

## **The Relevancy Financial Performance on Capital Structure and The Impact on the Firm Value**

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### **ABSTRACT**

We investigate the relevancy impact of financial performance, particularly related to profitability and liquidity on capital structure and its impact on the firm value on the Indonesia Stock Exchange for the 2017-2021 period. Our sample consist of 65 companies in property industry. We use purposive sampling and obtained 45 property companies. Data analysis in the study used panel data regression by utilizing the Eviews statistical program version 10 and resulted that profitability had no significant effect on the capital structure. Then, liquidity was found to has a negative effect on the capital structure. Finally, the capital structure has a positive effect on firm value.



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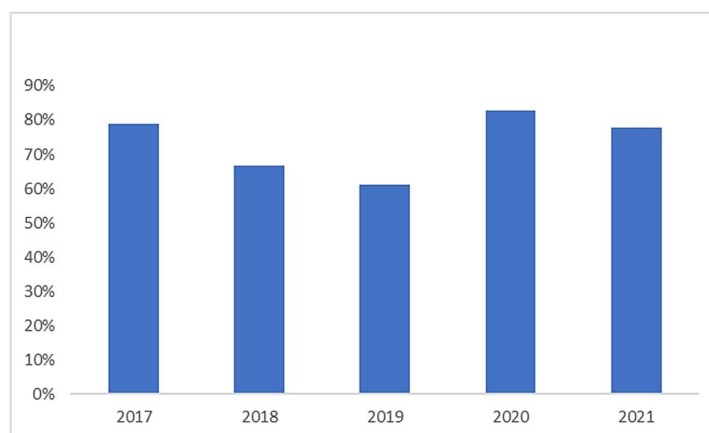
## **INTRODUCTION**

Businesses must be able to compete with technology advancements both at home and abroad (Sha, 2019). Businesses must always innovate by preserving or enhancing their current offerings. Also, in order to maximize revenues, businesses need to be able to manage their resources. One of them is sound financial management in relation to the capital structure of the business. An organization receives financing from both internal and external sources. Businesses need to be able to formulate a plan when deciding the components of a healthy capital structure. Businesses need to be able to formulate a plan when deciding the components of a healthy capital structure.

If the percentage of funding sources that come from debt is large, fixed costs like interest payments and installments are likewise significant. Financial risk may be included with that. One of the most difficult problems financial managers must deal with is the connection between capital structure, a combination of debt and equity finance, and stock prices (Singh & Bagga, 2019). Understanding a company's capital structure is essential since it will always affect how well the company performs financially. It is common knowledge that lowering a company's cost of capital can increase its value. So, one of the main goals of strategic management nowadays is to find the appropriate capital structure. The only time debt and equity work together to increase business profitability and reduce the cost of capital is when they are combined. The ideal capital structure can only be achieved when debt and equity are combined to decrease capital costs and boost corporate profitability.

Although Modigliani & Miller (1958) provide evidence that capital structure does not is important in determining the firm value, this assumption only holds water in a perfect market where all investors have unlimited access to market information, there are no transaction costs, and there is no tax differential between dividends and capital gains. To illustrate the function of the capital mix

and its impact on firm value, several financing choice theories have been created over time since the actual economy is far from ideal. The criterion was amended by Modigliani & Miller (1963) a few years following the irrelevance hypothesis and the clarification that interest costs are tax deductible, the firm value should increase with a higher debt ratio. At the micro and macroeconomic levels, the importance of capital structure also refers to boosting the firm value, making the most of available resources, maximizing returns, minimizing financial risks, lowering the cost of capital, solvency or liquidity position, and flexibility in response to changing circumstances or capital adjustments (Prieto & Lee, 2019).



Source: Research Processed Data (2023)

**Figure 1. Average Capital Structure of Property Companies for the 2017-2021 period (in %)**

The graphic image above shows the capital structure of property companies in 2017 of 79%. Then the capital structure in 2018 decreased by 67%. The decline in the percentage of capital structure in property companies also occurred again in 2019 to 61%. This percentage is also the lowest capital structure for a property company during the observation period. Furthermore, the capital structure of property companies in 2020 experienced a significant increase, namely 83%. However, in 2021 or the end of the observation year, the property company's capital structure has again decreased to 78%. The rise and fall of the capital structure is an interesting phenomenon because it is related to the issue of fluctuations in the firm value, including property companies listed on the Indonesia Stock Exchange.

Several factors affect how capital structure is determined. Profit or earnings earned from a company's operational activities are the first component. If a significant profit is made, the firm may be able to diversify its funding sources and become less reliant on outside sources of funding. In this approach, the corporation may better support operational activities by using its ample internal resources as opposed to borrowing money. According to Suhardjo et al. (2022), a high degree of profitability denotes reduced debt. If a high degree of liquidity can diminish the capital structure, that is the next element to consider. Due to the fact that internal firms provide more funding for operational operations than external parties, it is possible to lower the capital structure. More liquid firms should depend more on equity financing since it is underused when weighing the cost of net equity against the net tax advantage of debt.

Previous research conducted by Nasimi (2016) determined that the profitability of the business may have an impact on the capital structure, and the appropriate amount of capital structure should be used to reach desired level of efficiency in the organization. There is presently no accepted theory on which managers might rely to find the ideal capital structure for companies, despite the fact that many theories have been developed to define the best capital structure of organizations. Gah (2022) in his research found that profitability has no effect on capital structure. Additionally, Chakrabarti & Chakrabarti (2019) revealed a bad correlation between the capital structure and liquidity of Indian energy companies. The chosen Indian energy businesses may decide to fund operations with internal cash rather than obtaining external loans given the inverse correlation between liquidity structures. Meanwhile Tiya & Nurasik (2022) found that liquidity has a positive

and significant effect on capital. Mina & Ayala (2019) understanding the link between firm value and capital structure is improved by analyzing interaction effects, which yields a lot of information. The empirical findings of this study demonstrate that, although having a higher firm value, capital structure still has a detrimental influence on firm value. Similar findings were made by Alfisah et al. (2022) who discovered that capital structure had no impact on firm value.

According to the definition given above, there are still some unresolved outcomes and gaps in the body of knowledge. Due to this, academics are interested in doing research and attempting to determine how profitability and liquidity affect capital structure and how these factors affect firm value utilizing a variety of sizes and panel data regression analysis.

## LITERATURE REVIEW

### Profitability

According to the pecking order principle, a firm's future initiatives should be funded by retained earnings rather than external debt (Chen et al., 1999). Profitable businesses have less debt in their capital structure. Furthermore, due of knowledge asymmetry between management and outside investors, organizations may choose internal funding. More lucrative corporations opt not to issue external equity to prevent potential dilution of ownership as well (Karacaer et al., 2016). Higher profitability should make decisions based on internal debt financing because they have some degree of retained earnings. However, companies with lower profitability are often faced with debt equity financing decisions because their earnings are far from their investment plans, therefore the need for external funding is a ratio and debt ratios tend to increase (Omoregie et al., 2019). Return on assets (ROA) how efficiently a company can manage its assets to generate profits over a period:

$$ROA = \frac{EBIT}{Total\ Assets}$$

### Liquidity

According to the pecking order principle, organizations with high liquidity may produce substantial cash inflows and utilize them to finance more investments (Hossain & Hossain, 2015). Another point of view contends that a company with a higher liquidity ratio may choose a higher debt ratio because of its stronger capacity to satisfy short-term commitments when they come due. Lenders are hesitant to lend to firms with high agency liquidity costs, resulting in a negative link between liquidity and capital structure (Dakua, 2019). The liquidity ratio, which may be calculated using a formula, is the ratio of current assets to current liabilities:

$$LIQ = \frac{Current\ Assets}{Current\ Liabilities}$$

### Capital Structure

The mix of debt and equity to finance a corporation is a well-documented phenomena known as capital structure. Capital structure is concerned with how organizations choose to finance their assets from a variety of sources. According to Karacaer et al. (2016), there are several theories that govern the capital structure of a corporation. According to pecking order theory, organizations should follow a hierarchy that begins with internal sources and progresses through debt to issuing stock. The trade-off hypothesis, on the other hand, analyzes capital structure as a balancing of the many advantages and disadvantages of debt and equity. The company's management is responsible for making critical decisions about capital structure management in order to enhance the company's worth. Financial issues can occur as a result of poor decisions, and they can even lead to bankruptcy. The capital structure variable is measured as follows:

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

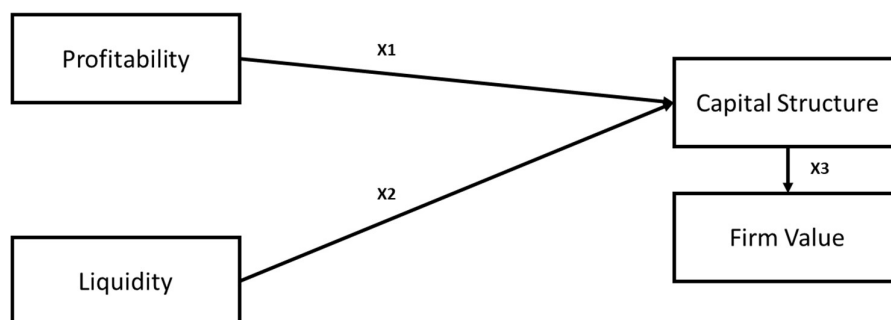
### Firm Value

Firm value is usually measured using Tobin's Q, Equity Share Prices, and Price to Book Ratio. Several arguments put forward the preference of firm value indicators over measures based on financial performance accounting is that the former uses market prices of financial assets such as

stocks that reflect an assessment of the level of business risk. The measure of the firm value can include the company's intangible assets (Omoregie et al., 2019). According to Brigham & Houston (2019) Price Book Value (PBV) is the result of a comparison between stock prices and book value. Companies with high returns on equity usually sell their shares at a higher book value doubling than other companies with low returns. This ratio can be calculated using the formula:

$$PBV = \frac{\text{Share Price per Share}}{\text{Book Value per Share}}$$

From the description of the previous theory, the research model is presented as follows:



**Figure 2. Thinking Framework**

The hypotheses proposed in this study include:

- H1:** Profitability has a negative effect on capital structure
- H2:** Liquidity has a negative effect on capital structure
- H3:** Capital structure has a positive effect on firm value

## RESEARCH METHODS

This is a quantitative study that employs numerical data or numbers. Financial statements from the firm were used as quantitative data in this investigation. In this analysis, four independent variables are used: profitability, liquidity, capital structure, and firm value. This study's population consists of all real estate businesses registered on the Indonesian Stock Exchange (IDX). This study's sample is a real estate business that was listed on the Indonesian Stock Exchange between 2017 and 2021. The sample was chosen using a purposive sampling strategy, which means that the population to be utilized as the study sample fits specified sampling criteria. Purposive sampling, according to Sugiyono (2018), is a sample approach with specific concerns. The following are the requirements for firms that will be studied and utilized as study samples:

1. Property companies listed on the IDX 2017 – 2021 period
2. The company is a company that conducted an IPO (Initial public offering) before 2017
3. The company reports complete financial statements 2017-2021 period

Furthermore, in this study the data collection method used is secondary data sourced from the documentation method. In this method the researcher searches for information and data through websites including 1) [www.idx.co.id](http://www.idx.co.id); 2) [www.idnfinancial.com](http://www.idnfinancial.com); 3) [www.sahamok.com](http://www.sahamok.com); and 4) [www.yahooofinance.com](http://www.yahooofinance.com). In addition, the data was also obtained from the financial statements of each company. The analytical tools used are classical assumptions and hypothesis testing, including descriptive statistical analysis, normality test, multicollinearity test, heteroscedasticity test, autocorrelation test, and panel data regression analysis by testing the hypothesis using the t statistical test and the coefficient of determination test ( $R^2$ ). The necessary analysis of the data obtained was carried out by utilizing the statistical program Eviews version 10.

## RESULTS AND DISCUSSION

Secondary information is collected from annual reports of property companies listed on the IDX 2017-2021 period. An overview of the procedures involved in determining the study sample size is provided in the table below:

**Table 1. Sampling Criteria**

| No                                                           | Sampling Criteria                                               | Amount     |
|--------------------------------------------------------------|-----------------------------------------------------------------|------------|
| 1                                                            | Property companies listed on the IDX for the period 2017 - 2021 | 65         |
| 2                                                            | Sort property companies incomplete financial statements         | (20)       |
| <b>Number of Observations (45 x 5 years of observations)</b> |                                                                 | <b>225</b> |

Source: Results Processed by Researchers (2023)

### Descriptive Statistics Test

This analysis was conducted to determine the minimum, maximum, average (mean), and standard deviation values of the research data. Table 2 displays the results of the descriptive statistical tests performed on all variables:

**Table 2. Descriptive Statistical Test Results**

|              | PBV      | ROA       | CR       | DER      |
|--------------|----------|-----------|----------|----------|
| Means        | 1.649058 | 0.020556  | 0.662284 | 0.734987 |
| Median       | 0.591000 | 0.014000  | 0.299000 | 0.508000 |
| Maximum      | 40.04900 | 0.277000  | 5.430000 | 4.115000 |
| Minimum      | 0.023000 | -0.375000 | 0.004000 | 0.021000 |
| std. Dev.    | 3.883056 | 0.060246  | 0.944370 | 0.722648 |
| Observations | 225      | 225       | 225      | 225      |

Source: Results of Data Processing with Eviews 10 (2023)

Firm Value Variable (PBV) obtains a mean value of 1.649058 with a maximum value of 40.04900 at PT. Pollux Properties Indonesia Tbk and a minimum value of 0.023000 at PT. Ristia Bintang Mahkotasejati Tbk. The maximum increase in the average variable with reference to the standard deviation value is 3.883056.

Then the Profitability variable (ROA) obtains a mean value of 0.020556, with maximum value at PT. Megapolitan Developments Tbk of 0.277000 and the minimum value at PT. Lippo Cikarang Tbk amounted to -0.375000. When the standard deviation of the variable is 0.060246, it indicates that the average value will not increase more than that.

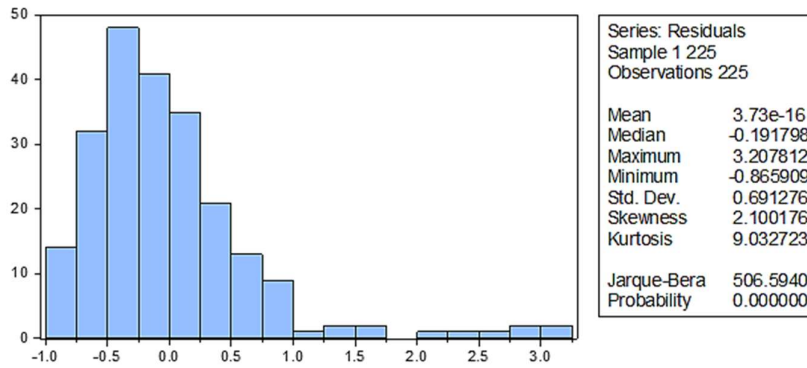
The mean value for the Liquidity variable (CR) is 0.662284 with a maximum value of 5.430000 at PT. City Retail Developments Tbk with a minimum value of 0.004000 at PT. Pollux Properties Indonesia Tbk. The standard deviation is 0.722648, thus the highest increase is only that big.

It can be seen that the Capital Structure variable (DER) has a mean or average value of 0.734987 with a maximum value of 4.115000 at PT. Pollux Properties Indonesia Tbk and a minimum value of 0.021000 is found at PT. Agung Semesta Sejahtera Tbk. With a standard deviation of 0.722648 which means that the maximum increase in the average variable.

### Analysis of Research Results

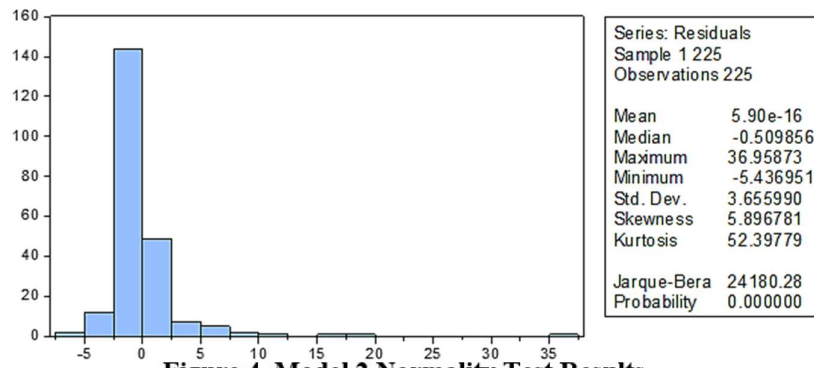
#### Classic assumption test

The correlation coefficient is employed in the classic guess test, a statistical approach for determining the strength of a link or prediction impact between independent variables. Among them are tests of normality, multicollinearity, heteroscedasticity, and autocorrelation which are part of this time assumption analysis. The findings of the normality test for this study are presented in the following figure.



**Figure 3. Model 1 Normality Test Results**

Source: Results of Data Processing with Eviews 10 (2023)



**Figure 4. Model 2 Normality Test Results**

Source: Results of Data Processing with Eviews 10 (2023)

Jarque-Bera value in model 1 is 506.5940 and in model 2 is 24180.28. so it can be concluded that the data in this study are not normally distributed, because the probability values obtained in model 1 and model 2 are 0.000000 lower than the significant threshold of 0.05. The multicollinearity test findings in this study are provided in the table below.

**Table 3. Multicollinearity Test Results for Model 1 and Model 2**

|         | Variable          | VIF      | Information                      |
|---------|-------------------|----------|----------------------------------|
| Model 1 | Profitability     | 1.026900 | Multicollinearity Does Not Occur |
|         | Liquidity         | 1.305361 | Multicollinearity Does Not Occur |
| Model 2 | Capital Structure | 1.000000 | Multicollinearity Does Not Occur |

Source: Results of Data Processing with Eviews 10 (2023)

For the profitability and liquidity factors in model 1, the VIF value is below 10. We may thus presume that model 1 does not have a multicollinearity issue. The capital structure variable's VIF value in model 2 is thus less than 10. Hence, it may be inferred that model 2's multicollinearity is not problematic. The results of the White test for heteroscedasticity are shown in the table below.

**Table 4. Heteroscedasticity Test Results Model 1 and Model 2**

|         | Obs*R-squared |
|---------|---------------|
| Model 1 | 0.0357        |
| Model 2 | 0.0307        |

Source: Results of Data Processing with Eviews 10 (2023)

It may be said that each model variable's 1 heteroscedasticity test returns a Prob value. Obs\*R-Square was 0.0357. Thereafter, get the Prob value for each model variable from step 2. Obs\*R-Squared was 0.3007. According to these findings, the Prob value causes heteroscedasticity

issues for the variables in models 1 and 2. Obs\*R-Squared is 0.05. Finally, in the classical assumption test, the Langrange Multiplier Test (LM Test) is also used to test autocorrelation. The following table shows the results of the LM test in this study.

**Table 5. Autocorrelation Test Results for Model 1 and Model 2**

|         | <i>Prob. Chi-Square</i> |
|---------|-------------------------|
| Model 1 | 0.0000                  |
| Model 2 | 0.0000                  |

Source: Results of Data Processing with Eviews 10 (2023)

Based on the autocorrelation test on the Langrange Multiplier Test, the table shows the Prob value. Chi-Square model 1 of  $0.000 < 0.05$ . Next for the Prob value. Chi-Square model 2 of  $0.000 < 0.05$ . From these two results it can be concluded that in model 1 and model 2 of this study there has been autocorrelation.

### Best Model Selection Recommendations

The following is a synopsis of the appropriate regression model selection test for use with panel data.

**Table 6. Results of Panel Data Regression Model Selection Model 1 and Model 2**

| Test Name                        | Information | Model 1                     | Model 2                     |
|----------------------------------|-------------|-----------------------------|-----------------------------|
| <i>ChowTest</i>                  | CEM vs FEM  | <i>Fixed Effects Model</i>  | <i>Fixed Effects Model</i>  |
| <i>Hausman test</i>              | REM vs FEM  | <i>Random Effects Model</i> | <i>Random Effects Model</i> |
| <i>Langrange Multiplier Test</i> | CEM vs REM  | <i>Random Effects Model</i> | <i>Random Effects Model</i> |

Source: Results Processed by Researchers (2023)

In the table above, the results of using the panel data regression model differ. The chow-test findings on models 1 and 2 reveal that the fixed effect model outperforms the random effect model. Additionally, the findings of the hausman-test on models 1 and 2 demonstrate that the random effect model is superior to the fixed effect model, and the Langrange multiplier test on models 1 and 2 reveals that the random effect model is superior to the common effect model. The random effect model is also the optimum testing model for the regression equation in both models, according to the hausman and langrange multiplier tests.

### Panel Data Regression Analysis

To rule out the possibility of a regression coefficient, a classical assumption test is first performed on the data before conducting a panel data regression test. The test results indicate that there have been violations of normal assumptions, heteroscedasticity, and autocorrelation. As a result, when data are heterogeneous or come in different variations that are not homogenous, one countermeasure is the random effect model using the HAC Newey-West Test. Results of the panel data regression test utilizing the HAC Newey-West Test for Model 1 are shown in the following table.

**Table 7. Model 1 Regression Results**

| Variables | coefficient | std. Error | t-Statistics | Prob.  |
|-----------|-------------|------------|--------------|--------|
| C         | 0.890166    | 0.102136   | 8.715471     | 0.0000 |
| ROA       | -0.892443   | 0.666457   | -1.339086    | 0.1819 |
| CR        | -0.206609   | 0.052000   | -3.973267    | 0.0001 |

Source: Results of Data Processing with Eviews 10 (2023)

The regression equation used in the research based on the above test is as follows:

$$\text{DER} = 0.890166 - 0.892443 \text{ ROA} - 0.206609 \text{ CR} + \varepsilon$$

The findings of the regression analysis using the random effect model with HAC demonstrate that profitability has a negative connection with capital structure, as can be seen from the model equation 1 above. Similarly, there is a bad correlation between liquidity and capital structure.

**Table 8. Model 2 Regression Results**

| Variables | coefficient | std. Error | t-Statistics | Prob.  |
|-----------|-------------|------------|--------------|--------|
| C         | 0.318338    | 0.444469   | 0.716220     | 0.4746 |
| DER       | 1.810536    | 0.878557   | 2.060807     | 0.0405 |

Source: Results of Data Processing with Eviews 10 (2023)

The regression model in the second model in the study based on the above test is as follows:

$$PBV = 0.318338 + 1.810536 + \varepsilon$$

According to the equation model above, capital structure positively correlates with firm value based on the findings of the regression test utilizing the random effect model approach with HAC.

### Hypothesis Testing

The process of testing a hypothesis will lead to a choice, either to accept or reject the hypothesis in the research. A partial hypothesis test (t test) and a coefficient of determination test were both utilized in this study to assess the hypothesis ( $R^2$ ). On the basis of the findings of the partial hypothesis testing (t test) in the preceding table, it can be said:

**Table 9. Statistical Test Results t Model 1**

| Variable Relations    | $\beta$   | Sig.   | Results        |
|-----------------------|-----------|--------|----------------|
| ROA $\rightarrow$ DER | -0.892443 | 0.1819 | H1 is rejected |
| CR $\rightarrow$ DER  | -0.206609 | 0.0001 | H2 is accepted |

Source: Results of Data Processing with Eviews 10 (2023)

#### Hypothesis 1 : Effect of profitability (ROA) on capital structure (DER)

The profitability variable's (ROA) beta coefficient value is -0.892443, indicating a negative connection with a p-value of  $0.1819 > 0.05$ . Consequently, it may be said that the capital structure is not much impacted by profitability.

#### Hipotesis 2: Effect of liquidity (CR) on capital structure (DER)

The liquidity variable's (CR) beta coefficient value is -0.206609, indicating a negative connection with a p-value of  $0.0001 < 0.05$ . Consequently, it may be said that liquidity significantly affects capital structure negatively.

**Table 10. Statistical Test Results t Model 2**

| Variable Relations    | $\beta$  | Sig.   | Results        |
|-----------------------|----------|--------|----------------|
| DER $\rightarrow$ PBV | 1.810536 | 0.0405 | H3 is accepted |

Source: Results of Data Processing with Eviews 10 (2023)

#### Hipotesis 3: Effect of capital structure (DER) on firm value (PBV)

The capital structural variable (DER) beta coefficient value is 1.810536, with a positive connection direction and a p-value of  $0.0405 < 0.05$ . As a result, capital structure has a large beneficial impact on firm value.

### Determination Coefficient Test

The findings of the test for the models 1 and 2 coefficient of determination in this study will be explained by the table below, as is known:

**Table 11. Determination Analysis Results ( $R^2$ )**

|         | <b>Variable Relations</b>                        | <b><i>R-Squared</i></b> |
|---------|--------------------------------------------------|-------------------------|
| Model 1 | Profitability and liquidity on capital structure | 0.084939                |
| Model 2 | Capital structure to firm value                  | 0.113533                |

Source: Results of Data Processing with Eviews 10 (2023)

From the results of the analysis in the table above, the  $R^2$  value in model 1 is 0.084939 indicating that 8.49% of the capital structure variable is influenced by the profitability and liquidity variables. While the remaining 91.51% is influenced by other variables outside the research. In addition, the  $R^2$  model 2 value is 0.113533 which indicates that 11.35% of the firm value variable is influenced by the capital structure variable. While the remaining 88.65% is influenced by other variables outside the research.

### Discussion

The profitability variable's beta coefficient, which is -0.892443 and has a negative connection direction with a p-value of  $0.1819 > 0.05$ , supports the first hypothesis. Hence it can be claimed that 2017 – 2021 period, the capital structure of property businesses listed on the Indonesia Stock Exchange is not significantly impacted by profitability. This insignificant research result is probably because there are companies that have high profits but require large capital to be able to develop their business, so that the management covers their capital needs by making loans. So it can be said that profitability does not have a significant effect on capital structure. These results support research conducted by Gah (2022) which found profitability had no effect on capital structure. This is explained based on the collected data that the profitability value of LQ45 companies in the study is quite low from 2020-2021. Likewise with the findings of Chakrabarti & Chakrabarti (2019) which revealed that the profitability variable was not significant based on its p-value.

The beta coefficient value for the second hypothesis was -0.206609, with a negative connection direction and a p-value of  $0.0001 < 0.05$ . As a result, from 2017 - 2021 period, liquidity has a major negative impact on the capital structure of property businesses listed on the Indonesia Stock Exchange. A high degree of liquidity suggests that the firm has sufficient internal finances and does not need to borrow money from other sources. The negative connection of liquidity also means that property businesses prefer to finance their activities with internal money rather than borrowed cash. This finding supports Prieto & Lee (2019) who found that company-specific factors, in this case liquidity, negatively affect capital structure. Likewise with the research of Chakrabarti & Chakrabarti (2019) which discovered a negative association between the liquidity of Indian energy businesses and their capital structure, despite the fact that the coefficient is not particularly substantial. This inverse association between liquidity structures suggests that the selected Indian energy corporations choose to finance operations using internal cash rather than seeking external borrowed money.

The third hypothesis obtains a beta coefficient of 1.810536 with a positive relationship direction, a p-value of  $0.0405 < 0.05$ . Thus it can be concluded that the capital structure has a significant positive effect on the firm value of property companies listed on the Indonesia Stock Exchange 2017-2021 period. This conclusion is consistent with previously explored market timing theory, which shows that long-term debt has a major negative influence. Creating an efficient capital structure also accelerates the company's growth. Furthermore, the combination of capital structure is seen as a significant and strategic choice that has traditionally been regarded as perplexing (Kumar et al., 2017). As a result, capital structure decisions have a dynamic impact on firm value and are an essential component of the objective of maximizing shareholder wealth. In line with Ayuba et al. (2019) In Nigerian manufacturing firms, capital structure affects firm value. This study advises management of insurance companies in Nigeria to only use short-term debt in their capital structure because it increases the firm value of the company and discourages the use of long-term debt, and management should maintain or increase the level of total assets because doing so increases the company's size and firm value. Lastly, management needs to lower the company's shareholder equity level.

## CONCLUSION

According to research findings, profitability does not have a significant effect on capital structure, but liquidity has a considerable influence with a negative relationship to the capital structure of companies listed on the Indonesia Stock Exchange 2017 - 2021 period. And finally it was found that capital structure has a significant influence with the direction of a positive relationship to the firm value of property companies listed on the Indonesia Stock Exchange 2017 - 2021 period. The limitation of this study is that research only uses a relatively short observation period, namely five years starting 2017 - 2021 period, so it is less reflects long-term conditions and cannot yet describe the actual situation. Then this research is only limited to property companies listed on the Indonesia Stock Exchange, so it is not able to represent the condition of the company as a whole. Finally, the variables used in this study are limited because they do not use all the factors that can affect the company's capital structure.

Based on the results and limitations of this study, suggestions for further research are that further research can increase the research period. Besides that, it is also recommended to use other companies outside of property companies as research subjects. Further research can also use other research variables that are thought to have an effect on capital structure and firm value.

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