



THE INFLUENCE OF CAPITAL STRUCTURE ON FIRM VALUE MODERATED BY PROFITABILITY: AN EMPIRICAL STUDY OF INFRASTRUCTURE SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE IN 2020–2024

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ABSTRACT

This study aims to analyze the influence of capital structure on the value of companies with profitability as a moderating variable in infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The company's value is proxied using Tobin's Q, capital structure is measured by Debt to Equity Ratio (DER), and profitability is proxied by Return on Assets (ROA). This research applies a quantitative approach with panel data regression analysis to capture the effect between variables more comprehensively. The sampling technique used was purposive sampling, resulting in 11 infrastructure companies that met the criteria during the observation period. The selection of the infrastructure sector is based on its strategic role in national economic development, as well as the fact that its performance in the capital market often attracts investors' interest. The research findings show that, partially, capital structure has a significant positive effect on company value, indicating that the use of debt in financing decisions may be perceived positively by investors as a signal of growth potential. However, when profitability is tested as a moderating variable, the positive influence of capital structure on company value becomes weakened.

Keywords: Firm Value, Profitability, Capital Structure

1. Introduction

Every company seeks to enhance its firm value with the goal of providing prosperity to its owners and shareholders. According to Dewi and Sujana (2019), firm value is defined as investors' perception of a company, which is reflected in its stock price. The higher the firm value, the greater the level of prosperity that shareholders, as the owners of the company, can obtain.

Firm value plays a crucial role for investors, as it is considered an indicator used by the market to assess a company's overall performance and prospects. Higher risk generally leads to a decline in stock prices; however, increasing returns have the potential to boost stock prices. A high firm value strengthens investors' confidence, not only in the company's current performance but also in its long-term sustainability and future prospects (Sinaga & Hermie, 2022).

According to Kontan.co.id (2024), the firm value of Indonesia's infrastructure sector is still under pressure due to various negative sentiments, particularly throughout 2024 to 2025. Data from the Indonesia Stock Exchange show that the IDX Infrastructure Index contracted by 5.05% year-to-date in December 2024, indicating weak performance among issuers in this sector. This decline was driven by high interest rates, which increased debt servicing costs, a capital structure heavily reliant on debt, and tighter government spending on infrastructure projects. As a result, profit margins for many infrastructure companies have been eroded, and some are facing serious challenges related to negative cash flows.

Nevertheless, the outlook for the infrastructure sector is not entirely pessimistic. The National Strategic Projects, the development of the new capital city (IKN), as well as the potential for interest rate cuts, provide opportunities for performance recovery in the sector. The telecommunications sub-sector, for instance, has demonstrated stronger resilience supported by rising demand for data services and

digitalization, as reflected in the performance of issuers such as TLKM, EXCL, and ISAT. Moreover, toll road companies such as JSMR hold positive prospects through the expansion of new routes and potential tariff adjustments, while the construction sector continues to face pressure due to the risk of delayed government project payments. This contradictory phenomenon makes the infrastructure sector a relevant subject for research, particularly regarding the factors influencing firm value amid macroeconomic pressures and long-term growth potential.

Firm value can also be assessed through stock returns, as returns reflect the market’s response to a company’s performance and prospects. To obtain an overview of the stock performance in the infrastructure sector, an annual analysis of stock returns needs to be conducted. The following graph presents the average stock returns of infrastructure sector companies for the period 2020 to 2024.

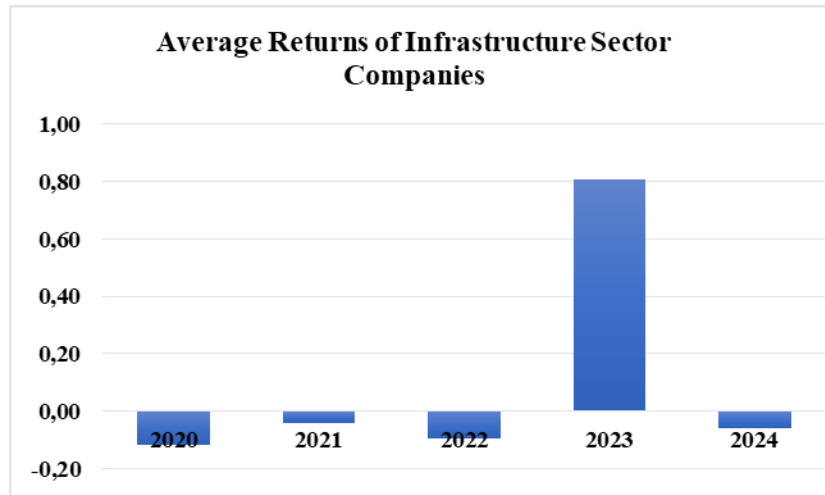


Figure 1 Average Returns of Infrastructure Sector Companies

The table above illustrates the development of average stock returns of infrastructure sector companies during the period 2020–2024. From 2020 to 2022, the sector’s stock returns were recorded as negative at -0.12 , -0.04 , and -0.09 , respectively, reflecting pressure on market performance. In 2023, there was a significant increase with a positive return of 0.81 , indicating a recovery in performance and positive market sentiment. However, in 2024, the average return declined again to -0.06 , suggesting that pressures on infrastructure sector stocks persisted.

These data demonstrate that the performance of infrastructure sector stocks tends to fluctuate and is strongly influenced by external factors as well as government policies. Several factors may affect firm value, including capital structure and profitability. Capital structure and profitability are aspects that investors closely consider, as they are directly related to both the risks and the returns that investors may obtain.

2. Literature Review

2.1. Agency Theory

Jensen and Meckling (1976), were the first to introduce agency theory, which posits that when shareholders (principals) delegate the authority to manage the company to managers (agents), agency conflicts may arise as a result of divergent interests between the two parties. Capital structure, particularly the use of debt, can function as a governance mechanism that disciplines managers and aligns their actions more closely with the interests of shareholders.

2.2. Firm Value

Firm value reflects the extent to which the market values a company for its current performance and future prospects. According to Brigham and Houston (2019), firm value is the price a prospective buyer is willing to pay if the company were to be sold. Firm value is often measured using market ratios, such as Tobin’s Q or Price to Book Value (PBV), which capture investors’ expectations of the company’s

growth. In this study, Tobin's Q is employed to project firm value, as it is considered a more comprehensive measure in representing the market's assessment of a company's assets.

2.3. Capital Structure

Companies use long-term debt and equity to finance operations and investments, which is referred to as capital structure. A sound capital structure helps businesses balance risk and expected returns. Brigham and Houston (2019), define capital structure as a permanent component of a firm's long-term financing, consisting of common stock, preferred stock, and long-term debt. The optimal management of capital structure can enhance firm value by reducing the cost of capital and increasing shareholder wealth. In empirical studies, the debt-to-equity ratio (DER) is a commonly used measure of capital structure. DER reflects the extent to which a company relies on debt compared to equity in its financing structure.

2.4. Profitability

Profitability refers to a firm's ability to gain a competitive advantage and generate higher profits than those typically obtained by other businesses (Vitari et al., 2022). According to Laelisneni et al. (2024), profitability analysis evaluates a company's overall financial performance by employing several ratios, including Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). ROA reflects a company's ability to generate net income from its total assets, thus a higher ROA indicates greater efficiency.

2.5. Theoretical Framework

This study examines a dependent variable, an independent variable, and a moderating variable. The dependent variable, firm value, is measured using Tobin's Q. The independent variable, capital structure, is evaluated by the Debt to Equity Ratio (DER), whereas profitability, represented by Return on Assets (ROA), functions as the moderating variable.

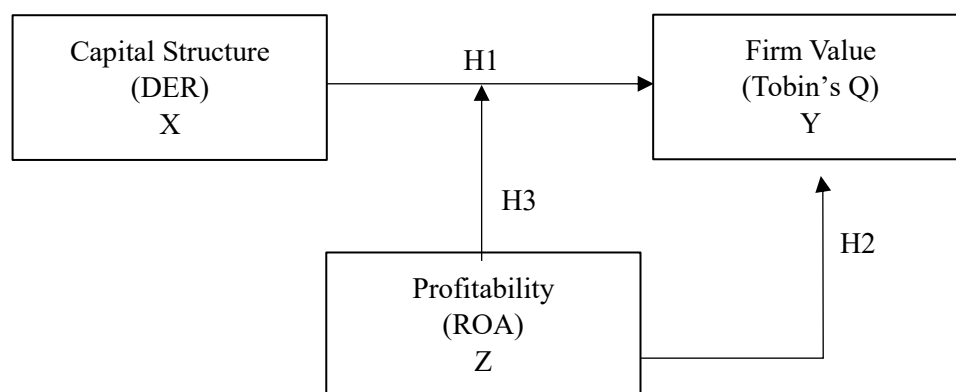


Figure 2 Theoretical Framework

Based on the conceptual framework and supported by theoretical foundations and prior studies, the research hypotheses are then tested empirically, as presented below :

H1: Capital structure has a significant effect on firm value in infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024.

H2 : Profitabilitas has a significant effect on firm value in infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024.

H3: Capital structure has a significant effect on firm value when moderated by profitability in infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024.

3. Research Methods

3.1. Research Approach

Based on the background described in the previous chapter, this study employs a quantitative approach. This approach focuses on the use of measurement tools and statistical techniques to analyze data from

a specific population or sample. The proposed hypotheses are tested through statistical processing of numerical data.

According to Sugiyono (2025), explanatory research is a method aimed at explaining the position and relationship among the variables under study. This research seeks to explain the causal relationship between the independent variable, namely capital structure, the dependent variable, namely firm value, and the moderating variable, namely profitability. The data used in this study are panel data, which combine both time series and cross-sectional data. These data are obtained from secondary sources, namely financial statements and annual reports published by companies within the research period.

3.1.1. Population

Sugiyono (2025), states that a population refers to a group of objects or subjects with specific characteristics and quantities, determined by the researcher as the focus of study and as the basis for drawing conclusions. In the context of this study, the population consists of infrastructure sector companies listed on the Indonesia Stock Exchange (IDX). A total of 68 companies are included in the population during the 2020–2024 period.

3.1.2. Sample

According to Sugiyono (2025), a sample is a subset of the population that possesses similar characteristics, and it should be representative of the population under study. In this research, the sample is determined using a nonprobability sampling method, specifically purposive sampling. Nonprobability sampling is a technique in which not all members of the population have an equal chance of being selected as part of the sample. Purposive sampling, as a type of nonprobability sampling, involves selecting samples based on specific considerations or criteria set by the researcher in order to determine the number of samples to be analyzed.

3.2. Data Analysis Techniques and Hypothesis Testing

3.2.1. Data Analysis Techniques

The data analysis technique applied in this study is quantitative analysis, which involves the use of descriptive statistical calculations and verification analysis. The data employed in this research are panel data, analyzed through moderation regression techniques with the assistance of EViews 12 software.

3.2.2. Descriptive statistical analysis

Descriptive statistics is a type of statistics used to analyze data by presenting an overview of the collected data, without intending to draw conclusions that can be generalized to the entire population (Sugiyono, 2025). In this study, the descriptive analysis focuses on presenting the maximum, minimum, mean, median, and standard deviation values.

3.2.3. Panel Data Regression Analysis

Sugiyono (2025), explained that panel data is a combination of time-based data (*time series*) and *cross-sectional* datasets. The use of panel data allows researchers to obtain more comprehensive information, because they can observe the dynamics of changes in a variable over time while comparing them between observation units. The research using the panel data method was conducted to evaluate how significant the influence of independent variables on dependent variables is more accurate.

There are three main approaches in panel data regression analysis, namely:

- a. Common Effect Model (CEM)
CEM is the simplest model because it only combines time series and cross section data without considering individual or time differences. This model assumes that the behavior of the entire company is the same throughout the study period. CEM estimation is usually done using the Ordinary Least Square (OLS) method or the least squared technique.
- b. Fixed Effect Model (FEM)
FEM recognizes differences in characteristics between individuals which is reflected in differences in intercept values, while slope coefficients are assumed to remain the same. To estimate this model, a dummy variable approach is used, known as the Least Squares Dummy Variable (LSDV).

Variations in interception between companies can be influenced by factors such as work culture, management style, and employee motivation.

c. Random Effect Model (REM)

REM considers the existence of interference factors that can differ between companies and between times. Each company is assumed to have an error component that represents the difference in intercepts. The advantage of REM is its ability to overcome heteroscedasticity problems. This model is also known as the Error Component Model (ECM) and is usually estimated using the Generalized Least Square (GLS).

3.2.4. Panel Data Regression Model Testing

Panel Data Regression Model Testing aims to select the regression model that best fits the characteristics of the data and the research objectives. Panel data has a combined nature of cross-sectional data (several entities, such as companies) and time-series data (specific time periods), so choosing the appropriate model is very important to ensure that the estimation results are accurate and can properly represent the relationships between variables. According to Widarjono (2018), testing panel data regression models is carried out to determine the most suitable model, whether it is the pooled least squares model, fixed effects model, or random effects model.

a. Chow Test

The Chow test is used to determine whether the panel data regression model should use a *common effect* model or a *fixed effect model*. The choice between the two models is made by comparing the *Chi-square cross-section* value and its probability. If the *probability of Cross-section Chi-square* < 0.05 ; then H_0 is rejected, and if the probability value of *Cross-section Chi-square* > 0.05 ; then H_0 is accepted.

b. Hausman Test

The first test is used to determine whether the regression model of the panel data should use a *fixed effect model* or use a *random effect model*. If the *probability of Cross-section Chi-square* < 0.05 ; then H_0 is rejected, and if the probability of *Cross-section Chi-square* > 0.05 ; then H_0 is accepted.

c. Uji Lagrange Multiplier

This test is used to determine whether the regression data panel model should use a *common effect model* or use a *random effect model*. The hypothesis in this test is, namely: If the *breusch-pagan* probability value < 0.05 ; then H_0 is rejected and if the *breusch-pagan probability value* is > 0.05 ; then H_0 is accepted.

3.2.5. Classical Assumption Testing

This test is part of regression analysis, which aims to evaluate whether there are distortions in the results of the analysis. Through classical assumption testing, we can assess the extent of the predictability of regression analysis results. Classical assumption testing includes checking data normality, heteroskedasticity, autocorrelation and multicollinearity (Ghozali, 2021).

According to Gujarati & Porter, regression equations can only meet classical assumptions if they are estimated using the Generalized Least Square (GLS) method. In the EViews application, the GLS method is only used in Random Effect Models (REM), while Common Effect Model (CEM) and Fixed Effect Model (FEM) still rely on the Ordinary Least Square (OLS) method. Therefore, the need for testing classical assumptions in research is highly dependent on the results of the selection of the estimation model. If the most appropriate model is REM, then a classical assumption test is not necessary. Conversely, if the estimation model chosen is CEM or FEM, then classical assumption testing should still be performed.

a. Normality Test

The normality test aims to find out whether the data in the regression model, both dependent and independent variables, have a distribution that is close to normal. A good regression model generally assumes that the residual follows a normal distribution. Normality testing can be done through visual analysis or statistical tests. In this study, the Jarque-Bera test (JB test) was used.

The decision-making criteria are:

- If the p value < 0.05 , then the residual is not normally distributed.
- If the p value > 0.05 , then the residual is normally distributed.

b. Heteroscedasticity Test

Heteroscedasticity tests were performed to identify whether there was a difference in residual variance between observations. The condition of heteroscedasticity can cause the estimation of regression coefficients to be inefficient and violate the BLUE (Best Linear Unbiased Estimator) assumption (Ghozali, 2021).

In this study, the White Test was used. The criteria for decision-making are:

- If the value of Prob. Chi-Square > 0.05 , then heteroscedasticity does not occur
- If the value of Prob. Chi-Square < 0.05 , then there is heteroscedasticity.

c. Multicollinearity Test

The multicollinearity test aims to find out whether there is a high correlation between independent variables in the regression model. Ideally, independent variables do not strongly correlate with each other (Ghozali, 2021). Multicollinearity occurs when an independent variable can be expressed as a linear combination of other independent variables, which has an impact on increasing the standard of error estimation.

One way to detect multicollinearity is to look at the Pearson correlation coefficient between independent variables. According to Ghozali (2021):

- If the correlation value > 0.90 , then there is an indication of multicollinearity
- If the correlation value < 0.90 , then there is no multicollinearity problem

3.2.6. Hypothesis Testing Panel data regression

Panel data regression hypothesis testing was carried out with the aim of assessing the impact of independent variables on dependent variables, both as a whole and in more detailed aspects (Partial).

3.3. *Moderated Regression Analysis (MRA)*

Moderated Regression Analysis (MRA) is used to evaluate the extent to which the Debt to Equity Ratio affects the company's value by considering the role of profitability as a moderation variable.

This analysis uses panel data that includes independent variables, moderation variables, interactions between independent variables and moderation variables and dependent variables themselves. In this moderation analysis estimation technique, the appropriate panel data target is selected to test the panel data regression model.

3.3.1. Hypothesis testing with *Moderated Regression Analysis*

Hypothesis testing with *Moderated Regression Analysis (MRA)* was used to assess the influence of independent variables on dependent variables, either simultaneously or partially, taking into account the moderation effect of the moderator variables.

3.3.2. Coefficient of determination (R Square)

R-square is used to measure how much independent variables are able to explain the variations that occur in dependent variables (Agus, 2018). In the context of this study, R-square shows how strong the influence of the *Debt to Equity Ratio* is on the value of the company with the moderation of Profitability. The analysis was carried out with the help of EViews 12 software to make calculations easier.

3.3.3. Partial test (t-test)

The t-test is one of the inferential statistical techniques used to determine the influence of one independent variable on a partially or individually bound variable (Sugiyono, 2025) The t-test aims to

measure the influence of each independent variable on the dependent variable partially, taking into account the moderation variable and assuming the other variable is fixed, at a significance level of 5% ($\alpha = 0.05$).

4. Research Findings and Discussion

4.1. Descriptive Statistical Analysis

Table 1. Descriptive Statistical Test Results

	DER	ROA	DER_ROA	TOBINSQ
Mean	1,577594	0,047602	0,064472	1,194721
Median	0,970446	0,042593	0,046283	1,148942
Maximum	4,457518	0,122475	0,233469	2,290227
Minimum	0,052703	0,000974	0,002934	0,303921
St Dev	1,07315	0,029375	0,0524	0,442457
Observation	55	55	55	55

Source: Data processed by author (2025)

Based on descriptive statistics, the Debt to Equity Ratio (DER) variable has an average of 1.57, a median of 0.97, and a standard deviation of 1.07, indicating considerable variation in capital structure; most companies rely on equity, but some have more than four times the equity. The average Return on Assets (ROA) is 4.7% with a median of 4.2% and a standard deviation of 2.9%, illustrating the company's relatively low profitability and the difference between companies is not too large. The interaction variable between DER and ROA averaged 0.064, indicating that the combined influence of leverage and profitability was generally small. Tobin's Q averages 1.19 with a standard deviation of 0.44, indicating that most companies have a market value higher than book value, although some are undervalued.

4.2. Test Panel Data Model

4.2.1. Chow Test

Table 2. Chow Test Result

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	9.379.551	-10,41	0.0000
Cross-section Chi-square	65.460.276	10	0.0000

Source: Data Processed Eviews 12 (2025)

Based on the test results shown in Table 2, the cross-section probability value of F was obtained of 0.00. The value is smaller than the set significance level, which is 0.05. Thus, it can be concluded that the most appropriate model used to estimate panel data in this study is the Fixed Effect Model (FEM).

4.2.2. Hausman Test

Table 3. Hausman Test Result

Correlated Random Effects - Hausman Test	
Equation: Untitled	
Test	cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.973.161	3	0.3958

Source: Data Processed Eviews 12 (2025)

Based on the results presented in Table 7, a random cross-section value of 0.87 was obtained. This value is much larger than the significance threshold of 0.05, indicating a significant difference between entities in the study sample. Thus, these results confirm that the most appropriate model to estimate the panel data in this study is the random effects model.

4.2.3. Langrange Multiplier Tests

Table 4. Langrange Multiplier Tests Result

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	3.413.235 (0.0000)	0.119738 (0.7293)	3.425.209 (0.0000)
Honda	5.842.290 (0.0000)	-0.346032 (0.6353)	3.886.441 (0.0001)
King-Wu	5.842.290 (0.0000)	-0.346032 (0.6353)	2.830.385 (0.0023)
Standardized Honda	7.409.553 (0.0000)	-0.109927 (0.5438)	1.751.034 (0.0400)
Standardized King-Wu	7.409.553 (0.0000)	-0.109927 (0.5438)	0.666754 (0.2525)
Gourieroux, et al.	--	--	3.413.235 (0.0000)

Source: Data Processed Eviews 12 (2025)

Based on the results presented in Table 4, a Breusch-Pagan probability value of 0.00 was obtained, which means that it is much smaller than the significance level of 0.05. These results show a significant heteroscedasticity between entities in the study sample. Therefore, the most appropriate model to estimate the panel data in this study is the random effects model.

4.3. Classical Assumption Testing

This study uses a random effect model applied through the Generalized Least Squares (GLS) approach. According to Gujarati & Porter (2009), in the GLS approach, normality and multicollinearity testing are not specifically described. The classical assumptions tested with GLS include only the

heteroscedasticity test and the autocorrelation test. This shows that the estimates obtained through GLS have met the BLUE (Best Linear Unbiased Estimator) criteria.

Gujarati & Porter (2009), states that "In short, GLS is OLS on the transformed variables that satisfy the standard least-squares assumptions. The estimators thus obtained are known as GLS estimators, and it is these estimators that are BLUE." In other words, the GLS approach is a transformation of the OLS variable that has met the assumption of the least squares standard, so the estimate is considered BLUE. Therefore, in this study, no classical assumption testing was carried out, because the use of the random effect model with GLS has been considered to meet these assumptions and produce efficient and unbiased estimates.

4.4. Results of Panel Data Regression Selection

The following are the results of estimating the influence of capital structure (DER) on company value (Tobins'Q) before being moderated by profitability (ROA), using panel data regression with a random effect model:

Table 5. Panel Data Regression Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.470005	0.149388	3.146200	0.0027
X1	0.217255	0.052433	4.143515	0.0001
X2	8.024366	1.617.585	4.960706	0.0000
Root MSE	0.161136	R-squared		0.376942
Mean dependent var	0.355834	Adjusted R-squared		0.352978
S.D. dependent var	0.206022	S.E. of regression		0.165719
Sum squared resid	1.428067	F-statistic		1.572963
Durbin-Watson stat	1.213398	Prob(F-statistic)		0.000005

Source: Data Processed Eviews 12 (2025)

Based on Table 5, the constant coefficient values can be determined, allowing for the following regression equation:

$$\text{Tobin'sQ} = 0.470005 + 0.217255\text{DER} + 9.116121\text{ROA}$$

This equation can be interpreted as follows:

- d. α is 0.470005, meaning that if capital structure (DER), profitability (ROA), and dividend payout (DPR) are zero, the firm's value will be 0.470005 units.
- e. The regression coefficient for the capital structure variable (DER) is 0.217255, meaning that if there is a 1-unit increase in capital structure (assuming other variables remain constant), the firm's value will increase by 0.217255 units.
- f. The regression coefficient of the profitability variable (ROA) is 8.024366, which means that if there is a change in the capital structure of 1 unit (assuming other variables are constant), the company's value will increase by 8.024366 units.

4.4.1. Parsial Test

The partial test aims to determine the influence of each independent variable on the dependent variable. The decision-making criterion is that if the t-value of the table $\geq$ t-value or p-value < 0.05 , H_0 is rejected, meaning that the independent variable has a partial significant effect on the dependent variable. Conversely, if the p-value > 0.05 then H_0 is accepted.

Based on the test results (Table 5) it was concluded that:

- a. Capital structure (DER) has a significant influence on the company's value with a p-value of $0.0001 < 0.05$.

- b. Profitability (ROA) also has a significant effect on the value of the company with a p-value of $0.0000 < 0.05$.

4.5. Moderated Regression Analysis (MRA)

4.5.1. Hypothesis testing with Moderated Regression Analysis

Table 6. Moderated Regression Analysis Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.478417	0.186808	2.561.010	0.0134
X1	0.214659	0.081686	2.627870	0.0113
X2	7.934354	2.846350	2.787554	0.0074
Z	-0.000498	1.577546	-0.000316	0.9997
Root MSE	0.159916	R-squared		0.368561
Mean dependent var	0.341293	Adjusted R-squared		0.331418
S.D. dependent var	0.203101	S.E. of regression		0.166069
Sum squared resid	1.406530	F-statistic		9.922641
Durbin-Watson stat	1.227030	Prob(F-statistic)		0.000029

Source: Data Processed Eviews 12 (2025)

Based on table 6, the value of the coefficient constant can be known, so that it can be formed in the moderation regression equation as follows:

$$Y = 0.478417036808 + 0.214659328942 \cdot X1 + 7.93435394686 \cdot X2 - 0.000498249364369X1 \cdot Z$$

The equation can be interpreted as follows:

- α of 0.478417036808 which means that if the capital structure, profitability, and dividend payments moderated by managerial ownership are zero, then the company's value will be 0.478417036808 units.
- The regression coefficient of the modal structure variable (DER) with the moderated profitability is 0.214659328942 When compared to the regression coefficient of the capital structure before it is moderated by profitability (in the regression model 1) which is 0.217255, the regression coefficient in model 2 is smaller. This shows that managerial ownership has the property of weakening the influence of the capital structure (DER) on the company's value.

4.5.2. Coefficient of determination (R Square)

Based on table 5, it can be seen that the value of the determination coefficient of R^2 is 0.331418 or 33.14%. This shows that the capital structure (DER) moderated by profitability (ROA) is able to explain the company's value of 33.14% while the remaining 66.86% is explained by other variables outside the study.

4.5.3. Partial test (t-test)

The partial test aims to determine the influence of each independent variable, namely the capital structure (DER), on the Tobin's Q dependent variable individually. The test decision is made by comparing t calculations and t tables, or looking at p-value: if t calculates $\geq$ t table or p-value < 0.05 , H_0 is rejected and independent variables have a significant effect; otherwise, H_0 is accepted and the effect is insignificant.

Based on table 5, it can be concluded that the probability value of the DER is 0.0113 which means it is smaller than 0.05. So the results of the test showed that H_0 was rejected, which means that the DER

variable had a significant positive effect.

5. Conclusion

Based on the results of data analysis and discussions that have been carried out, the following conclusions can be drawn:

- a. The capital structure proxied with the Debt to Equity Ratio (DER) has a positive and significant effect on the value of the company proxied with Tobin's Q. The results of this study show that the higher the use of debt in the capital structure, the more the value of the company in the eyes of investors. This is because the proportionate use of debt can be a positive signal regarding the company's future growth prospects.
- b. Profitability proxied with Return on Assets (ROA) has a positive and significant effect on the value of the company proxied with Tobin's Q. This finding indicates that the higher the company's ability to generate profits from its assets, the higher the value perceived by investors.
- c. Profitability proxied by Return on Assets (ROA) weakens the influence of DER on the company's value. This condition indicates that high profitability actually makes the role of debt use in increasing the company's value reduced, because investors are more focused on the company's ability to generate profits compared to the amount of funding derived from debt.

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