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The Effect of Growth Opportunity, Profitability, Firm Size to Firm Value through Capital Structure (Study at Manufacturing Companies Listed On the Indonesian Stock Exchange).

Rizky Andawasatya R[1], Nur Khusniyah Indrawati[2] & Siti Aisjah[3]
[1] Department of Management, Faculty of Economic and Business, University of Brawijaya, Malang, Indonesia
[2,3] Department of Management, Faculty of Economic and Business, University of Brawijaya, Malang, Indonesia

Abstract: *The objective of this study was to examine and analyze the effect of growth opportunity, profitability, firm size to firm value through capital structure (study at Manufacturing Companies listed on the Indonesian Stock Exchange). The development of study model was conducted by reviewing and analyzing both the direct effects of growth opportunity, profitability, and firm size to the firm value as well as the indirect effect of the implementation of the capital structure. The samples used in this research were manufacturing companies listed on the Indonesian Stock Exchange (IDX). Based on the determined criteria for population, there were 30 company populations involved in the study, which were determined by census through five-year observation. The results showed that the improvement of opportunities for growth and firm size may improve its capital structure; while the improvement of profitability may lower capital structure. The improvement of opportunities for growth, profitability, and the firm size may increase significantly the firm value. The results of mediating test showed that the capital structure is able to mediate the relationship between the profitability and firm size to firm value; beside that, it may not able to mediate the relationship between the growth opportunities for firm value..*

1. Introduction

The industrial sector instead has major influence on the economy in Indonesia, particularly in line with the increase of the Gross Domestic Product (GDP) and foreign exchange income from year to year, especially the manufacturing sector. This is due to the manufacturing sector has a diverse variety of products and has direct and bigger contribution to the costumers as users (Dumairy et al., 2000) [1]. The companies which run in the manufacturing sector might be able to boost the value of the gross national product due to the government's needs in the development of infrastructure in one country and the needs of an increasingly diverse society. The success of the industries in the manufacturing sector is to meet two needs in this country; those are gaining more profits and long-term business cycles for the companies. The success may lead the companies to main goals, which are to maximize wealth and the value of the firm (Salvatore et al., 2005) [2].

The success of the company to achieve its goals from time to time will determine how the business and policy directions of the company. The achievement of the company in relation to its primary purpose provides new opportunities to expand and grow. The growth opportunity may include two essential elements, the value of assets in place and investment options in the future (Belkaoi et al., 2000: 3) [3]. Assessment from the shares by the market (investors and shareholders) to the growth opportunity is reflected by the company's financial performance from time to time. The shareholders would provide greater response to the companies with the higher growth opportunity.

The growing financial performance of one company is indicated by the increased profitability. Investment is not only concerned with how to create revenue and profit, but also how to manage profit, manage working capital, create an overall strategy decision to enter the market and make certain acquisitions (Darmodaran, 2011)[4]. Profitability is defined as the end result of a number of policies and decisions made by the company to show the combined effects of liquidity, asset management, and debt on operating results (Brigham & Houston et al., 2004)[5]. In general, profitability will be used as one of the main capitals (other than debt) to maintain long-term viability, as the higher profitability will guarantee the company's activities thus it will not need to rely on debt to make investments in the future.

The company's success in improving financial performance may lead the company to expand its business scale. From time to time, there will be an increase in the amount of assets of the company that makes the company bigger. The bigger the total assets would be, the greater the size of the company (Jones et al., 2001: 79)[6]. The increase in total assets will increase the company's operational performance.

Improved performance of the company cannot be separated from the capital aspect. Brigham and Houston et al. (2004) stated that the capital structure is one key element in the company's operations and increasing profits. The use of debt in investment as additional funding of the company's assets is expected to increase the corporate profits. But the use of increasingly large capital structure may lead to greater interest expense. There might be risk of bankruptcy that could hamper the company's operations.

The company's performance in managing the capital efficiently and effectively as well as utilizing the existing investment options will increase the value of the company. The value of the company shows the current value of expected cash flows, discounted at a rate that reflects both the risk of project financing mix companies and used to finance the project (Damodaran et al., 2011). The Board of Directors which intends to maximize the value of the company should understand the relationship between the expected value of the three major financial decisions, namely financing, investment decisions, and the distribution of dividends. The company's market value reflects the indications of investor's respose of company's past performance and its prospects in the future (Brigham & Houston et al., 2004)

From previous studies, it is known that few researches focused on the value of companies, especially manufacturing companies. Thus, it is interesting to conduct this research on the value of go-public companies. Even though the limited analyses of the value of manufacturing companies, but the basic analyses of the previous researches remain essential as comparison for this study. There have been inconsistencies between the results of previous studies and opportunities for growth, profitability, company size and capital structure to the corprorate value due to the type and size of the companies, the state's policy, and industrial competition condition.

2. Material and Methode

This study employed quantitative approach by using explanatory research that examines the relationship among the determined variables through hypothesis tests. The study began with the identification of the problems both theoretically and empirically, followed by making the formulation of research problems related to the variables namely growth opportunity, profitability, company size, capital structure, and the value of the company, making and testing the hypotheses, amd discussing the results.

This study was conducted on companies listed on the Indoensian Stock Exchange (IDX) through four-year observation from 2011 to 2015. The results of the review of financial statements and other data related to the company were used as research data. Based on some of the criteria of the population, the sampling determined through saturated census method determined 30 companies as the sample companies in this study.

This study used the Statistical Product and Service Solution (SPSS) combined with path analysis. Path analysis is a method to test the effect of intervening variables or mediating variables shown in the conceptual thinking and the conceptual framework of the study. Path analysis can be considered as the development of multiple linear regression analysis to determine causal relationships among the variables in the study that had been previously caused by the theory (Ghozali, 2009). The relationship among the variables is then converted in the form of path diagram that can be used to calculate the direct and indirect influence of exogenous variables or independent variables on endogenous variables or dependent variables. The effects will be reflected in the form of the path coefficient.

Data Collection

Data collection in the study was conducted through documentation method as the source of the data was secondary data in the form of quantitative data. Documentation was done by looking at the annual financial statement of the selected companies, summary of the company's performance provided by the Indonesia Stock Exchange (IDX) as well as articles and statistical overview of the companies which have been determined as the objects of the research during the period of observation for data collection related to the measurement of research variables. The data obtained from the documentation were processed as materials for research hypothesis testing associated with the variables namely growth opportunities, profitability, company size, capital structure, and the value of the company.

The financial statements of the company used in this study were the annual financial statements from 2011 to 2015. In 2011, the Chairman of the Capital Market Supervisory Agency and Financial Institution (Bapepam-LK) issued a Decision of Institution Number KEP-346/BL/2011 on Submisison of Periodical Financial Statements of Public Companies. Since the issuance of the decision, the companies that have *go public* in Indonesia Stock Exchange (IDX) are required to apply the presentation of financial statements in conformity with the new standards, the International Financial reporting Standards (IFRS). Upon the decision, the company makes some adjustments to make its financial statements, resulting in differences in the number of digits in a certain period of the years before and after the adjustment. It is assumed that the conversion does not make the presentation to facilitate research. If there is adjustment of the financial statements in certain period, this study referred to the adjusted data.

3. Result

Using path analysis in research requires the fulfillment of some assumptions before doing the testing on the data. Fulfillment of certain assumptions for the path analysis are as follows:

a. Linearity Test

Linearity test aims to test whether the relationship between the independent variables and the dependent variable is linear or not. Model good path is a model where the relationship between the two variables is linear. The method used in the linearity test is to test curve estimates.

Table 1 : Linierity

Variabel	Sig	Description
PER → DER	0.030	Linier
ROE → DER	0.038	Linier
ln_TA → DER	0.000	Linier
PER → Tobins Q	0.000	Linier
ROE → Tobins Q	0.000	Linier
ln_TA → Tobins Q	0.000	Linier
DER → Tobins Q	0.000	Linier

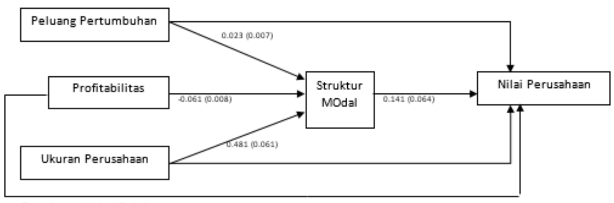
Relations between the two variables is said to be linear if the significance value less than alpha test is used. Testing the assumption of linearity in Table 1 was conducted using the Curve Fit to see the relationship between the independent variables and the dependent variable. It was found that the significance of each to seven pairs of these relationships is smaller than α 5% which shows that there is a linear relationship between these variables, so that it can be concluded that the assumption of linearity met.

Table 2 : Path Analysis

Independent Variable	Dependent Variable	*Path*	p-value	
PER	DER	0.266	0.001	Significant
ROE	DER	-0.643	0.000	Significant
ln_TA	DER	0.614	0.000	Significant
PER	Tobins Q	0.447	0.000	Significant
ROE	Tobins Q	0.217	0.001	Significant
ln_TA	Tobins Q	0.334	0.000	Significant
DER	Tobins Q	0.123	0.028	Significant

Direct influence of the variable to variable DER PER known by looking at the beta coefficient which shows the direction of the relationship between two variables. Beta coefficient value between DER on DER is positive 0.226 which means the better the growth opportunities the company obtained will increase the company's capital structure. Beta coefficient value between ROE on DER is negative 0.643 which means the better the profitability the company obtained will decrease the company's capital structure. Beta coefficient value between SIZE on DER is positive 0.614 which means the larger the company size obtained will increase the company's capital structure. Beta coefficient value between PER on Tobin's Q is positive 0.447 which means the better the growth opportunities the company obtained will increase the firm value. Beta coefficient value between ROE on Tobin's Q is positive 0.217 which means the better the profitability the company obtained will increase the firm value. Beta coefficient value between SIZE on Tobin's Q is positive 0.334 which means the larger of company size obtained will increase the firm value. Beta coefficient value between DER on Tobin's Q is positive 0.123 which means the better the capital structure the company obtained will increase the firm value.

Table 3 : Mediate Effect



Independent Variable	Mediate Variable	Dependent Variable	Path	Sobel Test	Sig
PER	DER	TOBIN'S Q	0.033	0.067	NOT SIG
ROE	DER	TOBIN'S Q	-0.079	0.034	SIG
SIZE	DER	TOBIN'S Q	0.076	0.034	SIG

a. The indirect effect between PER variable to variable Tobins Q through DER variables, obtained from the product of direct influence between variable to variable PER DER and DER direct influence between variable to variable Tobins Q, so sum of indirect effect is 0.266 × 0.123 = 0.033. By using the Sobel test, obtained significance value α 0.067 is greater than 0.05, then the indirect effect between PER variable to variable Tobins Q through DER variable is not significant
b. The indirect effect between ROE variable through the variable DER Tobins Q, obtained from the product of direct influence between ROE to variable DER and DER

direct influence between variable to variable Tobins Q, so large indirect effect is -0643 × 0123 = -0079 , Seeing the results of direct influence mediation model of the profitability of the company's value is significant and profitability on the capital structure is a significant negative where the results of path coefficients mediation model worth - 0.079, the coefficient result in the opposite direction between the two models is leading to inconsistent results because the negative effect , The model is not consistent is a model in which at least one mediation effects that have different signs from the direct effects model (MacKinnon et al., 2007). This happens because an absolute weakness of the strategy causal step (Ghozali et al., 2009; Preacher et al., 2007). However, by using Sobel test, obtained 0.034 significance value α is smaller than 0.05, then the indirect effect of ROE to variable Tobins Q through DER variable is significant

c. The indirect effect between ln_TA variable to variable Tobins Q through DER variables, obtained from the product of direct influence between variable ln_TA to variable DER and DER direct influence between variable to variable Tobins Q, so large indirect effect is 0614 × 0123 = 0076. By using the Sobel test, obtained 0.034 significance value α is smaller than 0.05, then the indirect effect between ln_TA variable to variable Tobins Q through DER variable is significant.

4. Discussion

a. Direct effect between growth opportunities on the capital structure.

The results showed the significant influence between growth opportunities on the capital structure. The higher the growth opportunities, companies will need more funds to make it happen. One of the availability of the fund can be obtained through debt.

In addition to the results of descriptive statistical analysis known growth opportunities of greater value than the capital structure so as to indicate that the company in running its operations more use of equity capital rather than debt. Thus, the use of capital structure as an additional investment to mark the company's assets and is expected to increase the gains of the company, so that the productivity and the company's operations will increase.

The results are consistent with the theory by Belkaoi et al. (2000: 3) and Margaretta et al. (2006), that the the realization of investment always involves the availability of huge funds and effective and efficient management.

The results of this study also supports previous research done by Goyal et al., (2001) which states that companies in the United States engaged in the defense industry that produces various kinds of military weapons largely determine the level of debt by taking into account the extent to which the growth opportunities military weapons industry. The need for the government to strengthen the security and resilience of countries to create a military weapon capable demand will represent the extent to which the growth opportunities the company after meeting those needs. Their plans for expansion, especially in the research and development of new military weapons depend on government policy in stabilizing the security and resilience of the country.

b. Direct effect between profitability on the capital structure.

The results showed the significant influence of the profitability on the capital structure. The higher profitability, the company will be using the profits for main capital of the company’s operational rather than obtaining funds through debt.

In addition to the results of descriptive statistical analysis known to profitability is higher in value than the capital structure so as to indicate that the company in running its operations more use of capital from retained earnings for the company's operational activities rather than debt. Path coefficient is negative shows that increasing the profitability, there will be a tendency of capital structure decreases. Conversely, when profitability declined, then there is a tendency of capital structure will increase. Profitability negatively affect the capital structure. Indications are that 1) the company can manage earnings for the benefit of the company's operations, 2) the existence of economies of scale

The results are consistent with the theory of Darmodaran et al. (2011) and Brigham and Houston et al., (2004). The high profit company gives to managerial own convenience in obtaining capital from retained earnings.

The results support previous research conducted by Naceur et al., (2000). In that study, companies in Tunisia that have gone public still choose to have a lower level of debt when getting return increasing from year to year. In addition, if the company has increased the level of profitability, investors will show a positive response, and think back to the investment when considering the level of debt has not declined. These companies each year trying to develop scale business to increase profits while reducing debt levels in order to reduce the risk of the level of debt they have taken in previous years.

c. Direct effect between firm size on the capital structure.

The results showed the significant relationship influence of the size of the company on the capital structure. The higher the total assets of the company, the higher the costs will be the company in running the operational of the assets.

In addition to the results of descriptive statistical analysis known company size is higher in value than the capital structure so as to indicate that large companies in the running operations rely on major assets at great expense. Thus, the use of capital structure for the operational expenses the company's major assets and additional investments to mark the company's assets and is expected to increase the gains of the company, so that the productivity and the company's operations will increase.

The results are consistent with the theory of Jones et al., (2001: 79), that the increase in total assets will increase the company’s operational performance. The improvement of the operational performance will increase the operational costs of the company.

The results support previous research conducted by Intan Immanueala et al., (2014) which states that companies with total assets of large reflect the establishment of the company. Established company usually has also been stable financial condition. Large size companies can increase economies of scale and reduce the cost of collecting and processing information. Large companies that have greater resources, will conduct more extensive disclosure and able to finance the provision of information for internal purposes. Such information as well as a material for the purposes of disclosure of information to external parties such as investors and creditors, so it does not require significant additional cost to do more extensive disclosures. Thus, large companies do not always have the information production costs are lower when compared with small companies because not all companies large stable financial condition.

d. Direct effect between growth opportunities on the firm value.

The results showed the significant influence of the growth opportunities on the corporate value. The higher the growth opportunities, the higher the value of the company will be.

In addition to the results of descriptive statistical analysis known growth opportunities of greater value than the value of the company so that it indicated nahwa this value can increase the value of the company. The higher the growth opportunities the company is characterized by an increase in realized investment and expansion of market share will also increase the company's performance. The company's performance is increasing will increase the company's market value.

The results are consistent with the theory by Belkaoi et al., (2000:3) and Margaretta et al. (2006), that the success of the company utilizing the advantage of the growth opportunities will create increasing the company’s market value.

The results support previous research carried out by Al Najjr et al., (2001) which states that when the company predicted rate of growth opportunities of the company, managerial must also consider aspects of agency costs and political issues internal to launch efforts effective and efficient use of funds. Cost to realize the opportunities of high growth companies can be exceeded when there are things that are feared to occur as the conflict reduction agencies so companies must spend time and pretty much only to resolve problems that should not have happened. The existence of a conducive situation in companies that have high growth opportunities, showed the company was able to overcome and have credibility in the management involving all parties in an organized manner so that investors assess the feasibility of an investment company has as it can operation by effectively and efficiently.

e. Direct effect between profitabilityon the firm value

The results showed the significant influence of the company’s profitability towards the corporate value. The higher profitability of the company, the higher the value of the company will be.

In addition to the results of descriptive statistical analysis known to profitability is higher in value than the value of the company so that it indicated that the company has net sales level of productivity and clean so as to provide input funds that can be used for investments in the future. The level of profitability it easy for companies in the use of funds by not have to take on debt for operating expenses of the company. The small risk of the use of debt and the availability of fairly large retained earnings increase the market value of companies because it indicates a healthy predicated company in the financial performance of the company.

The results are consistent with the theory by Darmodaran et al. (2011) and Brigham and Houston et al., (2004), that the high corporate profits will attract investors to make investments based on improved financial performance of the company over time

The results of this study also supported pecking order theory by Myers (1987) which states that when a company has a high income for the success of the company's operational performance, then henceforth the company would prefer to conduct internal funding for the operations of the company. Availability of internal funds are sufficient to fund operations that require a lot of costs to support the success of the company's performance in creating profits. Minimal risk of debt reduction taken the company would make the company's financial performance for the better and be regarded by investors as a positive factor for the company in the future.

The results support previous research that has been done by Warusawitharana et al., (2015) which states that the company focused on research and development efforts to support better levels of profitability will have a higher value of the company. This is because investors assessed the research and development efforts are real and most strategic efforts in creating new products that will provide great benefits in the future. Successful research and development usually creates a new breakthrough in the industrial sector as a pioneer in a change. Although costly, but investors believe that the company's efforts to improve profitability through the methods of research and development is the only way to master the best in the industry in the future competition.

f. Direct effect between firm size on the firm value.

The results showed the significant influence of the company size on the corporate value. The higher total assets, the higher the value of the company will be.

In addition to the results of descriptive statistical analysis known company size is higher in value than the value of the company so that it indicated that the large companies in the running operations rely on major assets with the goal of increasing the productivity of the company. Thus, the operational success of the company's major assets and additional investments to increase the total assets of the company and is expected to increase the gains of the company, so the performance of the company will increase. Improved performance of the company will lead to increased value of the company.

The results are consistent with the theory by Jones et al., (2001: 79) that the increase in total assets will increase the company's operational performance. The increasing operational performance would create benefits for the stakeholders and investors.

The results of this study support the results of this research is research conducted by Chen et al., (2011) which states that small companies have limited access to negotiate and borrow capital assistance to financial institutions in the form of debt. Financial institutions prefer to provide debt to the large companies that are believed to have been able to performance, provide a guarantee in large quantities and high incomes. The government policy also was warned financial institutions that are not frivolous because the financial system is they who sustain the economic growth of a country. Constraint is what causes the market value of the companies are small and medium enterprises is difficult to increase.

g. Direct effect between capital structure on the firm value.

The results showed the significant influence of the capital structure on the firm value. The higher the capital structure, the higher the value of the company will be.

In addition to the results of descriptive statistical analysis known capital structure is higher in value than the value of the company so that it indicated that the company in running its operations rely on major assets at great expense. Thus, the use of capital structure for the operational expenses the company's major assets and additional investments to mark the company's assets and is expected to increase the gains of the company, so the performance of the company will increase. Good performance will lead the company on improving the company's market value.

The results are consistent with the theory by Modigliani-Miller et al. (1958) that the high capital structure is because the company is exposed by new investment programs that become the priority of the company in improving corporate performance. The addition on the capital structure of the company becomes major force in the realization of the investment and improves the profitability in the future, thus increasing the company's market value

The results also support previous research carried out by Imhof et al., (2014) who found that the risk-taking by companies, especially in the aspect of debt are closely related so it determines the company's revenue management forecasting. How dare the company in determining the level of debt is crucial to the future value of the company. By increasing the level of debt despite the emphasis on company tax will be reduced, but the risk that bankruptcy costs would be higher. Companies that have earned high returns should indeed reduce the debt ratio target them to improve financial performance.

The results of this study also supports previous research conducted by Nhung et al., (2015) which found that the capital structure of large companies listed on the Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HASE) in Vietnam has comfortable levels from small companies and medium enterprises. Efforts to enroll a public company into one of the main factors of capital structure improvement of major companies in Vietnam. Small and medium enterprises are also intimidated from companies greater because industry competition is fierce. The market value of large enterprises will be higher than the market value of the companies of the same level underneath.

h. Direct effect between growth opportunities on the corporate value, with the capital structure as the mediating variable

The results of this research did not show significant influence of growth opportunities on the corporate value, with the capital structure as the mediating variable.

The results of this study were not in accordance with the theory by Belkaoi et al. (2000: 3) and Margaretta et al. (2006) that fluctuations in the growth opportunities and the company's capital structure due to macro-economic factors create such influence which is not so good on the market value of the company as fundamentally the company could not face the uncertainty of the external side of the company so that the corporate value is not at the expected level.

i. Direct effect between profitability on the corporate value, with the capital structure as mediating variable

The results of the research showed the significant influence of the profitability on the corporate value, with the capital structure as mediating variable.

In addition to the results of descriptive statistical analysis known to profitability is higher in value than the value of the company so that it indicated that the company has net sales level of productivity and clean so as to provide input funds that can be used for investments in the future. The level of profitability it easy for companies in the use of funds by not have to take on debt for operating expenses of the company. The small risk of the use of debt and the availability of fairly large retained earnings increase the market value of companies because it indicates a healthy predicated company in the financial performance of the company.

The study found that the indirect effect of the profitability of the firm value through capital structure is a significant effect. This is because the test results Sobel between profitability, capital structure and value of the company amounted to 0,034 which figures are still below the level of significance Sobel Test, showed that the capital structure can influence the profitability of the relationship to the value of the company.

The results are consistent with the theory by Darmodaran et al. (2011) and Brigham and Houston et al. (2004) that the increasing profitability gives the company convenience in terms of the source of funds that will be used on the company's operationals. The decline in capital structure, on the other hand, may reduce the risk experienced by the company so as to focus more on maintaining the success of the company's performance. The success of the company's performance will consistently steer the company in the market value of the company continues to increase.

The results of this study also supports the pecking order theory by Myers (1987) which states that when a company has a high income for the success of the company's operational performance, then henceforth the company would prefer to conduct internal funding for the operations of the company. Availability of internal funds are sufficient to fund operations that require a lot of costs to support the success of the company's performance in creating profits. Minimal risk of debt reduction taken the company would make the company's financial performance for the better and be regarded by investors as a positive factor for the company in the future.

The results support the theory of MacKinnon, Fairchild, and Fritz (2005), which describes the theory Mediation Analysis. The results showed that the path coefficient of the independent variable is the profitability of the mediating variables, namely capital structure are significant, then the path coefficient of mediating variables, namely capital structure to the dependent variable is the value of the company are significant, and the path coefficient of the independent variable is the profitability of the dependent variable that the value of the company controlled by mediating variables that are significant capital structure. This indicates that the variable portion of capital structure to mediate the relationship between the profitability of the company's value. Mediation mostly happens it clear that not only the influence of mediating variables, namely capital structure to the dependent variable is the value of the company are significant, but the influence of the independent variable is the profitability of the mediating variables also are significant.

The results support previous research conducted by Chen et al., (2011) found that there is a significant and positive effect on the profitability of the company with the help of mediation value of the variable capital structure and help the moderator of the variable firm size and industry. Profitability has a positive effect on the value of the company, but a negative effect on leverage, while leverage has a negative effect on the company's value, and profitability has a significant mediating effect. When investors consider the effect on the value of the company's profitability, investors still can not ignore the negative effect of leverage on the value of the company, because of high debt levels are influenced by firm size and industry can cancel a positive effect on the profitability of the company's value.

The results of this study also supports previous research conducted by Xu et al., (2012) who found that the profitability and capital structure are positively correlated when the two met in an optimal balance point. Decision-making debt will provide great benefits to companies if reckoned well, especially on export import that emphasize the risk on the payment of taxes and fees of financial saturation. The presence of foreign currency exchange rates that change can also affect the optimal point on debt collection by the company. This optimization will also affect how much the market value of the company from time to time since the alloy between profitability and debt levels into consideration factors market value.

j. Direct effect between company size on the corporate value, with the capital structure as mediating variable

The results showed significant influence of the company size on the corporate value, with the capital structure as mediating variable.

In addition to the results of descriptive statistical analysis known company size is higher in value than the value of the company so that it indicated that the large companies in the running operations rely on major assets with the goal of increasing the productivity of the company. Thus, the operational success of the company's major assets and additional investments to increase the total assets of the company and is expected to increase the gains of the company, so the performance of the company will increase. Improved performance of the company will lead to increased value of the company.

The study found that the indirect effect of firm size on firm value through capital structure is a significant effect. This is because the test results Sobel between firm size, capital structure and value of the company amounted to 0,034 which figures are still below the level of significance Sobel Test, showed that the capital structure can influence the size of the company and the value of the company.

The results are consistent with the theory by Jones et al. (2001: 79) that the higher total assets should be financed in order to improve the corporate performance. In addition, the operational company managed effectively and efficiently will create huge profits because it is done by involving several assets. The improved performance of the company through the high value of total assets will steer the company on increasing the company's market value.

The results support the theory of MacKinnon, Fairchild, and Fritz (2005), which describes the theory Mediation Analysis. The results showed that the path coefficients of the independent variables that measure the company against mediating variables, namely capital structure are significant, then the path coefficient of mediating variables, namely capital structure to the dependent variable is the value of the company are significant, as well as the path coefficients of the independent variables that measure companies to variable bound to a value of companies controlled by the mediating variables that are significant capital structure. This indicates that the variable portion of capital structure to mediate the relationship between firm size to firm value. Mediation mostly happens is clear that not only the influence of mediating variables, namely capital structure to the company's value dependent variable is the only significant, but the influence of the independent variable is the size of the company towards mediating variables also are significant.

The results support previous research conducted by Hailu et al., (2001) which states that the size of the company and its capital structure will donate some form of cost efficiency estimates for the company. Variations in this cost efficiency estimates will be adjusted by the amount of assets owned by the company and the amount of capital that has been owned by the company, either through equity or through debt. The right combination steer the company on the successful performance of the company in operational activities. The success of the company's performance in improving efficiency will increase the market value of the company because it can create capital gains through the use of which is carried out efficiently and cooperation of all the company's assets.

5. Conclusions

This study proves the importance of the elements in the financial structure towards the firm value. Successful company in improving its financial structure will lead the company to the closer company's main goals. There are several macro-economic factors that may also affect the value of the company but do not become as hindrances because the company has good foundations to face uncertainty in the competitive business world.

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