Strata Business Review, 2025, Vol. 3, No. 1, 13-22
E-ISSN: 2987-6486 | P-ISSN: 2987-6478
doi: 10.59631/sbr.v3i1.345
Advance Access publication May 30, 2025

STRATA BUSINESS REVIEW
journals.stratapersada.com/index.php/sbr

The Influence of Capital Structure, Company Size and Profitability on LQ45 Company Value

Sri Murtiani Br Simanjuntak[a*], Makmur[b], Ratna Dewi[c]

[a] *Universitas Pasir Pengaraian, Indonesia. srimurtianibrsimanjuntak@gmail.com*
[b] *Universitas Pasir Pengaraian, Indonesia. makmur@upp.ac.id*
[c] *Universitas Pasir Pengaraian, Indonesia. ratnadewinst1694@gmail.com*

Article History	Submitted	Revised	Accepted
	2025-03-01	2025-04-23 & 2025-05-17	2025-05-20

Abstract

This study investigates the influence of capital structure, company size, and profitability on firm value, with a focus on food and beverage companies listed in the LQ45 index on the Indonesia Stock Exchange for the period 2021–2023. Firm value, measured by Price to Book Value (PBV), serves as a key indicator of investor confidence and managerial performance. Employing a quantitative research approach, this study uses secondary data from financial statements and IDX records. The sample was selected using purposive sampling, resulting in three companies that met the established criteria. Multiple linear regression analysis, along with F-test, t-test, and the coefficient of determination (R^2), was applied to test the simultaneous and partial effects of the independent variables on firm value. The results show that capital structure and profitability have a positive and significant effect on firm value, while company size has a negative and significant effect. Simultaneously, all three variables influence firm value significantly. These findings highlight the importance of optimizing financial structure and profitability while managing the complexity associated with company size. Future research is encouraged to incorporate additional variables such as liquidity and business risk, as well as to broaden the scope across different sectors for more generalizable insights.

Keywords: **Firm Value, Capital Structure, Company Size, Profitability, LQ45**

INTRODUCTION

In an era of globalization and increasingly fierce business competition, companies are expected not only to ensure operational continuity but also to consistently create significant added value for stakeholders. Firm value has become one of the key indicators reflecting the market's perception of managerial success in managing resources and generating long-term profitability. This value represents the level of investor and public confidence in the company's performance and future outlook. As noted by Inayah (2022), firm value portrays the culmination of corporate efforts in enhancing shareholder wealth. Furthermore, Nurhasanah (2023) emphasized that an increase in firm value directly correlates with improved shareholder prosperity.

Capital structure is one of the principal determinants in shaping firm value. It represents the proportion of debt and equity used by a firm to finance its operations. Optimal leverage use can enhance profitability potential, yet poses financial risk if not managed efficiently. Silalahi & Sihotang (2021). found that leverage, measured by the debt-to-equity ratio (DER), significantly influences firm value. Moreover, choosing an optimal capital structure is critical in maintaining value stability and sustainability amid global economic volatility Annither et al., (2020).

Company size also plays an essential role in assessing a firm's ability to survive and grow in a competitive industry. Larger companies typically have easier access to external funding, higher operational efficiency, and stronger bargaining power in the market. Burhanudin & Cipta (2021) stated that large-scale firms tend to attract more investor interest, which, in turn, may enhance firm value. In this regard, firm size serves as a proxy for measuring internal strength and business competitiveness in confronting external challenges (Serrasqueiro & Maçãs Nunes, 2008).

Profitability, as the foremost financial performance indicator, reflects a company's capacity to generate earnings from its core operations. Firms that consistently record profits are perceived as stable and promising in terms of long-term prospects. According to Keni & Pangkey (2022) profitability plays a critical role in attracting investor interest as it signals managerial efficiency and effectiveness. High profitability also forms a major consideration in investment decisions and global stock valuation practices (Bui et al., 2023).

This study focuses on companies listed in the LQ45 index, particularly in the food and beverage sector, which is known for its high liquidity and market capitalization. Nevertheless, this sector has shown financial performance anomalies, especially in 2023, when there was a notable decline in firm value as measured by the Price to Book Value (PBV). PBV trends from 2019 to 2023 indicate a decline beginning in 2020, with an average PBV of 2.67%. This phenomenon highlights the importance of reassessing the impact of capital structure, company size, and profitability on firm value within this sector. Therefore, this research aims to examine and analyze the influence of capital structure, company size, and profitability on firm value in food and beverage companies listed in the LQ45 index on the Indonesia Stock Exchange.

LITERATURE REVIEW

Firm Value

Firm value represents the overall market perception of a company's worth and serves as a crucial indicator for investors in assessing its financial performance and growth potential. According to Sari & Maryoso (2022), firm value reflects the specific condition achieved by an organization, indicating long-standing public trust from its inception to the current period. Similarly, Silalahi & Sihotang (2021) argue that firm value is represented by the market price of publicly traded shares, which signifies the amount investors are willing to pay to facilitate the firm's operations.

Lisda & Kusmayanti (2021) emphasize that a firm's valuation reflects the extent to which the public values the entity, often demonstrated by their readiness to pay a premium over the book value of equity. This suggests that firm value not only reflects tangible financial metrics but also encapsulates investor sentiment and market expectations.

In this study, firm value is measured using the Price to Book Value (PBV) ratio. PBV is defined as the comparison between a company's stock market price and its book value Suhendar & Paramita (2024). A PBV ratio greater than one indicates that investors value the firm more than the book value of its assets, often due to intangible assets, growth prospects, or profitability.

Capital Structure

Capital structure refers to the composition of a company's long-term financing, primarily derived from debt and equity. According to Alifian & Susilo (2024), it illustrates the financial architecture of a company, highlighting the proportional relationship between liabilities (especially long-term debt) and shareholders' equity. Mahanani & Kartika (2022) further elaborate that capital structure consists of long-term financing instruments, including long-term debt, preferred shares, and common equity.

Sari & Maryoso (2022) describe capital structure as a source of long-term funding embedded within the company for more than one fiscal year. In this study, capital structure is proxied by the Debt to Equity Ratio (DER). Susanti et al., (2022) state that a higher DER indicates a higher degree of financial leverage and obligations, whereas a lower DER reflects a greater ability of the firm to meet its debt commitments.

The selection of an optimal capital structure is essential, as it influences the risk profile, cost of capital, and ultimately, the firm's market value (Khan et al., 2023).

Firm Size

Firm size is a vital determinant of corporate behavior and financial performance. Waning et al., (2022) define firm size as the magnitude or scale of a company, which can be assessed through various metrics such as total assets, sales, earnings, and tax obligations. According to Mahanani & Kartika (2022), larger firms typically benefit from improved access to financing, both internally and externally, due to economies of scale and enhanced credibility.

Silalahi & Sihotang (2021) echo this, explaining that firm size reflects the total wealth of a company, encompassing both current and fixed assets. In this study, firm size is quantified using the natural logarithm of total assets (Firm Size = Ln Total Assets), a common approach in financial research to normalize data and reduce skewness.

Larger firms are generally associated with better diversification, reduced bankruptcy risk, and greater stability in earnings, which may positively influence their valuation (Barros et al., 2024).

Profitability

Profitability is a key financial metric used to evaluate a firm's ability to generate earnings relative to its resources. Saddam et al., (2021) define profitability ratios as analytical tools for financial statement assessment, each with distinct interpretations and applications. Muharramah & Hakim (2021) highlight profitability as an indicator of operational efficiency and the firm's capacity to generate profit over a given time.

Mahanani & Kartika (2022) emphasize that increased profitability sends positive signals to investors and plays a critical role in ensuring long-term sustainability. In this study, profitability is measured using the Return on Assets (ROA) ratio. According to Alifian & Susilo (2024), ROA reflects the efficiency of a firm in utilizing its total assets to generate net income.

A higher ROA indicates stronger operational efficiency and better resource utilization, both of which are positively correlated with firm value and investor confidence (Arhinful & Radmehr, 2023).

METHOD

This study employs a quantitative approach to examine the influence of capital structure, company size, and profitability on the firm value of companies listed in the LQ45 index. The research was conducted on companies included in the LQ45 index and listed on the Indonesia Stock Exchange (IDX) during the period of 2021–2023. The population consists of all LQ45 companies within that timeframe, and the sample was selected using purposive sampling based on specific criteria, such as the availability of complete annual financial reports for three consecutive years and the absence of delisting events. Based on these criteria, three companies were selected as the research sample.

The data used in this study are secondary data obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id) and the financial statements of the selected companies. Data collection was conducted through documentation techniques, focusing on historical data related to capital structure (debt to equity ratio), company size (total assets), profitability (return on assets), and firm value (price to book value). Data analysis was carried out using multiple linear regression to assess both the simultaneous and partial effects of the independent variables on the dependent variable. Additionally, the study employed the F-test (simultaneous), t-test (partial), and coefficient of determination (R^2) to evaluate the explanatory power of the model.

ANALYSIS AND DISCUSSION

To evaluate the influence of capital structure, company size, and profitability on the value of LQ45 companies, a multiple linear regression analysis was conducted. This method allows the assessment of both the direction and strength of the relationship between the independent variables and the dependent variable. The results of the regression analysis are summarized in Table 1.

Table 1. Multiple Linear Regression Analysis

Coefficients[a]		
Model		Unstandardized Coefficients B
1	(Constant)	43,607
	Capital Structure	1,927
	Company Size	-2,412
	Profitability	17,413

Sources: Primary data processed, 2025

Based on Table 1, the multiple linear regression equation is formulated as follows:

$Y = 43.607 + 1.927(X_1) - 2.412(X_2) + 17.413(X_3) + e$

The regression equation above indicates a constant value of 43.607. This implies that if the independent variables—capital structure, company size, and profitability—remain constant, the firm value will equal 43.607.

The capital structure coefficient of 1.927 indicates a positive relationship, meaning that a one-unit increase in capital structure is associated with a 1.927 unit increase in firm value. The company size coefficient of -2.412 signifies a negative relationship, suggesting that a one-unit increase in company size results in a 2.412 unit decrease in firm value. The profitability coefficient of 17.413 also demonstrates a positive relationship, where an increase in profitability by one unit contributes to a 17.413 unit rise in firm value.

Table 2. Simultaneous Test (F-Test)

ANOVA[a]		
Model	F	Sig.
Regression	232,807	<,001[b]

Sources: Primary data processed, 2025

According to Table 2, the calculated F value of 232.807 is greater than the F table value of 3.49, and the significance level is less than 0.001, which falls below the standard threshold of 0.05. Therefore, the independent variables, namely capital structure, company size, and profitability, collectively have a significant and positive impact on firm value.

Table 3. Partial Test (t-Test)

Coefficients[a]		
Model	t	Sig.
(Constant)	11,249	<,001
Capital Structure	3,657	,004
Company Size	-10,713	<,001
Profitability	5,261	<,001

Sources: Primary data processed, 2025

Referring to Table 3, the t-value for capital structure is 3.657, which exceeds the t-table value of 1.7822, accompanied by a significance level of 0.004. This result demonstrates that capital structure has a statistically significant and positive effect on firm value. Meanwhile, the company size variable shows a t-value of -10.713 with a significance level below 0.001, indicating a significant negative influence on firm value. Furthermore, profitability yields a t-value of 5.261 and a significance level of less than 0.001, signifying a positive and significant contribution to firm value.

Table 4. Coefficient of Determination

Model Summary			
Model	R	R Square	Adjusted R Square
1	,992[a]	,984	,980

Sources: Primary data processed, 2025

Based on Table 4, the Adjusted R Square value is 0.980. This means that 98% of the variability in firm value is explained by the independent variables—capital structure, company size, and profitability. The remaining 2% is influenced by other factors not included in the model.

Discussion

The Influence of Capital Structure (X_1) on Firm Value (Y)

The regression analysis demonstrates that capital structure has a positive and significant effect on firm value. This is evidenced by a regression coefficient of 1.927, a t-value of 3.657, and a significance level of 0.004 (< 0.05). Hence, capital structure significantly enhances firm value.

This relationship exists because capital structure serves as a primary source of corporate financing through either long-term debt or equity. A favorable mix aligned with the firm's characteristics, strategic direction, and macroeconomic conditions can significantly increase firm value.

This finding is consistent with previous studies by Sari & Maryoso (2022) and Silalahi & Sihotang (2021), which found capital structure to have a significant influence on firm value. However, the result contrasts with Mahanani & Kartika (2022), who reported no significant relationship.

Moreover, a well-structured capital allocation reduces financial risk and enhances investor confidence, further contributing to an increase in firm valuation.

The Influence of Company Size (X_2) on Firm Value (Y)

The results reveal that company size has a negative and significant effect on firm value, with a regression coefficient of -2.412, a t-value of -10.713, and a significance level of < 0.001. Therefore, larger firms are associated with a reduction in firm value.

This may stem from operational inefficiencies common in larger corporations, such as challenges in maintaining employee satisfaction, which can negatively affect productivity and performance. Additionally, large firms typically bear higher operating costs, which may erode profitability. High asset levels often accompany high leverage, resulting in heavier debt obligations that may suppress net income and thereby diminish firm value.

This conclusion aligns with findings from Burhanudin & Cipta (2021), who observed a negative and significant impact of company size on firm value. Investors may perceive larger firms as riskier or less flexible, particularly when profits are retained instead of distributed as dividends.

This insight underscores the importance of not only expansion but also efficient resource management to preserve or enhance firm value.

The Influence of Profitability (X_3) on Firm Value (Y)

Profitability is shown to positively and significantly affect firm value, supported by a regression coefficient of 17.413, a t-value of 5.261, and a significance level of < 0.001.

This suggests that companies with higher profitability levels tend to exhibit higher firm value. Profitability reflects the firm's ability to generate earnings, which in turn increases retained earnings and enhances the company's intrinsic value.

These findings corroborate studies by Jaya (2020) and Sari & Maryoso (2022), who also reported a significant positive relationship. However, the result contradicts Mahanani & Kartika (2022), who found no such effect.

High profitability also signals strong operational performance and financial health, which are crucial determinants in investors' valuation models.

The Simultaneous Influence of Capital Structure, Company Size, and Profitability on Firm Value

The F-test results confirm that capital structure, company size, and profitability collectively influence firm value positively and significantly. This is evident from the F-value of 232.807, which exceeds the F-table value of 3.49, and a significance level below 0.001. Thus, hypothesis H_4 is accepted.

This supports the findings of Sari & Maryoso (2022) and Silalahi & Sihotang (2021), who also established that these variables jointly affect firm value.

Taken together, these findings emphasize the strategic importance of harmonizing financial structure, scaling decisions, and profit optimization in enhancing firm valuation in the capital market.

CONCLUSION

Based on the results of this study, it can be concluded that capital structure, company size, and profitability significantly influence the firm value of companies listed in the LQ45 index on the Indonesia Stock Exchange. Specifically, capital structure and profitability have a positive and significant effect on firm value, indicating that optimal financial structuring and higher profitability tend to enhance a company's value. Conversely, company size negatively and significantly affects firm value, suggesting that larger companies do not necessarily possess higher value, possibly due to increased operational complexity and declining efficiency.

Simultaneously, the three variables capital structure, company size, and profitability have a joint positive and significant impact on firm value. This finding underscores the importance of balanced financial and operational management in enhancing firm value. For future research, it is recommended to include additional variables such as liquidity, company growth, or business risk to gain a more comprehensive understanding of the determinants of firm value. Furthermore, extending the study to other sectors or stock indices is suggested to improve the generalizability of the findings.

REFERENCES

Alifian, D., & Susilo, D. E. (2024). Pengaruh Profitabilitas , Likuiditas , Ukuran Perusahaan dan Struktur Modal Terhadap Nilai Perusahaan. *Owner : Riset & Jurnal Akuntansi*, *8*, 46–55.

Annither, A., Johann, M. K., Hidayat, A. A., & Farhana, S. (2020). The Impact of Ownership Structure on the Indicator of Financial Distress In Indonesian Companies. *Jurnal Akuntansi Dan Bisnis*, *20*(2), 223. https://doi.org/10.20961/jab.v20i2.546

Arhinful, R., & Radmehr, M. (2023). The Impact of Financial Leverage on the Financial Performance of the Firms Listed on the Tokyo Stock Exchange. *Sage Open*, *13*(4). https://doi.org/10.1177/21582440231204099

Barros, V., Verga Matos, P., Miranda Sarmento, J., & Rino Vieira, P. (2024). ESG performance and firms' business and geographical diversification: An empirical approach. *Journal of Business Research*, *172*, 114392. https://doi.org/10.1016/j.jbusres.2023.114392

Bui, T. N., Nguyen, X. H., & Pham, K. T. (2023). The Effect of Capital Structure on Firm Value: A Study of Companies Listed on the Vietnamese Stock Market. *International Journal of Financial Studies*, *11*(3), 100. https://doi.org/10.3390/ijfs11030100

Burhanudin, M., & Cipta, W. (2021). Pengaruh Struktur Modal dan Ukuran Perusahaan terhadap Nilai Perusahaan pada Perusahaan Sub Sektor Perdagangan Besar Barang Produksi yang Terdaftar di Bursa Efek Indonesia pada Tahun 2016 - 2018. *Jurnal Akuntansi Profesi*, *12*, 192–202.

Inayah, Z. (2022). ANALISIS STRUKTUR MODAL , PROFITABILITAS DAN KINERJA KEUANGAN TERHADAP NILAI PERUSAHAAN (PENELITIAN LITERATURE REVIEW MANAJEMEN KEUANGAN). *Jurnal Manajemen Pendidikan Dan Ilmu Sosial*, *3*(2), 788–795.

Jaya, S. (2020). Pengaruh Ukuran Perusahaan (Firm Size) dan Profitabilitas (ROA) Terhadap Nilai Perusahaan (Firm Value) Pada Perusahaan Sub Sektor Property dan Real Estate di Bursa Efek Indonesia (BEI). *Jurnal Manajemen Motivasi*, *16*, 38–44.

Keni, C. E., & Pangkey, R. (2022). PENGARUH PROFITABILITAS DAN UKURAN PERUSAHAAN TERHADAP NILAI PERUSAHAAN PADA PERUSAHAAN FARMASI YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2016-2020. *Jurnal Akuntansi Manado*, *3*(3), 445–454.

Khan, S., Bashir, U., Attuwaijri, H. A. S., & Khalid, U. (2023). The Capital Structure Decisions of Banks: An Evidence From MENA Region. *Sage Open*, *13*(4). https://doi.org/10.1177/21582440231204600

Lisda, R., & Kusmayanti, E. (2021). Pengaruh struktur modal dan profitabilitas terhadap nilai perusahaan. *Land Journal*, *2*, 87–94.

Mahanani, H. T., & Kartika, A. (2022). Pengaruh struktur modal , likuiditas , ukuran perusahaan , dan profitabilitas terhadap nilai perusahaan. *Jurnal Ilmiah Akuntansi Dan Keuangan*, *5*(1), 360–372.

Muharramah, R., & Hakim, M. Z. (2021). Pengaruh Ukuran Perusahaan , Leverage , Dan Profitabilitas Terhadap Nilai Perusahaan. *Jurnal Ekonomi Dan Bisnis*, *2017*, 569–576.

Nurhasanah, A. (2023). Bata Ilyas Educational Management Review Pengaruh Profitabilitas Terhadap Nilai Perusahaan dengan Pengungkapan Corporate Social Responsibility. *Bata Ilyas Educational Managemenrt Review*, *3*(2), 1–13.

Saddam, M., Ali, O., & Ali, J. (2021). PENGARUH PROFITABILITAS TERHADAP NILAI PERUSAHAAN (Studi Empiris Pada Perusahaan Sektor Industri Barang Konsumsi Di Bursa Efek Indonesia Tahun 2017-2019). *Jurnal Neraca Peradaban*, *1*.

Sari, D. I., & Maryoso, S. (2022). Pengaruh Profitabilitas Struktur Modal Terhadap Nilai Perusahaan Manufaktur Terdaftar Di Bursa Efek Indonesia. *Artikel Ilmiah Sistem Informasi Akuntansi (AKASIA)*, *2*(2), 186–194.

Serrasqueiro, Z. S., & Maçãs Nunes, P. (2008). Performance and size: empirical evidence from Portuguese SMEs. *Small Business Economics*, *31*(2), 195–217. https://doi.org/10.1007/s11187-007-9092-8

Silalahi, E. R. R., & Sihotang, V. A. P. (2021). PENGARUH STRUKTUR MODAL, PERTUMBUHAN PERUSAHAAN DAN UKURAN PERUSAHAAN TERHADAP NILAI PERUSAHAAN PADA PERUSAHAAN BARANG KONSUMSI YANG TERDAFTAR DI BURSA EFEK INDONESIA. *Jurnal Manajemen Dan Bisnis*, *7*(2), 153–166.

Suhendar, R. P. A., & Paramita, V. S. (2024). PENGARUH KEPUTUSAN INVESTASI, UKURAN PERUSAHAAN, KEPUTUSAN PENDANAAN DAN KEBIJAKAN DIVIDEN TERHADAP NILAI PERUSAHAAN PADA PERUSAHAAN SUB SEKTOR PERBANKAN YANG TERDAFTAR DI BEI PERIODE 2018-2022. *Jurnal Manajemen Dan Bisnis*, *13*, 99–114.

Susanti, E., Indarto, & Sulistyawati, A. I. (2022). PENGARUH STRUKTUR MODAL TERHADAP NILAI PERUSAHAAN. *Jurnal Ilmiah*, *1*(2), 149–161.

Waning, S., Puspita, H., Layli, M., & Wibisono, D. (2022). Pengaruh Profitabilitas , Likuiditas , Leverage , Kebijakan Dividen dan Ukuran Perusahaan terhadap Nilai Perusahaan pada Perusahaan Terdaftar di Jakarta Islamic Index (JII) periode 2019- 2021. *Jurnal Ekonomi Syariah Indonesia*.