

High profitability will allow the company to finance its operations with its own or internal company funds. Companies with high profitability can minimize the use of debt or external funds to finance company operations. Using minimal debt can give confidence to investors to invest in the company. Investors will think companies with low debt levels can avoid the risk of bankruptcy to increase the company's value. It is supported by research conducted Isnawati & Widjajanti (2019), which found that profitability affects the company's value with capital structure as an intervening variable.

H6: It is suspected that profitability affects the value of the company with capital structure as an intervening variable

The relationship of company size to company value with capital structure as an intervening variable

Companies with large company sizes will get more access and trust from creditors than companies with small sizes. Companies with large sizes will find it easier to get funds from external companies (debt). If the company's external funds can be put to good use, it will increase the value of the company. High debt will be used for investments that produce more output and can increase the company's value. It is supported by research conducted by Yanti et al. (2018), which found that company size influences company value with capital structure as an intervening variable.

H7: It is suspected that profitability affects the value of the company with capital structure as

an intervening variable.

3. RESEARCH METHOD

This research is quantitative approach. The variables used in this study consist of dependent variables, independent variables, and intervening variables. The dependent variable or variable Y is Company Value. The independent variables or X are Profitability (X1) and Company Size (X2). They is intervening variable or variable Z, i.e., Capital Structure. The population in this study is all Textile & Garmen Sector companies listed on the Indonesia Stock Exchange during the 2018-2022 period. Sampling in this study used a purposive sampling method with specific considerations and resulted in a sample of 18 companies. In this study, Partial Least Square (PLS) analysis was applied. The research hypothesis model is depicted in Figure 1.

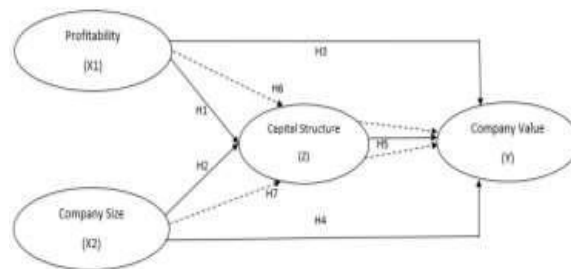


Figure 1. Research Hypothesis Model

The operational variables in this study are as follows:

Table 2. Operasional Variabel

Variabel	Indikator	Skala
Nilai perusahaan (Y)	$PBV = \frac{\text{Harga per lembar saham}}{\text{Nilai buku per lembar saham}}$	Rasio
Profitabilitas (X1)	$ROA = \frac{\text{Laba bersih}}{\text{Total Aset}}$	Rasio
Ukuran Perusahaan (X2)	Ukuran Perusahaan (Size) = $\ln(\text{Total Assets})$	Rasio
Struktur Modal (Z)	$DER = \frac{\text{Total hutang}}{\text{Total modal}} \times 100\%$	Rasio

4. RESULTS AND DISCUSSION

Based on the results of statistical tests using Partial Least Square (PLS), the results of statistical tests are obtained as follows:

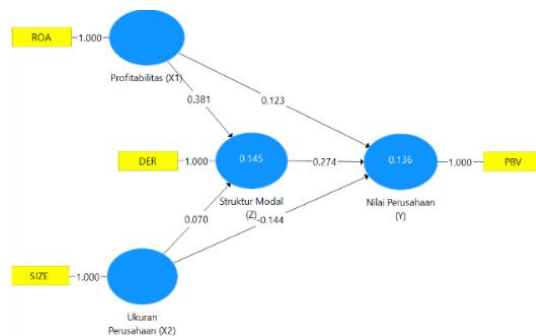


Figure 2. Model PLS

Validity Test

Evaluate the measurement model to specify each indicator about its latent variables—test validity with convergent and discriminant validity. Convergent validity can be seen from the correlation between indicator and variable scores. Convergent validity can be evaluated by the Loading Factor and Average Variance Extracted (AVE) values. The indicator is declared to meet the convergent validity criteria or can be considered valid if the loading factor value is more significant than 0.70 and AVE is greater than 0.5.

Table 3. Loading factor value

Variable	Company Value (Y)	Profitability (X1)	Capital Structure (Z)	Company Size (X2)
DER			1.000	
PBV	1.000			
ROA		1.000		
SIZE				1.000

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the table above, it can be known that the loading factor value in the variables profitability, company size, capital structure, and company value has a value of 1,000 or greater than 0.70, so it can be said to be valid and can meet the requirements of convergent validity.

Table 4. AVE Value

Variable	AVE	Critical Value	Model Evaluation
Profitability	1.000	> 0,5	Valid
Company Size	1.000	> 0,5	Valid
Capital Structure	1.000	> 0,5	Valid
Company Value	1.000	> 0,5	Valid

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the table above, it can be known that the value of Average Variance Extracted (AVE) on the variables of probability, company size, capital structure, and company value has a value of 1,000 or greater than 0.05, so it can be said to be valid and can meet the requirements of convergent validity.

Discriminant validity can be interpreted by cross-loading, which can assess whether the construct has adequate discriminant by comparing the value of the construct greater than the value of other constructs. The indicator declared valid in the discriminant validity test has a cross-loading value greater than 0.70 and is more significant than the cross-loading value of

other variables.

Table 5. Cross Loadings Value

Variable	Company Value (Y)	Profitability (X1)	Capital Structure (Z)	Company Size (X2)
DER	0,315	0,375	1.000	0,036
PBV	1.000	0,238	0,315	-0,145
ROA	0,238	1.000	0,375	-0,088
SIZE	-0,145	-0,088	0,036	1.000

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the table above, it can be known that the value of cross-loadings on the ROA, SIZE, DER, and PBV indicators has a value of 1,000 > 0.70 and is greater than the value of other variable cross-loadings, so it can be said to be valid and can meet the requirements for discriminant validity.

Reliability Test

Reliability tests are performed to determine how consistent and capable indicators can measure latent constructs. Reliability tests can be seen from Cronbach's alpha and composite reliability values. An indicator is declared reliable if Cronbach's alpha value is more significant than 0.7 and the composite reliability value is greater than 0.7 (Imam Ghazali, 2021).

Table 6. The value of Cronbach's Alpha

Variable	Cronbach's Alpha	Critical Value	Model Evaluation
Profitability	1.000	> 0,7	Reliable
Company Size	1.000	> 0,7	Reliable
Capital Structure	1.000	> 0,7	Reliable
The value of the company	1.000	> 0,7	Reliable

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the test results, Cronbach's alpha value on the variables profitability, company size, capital structure, and company value is 1,000. All of the above variables are reliable because the value of Cronbach's Alpha is more significant than 0.7, so the indicator can measure latent constructs consistently.

Table 7. Composite Reliability Value

Variable	Composite Reliability	Critical Value	Model Evaluation
Profitability	1.000	> 0,7	Reliable
Company Size	1.000	> 0,7	Reliable
Capital Structure	1.000	> 0,7	Reliable
The value of the company	1.000	> 0,7	Reliable

Source: Secondary Data Processed by SEM-PLS, 2023

Based on the test results, the composite reliability value on the profitability variables, company size, capital structure, and company value is 1,000. All the variables above are reliable because the Composite Reliability value is more significant than 0.7, so the indicator can measure latent constructs consistently. Structural model evaluation examines the relationship between the contracting variable, significance value, and R-square for each latent variable. The model is robust, moderate, and weak, with R-square values of 0.75, 0.50, and 0.25.

Table 8. R-Square and Adjusted R-Square values

Variable	R Square	Adjusted R Square
Firm Value (Y)	0,136	0,106
Capital Structure (Z)	0,145	0,126

Source: Secondary Data Processed by SEM-PLS, 2023

Table 8 above shows the Adjusted R-Square value for the company value variable of 0.106 or 10.6% and the capital structure variable of 0.126 or 12.6%. This value shows the ability of profitability variables and company size to explain the variation in the value of the company's value variable by 10.6%, the value of the capital structure variable by 12.6%, and the rest for the company's value variable by 89.4% and for the capital structure variable by 87.4% is influenced by other variables outside of the variables in this study.

This hypothesis test is done by a bootstrapping procedure that can generate t-statistical values in any relationship path used to test the hypothesis and will be compared with t-table values. In this study, the confidence level was 95%, so that the alpha value was 5% or 0.05. If the t-statistic value is smaller than the t-table (1,66196), then H0 is accepted, and Ha is rejected. If the t-statistic value exceeds the t-table (1,66196), H0 is rejected, and Ha is accepted.

Based on Table 9 below, it can be seen that the t-statistic value between profitability (X1) to capital structure (Z) is $5.302 > 1,66196$ and p-value $0.000 < 0.05$ so that it can be concluded that H1, which states that profitability (X1) affects capital structure (Z) is accepted.

Based on the table above, it can be seen that the t-statistic value between company size (X2) to capital structure (Z) is $0.723 < 1,66196$ and p-value $0.470 > 0.05$ so it can be concluded that H2, which states that company size (X2) affects capital structure (Z) is rejected.

Based on the table above, it can be seen that the t-statistic value between profitability (X1) to company value (Y) is $1.975 > 1,66196$ and p-value $0.049 < 0.05$ so that it can be concluded that H3 which states that profitability (X1) affects the value of the company (Y) is accepted.

Based on the table above, it can be seen that the t-statistic value between company size (X2) to company value (Y) of $0.980 < 1,66196$ and p-value of $0.328 > 0.05$ so that it can be concluded that H4, which states that company size (X2) affects company value (Y) is rejected.

Based on the table above, it can be seen that the t-statistical value between capital structure (Z) and company value (Y) is $2.479 > 1,66196$ and p-value $0.014 < 0.05$ so that it can be concluded that H5 which states that capital structure (Z) affects the value of the company (Y) is accepted.

Table 9. Hypothesis Test Results

Hypothesis	T-Statistics	T-table	Hypothesis Status (T Test)	P Value	Hypothesis Status
Profitability (X1) -> Capital Structure (Z)	5,302	> 1,66196	Accepted	0,000	Accepted
Firm Size (X2) -> Model Structure (Z)	0,723	< 1,66196	Rejected	0,470	Rejected
Profitability (X1) -> Firm Value (Y)	1,975	> 1,66196	Accepted	0,049	Accepted
Company Size (X2) -> Company Value (Y)	0,980	< 1,66196	Rejected	0,328	Rejected
Capital Structure (Z) -> Firm Value (Y)	2,479	> 1,66196	Accepted	0,014	Accepted

Source: Secondary Data Processed by SEM-PLS, 2023

Smart PLS 3.0 includes the results of indirect influence calculations that are useful in analyzing the strength of mediator variable relationships with other variables. The value is automatically calculated with smart PLS 3.0 when the bootstrapping process is run after testing the hypothesis.

Table 10. Mediation Analysis

Construct	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (O/STDEV)	P Value
Profitability (X1) -> Capital Structure (Z) -> Firm Value (Y)	0,105	0,100	0,048	2,175	0,030
Company Size (X2) -> Capital Structure (Z) -> Firm Value (Y)	0,019	0,021	0,028	0,676	0,499

Source: Secondary Data Processed by SEM-PLS, 2023

Table 10 shows that the t-statistical value of profitability to company value is 2.175 > 1.66196, and the p-value is 0.030 < 0.05, shows that capital structure can mediate the effect of profitability on company value and that H6 is accepted.

The t-statistic value of company size to company value of 0.676 < 1.66196 and p-value of 0.499 > 0.05, thus indicating that capital structure cannot mediate the effect of company size on company value, and H7 is rejected.

Discussion

The Effect of Profitability on Capital Structure (H1)

Based on the test results using SEM-PLS, it is known that profitability, as measured by Return On Assets (ROA), has a significant positive effect on the capital structure as measured by the debt to the debt-to-equity ratio (DER). It can be seen from the t-statistic values. of 5.302 > 1.66196 and p-values of 0.000 < 0.05. Based on these results, the H1 in this study states that "Allegedly profitability has a direct effect on capital structure" is accepted.

The higher the company's ability to make a profit, the company tends to have large cash. Therefore, external parties of the company prefer and make it easier for companies with high cash flow to avoid the risk of defaulting on company debt. The higher the

profitability of the company, the easier it is for the company to get external funds from the company.

The results of this study are supported by the results of research conducted by Putri & Sakir (2022); Valinarta & Handini (2022) and research conducted by Purnomo & Erawati (2019), which show that profitability has a positive and significant effect on capital structure. The results of this study are also supported by research conducted by Sadiq et al. (2020), explaining that profit management that is the same as Return On Assets (ROA) can also be influenced by corporate governance. One of corporate governance is how companies manage debt. For example, a company that owes money without proper calculations can harm the company. The results of this study contradict the results of research conducted by Thaib & Dewantoro (2017) and research conducted by Yanti et al. (2018), which show that profitability does not affect capital structure.

The Effect of Company Size on Capital Structure (H2)

Based on the test results using SEM-PLS, it is known that the company's size measured by Ln (Total Assets) does not affect the debt-to-equity ratio (DER) capital structure. It can be seen from the t-statistic value of $0.723 < 1.66196$ and the p-value of $0.470 > 0.05$. Based on these results, the H2 in this study stated, "It is suspected that the size of the company has a direct effect on the capital structure," which was rejected.

Companies that belong to the size of large and small companies do not affect the company's capital structure. Companies that belong to a large company size only sometimes have large debts; companies that belong to large companies can allow such companies to have low debt levels. Likewise, companies included in a small company size only sometimes have a low level of debt; companies included in a small company size can also allow the company to have a high level of debt. So, the company's size does not affect the level of company debt.

The results of this study are supported by the results of research conducted by Kosimpang et al. (2017); Maharani & Mawardhi (2022); Timbangnusa et al. (2023); and Siska Novita Saragih (2023), which show the results that the size of the company does not affect the capital structure. The results of this study contradict the results of research conducted by Savitri et al. (2021); Andika & Sibp (2019), and the results of research conducted by Sulastri et al. (2019), which show that the size of the company affects the capital structure.

The Effect of Profitability on Company Value (H3)

Based on the test results using SEM-PLS, it is known that profitability measured by Return On Assets (ROA) has a significant positive effect on the value of the company as measured by price-to-book value (PBV). It can be seen from the t-statistic values of $1.975 > 1.66196$ and p-values of $0.049 < 0.05$. Based on these results, the H3 in this study states that "It is suspected that profitability has a direct effect on company value" is accepted.

Companies that have high company profitability can be a signal for investors to describe the state of the company. Investors believe that with high profits, the company can provide returns that investors expect and can provide confidence and interest to invest in the company. With investor interest, it will increase the company's stock price so that it can increase the company's value. So, the higher the company's ability to get profits, the greater the investors' expectations and will improve the company's value.

The results of this study are supported by the results of research conducted by Hartanti et al., (2019); Purba & Africa (2019); Purwanti (2020); Nyoman et al. (2021) and research conducted by (Kusumawati & Setiawan, n.d.) shows the result that profitability has a positive and significant effect on the value of the company. The results of this study contradict the results of research conducted by Thaib & Dewantoro (2017) and the results

of research conducted by Savitri et al. (2021), which show that profitability does not affect company value.

The Effect of Company Size on Company Value (H4)

Based on the test results using SEM-PLS, it is known that the size of the company measured by Ln (Total Assets) has no effect on the value of the company measured by Price to Book Value (PBV). It can be seen from the t-statistic value of $0.980 < 1.66196$ and the p-value of $0.328 > 0.05$. Based on these results, the H4 in this study states, "It is suspected that the size of the company has a direct effect on the value of the company" is rejected.

Companies, including large and small company sizes, do not influence investors' decisions to invest their capital. Investors do not look at the company's size to invest in a company, so it does not affect the company's value. So, the size of the company cannot affect the value of the company.

The results of this study are supported by the results of research conducted by Anisa et al. (2021); Savitri et al. (2021); Yanti et al., (2018); Andrean nesto & Amir (2023); Garin Pratiwi Solihati (2023) Furthermore, Grace Sriati Mengga et al. (2022) show the results that the size of the company does not affect the value of the company. The results of this study contradict the results of research conducted by Maharani & Mawardhi (2022); Sariyanti & Handini (2022); Agustiningsih (2023); Pratiwi et al. (2023); and the results of research conducted by Vernando & Erawati (2020) which show the results that company size affects company value

The Effect of Capital Structure on Company Value (H5)

Based on the test results using SEM-PLS, it is known that the capital structure of the debt-to-equity ratio (DER) has a significant positive effect on the value of the company as measured by Price to Book Value (PBV). It can be seen from the t-statistic values of $2.479 > 1.66196$ and p-values of $0.014 < 0.05$. Based on these results, the H5 in this study states that "It is suspected that capital structure has a direct effect on company value" is accepted.

Companies that use the company's external funds can utilize and manage external funds well by utilizing the company's external funds to make acquisitions of companies that have added value for the company or can use the company's external funds to open new branches and enter new markets that can expand market share and can increase company value. A capital structure that can be appropriately utilized can benefit the company and increase the value of the company.

The results of this study are supported by the results of research conducted by Vernando & Erawati (2020) and research conducted by Purwanti (2020); Purnomo & Erawati (2019) which show the results that capital structure has a positive and significant effect on company value. The results of this study contradict the results of research conducted by Kosimpang et al. (2017) and the results of research conducted by Maharani & Mawardhi (2022) which shows the results that capital structure does not affect company value.

The Effect of Profitability on Company Value with Capital Structure as an Intervening Variable (H6)

Based on the test results using SEM-PLS, it is known that profitability to the value of companies with capital structure as an intervening variable has a positive and significant effect. It can be seen from the t-statistic values of $2.175 > 1.66196$ and the p-values of $0.030 < 0.05$. Based on these results, the H6 in this study states, "It is suspected that profitability has an indirect effect on the value of the company with capital structure as an

intervening variable" is accepted.

Companies that experience an increase in company profitability will have the convenience and trust of creditors to get the company's external funds used to make acquisitions of companies that have added value for the company or can use the company's external funds to open new branches and enter new markets that can expand market share and can increase company value.

The results of this study are supported by the results of research conducted by Musabbihan & Purnawati (2018) and research conducted by Isnawati & Widjajanti (2019), which show that there is an effect of profitability on the value of the company with capital structure as an intervening variable accepted. This result contradicts the results of research conducted by Yanti et al. (2018) and the results of research conducted by (Putri & Sakir, 2022), which show the results that the effect of profitability on company value with capital structure as an intervening variable is rejected.

The Effect of Company Size on Company Value with Capital Structure as an Intervening Variable (H7)

Based on the test results using SEM-PLS, it is known that the company's size does not affect the company's value with capital structure as a variable. It can be seen from the t-statistic value of $0.676 < 1.66196$ and the p-value of $0.499 > 0.05$. Based on these results, H7 in this study states, "It is suspected that company size has an indirect effect on company value with capital structure as an intervening variable" is rejected.

Companies that are included in the size of large companies only sometimes have high debt and do not rule out the possibility of the company having a low level of debt, and vice versa. Investors do not need to look at the company's size and capital structure to invest their capital. Investors do not consider the company's size by going through the capital structure is essential to influence the company's value.

The results of this study are supported by the results of research conducted by Sulastri et al., (2019); Putri & Sakir (2022) and research conducted by Isnawati & Widjajanti (2019), which showed that the size of the company affects the value of the company with capital structure as an intervening variable rejected. This result contradicts the results of research conducted by Yanti et al. (2018) and research conducted by Vernando & Erawati (2020), which show the results that company size affects company value with capital structure as an intervening variable accepted.

5. CONCLUSIONS

Based on the data analysis and discussions that have been carried out, this study shows that profitability has a significant positive effect on capital structure. The size of the company does not affect the capital structure. Profitability has significant positive effect on the value of the company. The size of the company does not affect the value of the company. Capital structure has a significant positive effect on The company's value. Profitability has a significant positive effect on the company's value with capital structure as an intervening variable, and company size does not affect the company's value with capital structure as an intervening variable. The recommendation from the results of this research is that it is important for companies to always increase investor and creditor confidence by increasing profitability periodically to increase company value in the future. For future research use other financial variables that influence company value besides company size

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More Information

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LETTER OF ACCEPTANCE

Surabaya, 20 September 2023

To,

Sri Utami Ady (Dr. Soetomo University)

Okky Fauzul Zakina (Dr. Soetomo University)

Dear Sri Utami Ady, and Okky Fauzul Zakina,

Through this letter Ekspektra congratulates the article entitled " THE CAPITAL STRUCTURE AS A MEDIATOR BETWEEN PROFITABILITY AND COMPANY SIZE TO COMPANY VALUE IN TEXTILE AND GARMENT SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX)" which has gone through a review process and has been declared ACCEPTED for publication in EKSPEKTRA : Jurnal Bisnis dan Manajemen Volume 7 Number 2 of August 2023.

- Have paid Rp. 750,000,- for publication fees to BNI account no. 0282238566 with the account name Sri Utami Ady.

Thus this letter is given to be used properly.

Surabaya, 20 September 2023,

Editor in Chief

Dr. Sri Utami Ady, SE., MM