

## The Influence of Profitability, Capital Structure, Investment Decisions, and Dividends on Firm Value with Leverage as an Intervening Variable in Manufacturing Sector Companies, Sub-sector Good Consumer, Listed in the Indonesian Stock Exchange (ISE)

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### Keywords

*Profitability, Capital Structure, Investation Decision, Dividend, Leverage, Firm Value.*

### Abstract

This study aims to determine and analyze the influence of profitability, capital structure and investment decisions, and dividends on leverage and company value in Good Consumer Sub-sector Manufacturing Sector companies listed on the Indonesia Stock Exchange in 2019-2021. The population of this study is all Good Consumer Sub-sector Manufacturing companies listed on the ISE in 2019-2021 with a total of 60 companies. The sampling technique is purposive sampling with criteria for the availability of company financial statements until 2021 and positive profitability, obtained from a sample of 60 companies. Data analysis techniques use statistical descriptions and path analysis. The results showed that of the 13 hypotheses, there were four influential hypotheses and nine hypotheses that had no effect.



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## 1. Introduction

The purpose of establishing a company according to The theory of the firm is to maximize the wealth or value of the firm. The survival of a company can be realized by improving performance. The good performance of a company will also have an impact on the value of the company to be good. Defines company value as a measure of the success of management performance. In addition, there is also the role of investors in perceiving the value of the company, namely by relating it to the stock price. (Brigham & Houston, (2021)

Shareholders are company owners who employ agents/boards of directors, therefore agents/board of directors of companies are required to manage the company in accordance with the interests of the owners in order to be able to increase the value of the company as reflected in the stock price. In order to achieve these goals, increasing stock prices, behind owners *or agents*, must be able to combine their perceptions well, lest problems arise (*agency problems*) that result in not achieving company goals or commonly known as *the theory of agency* (Jensen in Meckling, 1976).

Given the importance of company value for all parties, this study aims to determine the effect of profitability, capital structure, investment decisions, and dividends on leverage and company value *in good consumer sub-sector manufacturing sector companies* listed on the ISE in 2019-2021

## LITERATURE REVIEW

### Signal Theory

Signaling *theory* was first proposed by Spence (1973), that the sending party (owner of information) provides a signal or signal in the form of information that reflects the condition of a company that is beneficial to the recipient (investor).

### Agency Theory

According to (Suseno, 2012) agency theory explains the relationship between management and shareholders, where management has greater information than shareholders, so it often causes agency problems. *Agency* problems occur between shareholders and management and between management and debt owners (Brigham & Houston, 2021b) When *agency problems occur*, *agency costs will arise*. *Agency* costs are costs incurred due to the use of company debt. When a company experiences *agency problems*, it means that the use of corporate debt harms creditors, because it is possible.

### Pecking Order Theory

The theory of *pecking order* (Corey and Myers, 1984) states that companies in carrying out their investment activities will fund it first using internal funds, after that when it is still lacking, it will use external funding starting with safe debt rather than risky debt and the last is common stock. In other words, this theory actually concerns the hierarchy of sources of funds starting with internal sources of funds first.

### Profitability

Company profitability is the company's ability to earn profits in relation to sales, total assets, and own capital (Sartono, 2001 and Setyowati and Nursiam, 2014).

### Capital Structure

Capital structure is a description of the form of the company's financial proportion, namely between the capital owned which comes from long-term liabilities and own capital (*stakeholders equity*) which is the source of financing for a company (Falhmi, 2018: 27).

### Investment Decisions

Investment decisions are decisions that involve the allocation of funds from within and funds from outside the company there are shared forms of investment. Investment decisions can be grouped into short-term investments such as investments into cash, short-term securities, receivables, and inventories as well as long-term investments in the form of land, buildings, vehicles, machinery, production equipment, and other fixed assets. Investment is a commitment to a number of funds or other resources in the future (Wicaksono & Tandellilin, 2011).

### Dividend

The definition of dividends according to Nikiforos K. Laopodis is a cash payment paid by the company to shareholders (Laopodis, 2020).

### Leverage

The level of financing debt of a company can be measured by using Leverage. The use of debt to the company will be at risk of interest costs that must be paid by the company. The greater the value of the company's leverage, the higher the debt interest costs that must be paid by the company, as a result the company's value is reduced (Lestari et al., 2020).

### Company Value

Corporate value can also be defined as the goal of maximizing shareholder prosperity that can be achieved by maximizing present value. If the price of shares owned increases, all shareholder profits will increase (Sartono, 2010: 9).

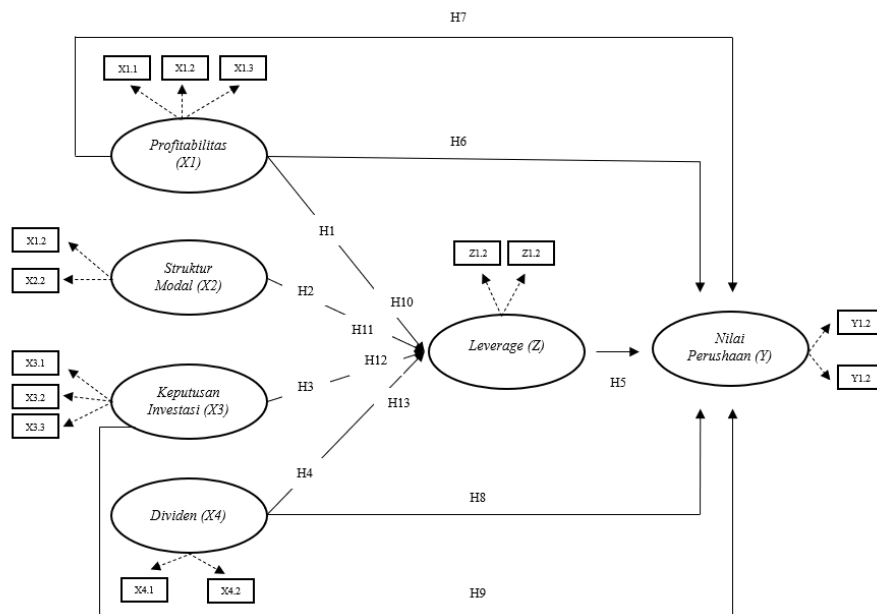
### Variables and Indicators

The variables and indicators used in this study are as follows.

**Table 1. Research Variables, Notations and Indicators**

Variable	Notation	Indicator	
Free Variable	Profitability ( $X_1$ )	$X_{1-1}$	Return On Asset
		$X_{1-2}$	Return On Equity
		$X_{1-3}$	Net Profit Margin
	Structure Modal ( $X_2$ )	$X_{2-1}$	Long Term Debt to Asset
		$X_{2-2}$	Short Term Debt to Asset
	Investment Decisions ( $X_3$ )	$X_{3-1}$	Market to Book Assets Ratio
		$X_{3-2}$	Price Earning Ratio
	Dividend ( $X_4$ )	$X_{4-1}$	Dividend Payout Ratio
	$X_{4-2}$	Dividend Yield Ratio	
Variable Intervening	Leverage ( $Z$ )	$Z_{1-1}$	Debt to Equity Ratio
		$Z_{1-2}$	TIE
Bound Variables	Company Value ( $Y$ )	$Y_{1-1}$	Ratio Q
		$Y_{1-2}$	Price Book Value

Source: Data processed, 2023.



**Figure 1. Conceptual Framework**

**Research Hypothesis**

The research hypothesis can be carried out as follows.

1. Profitability has a significant effect on *Leverage* in Manufacturing Sector Companies in the good consumer sub-sector?
2. Capital Structure Has a Significant Effect on *Leverage* in Manufacturing Sector Companies in the Good Consumer Sub-Sector?
3. Investment Decisions Have a Significant Effect on *Leverage* in Manufacturing Sector Companies in the Good Consumer Sub-Sector?
4. Dividends have a significant effect on *Leverage* in Manufacturing Sector Companies in the good consumer sub-sector?
5. *Leverage* has a significant effect on company value in manufacturing sector companies in the good consumer sub-sector?
6. Profitability has a significant effect on Company Value in Manufacturing Sector Companies in the good consumer sub-sector?
7. Capital Structure Has a Significant Effect on Company Value in Manufacturing Sector Companies in the Good Consumer Sub-Sector?
8. Investment Decisions Have a Significant Effect on Company Value in Manufacturing Sector Companies in the Good Consumer Sub-Sector?

9. Dividends have a significant effect on Company Value in Manufacturing Sector Companies in the *good consumer* sub-sector?
10. Leverage mediates the effect of profitability on company value in manufacturing sector companies in the *good consumer sub-sector*?
11. Leverage mediates the effect of Capital Structure on Company Value in Manufacturing Sector Companies in the *good consumer sub-sector*?
12. Leverage mediates the effect of investment decisions on company value in manufacturing sector companies in the *good consumer sub-sector*?
13. Leverage mediates the effect of dividends on company value in manufacturing sector companies in the *good consumer sub-sector*?

## 2. Materials and Methods

The sampling technique uses the *purposive sampling* method of manufacturing companies listed on the Indonesia Stock Exchange with a research period of 2019-2021. The sampling technique used in this study was using purposive sampling with criteria:

**Table 2. Research Sample Selection**

Information	Number of Companies
Good Consumer Sub-sector Manufacturing Sector Companies on the Indonesia Stock Exchange are listed in 2019-2021	64
Companies in the Manufacturing Sector of the Good Consumer Sub-sector did not publish complete company financial statements during 2019 – 2021 through the <a href="http://idx.co.id">http://idx.co.id</a> website	4
Companies that have a negative profitability value in the observation period	0
<b>Total</b>	<b>60</b>
<b>Total Observation 3 years</b>	<b>180</b>

Source: data processed, 2023

Based on the table above, the good consumer sub-sector manufacturing companies listed on the IDX during the 2019-2021 period were 64 companies. The number of companies that do not have complete financial statements is 4 companies so that companies that meet the criteria are as many as 60 companies. The number of research data and outlier data is 180 data each.

## 3. Results and Discussions

### Variable Descriptive Statistical Test

The results of descriptive statistical testing of variables Profitability (X1), Capital Structure (X2), Investment Decision (X3), Dividend (X4), Company Value (Y), and Leverage (Z) in the manufacturing sector of the good consumer sub-sector listed on the Indonesia Stock Exchange in 2019-2021 are presented in the following table:

**Tabel 3. Descriptive Statistical Test**

	Mean	Median	Min	Max	Standard Deviation	Excess Kurtosis	Skewness	Number of Observations Used
ROA	0.056	0.05	-0.21	0.42	0.099	1.812	0.285	180
ROE	0.096	0.1	-1.67	1.45	0.278	16.504	0.55	180
NPM	0.035	0.05	-2.65	4.26	0.438	59.722	2.704	180
LTDA	0.133	0.08	0	0.55	0.129	1.116	1.417	180
STDA	0.289	0.27		0.75	0.158	0.031	0.635	180
MBAR	3.69	1.9	-7.3	61	7.538	33.914	5.368	180
PER	30.467	14.03	-125.14	830.77	89.206	38.662	5.214	180
DPR	0.208	0	-6.54	1.98	0.663	59.682	-5.452	180
DYR	0.305	0	0	24	2.321	76.916	8.595	180
DER	1.025	0.697	0.07	13.551	1.258	54.677	6.077	180
TIE	-3.612	-1.936	-162.33	75.01	14.25	90.439	-6.918	180
RASIO Q	2.245	1.403	0.284	16.263	2.336	12.401	3.094	180
PBV	3.704	1.813		60.672	7.471	34.528	5.459	180

Source: secondary data obtained with PLS, 2023.

### Validity Test Results

#### Convergent Validity Test Results

**Tabel 4. Outer Loading (Nilai korelasi dari indikator terhadap variable)**

	Profitabilitas (X1)	Struktur Modal (X2)	Keputusan Investasi (X3)	Devidend (X4)	Nilai Perusahaan (Y)	Leverage (Z)
ROA	-0.03	-0.097	-0.004	0.019	0.142	0.372
ROE	0.327	-0.122	0.027	-0.782	-0.04	0.05
NPM	0.035	-0.085	-0.02	0.527	0.054	0.025
LTDA	-0.242	0.977	-0.122	0.041	-0.124	-0.238
STDA	0.536	0.018	-0.002	-0.219	-0.011	0.001
MBAR	0.568	-0.107	0.058	-0.058	-0.056	0.044
PER	-0.042	-0.116	0.134	0.044	0.972	0.03
DPR	0.025	-0.105	0.998	-0.049	0.115	0.071
DYR	-0.052	-0.147	0.095	0.086	0.98	-0.028
DER	0.937	-0.27	-0.032	-0.271	-0.043	0.09
TIE	0.919	-0.209	-0.022	-0.255	-0.033	0.135
RASIO Q	0.008	0.016	0.085	0.042	-0.044	-0.041
PBV	0.137	-0.241	0.077	-0.035	-0.044	0.961

Source: secondary data obtained with PLS, 2023.

From table 4 it can be concluded that the *outer loading values of the variables* that meet the value requirements are Profitability ratio ROA and ROE; LTDA ratio capital structure; Investment Decision PER ratio; Company value ratio PBV and RATIO; *Raiso TIE leverage* whereas, what is not yet qualified is the variable NPM profitability ratio; STDA ratio capital structure; Investment Decision MBAR ratio; Dividend ratio of DPR and DYR; *Leverage raiso DER*. The following is a *loading factor diagram* of each indicator in the study :

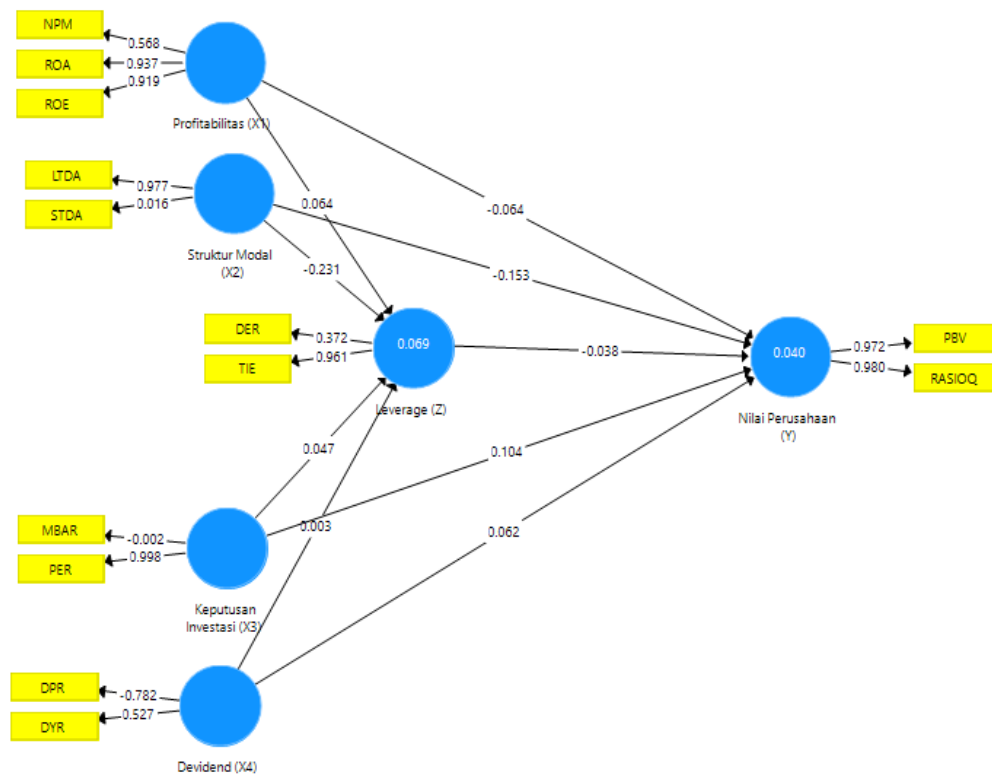


Figure 2. Loading factor diagram

### Discriminant Validity Test Results

Tabel 5. Cross Loading (Nilai korelasi dari indikator terhadap setiap variable)

	Profitabilitas (X1)	Struktur Modal (X2)	Keputusan Investasi (X3)	Dividend (X4)	Nilai Perusahaan (Y)	Leverage (Z)
DER	-0.03	-0.097	-0.004	0.019	0.142	0.372
DPR	0.327	-0.122	0.027	-0.782	-0.04	0.05
DYR	0.035	-0.085	-0.02	0.527	0.054	0.025
LTDA	-0.242	0.977	-0.122	0.041	-0.124	-0.238
MBAR	0.536	0.018	-0.002	-0.219	-0.011	0.001
NPM	0.568	-0.107	0.058	-0.058	-0.056	0.044
PBV	-0.042	-0.116	0.134	0.044	0.972	0.03
PER	0.025	-0.105	0.998	-0.049	0.115	0.071
RASIOQ	-0.052	-0.147	0.095	0.086	0.98	-0.028
ROA	0.937	-0.27	-0.032	-0.271	-0.043	0.09
ROE	0.919	-0.209	-0.022	-0.255	-0.033	0.135
STDA	0.008	0.016	0.085	0.042	-0.044	-0.041
TIE	0.137	-0.241	0.077	-0.035	-0.044	0.961

Source: secondary data obtained with PLS, 2023.

From table 5 it can be concluded that the valid cross-loading values are the variables Profitability ratio ROA, ROE, NPM; LTDA ratio capital structure; Investment Decision PER ratio; Dividend ratio DYR; Company value ratio PBV and RATIO; Leverage raiso TIE, while invalid is variable Capital structure STDA ratio; Investment Decision MBAR ratio; DPR dividend ratio; Leverage raiso DER.



## Reliability Test Results

**Tabel 6. Construct Validity and Reliability**

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Profitabilitas (X1)	0.758	0.889	0.86	0.681
Struktur Modal (X2)	-0.487	-1.049	0.486	0.478
Keputusan Investasi (X3)	0.121	-0.987	0.497	0.498
Devidend (X4)	0.212	-0.28	0.055	0.444
Nilai Perusahaan (Y)	0.95	0.968	0.975	0.952
Leverage (Z)	0.183	0.349	0.654	0.531

Source: secondary data obtained with PLS, 2023.

A variable is said to be reliable if the Composite Reliability value *must be greater than 0.70*, in the table above that meets the value of Composite Reliability is the Profitability variable (X1) of 0.86 and Company Value (Y) of 0.975. A construct or variable is considered reliable if it gives a *Conbarch Alpha* value of  $> 0.60$ , in the table above the variables that are declared reliable are Profitability (X1) of 0.758 and Company value (Y) of 0.95.

## Statistical Results of Hypothesis Testing

Testing the hypothesis by looking at the value of the *Path Coefficient* calculation in the inner *model testing*. Testing hypotheses can be seen through t-statistical values and probability values. For hypothesis testing using statistical values, it is for apha 5%, with a t-table value of 1.976, so that the criteria for acceptance or rejection of the hypothesis are H1 accepted and H0 rejected if the t-table  $> 1.976$ . To reject / accept the Hypothesis using probability then Hal is accepted if the value  $p < 0.05$ .

**Tabel 7. Path Coefficient (hubungan antar variable)**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Profitabilitas (X1) -> Leverage (Z)	0.064	0.082	0.113	0.563	0.574
Struktur Modal (X2) -> Leverage (Z)	-0.231	-0.201	0.108	2.136	0.033
Keputusan Investasi (X3) -> Leverage (Z)	0.047	0.026	0.084	0.558	0.577
Devidend (X4) -> Leverage (Z)	0.003	0.021	0.066	0.04	0.968
Leverage (Z) -> Nilai Perusahaan (Y)	-0.038	-0.001	0.164	0.232	0.817
Profitabilitas (X1) -> Nilai Perusahaan (Y)	-0.064	-0.07	0.065	0.982	0.326
Struktur Modal (X2) -> Nilai Perusahaan (Y)	-0.153	-0.15	0.063	2.417	0.016
Keputusan Investasi (X3) -> Nilai Perusahaan (Y)	0.104	0.115	0.111	0.934	0.351
Devidend (X4) -> Nilai Perusahaan (Y)	0.062	0.03	0.138	0.451	0.652

Source: secondary data obtained with PLS, 2023.

Based on the results of influence testing presented in table 8 can explain the hypothesis as follows:

**H1: Profitability has a significant effect on leverage in manufacturing sector companies.**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $0.064 > 0.000$  with *T-statistics*  $> T$ -table ( $0.563 < 1.976$ ) in *P-value*  $0.574 > 0.05$ . then H0 is accepted and H1 is rejected, meaning that the variable has no relationship. Thus it can be concluded that profitability has no effect on leverage. Therefore, the first hypothesis (H1) is rejected.

**H2: Capital Structure has a significant effect on leverage in manufacturing sector companies.**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is -

$0.231 < 0.000$  with  $T$ -statistics  $> T$ -table ( $0.563 < 1.976$ ) in  $P$ -value  $0.033 < 0.05$ . then  $H_0$  is rejected and  $H_1$  is accepted, meaning that the variable has a relationship. Thus it can be concluded that profitability is significant to *leverage*. Thus the second hypothesis ( $H_2$ ) is acceptable.

**H3: Investment Decisions Have a Significant Effect on Leverage in Manufacturing Sector Companies.**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $0.047 > 0.000$  with  $T$ -statistics  $> T$ -table ( $0.558 < 1.976$ ) and  $P$ -value  $0.577 > 0.05$ . then  $H_0$  is accepted and  $H_1$  is rejected, meaning that the variable has no relationship. Thus, it can be concluded that Investment Decisions have no effect on *leverage*. Therefore, the third hypothesis ( $H_3$ ) can be rejected.

**H4: Dividends have a significant effect on leverage in manufacturing sector companies.**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $0.047 > 0.000$  with  $T$ -statistics  $> T$ -table ( $0.558 < 1.976$ ) and  $P$ -value  $0.577 > 0.05$ . then  $H_0$  is accepted and  $H_1$  is rejected, meaning that the variable has no relationship. Thus it can be concluded that Dividends have no effect on leverage. Therefore, the fourth hypothesis ( $H_4$ ) can be rejected.

**H5: Leverage has a significant effect on company value in manufacturing sector companies.**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $-0.038 < 0.000$  with  $T$ -statistics  $> T$ -table ( $0.232 < 1.976$ ) and  $P$ -value  $0.817 > 0.05$ . then  $H_0$  is accepted and  $H_1$  is rejected, meaning that the variable has no relationship. Thus it can be concluded that Leverage has no effect on leverage. Therefore, the fifth hypothesis ( $H_5$ ) can be rejected.

**H6: Profitability has a significant effect on the value of the company in the manufacturing sector.**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $-0.064 < 0.000$  with  $T$ -statistics  $> T$ -table ( $0.983 < 1.976$ ) and  $P$ -value  $0.326 > 0.05$ . then  $H_0$  is rejected and  $H_1$  is accepted, meaning that the variable has a relationship. Thus it can be concluded that profitability is significant to the value of the company. Thus the sixth hypothesis ( $H_6$ ) is accepted.

**H7: Capital Structure has a significant effect on the value of companies in the manufacturing sector.**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $-0.153 < 0.000$  with  $T$ -statistics  $> T$ -table ( $2.417 < 1.976$ ) and  $P$ -value  $0.016 > 0.05$ . then  $H_0$  is rejected and  $H_1$  is accepted, meaning that the variable has a relationship. Thus it can be concluded that the capital structure is significant to the value of the company. Thus the seventh hypothesis ( $H_7$ ) is accepted.

**H8: Investment Decisions have a significant effect on the value of companies in the manufacturing sector.**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $0.104 > 0.000$  with  $T$ -statistics  $> T$ -table ( $0.934 < 1.976$ ) and  $P$ -value  $0.351 > 0.05$ . then  $H_0$  is rejected and  $H_1$  is accepted, meaning that the variable has a relationship. Thus it can be concluded that Investment Decisions are significant to the value of the company. Thus the eighth hypothesis ( $H_8$ ) is accepted.

**H9 : Dividends have a significant effect on company value in manufacturing sector companies?**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $0.062 > 0.000$  with  $T$ -statistics  $> T$ -table ( $0.451 < 1.976$ ) and  $P$ -value  $0.652 > 0.05$ . then  $H_0$  is accepted and  $H_1$  is rejected, meaning that the variable has no relationship. Thus it can be concluded that dividends have no effect on the value of the company. Therefore, the ninth hypothesis ( $H_9$ ) is rejected.

**Tabel 7. Specific Indirect Effect (Hubungan melalui variabel mediasi)**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Profitabilitas (X1) -> Leverage (Z) -> Nilai Perusahaan (Y)	-0.002	-0.006	0.021	0.115	0.908
Struktur Modal (X2) -> Leverage (Z) -> Nilai Perusahaan (Y)	0.009	0.008	0.025	0.356	0.722
Keputusan Investasi (X3) -> Leverage (Z) -> Nilai Perusahaan (Y)	-0.002	-0.001	0.016	0.108	0.914
Devidend (X4) -> Leverage (Z) -> Nilai Perusahaan (Y)	0	-0.001	0.014	0.007	0.994

Source: secondary data obtained with PLS, 2023.

**H10: Leverage mediates the effect of profitability on company value in manufacturing sector**



#### companies.

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $-0.002 < 0.000$  with *T-statistics*  $> T\text{-table}$  ( $0.115 < 1.976$ ) and *P-value*  $0.908 < 0.05$ . then H0 is accepted and H1 is rejected, meaning that the variable has no relationship. Thus it can be concluded that Leverage does not mediate the effect of Profitability on Company Value. Therefore, the tenth hypothesis (H10) is rejected.

#### **H11: Leverage mediates the effect of Capital Structure on Company Value in Manufacturing Sector Companies.**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $0.009 > 0.000$  with *T-statistics*  $> T\text{-table}$  ( $0.356 < 1.976$ ) and *P-value*  $0.722 < 0.05$ . then H0 is accepted and H1 is rejected, meaning that the variable has no relationship. Thus it can be concluded that *Leverage* does not mediate the effect of Capital Structure on Company Value. Therefore, the eleventh hypothesis (H11) was rejected.

#### **H12: Leverage mediates the effect of investment decisions on company value in manufacturing sector companies.**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $-0.002 < 0.000$  with *T-statistics*  $> T\text{-table}$  ( $0.108 < 1.976$ ) and *P-value*  $0.914 < 0.05$ . then H0 is accepted and H1 is rejected, meaning that the variable has no relationship. Thus it can be concluded that *Leverage* does not mediate the influence of Investment Decisions on Company Value. Therefore, the twelfth hypothesis (H12) is rejected.

#### **H13: Leverage mediates the effect of dividends on company value in manufacturing sector companies.**

The results of the analysis in the table above show that the *Original Sample value (Coefficient)* is  $0 < 0.000$  with *T-statistics*  $> T\text{-table}$  ( $0.007 < 1.976$ ) and *P-value*  $0.994 < 0.05$ . then H0 is accepted and H1 is rejected, meaning that the variable has no relationship. Thus it can be concluded that Leverage does not mediate the influence of Investment Decisions on Company Value. Therefore, the thirteenth hypothesis (H13) is rejected.

## DISCUSSION

### **The Effect of Profitability on Leverage in Good Consumer Sub-sector Manufacturing Sector Companies.**

The results of the path analysis show an *Original Sample* (coefficient) of 0.064 with a significance level of 0.574 which means the path significance level is more than 0.05. Thus it can be concluded that profitability has no effect on leverage. Profitability is a reflection of the company's ability to generate profits. Therefore, based on Pecking Order Theory, a company that has a high profit which is a source of internal funding will be sufficient to fund its operational costs and investment activities so that the company will reduce the use of external funds. The higher the profitability, the lower the leverage. This research is in line with research conducted by Zuhroh (2019), (Dilasari et al., n.d.), and (Hutapea et al., 2023) showing that profitability negatively affects leverage.

### **The Effect of Capital Structure on Leverage in Good Consumer Sub-sector Manufacturing Sector Companies.**

The results of the path analysis showed an *Original Sample* (coefficient) of -0.231 with a significance level of 0.033 which means the path significance level is more than 0.05. Thus, it can be implied that capital structure affects leverage. Determination of optimal capital structure, Optimal capital structure maximizes the share price of the company and requires a leverage ratio lower than the leverage ratio that maximizes the expected profit per share. If based on the concept of "cost of capital", then the optimal capital structure is defined as a capital structure that can minimize the weighted average cost of capital. Companies that are able to meet their internal financial needs reduce their dependence on external sources.

### **The Effect of Investment Decisions on Leverage in Good Consumer Sub-sector Manufacturing Sector Companies.**

The results of the path analysis show an *Original Sample* (coefficient) of 0.047 with a significance level of 0.577 which means the path significance level is more than 0.05. Thus, it can be concluded that Investment Decisions have no effect on leverage, in line with research conducted by Odit & Chittoo (2008) and (Apriyanti & Ningsih, 2023), the effect of investment decisions will affect company investment, meaning that the greater the investment obtained by the company, it will affect the value of the company itself. Because investors are more focused on achieving company profits. Because the achievement of high company profits is expected to provide investors with benefits in investing in the company and this view is that the company's high and low investment decisions do not affect the value of the company. Investment decisions are an important factor in the financial functioning of the company, because to achieve the company's goals can be achieved through the company's investment activities. In contrast to the research of (Ahmad et al., 2021) is

an important determinant of investment decisions.

#### **The Effect of Dividends on Leverage in Good Consumer Sub-sector Manufacturing Sector Companies.**

The results of the path analysis show *an Original Sample* (coefficient) of 0.047 with a significance level of 0.577 which means the path significance level is more than 0.05. Thus, it can be concluded that Investment Decisions have no effect on leverage. The higher the leverage ratio indicates the greater the composition of debt in the company's capital structure which results in greater financial risks faced by the company concerned. The use of debt that is too high will affect the company's capital structure and affect interest costs (debt costs) which have an impact on the company's net profit. However, the net profit obtained is not necessarily followed by the company's ability to pay dividends, because the obligation to pay debt takes precedence over paying dividends. The amount of debt owned by the company will affect the dividends to be distributed. Cash held by the company can come from debt, therefore greater debt will increase smooth operations, investment and pay dividends. The results of this study are in line with research by (Ginting, 2019), Widjaya & Darmawan (2018), and (Butar-Butar et al., 2021) which states that leverage has no effect on dividends.

#### **The Effect of Leverage on Company Value in Good Consumer Sub-sector Manufacturing Sector Companies.**

The results of the path analysis showed *an Original Sample* (coefficient) of -0.038 with a significance level of 0.817 which means the path significance level is more than 0.05. Thus it can be concluded that Leverage does not affect leverage. In the theory of pecking order states that the use of higher debt will reduce the value of the company. An increase in debt will increase the risk of the company's revenue stream, where revenue is also affected by external factors while debt produces fixed expenses regardless of revenue. The higher the debt, the higher the possibility of a company being unable to pay its obligations in the form of interest and principal. The risk of bankruptcy will be higher because interest will increase, exceeding the tax-saving benefits. This research is in line with research conducted by (Cheryta et al., 2017), (Husna & Satria, 2019), (Ajani et al., 2019), (Butar-Butar et al., 2021), Dilasari (2022) stating that leverage negatively affects company value. In contrast to research conducted by (Astakoni & Wardita, 2020) and Tanaya & Wiyanto (2022) leverage affects company value.

#### **The Effect of Profitability on Company Value in Good Consumer Sub-sector Manufacturing Sector Companies.**

The results of the path analysis showed *an Original Sample* (coefficient) of -0.064 with a significance level of 0.326 which means the path significance level is more than 0.05. Thus, it can be concluded that Profitability affects the Value of the Company. This is also in line with signaling theory which explains good financial performance in the past can provide bright company prospects in the future (Ross, 1977). A positive signal of high profitability will attract investors to invest in the company. The more investors who invest, the value of the company will increase. This finding is in line with previous research by Sucuahi & Cambarihan (2016), (Iswajuni et al., 2018), Rachmat et al (2019), Zuhroh (2019), (Ndruru et al., 2020), and Dilasari (2023) which suggested that profitability has a positive effect on company value.

#### **The Effect of Capital Structure on Company Value in Good Consumer Sub-sector Manufacturing Sector Companies.**

The results of the path analysis show *an Original Sample* (coefficient) of -0.153 with a significance level of 0.016 which means a path significance level of more than 0.05. Thus, it can be concluded that Capital Structure affects the Value of the Company. If the capital structure is dominated by the use of debt or from profits, then it does not affect the rise and fall of the value of the company. Investors do not consider the origin of the capital structure to look at investing in the company. This research is supported by Pasaribu (2016), Mudjijah (2019), and Dilasari et al (2022) who suggest that capital structure has a positive effect on company value. But, in contrast to research conducted by (Anggraini & MY, 2019), Irawan & Kusuma (2019) and Rahayuningsih *et al* (2019) that capital structure has no effect on company value.

#### **The Effect of Investment Decisions on Company Value in Good Consumer Sub-sector Manufacturing Sector Companies.**

The results of the path analysis showed *an Original Sample* (coefficient) of 0.104 with a significance level of 0.351 which means the path significance level is more than 0.05. Thus, it can be concluded that Investment Decisions affect the Company's Value. This means that the more an investor decides to invest in a company does not affect the value of that company. In contrast to previous research conducted by (Efendi & Idayati, 2020), (Astakoni & Wardita, 2020) and Dilasari et al (2022) which suggested that investment decisions affect company value. In contrast to research conducted by Tanaya & Wiyanto (2022) and (Bon & Hartoko, 2022) that investment decisions have no effect.

#### **The Effect of Dividends on Company Value in Good Consumer Sub-sector Manufacturing Sector Companies.**

The results of the path analysis show *an Original Sample* (coefficient) of 0.451 with a significance level of 0.652 which means the path significance level is more than 0.05. Thus it can be concluded that Dividends have no effect on *leverage*. When investing, investors expect an increase in stock value and dividend distribution. The distribution of dividends made by the company can be said to be a positive signal that the company has a good performance. However, dividend policy is not a priority for investors in considering investment decisions. In accordance with the irrelevant dividend theory proposed by Vilami (2008) that a company's value does not depend on dividend policy, so the amount of dividends paid to shareholders has no effect on the company's value. This may be due to a change in the view of investors who want to obtain short-term profits through capital gains because small dividend payments are no more profitable than capital gains in the future. The results of this study are supported by research by (Abidin et al., 2015), Ramadhani et al (2018), (Nelwan & Tulung, 2018) and (Astika et al., 2019) which states dividends have no effect on company value. In contrast to research conducted by (Butar-Butar et al., 2021) that dividends have a positive impact on company value.

#### **The Effect of Profitability on Company Value with Leverage as an Intervening Variable in Manufacturing Sector Companies in the Good Consumer Sub-sector.**

The results of the path analysis show *an Original Sample* (coefficient) of -0.002 with a significance level of 0.652 which means the path significance level is more than 0.05. Thus it can be concluded that Profitability has no effect on *leverage*. The results of this study are contrasted with the research of Dilasari et al (2020), Dilasari et al (2022), and (Hutapea et al., 2023) which explains the company's financial performance related to the use of assets and capital as well as management decisions in determining the company's debt policy can affect the company's value. The better the company's financial performance through a reverse debt policy can also increase the value of the company. This research is compared back to the research of (Fajaria & Isnalita, 2018).

#### **Capital Structure to Company Value with Leverage as an Intervening Variable in Manufacturing Sector Companies in the Good Consumer Sub-sector.**

The results of the path analysis show *an Original Sample* (coefficient) of 0.009 with a significance level of 0.722 which means the path significance level is more than 0.05. Thus, it can be concluded that *Leverage* mediates Capital Structure to affect the Value of the Company. that the capital structure mediated by *leverage* negatively and significantly affects the value of the company. This means that capital gains and utilization are greater than debt and with a high debt policy will reduce the value of the company. Investors tend to want *capital gains* from a company's financial performance profits rather than profits generated from debt because they are also concerned about a company's ability to pay off debt. This research is in line with the research of (Dilasari et al., n.d.) that capital structure affects company value with *leverage* as an *intervening variable*.

#### **The Effect of Investment Decisions on Company Value with Leverage as an Intervening Variable in Manufacturing Sector Companies in the Good Consumer Sub-sector.**

The results of the path analysis show *an Original Sample* (coefficient) of -0.002 with a significance level of 0.914 which means the path significance level is more than 0.05. Thus it can be concluded that *Leverage* mediates Investment Decisions has no effect on Company Value. This means that investment decisions have no effect on the company's *leverage*. This means that many investors who decide to invest by paying attention to debt policies carried out by the company do not cause the company's value to increase or decrease. This research is in line with research conducted by (Dilasari et al., n.d.) that Investment Decisions affect company value with *leverage* as an *intervening variable*.

#### **The Effect of Dividends on Company Value with Leverage as an Intervening Variable in Manufacturing Sector Companies in the Good Consumer Sub-sector.**

The results of the path analysis show *an Original Sample* (coefficient) of 0 with a significance level of 0.994 which means the path significance level is more than 0.05. Thus it can be concluded that *Leverage* mediates Dividends has no effect on Company Value. This means that with the size of the use of debt, it will not affect the size of the dividend distribution, this is because the debt owned by the company is considered not too risky, so it does not affect funding decisions in distributing dividends. The size of the dividend distribution will not affect the value of the company because investors only want to take profits in a short period of time by obtaining *capital gains*.

## **4. Conclusion**

Based on the analysis and discussion above, this study can conclude several things, namely: 1) Profitability does not affect *Leverage* in Good Consumer Sub-sector Manufacturing Sector Companies; 2) Capital Structure affects *Leverage* in Good Consumer Sub-sector Manufacturing Sector Companies; 3) Investment Decisions have no effect on *Leverage* In Good Consumer Sub-sector Manufacturing Sector Companies; 4) Dividends have no effect on *Leverage* in Good Consumer Sub-sector Manufacturing Sector

Companies; 5) *Leverage* has no effect on *Company Value* ; 6) *Capital Structure* affects *Company Value* in Good Consumer Sub-sector Manufacturing Sector Companies; 7) Investment Decisions affect the Company Value of Good Consumer Sub-sector Manufacturing Sector Companies; 8) Dividends affect the Company Value of Companies in the Manufacturing Sector of the Good Consumer Sub-sector; 9) Profitability has no effect on Company Value with *Leverage* as an *Intervening* variable in Manufacturing Sector Companies of the Good Consumer Sub-sector ; 10) Capital Structure has no effect on Company Value with *Leverage* as an *Intervening* variable in Good Consumer Sub-sector Manufacturing Sector Companies ; 12) Investment Decisions have no effect on Company Value with *Leverage* as an *Intervening* variable in Good Consumer Sub-sector Manufacturing Sector Companies; 13) Dividends have no effect on Company Value with *Leverage* as an *Intervening* variable in Manufacturing Sector Companies in the Good Consumer Sub-sector.

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