

# The influence of Capital Structure on Firm Value with Tax Factors and Firm Size as Intervening Variables

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**Abstract:** This study intends to prove empirically the effect of the proxy capital structure with the ratio of debt to equity and the ratio of debt to assets to company value, both directly and indirectly through corporate tax factors and company size as an intervention variable in the consumer industry of Indonesian manufacturing companies. with the year of observation in 2018. The population in this study were all manufacturing companies of the consumer goods subsector which were listed on the Indonesia Stock Exchange, totaling 52 companies. Determination of the number of samples was carried out using a non probability sampling method with a purposive sampling technique and 42 companies were selected as samples. Data analysis method used is path analysis and re-checking using the Linear Structural Relationship (Lisrel) program. The results showed that the two capital structures were not proven to have a direct effect on firm value, corporate tax and firm size could not moderate the indirect effect of capital structure on firm value.

**Keywords:** capital structure; corporate tax; firms size; firms value

## 1. Introduction

Based on theory, capital structure can affect to firms value, both by affecting the expected profit value and the cost of capital (Sihombing, 2018: 197). Capital structure decisions can affect to firms value through profits for shareholders and the cost of capital. In other words the capital structure or financial leverage decision of the company evaluates by looking at the effect of the combination of debt and stock on the value of the company in the market. Based on data on manufacturing financial statements, especially the consumer goods sector, which the authors describe as a trend in capital structure that is not relevant to the value of manufacturing companies in the last 5 years, this is in line with the theory developed by Modigliani and Miller (1958) asserting that capital structure has no relevance to value a company that is shown by freedom from debt to stock ratio (Debt to Equity Ratio or DER) which is known as net operating income approach asserting that capital structure has no relevance to value a company that is shown by freedom from debt to stock value a company that is shown by freedom from debt to stock ratio

(Debt to Equity Ratio or DER) which is known as net operating income approach asserting that capital structure has is known as net operating income approach. Comparison of capital structure proxied by DER and DAR with the value of Indonesian Manufacturing Companies in the last 5 years

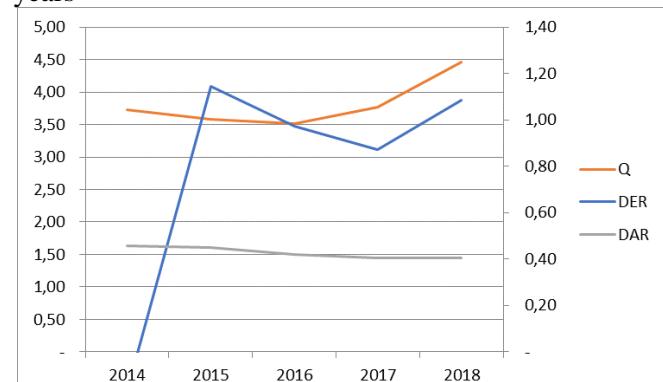


Figure 1: Tobins Q, DER & DAR 2014-2018  
Source : IDX, 2019

## 2. Literature Review

According to Sihombing (2018) that the traditional approach theory is centered on the view of optimal capital structure in its effect on increasing firm value. Fumani & Moghadam (2015) financial leverage (debt ratio) does not consistently have the opposite effect on firm value, empirical findings indicate that the effect of changes in capital structure on firm value is not the same across industries. Ogbulu & Emeni (2012) in a growing economy, equity as part of the capital structure does not match the value of the company, while long-term debt is found to be important determining the value of the company. Endri et al., (2018) debt will add value to the company if greater debt can increase company profitability. According to Hidayat (2019) changes in the amount of debt held by the company do not affect the value of the company, because in the capital market changes in stock prices through the creation of added value can be caused by psychological factors, the amount of debt held by the company is not given much attention by investors, because investors are more see how the company's management uses these funds effectively and efficiently to achieve added value with company value. According to Sukmawardini & Ardiansari (2018) the greater the DER ratio, the smaller the value of the company, this happens if investors do not care about corporate debt, but pay more attention to how companies can bring high profits by ignoring the amount of debt held by the company. Every company needs debt in carrying out its operational activities, but the higher the company's debt, the higher the risk that the company must face to pay off debt. According Prasetyorini (2013) states that independent leverage on the value of the company, meaning that companies in financing their assets prefer their own capital (internal finance) that comes from profits that are not shared and equity capital compared to sourced from debt, the adequacy of funds owned by companies to finance assets that obtained from own capital makes the company reduce the proportion of debt, the use of debt that is too high can reduce the benefits received from the use of debt because the benefits received are not proportional to the costs incurred, so that a low amount of debt can increase the value of the company and vice versa.

According to Endri & Fathony (2020) one of the goals of entrepreneurs is to maximize the welfare of shareholders or investors, by maximizing the value of the company by obtaining

maximum profits. One effort that can be done by entrepreneurs is to minimize the tax burden within the limit that does not violate the rules, because tax is one of the factors of profit reduction. The amount of tax, as we know, depends on the amount of income. The greater the income, the greater the tax owed. Therefore companies need tax planning or proper tax planning so that companies pay taxes efficiently. According to Yee et al., (2018) corporate tax avoidance behavior will actually reduce corporate value and corporate governance has a moderating effect on the relationship of tax avoidance and corporate value. According to Desai & Dharmapala (2009) The effect of tax avoidance on firm's value is not significant but the effect is positive for companies that are regulated with good governance, while there is no significant effect for companies that are poorly managed. According to Santa & Rezende (2016) tax avoidance activities do not always produce shareholder value as once believed. According to Chen et al., (2014) Tax avoidance does not always increase firm's value . Prasetyorini (2013), company size is a measure that describes the size of the company that can be assessed from the total value of the company's assets. The large size of the company shows that the company experienced good growth. Companies with large growth will find it easy to enter the capital market because investors catch positive signals to companies that have large growth so that the positive response reflects the increasing value of the company. According to Endri (2019) firm size has a negative moderating effect between capital structure and firm value meaning that company size reduces the influence (weakening) of DER and DAR on firm value. The higher the total assets, the more difficult it will be for management to manage these assets so that the company's value tends to stagnate.

According to Endri (2019) firm size has a negative moderating effect between capital structure and firm value meaning that company size reduces the influence (weakening) of DER and DAR on firm value. The higher the total assets, the more difficult it will be for management to manage these assets so that the company's value tends to stagnate. According to Prasetyorini (2013) Company size is a measure that describes the size of the company that can be assessed from the total value of the company's assets. The large size of the company shows that the company experienced good growth. Companies with large growth will find it easy to enter the capital market because

investors catch positive signals to companies that have large growth so that the positive response reflects the increasing value of the company. Increasing firm's value can be characterized by total assets that have increased and is greater than the amount of company debt. According to Hidayat (2019) the amount of assets does not affect the value of the company because a large amount of assets without optimal management will not have significant implications on the value of the company where the size of the company generally influences the valuation of investors in making investment decisions.

### **Firms Value**

Endri & Fathony (2020) hypothesized that the combined market value of all companies in the stock market must be equal to their replacement costs. James Tobin introduces the Q Ratio as a ratio for calculating firm's value . The Q ratio is calculated as the market value of a company divided by the replacement cost. Endri (2019) The company was founded with the aim of prospering the owner of the company or shareholders, this goal can be realized by maximizing the value of the company with the assumption that the company owner or shareholder will prosper if his wealth increases. The increase in wealth can be seen from the increasing share price which also means the value of the company is increasing.

### **Capital Structure**

Sihombing (2018) Capital structure theory in the traditional approach is centered on the view of optimal capital structure in its effect on increasing firm value. Therefore, capital structure decisions are dynamic in accordance with the needs of the company to get optimal firm's value which is often proxied by a net income approach. Companies can increase the total value of the company by using a certain amount of debt (financial leverage). Modigliani & Miller (1958) show that capital structure is not relevant to certain restrictive assumptions. They also show that the choice of funding between debt and stocks has no influence on the value of the company. Since the emergence of the MM theory, the concept of capital structure has received great attention and led to new theories related to capital structure. Modigliani & Miller (1960) with financial leverage (debt), the value of the company will be taken into account. In other words, the use of debt provides benefits that is the cost of debt interest

can be used to reduce taxes. Consequently, the amount of income received by creditors and shareholders in companies that have debt will be greater than companies without debt. In addition, companies that have debt will have a higher market value than companies without debt. According to Fama & French (2002), the optimal capital structure can be identified through the benefits of reducing the debt interest tax and bankruptcy costs. The concept of trade off in balancing theory is to balance the benefits and costs of the use of debt in a capital structure so that it is also called a trade-off theory. The pecking order theory states that companies prefer to use internal funding rather than debt capital and explains that companies use internal funds initially, subsequently issuing debt and eventually issuing share capital. Sihombing (2018) explained developed a capital structure model in which the use of debt becomes a signal delivered to the market.

H<sub>1</sub> : Debt to Equity Ratio (DER) has a direct influence on Firms Value (Q).

H<sub>2</sub> : Debt to Asset Ratio (DAR) has a direct influence on Firms Value (Q).

### **Corporate Taxes**

Pohan (2018) One of the goals of entrepreneurs is to maximize the welfare of shareholders or investors, by maximizing the value of the company by obtaining maximum profits. One effort that can be done by entrepreneurs is to minimize the tax burden within the limit that does not violate the rules, because tax is one of the factors of profit reduction. According to Pohan (2018) Tax Planning is a series of strategies to regulate accounting and corporate finance to minimize tax obligations in ways that do not violate tax regulations (in legal way).

H<sub>3</sub>: Debt to Equity Ratio (DER) through the Tax factor (TAX) has an indirect effect on Firms Value.

H<sub>4</sub>: Debt to Asset Ratio (DAR) through the Tax factor (TAX) has an indirect effect on Firms Value.

### **Firm Size**

Sivilianto & Endri. (2019) states that company size is an increase from the fact that large companies will have large market capitalization, large book values and high profits. Whereas a small company will have a small market capitalization, a small book value and low profits. Prasetyorini (2013), company size is a measure that describes the size of the company that can be

assessed from the total value of the company's assets. The large size of the company shows that the company experienced good growth. Companies with large growth will find it easy to enter the capital market because investors catch positive signals to companies that have large growth so that the positive response reflects the increasing value of the company. According to Endri (2019) firm size has a negative moderating effect between capital structure and firm value meaning that company size reduces the influence (weakening) of DER and DAR on firm value. The higher the total assets, the more difficult it will be for management to manage these assets so that the company's value tends to stagnate.

H<sub>5</sub>: Debt to Equity Ratio (DER) through the Company Size factor (SIZE) has an indirect effect on Firms Value.

H<sub>6</sub>: Debt to Asset Ratio (DAR) through the Company Size factor (SIZE) has an indirect effect on Firms Value.

### 3. Methodology

#### Sample

The method of determining the sample used in this study is purposive sampling, which is a sampling method that is determined or determined using certain criteria by the researcher. The criteria that researchers determine in this study are:

1. Companies that have IPO since 2018 and before.
2. Companies whose 2018 financial statements were available at the time of this research.
3. Companies that have positive before-tax profits so there is a positive tax burden in 2018
4. Consumer goods manufacturing companies that meet the above criteria are 42 companies.

#### Variable Definition

##### Tobins's Q

Klapper & Love (2002) define Tobin's Q as the market value of equity plus total liabilities divided by total assets.

$$\text{Tobin's Q} = \frac{\text{ME} + \text{DEBT}}{\text{TA}}$$

Tobin's Q = Firms Value

ME = Market value of the stock at the time year-end

closing times the number of shares outstanding

DEBT = Book value of liability

TA = Total asset (book value of liability + book value of equity)

#### Debt to Equity Ratio

Debt to Equity Ratio (DER) is a ratio used to show how much a company uses funding obtained through debt when compared to funding obtained through its own capital.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liability}}{\text{Total Equity}}$$

#### Debt to Asset Ratio

Debt to Asset Ratio (DAR) is a ratio used to show how much a company uses debt in financing the amount of its assets or assets.

$$\text{Debt to Asset Ratio} = \frac{\text{Total Liability}}{\text{Total Asset}}$$

#### Corporate Tax

In study Alfandia (2018), Effective Tax Rate (ETR) or effective tax rate is the actual tax rate that must be paid by the company compared to the profit generated by the company.

$$\text{Effective Tax Rate} = \frac{\text{Total Tax Expense}}{\text{Pretax Income}}$$

#### Firms Size

The size of the company can be interpreted as the size of the company seen from the magnitude of the value of equity, the value of the company, or the results of the total value of the assets of a company. In this study, by referring to the research conducted by Endri (2019), the size of the company is measured through total assets proxied by the natural logarithm value of the company's total assets (Ln Total Assets).

$$\text{Size} = \ln(\text{Total Asset})$$

#### 4. Research Method

This research uses quantitative research type, Sujarweni (2014) quantitative research is a type of research that produces findings that can be achieved (obtained) using statistical procedures or other ways of quantification (measurement), quantitative approach focuses on symptoms symptoms which have certain characteristics in human life which he calls variable. This type of quantitative research is causality research, which is a research that wants to find an explanation in the form of cause and effect relationships between several concepts or variables or strategies developed in management (Ferdinand, 2014). Secondary data that researchers use in this study in the form of published financial statements by PT. The Indonesia Stock Exchange through its official website page, <https://idx.co.id>, the price of the company's shares that the author obtained data from the website <https://finance.yahoo.com>, data on Indonesian macroeconomic conditions based on data from the Central Statistics Agency whose data source the author obtained from the website <https://m.katadata.co.id>, state revenue data from the tax sector that the author obtained from the Ministry of Finance of the Republic of Indonesia through the website <https://kemenkeu.go.id>. The dimension of the data that researchers use in this study is the cross section data, which is data that has many objects in the same year or data collected in one time against many.

Data collection techniques that researchers do in this study is by way of documentation. Data analysis techniques in this study were carried out using the path analysis method (path analysis) which is an analysis technique used to study the causal relationship between independent variables and independent variables. The essence of path analysis is based on a system of linear equations. Path analysis is different from regression analysis, where in the path analysis it is possible to test using mediating / intervening variables (Kadir, 2017). Kadir (2017) to describe the causal relationship or cause-effect between variables to be investigated, researchers used a model in the form of a path diagram. A path diagram is a tool for graphically describing the structure of causal relationships between independent, intervening, and dependent variables.

#### 5. Result and Discussion

Table 1 shows result on the bivariate statistical correlation among all the relevant variables. The correlation table shows that corporate social responsibility is positively and significantly correlated with managerial ownership, institution ownership and foreign ownership whereas negatively related with ownership concentration and controller. The correlation among other independent are moderately okay.

Table 1: Descriptive Statistics of Research Variables

Description	Research Variable				
	Q	DER	DAR	TAX	SIZE
Minimum		.43	.10	.08	.02
Maximum	27.13	3.20		.73	2.20
Mean	3.2888	.8190		.3798	.3176
Standard Deviation	5.03496	.70926		.17719	.31860
					11.92
					18.39
					14.7067
					1.63647

Source : Data processed (2019)

Based on the table above obtained information for the lowest value (minimum) firm's value variable of 0.43 found at PT. Mustika Ratu Tbk, the highest value (maximum) of 27.13 found at PT. Inti Agri Resources Tbk, the mean value is 3.2888 and the standard deviation is 5.03496. For

the DER variable the lowest value (minimum) of 0.10 is found in PT Industri Jamu and Pharmacy Sido Muncul Tbk, Campina Ice Cream Industry Tbk and PT. Inti Agri Resources Tbk. The highest value (maximum) of 3.2 is found in PT. Merck Sharp Dohme Pharma Tbk, the mean value is

0.8190 and the standard deviation is 0.70926. For the DAR variable the lowest (minimum) value of 0.08 is found in PT. Inti Agri Resources Tbk, the highest value (maximum) of 0.73 is in PT. Pratama Abadi Nusa Industri Tbk, the mean value is 0.3798 and the standard deviation is 0.17719. For the corporate tax variable the lowest value (minimum) of 0.02 is found in PT. Bumi Teknokultura Unggul Tbk, the highest (maximum) value of 2.20 is found

Tabel 2: Correlation Test

		Correlations			
		DER	DAR	TAX	SIZE
DER	Pearson Correlation	1	.915**	-.073	-.003
	Sig. (2-tailed)		.000	.645	.985
DAR	N	42	42	42	42
	Pearson Correlation	.915**	1	-.055	.043
TAX	Sig. (2-tailed)	.000		.730	.788
	N	42	42	42	42
SIZE	Pearson Correlation	-.073	-.055	1	-.090
	Sig. (2-tailed)	.645	.730		.571
N		42	42	42	42
	Pearson Correlation	-.003	.043	-.090	1
Sig. (2-tailed)		.985	.788	.571	
	N	42	42	42	42

\*\*. Correlation is significant at the 0.01 level (2-tailed).

The correlation between DER and DAR is 0.915 meaning the relationship between DER and DAR variables is very strong and unidirectional (because the results are positive). Unidirectional means that if the DER is high then the DAR is also high. The correlation between the two variables is significant because the significance value is 0.00 < 0.05. The correlation between DER and TAX is -0.73 meaning that the relationship between DER and TAX variables is strong and not unidirectional (because the result is negative). Not in the same direction, if DER is high, vice versa TAX is low. The correlation of the two variables is not significant because the significance value of 0.645 > 0.05. The correlation between DER and SIZE is -0.03 meaning that the relationship between the DER and SIZE variables is weak and not in the same direction (because the results are negative). Not in the same direction, if DER is high, SIZE will be low otherwise. The correlation between the two variables is not significant because the significance value is 0.985 > 0.05. The

in PT. Mustika Ratu Tbk, the mean value is 0.3176 and the standard deviation is 0.31860. For company size variables the lowest (minimum) information value of 11.92 is found in PT. PT. Pratama Abadi Nusa Industri Tbk, the highest value (maximum) of 18.39 is found in PT. Indofood Sukses Makmur Tbk, mean value of 14.7067 and standard deviation of 1.63647.

correlation between DAR and TAX is -0.55 meaning that the relationship between DAR and TAX variables is strong and not direct (because the results are negative). Not in the same direction, if the DAR is high, the reverse TAX is low. The correlation between the two variables is not significant because the significance value is 0.730 > 0.05. The correlation between DAR and SIZE is 0.43, meaning that the relationship between DAR and SIZE variables is quite strong and unidirectional (because the results are positive). Unidirectional means that if the DAR is high then SIZE is also high. The correlation between the two variables is not significant because the significance value is 0.788 > 0.05. The correlation between TAX and SIZE is -0.90 meaning the relationship between the TAX and SIZE variables is very strong and not direct (because the results are negative). Not in the same direction meaning if TAX is high then vice versa SIZE is low. The correlation of the two variables is not significant because the significance value of 0.571 > 0.05.

Tabel 3: Result of F Test – Structural Model 1  
ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.026	2	.013	.123	.884 <sub>a</sub>
Residual	4.136	39	.106		
Total	4.162	41			
Predictors : (Constant), DER, DAR					
Dependent Variable : TAX					

The calculated F value is 0.123 smaller than F table 3.238 ( $\alpha = 0.05$ ) so that it can be interpreted that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. This shows that

the independent variables Debt to Equity Ratio and Debt to Asset Ratio together do not prove to have a significant effect on the Company Tax under study.

Tabel 4: Result of F Test – Structural Model 2  
ANOVA<sub>a</sub>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.397	2	.698	.251	.779 <sub>a</sub>
Residual	108.403	39	2.780		
Total	109.800	41			
Predictors : (Constant), DER, DAR					
Dependent Variable : SIZE					

The calculated F value is 0.251 smaller than the F table of 3.238 ( $\alpha = 0.05$ ) so that it can be interpreted that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. This shows that the independent variables Debt to

Equity Ratio and Debt to Asset Ratio together do not prove to have a significant effect on the Size of the Company under study.

Tabel 5: Result of F Test – Structural Model 3  
ANOVA<sub>a</sub>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	66.515	4	16.629	.632	.643 <sub>a</sub>
Residual	972.869	37	26.294		
Total	1039.384	41			
Predictors : (Constant), DER, DAR, SIZE, TAX					
Dependent Variable : Q					

The calculated F value is 0.632 smaller than the F table 2.626 ( $\alpha = 0.05$ ) so that it can be interpreted that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. This shows that the independent variables Debt to Equity

Ratio, Debt to Asset Ratio, Corporate Tax and Company Size together have not been proven to have a significant effect on the Value of the Company under study.

Tabel 6: Result of t test – Structural Model 1  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	.319	.157		2.025	.050
DER	-.064	.178	-.142	-.358	.723
DAR	.134	.713	.075	.189	.851

a. Dependent Variable : TAX

$$\text{TAX} = 0,319 - 0,064 * \text{DER} + 1,134 * \text{DAR}$$

The value of t arithmetic is -0,358 smaller than t table 2,024 ( $\alpha = 0.05$ ) so it can be interpreted that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. This shows that the independent variable Debt to Equity Ratio partially did not prove to have a significant effect on the Company Tax under

study. T value is 0.189 smaller than t table 2.024 ( $\alpha = 0.05$ ) so that it can be interpreted that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. This shows that the independent variable Debt to Asset Ratio partially did not prove to have a significant effect on the company tax under study.

Tabel 7: Result of t test – Structural Model 2  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	14.21:	.806		17.637	.000
DER	-.598	.911	-.259	-.656	.516
DAR	2.585	3.648	.280	.709	.483

b. Dependent Variable : SIZE

$$\text{SIZE} = 14,125 - 0,598 * \text{DER} + 2,585 * \text{DAR}$$

The value of t arithmetic is -0,656 smaller than t table 2,024 ( $\alpha = 0.05$ ) so it can be interpreted that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. This shows that the independent variable Debt to Equity Ratio partially did not prove to have a significant effect on the size of the company under study. The value of t arithmetic is 0.709 smaller than t table 2.024 ( $\alpha = 0.05$ ) so it can be interpreted that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. This shows that the independent

variable Debt to Asset Ratio partially did not prove to have a significant effect on the size of the company under study.

Tabel 8: Result of t test – Structural Model 3  
Coefficients<sub>a</sub>

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	2.325	7.571		.307	.761
DER	1.871	2.825	.264	.662	.512
DAR	-10.870	11.301	-.383	-.962	.342
TAX	-2.480	2.533	-.157	-.979	.334
SIZE	.296	.495	.096	.598	.554

a. Dependent Variable : Q

$$Q = 2,325 + 1,871 * \text{DER} - 10,870 * \text{DAR} - 2,480 * \text{TAX} + 0,296 * \text{SIZE}$$

T count value is 0.662 smaller than t table 2.028 ( $\alpha = 0.05$ ) so it can be interpreted that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. This shows that the independent variable Debt to Equity Ratio partially did not prove to have a significant effect on the Value of the Company under study. The value of t arithmetic is -0.962 smaller than t table 2.028 ( $\alpha = 0.05$ ) so it can be interpreted that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. This shows that the independent variable Debt to Asset Ratio partially did not prove to have a significant effect on the Value of the Company under study. The value of t arithmetic is -0.9979 smaller than t table 2.028 ( $\alpha = 0.05$ ) so it can be interpreted that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. This shows that the independent variable Corporate Tax partially did not prove to have a significant effect on the Value of the Company under study. The value of t arithmetic is 0.598 smaller than t table 2.028 ( $\alpha = 0.05$ ) so it can be interpreted that H<sub>0</sub> is accepted and H<sub>a</sub> is rejected. This shows that the independent variable of Company Size is partially not proven to have a significant effect on the Value of the Company under study.

According to the picture above it is known that the direct effect of the DER variable on Q can be seen in the PYX1 pathway of 0.264, while the influence of DER through TAX on Q is the multiplication between the PX3X1 pathway with the PYX3 pathway of  $-0.142 \times -0.157 = 0.022$ . The direct effect of DER on Q is greater than the indirect effect of DER on Q through TAX ( $0.264 > 0.022$ ) so in this case the TAX variable weakens the effect of DER on Q or it can be said that the

TAX variable cannot moderate the effect of DER on Q. While the total effect is  $0.264 + 0.022 = 0.286$ .

According to the picture above it is known that the direct effect of the DAR variable on Q can be seen in the PYX2 pathway of -0.383, while the DAR effect through TAX on Q is the multiplication of the PX3X2 pathway with the PYX3 pathway of  $-0.075 \times -0.157 = 0.012$ . The direct effect of DAR on Q is greater than the indirect effect of DAR on Q through TAX ( $-0.383 > 0.012$ ) so that in this case the TAX variable weakens the effect of DAR on Q or it can be said the TAX variable cannot moderate the effect of DAR on Q. While the total effect is  $-0.383 + 0.012 = -0.371$ .

As per the picture above it is known that the direct effect of the DER variable on Q can be seen in the PYX1 pathway of 0.264, while the influence of DER through SIZE on Q is the multiplication between the PX4X1 pathway with the PYX4 pathway of  $-0.259 \times 0.096 = -0.025$ . The direct effect of DER on Q is greater than the indirect effect of DER on Q through SIZE ( $0.264 > -0.025$ ) so that in this case the SIZE variable weakens the effect of DER on Q or it can be said to be a variable. SIZE cannot moderate the effect of DER on Q. While the total effect is  $0.264 - 0.025 = 0.239$ .

According to the picture above it is known that the direct effect of the DAR variable on Q can be seen in the PYX2 pathway of -0.383, while the effect of DAR through SIZE on Q is the multiplication between the PX4X2 pathway with

the PYX4 pathway which is  $0.28 \times 0.096 = 0.027$ . The direct effect of DAR on Q is greater than the indirect effect of DAR on Q through TAX ( $-0.383 > 0.027$ ) so in this case the SIZE variable weakens the effect of DAR on Q or it can be said that SIZE variable cannot moderate the effect of DAR on Q. While the total effect is  $-0.383 + 0.027 = -0.356$ .

## Conclusion

Capital structure which is proxied by Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) has not been proven to have a direct effect on the value of the company (Q) in the consumer goods manufacturing sector in 2018 meaning information on changes in DER & DAR as can be obtained from the report finance does not affect the decision on the price of shares in the Indonesian capital market, where this also will not affect the value of the company because for companies that have gone public their firm's value will be reflected in the market value of their shares. In the Indonesian capital market, stock price movements and the creation of added value companies may be more due to psychological factors in the market. The Corporate Tax Factor (TAX) was not proven to strengthen the

indirect effect of capital structure on the value of the company (Q) manufacturing of the consumer goods sector in 2018. This could occur because of the tendency of investors to not see how much tax the company pays so it does not consider too much the amount of tax avoidance carried out by the company. Payment of tax expense is carried out in accordance with applicable income tax rates. This is responded by the market (investors) as a reason that does not affect the value of the company. Tax Factor. Company Size Factor (SIZE) has not been proven to strengthen the indirect effect of Capital Structure on the value of the company (Q) manufacturing of the consumer goods sector in 2018. Large assets without optimal management will not have significant implications on firm value. The larger the company, the greater the debt it has. Debt withdrawals by large companies should be able to get companies to get returns in the form of large assets as well. The large size of the company cannot guarantee the high value of the company, because large companies may not dare to make new investments related to expansion before their obligations are paid.

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