AT – TADBIR
JURNAL ILMIAH MANAJEMEN

Homepage: ojs.uniska.ac.id/attadbir



Capital Structure Mediates the Effect of Profitability and Company Size on Company Value in Hospitality Companies Listed on the IDX for the 2019-2022 Period

Nurbaeti[1], Heny Ratnaningtyas*[2], Anita Swantari[3]
[1 – 3] Institut Pariwisata Trisakti, Jakarta, Indonesia
e-mail: heny.ratnaningtyas@iptrisakti.ac.id

Received:
2 August 2024

Revised:
13 December 2024

Accepted:
24 December 2024

Abstract

This research aims to determine and analyze the influence of profitability and company size on company value through company value for 2019-2022. This type of research is descriptive quantitative, which was processed with Eviews using the path analysis method, namely direct and indirect influence. The population in this research is all hotel companies in Indonesia. The sample consisted of 10 hotel companies listed on the Indonesian Stock Exchange. The sampling technique uses purposive sampling. The partial research results show that profitability significantly affects capital structure and company value. A high ROE in hotel companies significantly affects capital structure because they can obtain loans at lower interest rates, show permits, and have the option to use less debt. A high ROE reflects management's efficiency in using capital and is attractive to investors looking for a high rate of return.

Keywords: profitability; company size; capital structure; company value

Abstrak

Penelitian ini bertujuan untuk mengetahui dan menganalisis pengaruh profitabilitas dan ukuran perusahaan terhadap nilai perusahaan melalui nilai perusahaan pada tahun 2019-2022. Jenis penelitian ini adalah deskriptif kuantitatif yang diolah dengan Eviews dengan menggunakan metode analisis jalur yaitu pengaruh langsung dan tidak langsung. Populasi dalam penelitian ini adalah seluruh perusahaan perhotelan di Indonesia. Sampelnya terdiri dari 10 perusahaan perhotelan yang terdaftar di Bursa Efek Indonesia. Teknik pengambilan sampel menggunakan purposive sampling. Hasil penelitian secara parsial menunjukkan bahwa profitabilitas berpengaruh signifikan terhadap struktur modal dan nilai perusahaan. ROE yang tinggi pada perusahaan perhotelan berpengaruh signifikan terhadap struktur modal karena dapat memperoleh pinjaman dengan tingkat bunga yang lebih rendah, menunjukkan izin, dan mempunyai pilihan untuk menggunakan hutang yang lebih sedikit. ROE yang tinggi mencerminkan efisiensi manajemen dalam menggunakan modal dan menarik bagi investor yang mencari tingkat pengembalian yang tinggi.

Kata Kunci: profitabilitas; ukuran perusahaan; struktur modal; nilai perusahaan

At-Tadbir: Jurnal Ilmiah Manajemen
Vol. 9, No. 1, 2025, 33 – 49
DOI: 10.31602/atd.v9i1.15946

At-Tadbir: Jurnal Ilmiah Manajemen is licensed under Creative Commons Attribution-Share A like 4.0 International License

1. INTRODUCTION

The tourism and hospitality industries are interrelated, with tourist activity influencing demand for accommodation (Mazzucato & Semieniuk, 2018). Hotels responded by adjusting prices and offering additional services during high and low tourism activity periods. The number of tourists becomes a profitable hotel business opportunity, triggering intense competition (González-Rodríguez et al., 2023). Business development requires financial support from internal capital (retained earnings and share capital) and external (capital market investors) (Thapa et al., 2020).

Capital markets, including the Indonesian Stock Exchange (BEI), provide diverse financial access to hotel companies. Investors consider profitability, size, capital structure, and company value in making investment decisions.

Capital structure can be realized through a ratio between equity and debt, usually called the debt-to-equity ratio (DER) (Ulbert et al., 2022). One factor influencing capital structure is profitability or return on equity (ROE) (Ullah et al., 2020). Companies with high ROE tend to generate high profits from shareholder equity. This can make companies prefer to use equity rather than debt in their capital structure because equity does not require interest payments. If ROE is high, shareholders are more confident in supporting management decisions regarding capital structure. Shareholders tend to want a capital structure that increases the value of their shares (Thi et al., 2022).

Another factor that influences capital structure is company size (total assets) (Serghiescu & Viorela-ligia, 2014). Larger companies with significant total assets can choose their capital structure. Large companies can gain access to capital markets more efficiently and use economies of scale to minimize capital costs. Large companies can better bear the financial risks of more outstanding debt because they have more resources and broader operational diversification (Hope, 2013).

Capital structure can affect company value or price book value (PBV). Capital structure, measured by the debt-to-equity ratio (DER), can affect the company value or price-to-book value (PBV) because it influences financial risk, cost of capital, and net profit (Puspita & Siswanti, 2021). A balanced capital structure can increase investor confidence, reduce financial risk, and lower capital costs, ultimately increasing PBV. Conversely, an unbalanced capital structure can create heating and financial risks that reduce PBV (Amarudin et al., 2019).

Furthermore, profitability and company size can also influence company value. A high ROE reflects the company's ability to generate profits from equity (Leman et al., 2020). A high ROE can reduce dependence on debt because the company can use equity for funding, affecting the DER value. Large companies with significant total assets find obtaining debt at lower costs easier (Bawono & Handika, 2023). Large company size can influence capital structure, with companies tending to use more debt in their total capital (increasing DER) (Ansca et al., 2019).

Capital structure can mediate the influence of profitability and company size on company value (PBV). A company with high profitability (ROE) can increase investor and creditor confidence. As a result, companies can more easily obtain loans with lower interest, reducing DER (Rizki et al., 2018). Conversely, companies with low ROE rely more on debt, increasing DER. Then, larger companies tend to have access to more significant financial resources. This company will get a loan at a lower interest rate, reducing the DER. On the other hand, smaller companies have limited access to capital markets and banking, so they tend to have higher DERs (Colline, 2022).

Capital structure can function as a mediating mechanism because the company's debt policy influences the Size of the DER. The DER level can moderate the influence of ROE and company size on PBV. Investors prefer companies with a low DER because of their lower financial risk, while

companies with a high DER are considered riskier (Permatasari & Ramadhan, 2023)

Research conducted by Ritonga et al. (2020) shows that companies with high ROE levels tend to have more conservative debt policies. This could be due to companies' belief that they can finance their growth through internal profits without relying too much on debt. Research by Piccolo et al. (2017) shows that company size influences debt policy. Larger companies can better raise funds through other sources, such as the stock market or internal profits, resulting in lower debt levels.

Research conducted by Mkhaiber & Werner (2021) shows how the interaction between ROE and company size affects DER, namely that large companies with low ROE tend to rely on debt to finance their projects, while small companies with high ROE rely more on internal profits. Research conducted by Veronica (2022) shows that companies with high ROE tend to have higher PBV. This can be caused by investors' perception that companies that generate high returns on equity are more valuable and have sustainable growth.

Research conducted by Mardhiana (2020) shows that large companies have higher PBV because they have more excellent resources and operational stability, which can increase investor confidence. Research conducted by Nini et al. (2019) shows that moderate debt levels can increase PBV because it can increase financial leverage and returns for shareholders. However, DER that is too high or too low can be considered a risk that can reduce PBV.

Sukmawardini & Ardiansari, (2018) research shows that DER can mediate the relationship between ROE, company size, and PBV. A higher DER may reflect a company's strategy of using debt to increase ROE or utilizing more excellent total assets to achieve a higher market value (PBV).

Based on the above background, the author adopts the following title: "Capital structure mediates the influence of profitability and company size on company value in hotel companies listed on the IDX for the 2019-2022 period".

The unavailability of adequate information regarding hotel companies has created a striking void in the research literature. Previously, research focused more on sectors such as manufacturing, banking, pharmaceuticals, mining, and the food and beverage industry, leaving hotel companies needing to pay more attention to in-depth analysis. This condition must be revised to understand hotel companies' dynamics and challenges.

Therefore, this research aims explicitly to fill this knowledge gap with attention to pressure on hotel companies. The hope is that this research can provide a valuable contribution to enriching our understanding of how investors measure the value of hotel companies. This assessment will be realized in Price to Book Value (PBV), which is influenced by critical factors, such as the level of profitability represented by Return on Equity (ROE), company size as measured in total company assets, and capital structure as reflected in Debt- Ratio to Equity (DER). Going deeper, this research is expected to provide new insights into the factors that influence hotel company value and how these elements interact in the hotel industry context.

The novelty of this research lies in how capital structure can mediate the influence of profitability and company size on company value, especially in the context of hotel companies. The concept of capital structure as a mediator in the influence of profitability and company size on company value, especially in the hotel industry, reflects the complexity of the relationship between variables. Hotel profitability is related to room occupancy rates and net profit margins, which can increase company value. Company size, measured by the number of rooms or overall revenue, influences operational efficiency.

Decisions regarding capital structure, including the use of debt, can moderate this relationship. For example, a hotel with a high level of profitability but a capital structure that is too burdened by debt may experience financial risk. Further studies with regression analysis and financial data are needed to understand these dynamics in the hotel industry context.

2. LITERATURE REVIEW

2.1. Profitability

Profitability is a company's ability to achieve income related to sales, total assets, and equity capital. Profitability marks a company's ability to make money from its business activities. Profitability indicators measure a company's ability to profit from its usual business operations (Alshehhi et al., 2018).

Evaluate the effectiveness of all business financing, including loan and equity capital. The parameter used to measure profitability is the return on equity (ROE), a ratio that produces an organization's ability to obtain profits from its capital. This indicator highlights the effectiveness of a company managing its capital, measuring the profit obtained from investments made by the owners acting as shareholders (Al-Homaidi et al., 2020). The formula for calculating this ratio is as follows (Al-Homaidi et al., 2020):

$$ROE = \frac{Net\ Profit\ After\ Tax}{Total\ Equity}$$

2.2. Company Size

A company's size can be assessed through its total assets, reflecting its ability to ensure its long-term goals. A company with high total assets indicates that the business has reached maturity, as cash flow is positive at this stage, and the long-term prospects look promising (Piccolo et al., 2017).

In addition, large companies are believed to have more expertise in managing their operations and producing accurate financial reports (Rusdiyanto & Narsa, 2020). Therefore, the formula used to calculate company size is as follows (Rusdiyanto & Narsa, 2020):

$$Company\ Size = \frac{Total\ Assets}{Capital\ Structure}$$

The funding composition, known as capital structure, represents the balance or combination of debt and equity (including preferred and common shares) a company uses to plan its fundraising. Choosing a funding source is a company's most important financial decision (Mazzucato & Semieniuk, 2018).

One of the financial capital structures that can be implemented is the debt-to-equity ratio (DER). DER reflects the ratio of the company's liabilities to its total equity. This ratio can also be interpreted as the company's ability to meet debt payments using its capital sources (Rahmawati & Hadian, 2022). According to (Rahmawati & Hadian, 2022), the DER formula is as follows:

$$DER = \frac{Amount\ of\ Debt}{Total\ Equity} \times 100\%$$

2.3. The value of the company

Enterprise value represents investors' perception of the company, often tied to share value. The increase in share prices aligns with the increase in company value. Stock prices represent the value of securities traded in the market. Not all companies look for high-value (expensive) shares because they may fear failing to sell shares or attracting investors to buy. The situation is that share prices must be optimal, avoiding values that are too high and too low. Share prices that are too low can hurt investors' perceptions of the company (Bui et al., 2023).

The indicator that influences company value, namely PBV (price to book value), is a ratio that reflects how much the market value is to the book value of a company's shares. The relationship between a stock's market price and book value indicates how investors view a company. Investors view A company favorably if it shows stable profits, reliable cash flow, and consistent growth over time (Hasanudin et al., 2022). The following is the P/BV calculation formula (Daniswara & Daryanto, 2019):

$$PBV = \frac{Market\ Price\ Per\ Share}{Book\ Value\ Per\ Share}$$

2.4. Hypotesis

Research conducted by Ritonga et al. (2020) shows that increasing profitability will cause an increase in retained earnings, thereby contributing to an increase in company equity. This shows that if a company generates relatively high profits, it is likely that the company will distribute more profits to shareholders through dividends. Furthermore, research by Purba & Africa (2019) shows that high profitability will result in more internal resources, making companies prefer using their internal funds to meet financial needs rather than debt or issuing new equity. Based on the previous analysis, the hypothesis proposed is as follows:

H1: Profitability has a significant effect on capital structure

Jaisinghani & Kanjilal (2017) research shows that the larger the company size, the greater the tendency to adopt external financing. This phenomenon is because large companies require significant capital to support their operational activities, and the option to use external capital arises when internal resources are insufficient. Furthermore, increased activity accompanied by improved operating results will help strengthen external investors' confidence in the company. Research conducted by Leman et al. (2020) revealed that large companies are perceived as indicators that reflect the level of risk for investors who plan to invest their capital in the company. This is because if a company shows good financial strength, it can meet all requirements and commitments and offer adequate returns to investors. Based on the previous discussion, the hypothesis is formulated as follows:

H2: Company size has a significant effect on capital structure

Analysis conducted by Jajang (2022) shows that high profitability can increase profits, allowing companies to allocate these funds for operational needs. Long-term company performance, which has the potential to attract investors to invest their money in the company, sends a positive signal. Furthermore, the research of Pustika et al. (2022) highlights investors' constant desire for positive returns. The more successful the business, the more profits investors make through their financial efforts. High company profitability reflects solid performance and contributes to increased share

value so that the company's overall value increases. Based on the analysis presented previously, the hypothesis is formulated as follows:

H3: Profitability has a significant effect on company value

Research by Hapsoro & Falih (2020) revealed that the larger the company size, the greater investor interest. This is because large companies tend to have more stable conditions. This stability attracts investors, encouraging them to own shares in the company. The increase in the company's share share will, in turn, contribute to the increase in share prices on the financial market. Furthermore, research conducted by Atiningsih & Izzaty (2021) highlights that as company size increases, the tendency of investors to own shares in that company also increases, resulting in increased share prices. An increase in the value of these securities will result in an increase in the Price Book Value (PBV) or company value. Large companies can influence the market to pay higher premiums for their shares based on the belief that investors in those companies will generate profitable returns. Based on the previous analysis, the hypothesis proposed is as follows:

H4: Company size has a significant effect on company value

Research conducted by Leman et al. (2020) highlights that the choices in selecting financing sources are relevant for companies because these decisions will determine the composition of the company's capital. Ultimately, this composition will affect company performance. Funding sources include external capital and equity, measured through the debt-to-equity ratio (DER). Research conducted by Taufiq & Trianti (2021) shows that the greater the leverage to finance business operations, the lower the company's overall value. This is because high debt levels place a significant burden on the company. Based on the previous analysis, the hypothesis proposed is as follows:

H5: Capital structure has a significant effect on company value

Research by Permata & Ramdhan (2023) found that profitability plays an essential role in maintaining profitable business performance in the long term. This is because higher profitability helps ensure a company's survival over time, avoiding the need to use excessive debt financing. This situation allows the company to increase its value. Furthermore, research by Ayu et al. (2020) shows that capital structure is vital for every company. A good or bad capital structure will significantly impact the company's financial position and overall value. Therefore, company executives must take practical steps to build a capable capital structure to achieve company goals, such as maximizing company value. This involves balancing internal and external funding sources to maximize share price. Based on the analysis above, the hypothesis proposed is as follows:

H6: Profitability has a significant effect on company value through capital structure

Research conducted by Colline (2022) shows that the number of assets a company owns reflects its size. In other words, significant company-owned assets can make the borrowing process more accessible. Large companies use debt not only to reduce the cost of capital but also to achieve an optimal financial capital structure. Furthermore, research conducted by Ngatemin et al. (2018) concluded that an adequate capital structure can help increase or maximize share value, ultimately increasing the company's overall value. In this context, there is an indirect correlation between company size and value, where capital structure acts as an intermediary variable. Based on the analysis above, the hypothesis proposed is as follows:

H7: Company size has a significant effect on company value through capital structure

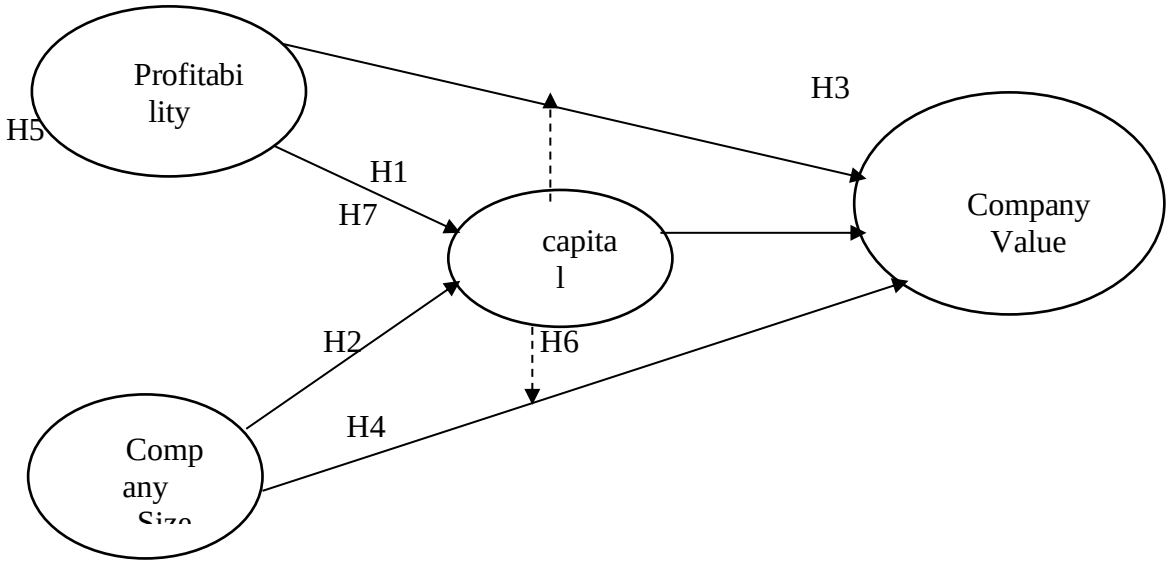


Figure 1. Framework of Research

3. RESEARCH METHOD

The type of research used is quantitative research, which aims to determine the influence of the relationship between the independent and dependent variables. The type of data in this research is secondary data, which uses time series and cross-section data in an annual form for the 2019-2022 period.

This research method uses path analysis, which consists of four variables: two independent variables, including profitability and company size; one dependent variable, namely company value; and one intervening and moderator variable, namely capital structure.

Table 1. Research Sample

No	Kode Saham	Nama Perusahaan
1	CTRA	Ciputra Development Tbk
2	SMRA	Summarecon Agung Tbk
3	PWON	Pakuwon Jati Tbk
4	LPKR	Lippo Karawaci Tbk
5	RISE	Jaya Sukses Makmur Sentosa Tbk
6	JSPT	Jakarta Setiabudi Internasional Tbk
7	KPIG	MNC Land
8	SHID	Hotel Sahid Jaya International Tbk
9	DFAM	Dafam Property Indonesia Tbk
10	JHID	Jakarta International Hotels & Development Tbk

Source: Indonesian Stock Exchange (2023)

Researchers looked at published results to obtain data and information in this research. In connection with this research, data on profitability, company size, capital structure, and company

value were obtained via the official website of the Indonesia Stock Exchange (BEI). The population is all companies operating in the hospitality sector in Indonesia, totaling 28,230. Meanwhile, the sample in this study was based on the researcher's criteria (purposive sampling), namely: (1) Companies operating in the hospitality sector that publish financial reports for 2019-2022; (2) Companies operating in the hotel sector that are listed on the Indonesia Stock Exchange.

4. RESULTS AND DISCUSSION

4.1. Results

In Table 2 above, the hotel company profitability variable shows a standard deviation that is greater than the mean value (291.393 > 245.025); this shows that the distribution of the significant variable data is relatively small compared to profitability, so the data is said to be not good. Meanwhile, the hotel company size variable shows a standard deviation more minor than the mean value (1228.870 < 3446.218); this shows that the distribution of the small variable data is relatively small compared to the company size, so the data is said to be good.

Table 2. Descriptive Statistics

	N	Mean	Median	Min	Max	Std. Deviation
Profitability	40	245.025	73.000	-33.000	919.000	291.393
Company Size	40	3446.218	3883.000	33.500	4324.000	1228.870
Company Value	40	147.025	169.000	1.000	443.000	118.523
Capital Structure	40	161.600	165.000	2.000	383.000	116.032

Source: Data processed with Smart PLS (2023)

Then, the hotel company value variable also shows a minor deviation compared to the mean value (118.523 < 147.025); this shows that the distribution of small variable data is relatively tiny regarding company value, so the data is said to be good. Furthermore, the capital structure variable also shows a standard deviation more minor than the mean value (116.032 < 161.600), which shows a relatively small distribution of small variable data regarding capital structure, so the data is said to be good.

Table 3. Convergent Validity Test

Variable	*Average Variance Extracted*
Profitability	1.000
Company Size	1.000
Company Value	1.000
Capital Structure	1.000

Source: Data processed with Smart PLS (2023)

The measurement of convergent validity can be seen from the Average Variance Extracted (AVE) value. Convergent validity is good if the AVE value is more than 0.50. Table 3 above shows that all variables have an AVE value of 1,000, so it can be concluded that all variables have good convergent validity.

Table 4. Cross Loading Validity Test

Variabel	Company Size	Profitability	Capital Structure	Company Value
Company Value	1.000	0.647	0.495	-0.228
Profitability	0.647	1.000	0.625	-0.485
Capital Structure	0.495	0.625	1.000	-0.242
Company Size	-0.228	-0,485	-0.242	1.000

Source: Data processed with Smart PLS (2023)

Based on the results of the cross-loading table, each indicator weakens more with its respective construct compared to other constructs, and the cross-loading value is more than 0.7, so it can be said to have good discriminant validity. The next step is an examination to compare the correlation between constructs and the AVE root of each construct.

Table 5. Composite Reliability and Cronbach's Alpha

Variable	**Composite Reliability**	**Cronbach's Alpha**
Profitability	1.000	1.000
Company Size	1.000	1.000
Company Value	1.000	1.000
Capital Structure	1.000	1.000

Source: Data processed with Smart PLS (2023)

The data processing results show that capital structure, inflation, interest rates, and company value show that the Composite Reliability value is 1,000 (above 0.7) and the Cronbach's alpha value is 1,000 (above 0.6). All constructs in this research are said to be reliable. Thus, this study's constructs have met composite and internal consistency reliability.

Table 6. R-Square

Variable	**R-*Square***
Capital Structure	0.395
Company Value	0.440

Source: Data processed with Smart PLS (2023)

Table 6 shows that the R Square value for the capital structure variable is 0.395. This value indicates that the profitability and company size variables of 39.5% can explain the capital structure variable. The rest is influenced by other variables not included in this research. The R- Square value for the company variable value is 0.440. This value shows that the company value variable can be explained by the variables profitability, company size, and capital structure by 44%, and the rest is influenced by other variables not included in this research.

The results of hypothesis testing, namely the relationship between profitability and capital structure, show that the p-values are 0.000, so it is smaller than 0.05, and the t-count value is 4.929, more significant than the t-table of 2.024. These results show that profitability has a significant influence on capital structure. Then, the relationship between company size and capital structure shows that the p-values are 0.535, more significant than 0.05, and the t-count value is 0.535, smaller than the t-table 2.024. These results show no significant influence of company size on capital structure. Furthermore, the results of hypothesis testing, namely the relationship between

profitability and company value, show that the p-values are 0.021, so it is smaller than 0.05, and the t-count value is 2.321, which is greater than the t-table 2.024. These results show a significant influence of profitability on company value.

Table 7. Direct Effect

Variable			Original Sample	Sample Mean	Standard Deviation	t-Statistic (O/STDEV)	P Values
Profitability	→	Capital Structure	0,664	0,667	0,135	4,929	0,000
Company Size	→	Capital Structure	0,080	0,088	0,130	0,621	0,535
Profitability	→	Company Value	0,610	0,615	0,263	2,321	0,021
Company Size	→	Company Value	0,101	0,098	0,142	0,714	0,475
Capital Structure	→	Company Value	0,138	0,134	0,207	0,668	0,504

Source: Data processed with Smart PLS (2023)

Meanwhile, the relationship between company size and company value shows that the p-values show 0.475, so it is more significant than 0.05, and the t-count value is 0.714, which is smaller than the t-table of 2.024. These results show no significant influence of company size on company value. Meanwhile, the relationship between capital structure and company value shows that the p-values are 0.504, more significant than 0.05, and the t-count value is 0.668, smaller than the t-table of 2.024. These results show no significant influence of capital structure on company value.

Table 8. Indirect Effect

Variable					Original Sample	Standard Deviation (STDEV)	t-Statistic (O/STDEV)	P Values
Profitability	→	Capital Structure	→	Company Value	0,092	0,156	0,590	0,555
Company Size	→	Capital Structure	→	Company Value	0,011	0,039	0,286	0,775

Source: Data processed with Smart PLS (2023)

The relationship between profitability and company value through capital structure shows that the p-values are 0.555, more significant than 0.05, and the t-count value is 0.590, smaller than the t-table of 2.024. These results show no significant influence of profitability on company value through capital structure. Meanwhile, the relationship between company size and company value through capital structure shows that the p-values are 0.775, more significant than 0.05, and the t-count value is 0.285, smaller than the t-table of 2.024. These results show no significant influence of company size on company value through capital structure.

4.2. Discussion

4.2.1. The Effect of Profitability on Capital Structure

This research shows that profitability significantly affects capital structure because hotel companies with high ROE can obtain loans with lower interest rates. After all, they are considered more reliable by creditors. Hotel companies with a high ROE may also use more debt, as they can

finance their operations through the profits generated. Hotel companies with ROE are considered healthier and more reliable by creditors. A high level of ROE indicates that the hotel company can generate high profits relative to shareholder equity. Creditors view hotel companies with high ROE as lower risk, so they may be willing to offer loans at lower interest rates.

This research aligns with research conducted by Ritonga et al. (2020), showing that companies with high ROE can finance most of their operations using profits generated from their business operations. The research conducted by Purba & Africa (2019) shows that with sufficient internal funding sources, companies can reduce their dependence on debt, which can be a more conservative strategy and help avoid risks associated with interest charges and debt payments.

4.2.2. The Influence of Company Size on Capital Structure

This research shows that company size does not significantly affect capital structure because hotel company size is not the main factor in capital structure decisions, especially if there is information asymmetry between management and investors. Hotel companies rely more on performance and prospects than size when selecting funding sources. Large hotel companies have better access to internal funding sources, such as retained earnings, which can be used to finance investments without lending external loans. Therefore, company size may have little effect on capital structure decisions.

This research is in line with research conducted by Hertina et al., (2021), which shows that large companies have more diversification and capacity to bear risk so that the capital structure may be more influenced by risk and diversification considerations than the size of the company itself. Research conducted by Reschiwati et al. (2020) shows that large companies have more choices in terms of financing sources, including equity and debt. However, capital structure decisions can be more influenced by financial market conditions and capital availability at any given time.

4.2.3. The Influence of Profitability on Company Value

This research shows that profitability significantly affects company value because a hotel company's high ROE can reflect management's efficiency and effectiveness in using capital provided by shareholders. Investors give a better assessment of hotel companies that can provide a high rate of return on their equity. Hotel companies with high ROE can be attractive to investors who believe the company's book value reflects the company's good performance and growth prospects. A high ROE can also give a positive impression regarding the possibility of large dividend payments. This can be attractive to investors seeking dividend income or additional equity returns.

This research is in line with research conducted by Permatasari, & Ramadhan (2023), showing that a high ROE can increase a company's credibility and credibility in the eyes of investors and financial analysts, which can create expectations that the company will continue to generate high profits. Research conducted by Pustika et al. (2022) shows thatcompanies with high ROE have better growth potential, so investors often look for companies that can allocate capital well to generate sustainable profit growth.

4.2.4. The Influence of Company Size on Company Value

This research shows that company size does not significantly affect company value because hotel companies with high total assets may be more inclined to diversify their business. In this case, the value of a hotel company is more influenced by operational efficiency, management risk, and other

factors besides the size of the company's assets. Investors focus more on the operational operations of hotel companies rather than just the size of total assets so that they can show efficiency in managing their assets without having substantial assets; this can be considered more favorable. Hotel companies can achieve good financial performance even though they have relatively small total assets; the size of total assets may need to be more relevant in assessing company value.

This research aligns with research conducted by Renaldo et al. (2023), which shows that investors are more interested in a company's operational performance, such as profitability, revenue growth, and operational efficiency, rather than just looking at the total asset value. Research conducted by Ngatemin et al. (2018) shows that most company assets could be more productive or contribute more to revenue or net profit; investors may not give high weight to total assets in PBV calculations.

4.2.5. The Influence of Capital Structure on Company Value

This research shows that capital structure does not have a significant effect on company value; this is because high DER in hotel companies can indicate high levels of debt, but hotel companies can manage interest expenses well and still generate substantial profits, investors do not consider capital structure as a main factor that influence company value. Investors are paying greater attention to other factors such as net profit, revenue, and growth. Investors who assume significant growth in profits and revenues may be more likely to look at growth potential rather than focus on capital structure.

This research aligns with Alghifari (2022), which shows that companies have high debt levels but can manage interest expenses well and earn stable net profits; investors may feel that the debt level is not a significant problem. Research conducted by Alfisah et al. (2022) shows that each industry or sector can have a different tolerance for debt levels; some companies are more accustomed to high debt levels and still have high PBV.

4.2.6. The Influence of Profitability on Company Value Through Capital Structure

This research shows that profitability does not significantly affect company value through capital structure; this is because investors pay more attention to operational performance and net profitability without paying too much attention to debt levels, so capital structure may not be a significant mediator. Hotel companies that have good risk management policies regarding their debt levels, and these debt levels are considered to be low risk; investors will need to pay more attention to their capital structure. Investors have a positive perception of the use of debt by hotel companies to support growth or investment; capital structure may be considered less relevant as a determining factor in PBV.

This research is in line with research conducted by Colline (2022), which shows that non-financial factors such as brand reputation, marketing strategy, and product innovation can impact market assessment, and DER is considered less relevant for investors. Research conducted by Hasanudin et al. (2022) shows that investors are often interested in a company's ability to generate profits consistently. Net solid profitability is crucial to desiring profits regardless of capital structure.

4.2.7. The Influence of Company Size on Company Value Through Capital Structure

This research shows that profitability does not significantly affect company value through capital structure; this is because investors focus more on potential profits from operational scale and

efficiency, and capital structure is not a significant mediator. Investors believe that the greater the size of a hotel company that can manage the risks associated with debt levels, the less relevant capital structure may be a determining factor in PBV. The size of a hotel company can also reflect its profit and growth potential in the future. Capital structure may not be a primary focus if investors are more concerned about growth potential.

This research aligns with Akhmadi et al. (2022), which shows that larger hotel company sizes may reflect the potential for sustainable profits and more stable growth; focusing on growth may motivate investors more than paying attention to capital structure. Research conducted by Putro & Risman (2021). Shows that large companies in an industry can increase competitiveness and can be considered an indicator of market stability and confidence. Investors may pay more attention to this competitiveness than to capital structure.

5. CONCLUSION

A high ROE in hotel companies significantly affects capital structure because they can obtain loans at lower interest rates, show permits, and have the option to use less debt. The size of a hotel company needs more capital structure because capital structure decisions are more influenced by performance and prospects than company size, which provides better access to internal sources of financing without having to incur external debt.

Profitability, especially a high ROE, significantly affects the value of a hotel company because it reflects management's efficiency in using capital and is attractive to investors looking for a high rate of return.

Company size does not significantly affect hotel company value because value is more influenced by operational efficiency and management risk than asset size. Capital structure does not significantly affect company value because high DER may not be considered a significant risk by investors focusing more on net profit, revenue, and growth.

Profitability is not significant in assessing company value through capital structure. Investors focus more on operations and net profits, considering debt levels less influential. Good risk management of debt and a positive view of the use of debt for growth make the capital structure less relevant as a determinant of PBV for hotel companies.

Profitability does not have a significant effect on company value through capital structure. Investors are more interested in potential operational scale and efficiency benefits, while capital structure is less relevant. Confidence in the hotel company's ability to manage debt risk makes capital structure less critical in determining PBV.

This research implies that hotel companies optimize the use of debt by analyzing and optimizing the capital structure by considering debt levels that can support company growth and efficiency, then ensuring that the company's debt policy is in line with the ROE level, which can provide benefits in obtaining loans with higher interest rates. Low. Hotel companies also focus on efficiency and profitability by continuously improving operational and management efficiency to support high levels of ROE and ensuring that business and operational strategies are designed to generate high returns relative to shareholder equity.

The limitations of this research are the limited data available for the 2019-2022 period, and the variables tested in influencing company value are only profitability, company size, and capital structure variables because there are still many variables that influence company value, such as liquidity ratios, and efficiency ratios. Operations, payout ratios, market ratios, growth ratios, and other macroeconomic factors provide a complete picture of the company's condition and the country.

REFERENCE

Akhmadi, Nurhayati, E., & Rahman, M. M. (2022). Capital structure as a mediating factor in the profitability and firm value connection. ICBE: Advances in Economics, Business and Management Research, 21-36. https://doi.org/10.2991/978-94-6463-066-4_4

Al-Homaidi, E. A., Almaqtari, F. A., Yahya, A. T., & Khaled, A. S. D. (2020). Internal and external determinants of listed commercial banks' profitability in India: Dynamic GMM approach. International Journal of Monetary Economics and Finance, 13(1), 34–67. https://doi.org/10.1504/IJMEF.2020.105333

Alfisah, E., Kurniaty, & Rizka Zulfikar. (2022). How capital structure and financial performance impact on food and beverage company value? International Journal of Science, Technology & Management, 3(1), 104–112. https://doi.org/10.46729/ijstm.v3i1.453

Alghifari, E. S. (2022). Capital structure, profitability, hedging policy, firm size , and firm value: mediation and moderation analysis. Journal of Eastern European and Central Asian Research, 9(5), 789–801. DOI: https://doi.org/10.15549/jeecar.v9i5.1063 .

Alshehhi, A., Nobanee, H., & Khare, N. (2018). The impact of sustainability practices on corporate financial performance: Literature trends and future research potential. Sustainability (Switzerland), 10(2). https://doi.org/10.3390/su10020494

Amarudin, Adam, M., Hamdan, U., & Hanafi, A. (2019). Effect of growth opportunity, corporate tax, and profitability toward value of firm through capital structure (listed manufacturing companies of indonesia). Finance: Theory and Practice, 23(5), 18–29. https://doi.org/10.26794/2587-5671-2019-23-5-18-29

Ansca, C. C., Suyapto, K. A., Pranoto, T., & Gunawan, V. P. (2019). The effect of capital structure and financial structure on firm performance (An empirical study of the financial crisis 2008 and 2009 in Indonesia). Jurnal Akuntansi dan Keuangan Indonesia, 16(2), 206–223. https://doi.org/10.21002/jaki.2019.11

Atiningsih, S., & Izzaty, K. N. (2021). The effect firm size on company value with profitability as intervening variable and dividend policy as moderating variable. Business and Accounting Research (IJEBAR), 5(4), 378–388. https://www.cnbc.indonesia.com

Ayu, I., Dika, G., & Sari, M. (2020). Profitability and liquidity on firm value and capital structure as intervening variable. International Research Journal of Managemen, IT & Social Sciences, 7(1), 116–127. https://doi.org/10.21744/irjmis.v7n1.828 .

Bawono, I. R., & Handika, R. (2023). How do accounting records affect corporate financial performance? Empirical evidence from the Indonesian public listed companies. Heliyon, 9(4), e14950. https://doi.org/10.1016/j.heliyon.2023.e14950

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). https://doi.org/10.3390/ijfs11030100

Colline, F. (2022). The mediating effect of debt equity ratio on the effect of current ratio, return on equity and total asset turnover on price to book value. Jurnal Keuangan dan Perbankan, 26(1), 2443–2687. https://doi.org/10.26905/jkdp.v26i1.6882

Daniswara, H. P., & Daryanto, W. M. (2019). Earning per share (EPS), price book value (PBV), return on asset (ROA), return on equity (ROE), and Indeks harga saham gabungan (IHSG) effect on stock return. South East Asia Journal of Contemporary Business. Economics and

Law, 20(1), 11–27. https://seajbel.com/wp-content/uploads/2020/01/SEAJBEL-20_18

González-Rodríguez, M. R., Díaz-Fernández, M. C., & Pulido-Pavón, N. (2023). Tourist destination competitiveness: An international approach through the travel and tourism competitiveness index. Tourism Management Perspectives, 47(December 2022). https://doi.org/10.1016/j.tmp.2023.101127

Hapsoro, D., & Falih, Z. N. (2020). The Effect of Firm Size, Profitability, and liquidity on the firm value moderated by carbon emission disclosure. Journal of Accounting and Investment, 21(2). https://doi.org/10.18196/jai.2102147

Hasanudin, A. I., Primawresti, R. N., & Tri Lestari. (2022). The influence of profitability and liquidity on company value with capital structure as moderating variables. Journal of Social Science, 3(2), 237–253. https://doi.org/10.46799/jss.v3i2.317

Hertina, D., Fauka Pranata, A., & Aulia, R. E. (2021). The influence of current ratio, debt to equity ratio and company size on return on assets. Turkish Journal of Computer and Mathematics Education, 12(8), 1702–1709. https://turcomat.org/index.php/turkbilmat/article/view/3237.

Hope, O. K. (2013). Large shareholders and accounting research. China Journal of Accounting Research, 6(1), 3–20. https://doi.org/10.1016/j.cjar.2012.12.002

Jaisinghani, D., & Kanjilal, K. (2017). Non-linear dynamics of size, capital structure and profitability: Empirical evidence from Indian manufacturing sector. Asia Pacific Management Review, 22(3), 159–165. https://doi.org/10.1016/j.apmrv.2016.12.003

Leman, W., Suriawinata, I. S., & Noormansyah, I. (2020). The Effect of capital structure, profitability and company size on value of companies in the automotive industry sector listed on IDX 2014-2018. Indonesian Journal of Business, Accounting and Management, 3(2), 77–82. https://doi.org/10.36406/ijbam.v3i2.601

Mardhiana, M. D. (2020). The effect of intellectual capital on price to book value with good corporate governance as a moderating variable. Journal of Accounting Finance and Auditing Studies (JAFAS), 6(4), 131–144. https://doi.org/10.32602/jafas.2020.032

Mazzucato, M., & Semieniuk, G. (2018). Financing renewable energy: Who is financing what and why it matters. Technological Forecasting and Social Change, 127(June 2017), 8–22. https://doi.org/10.1016/j.techfore.2017.05.021

Mkhaiber, A., & Werner, R. A. (2021). The relationship between bank size and the propensity to lend to small firms: New empirical evidence from a large sample. Journal of International Money and Finance, 110, 102281. https://doi.org/10.1016/j.jimonfin.2020.102281

Ngatemin, Maksum, A., Erlina, & Sirojuzilam. (2018). Effects of institutional ownership and profitability to firm value with the capital structure as intervening variable (empirical study at company tourism industry sector listed in Indonesia). International Journal of Civil Engineering and Technology, 9(5), 1305–1320. http://www.iaeme.com/IJCIET/index.asp.

Permatasari, L I., & Ramadhan, Y. (2023). The effect of company growth and liquidity on company value with capital structure as an intervening variable. International Journal of Social Service & Research, 03(08), 2142–2152. DOI: https://doi.org/10.46799/ijssr.v3i9.521.

Piccolo, G., Iaconisi, V., Marono, S., Gasco, L., Loponte, R., Nizza, S., Bovera, F., & Parisi, G. (2017). Effect of tenebrio molitor larvae meal on growth performance, in vivo nutrients digestibility, somatic and marketable indexes of gilthead sea bream (Sparus aurata). Animal Feed Science and Technology, 226(August 2016), 12–20. https://doi.org/10.1016/j.anifeedsci.2017.02.007

Purba, J. T., & Africa, L. A. (2019). The effect of capital structure, institutional ownership, managerial ownership, and profitability on company value in manufacturing companies. The Indonesian Accointing Review, 9(1), 27–38. https://doi.org/10.14414/tiar.v9i1.1619

Puspita, E. A., & Siswanti, I. (2021). Effect of capital structure and liquidation on firms value (case study on property and real estate companies registered in Indonesia Stock Exchange 2014-2019). Management Research Studies Journal, 2(1), 11–27. DOI: https://doi.org/10.56174/mrsj.v2i1.366.

Pustika, T. H., Hariyanto, D., & Safitri, H. (2022). The effect of DER , firm size , and CR on PBV with ROE as an intervening variable. Jurnal Manajemen Bisnis, 13(2), 289-305. https://doi.org/10.18196/mb.v13i2.13922

Putro, D. C., & Risman, A. (2021). the Effect of capital structure and liquidity on firm value mediated by profitability. The Euraseans: Journal on Global Socio-Economic Dynamics, 24(2), 26–34. https://doi.org/10.35678/2539-5645.2(27).2021.26-34

Rahmawati, Y., & Hadian, H. N. (2022). The influence of debt equity ratio (DER), earning per share (EPS), and price earning ratio (PER) on stock price. International Journal of Financial, Accounting, and Management (IJFAM). 3(4), 289–300. https://doi.org/10.35912/ijfam.v3i4.225.

Renaldo, N., Rozalia, D. K., & Musa, S., Wahid, N., & Cecilia. (2023). Current ratio, firm size, and return on equity on price earnings ratio with dividend payout ratio as a moderation and firm characteristic as control variable on the MNC 36 Index Period 2017-2021. Journal of Applied Business and Technology, 4(3), 214–226. DOI: https://doi.org/10.35145/jabt.v4i3.136 .

Reschiwati, R., Syahdina, A., & Handayani, S. (2020). Effect of liquidity , profitability , and size of companies on firm value. Utopía y Praxis Latinoamericana, 25(6), 325-331. DOI: https://doi.org/10.5281/zenodo.3987632

Ritonga, R. R., Bangun, N. G., & Zagita, C. (2020). Analysis of factors affecting financial performance in foods and beverage companies listed in Indonesia Stock Exchange 2018-2020 Period. International Journal of Science, Techonology & Management, 3(2), 475–483. DOI: https://doi.org/10.46729/ijstm.v3i2.470 .

Rizki, A., Lubis, A. F., & Sadalia, I. (2018). The influence of capital structure to the firm value with profitability as intervening variables. The 2018 International Conference of Organizational Innovation, 220–230. https://doi.org/10.18502/kss.v3i10.3375

Rusdiyanto, & Narsa, I. M. (2020). The effect of company size , leverage and return on asset on earnings management: Case study indonesian. Espacios, 41(17), 25.

Sari, I. A. G. D. M., & Sedana, I. B. P. (2021). Return on equity (ROE) influence to price earnings ratio (PER) and price to book value (PBV). International Research Journal of Management, IT and Social Sciences, 25(6), 1–18. DOI: 10.21744/irjmis.v7n1.828.

Serghiescu, L., & Viorela-ligia, V. (2014). Determinant factors of the capital structure of a firm- an empirical analysis. Procedia Economic and Finance, 15(14), 1447–1457. https://doi.org/10.1016/S2212-5671(14)00610-8

Sukmawardini, D., & Ardiansari, A. (2018). The influence of institutional ownership . profitability. Management Analysis Journal, 7(2), 211-222. DOI 10.15294/maj.v7i2.24878.

Taufiq, A. R., & Trianti, Y. F. (2021). Effect of capital structure, profitability, tax planning and dividend policy on the value of companies listed on the IDX. International Journal of Economics, Business and Accounting Research (IJEBAR), 5(4), 171–179. https://jurnal.stie-

aas.ac.id/index.php/IJEBAR/article/view/3519.

Thapa, S. P., Shrestha, S., & Anal, A. K. (2020). Addressing the antibiotic resistance and improving the food safety in food supply chain (farm-to-fork) in Southeast Asia. Food Control, 108(June 2019), 106809. https://doi.org/10.1016/j.foodcont.2019.106809

Thi, A., Nguyen, L., Nguyen, D. Van, & Hoang, N. (2022). The relationship between fi nancial decisions and equity risk. Heliyon, 8(November 2021), e10036. https://doi.org/10.1016/j.heliyon.2022.e10036

Ulbert, J., Takacs, A., Csapi, V. 2022). Golden ratio-based capital structure as a tool for boosting firm's financial performance and market acceptance. Heliyon, 8(1). https://doi.org/10.1016/j.heliyon.2022.e09671

Ullah, A., Pinglu, C., Ullah, S., Zaman, M., & Haider, S. (2020). Heliyon The nexus between capital structure , fi rm-speci fi c factors , macroeconomic factors and fi nancial performance in the textile sector of Pakistan. Heliyon, 6(June), e04741. https://doi.org/10.1016/j.heliyon.2020.e04741

Veronica, M. (2022). The effect of return on assets and price to book value on stock prices. Ekonomica Sharia: Jurnal Pemikiran dan Pengembangan Ekonomi Syariah, 8(1), 1–22.