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Profitability or Value? Rethinking the Link in Public Companies (Literature Review)

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ABSTRACT
This study explores the relationship between profitability and firm value in public companies in Indonesia, with capital structure examined as a mediating factor. A literature-based approach was employed by synthesizing findings from national and international research, emphasizing indicators such as Return on Assets (ROA), Return on Equity (ROE), Price to Book Value (PBV), and Tobin's Q. The results reveal that profitability generally has a positive impact on firm value, yet this effect is not always consistent due to the role of capital structure. High leverage can weaken or even offset the benefits of profitability, while optimal capital structure enhances market valuation. The study provides theoretical contributions to corporate finance and practical implications for managers, investors, and policymakers.
Keywords: Profitability; Firm Value; Capital Structure; Return on Equity (ROE); Price to Book Value (PBV)

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INTRODUCTION

Profitability is the level of efficiency and effectiveness of a company's management in utilizing its resources to generate profit. Profitability, which is measured by Return on Assets (ROA) and Return on Equity (ROE), is considered a crucial indicator of company performance (Christine & Winarti, 2022). ROA reflects the efficiency of a company in using its assets to generate profit, while ROE measures how effectively the owned equity generates profit (Dewi & Suwarno, 2022). Profitability becomes an important benchmark because it illustrates the profit prospects obtained by investors as external parties and how business sustainability will take place from the internal side.

However, in several research findings, contradictions often occur. Profitability has been found to have a negative and significant effect on firm value, while firm size shows a positive and significant effect (Hapsari & Amalia, 2023). In contrast, profitability proxied using the ROE method demonstrates a positive and significant effect on firm value, whereas firm size has a negative and significant effect (Ernestine & Sufiyati, 2024). These contradictions may be influenced by industry sector, market, and geographical context in certain regions, such as the characteristics of companies in Indonesia.

For instance, the technology or infrastructure sectors may have market values that are more influenced by community growth or expectations of the future rather than the company's current profitability. Research on property companies in Indonesia indicates that there is a positive correlation between profit performance and company market capitalization (Khalifaturofi'ah & Setiawan, 2024). However, the panel model results emphasize that the degree of this influence is contingent; it is not absolute but depends on moderating variables such as sector characteristics and company size.

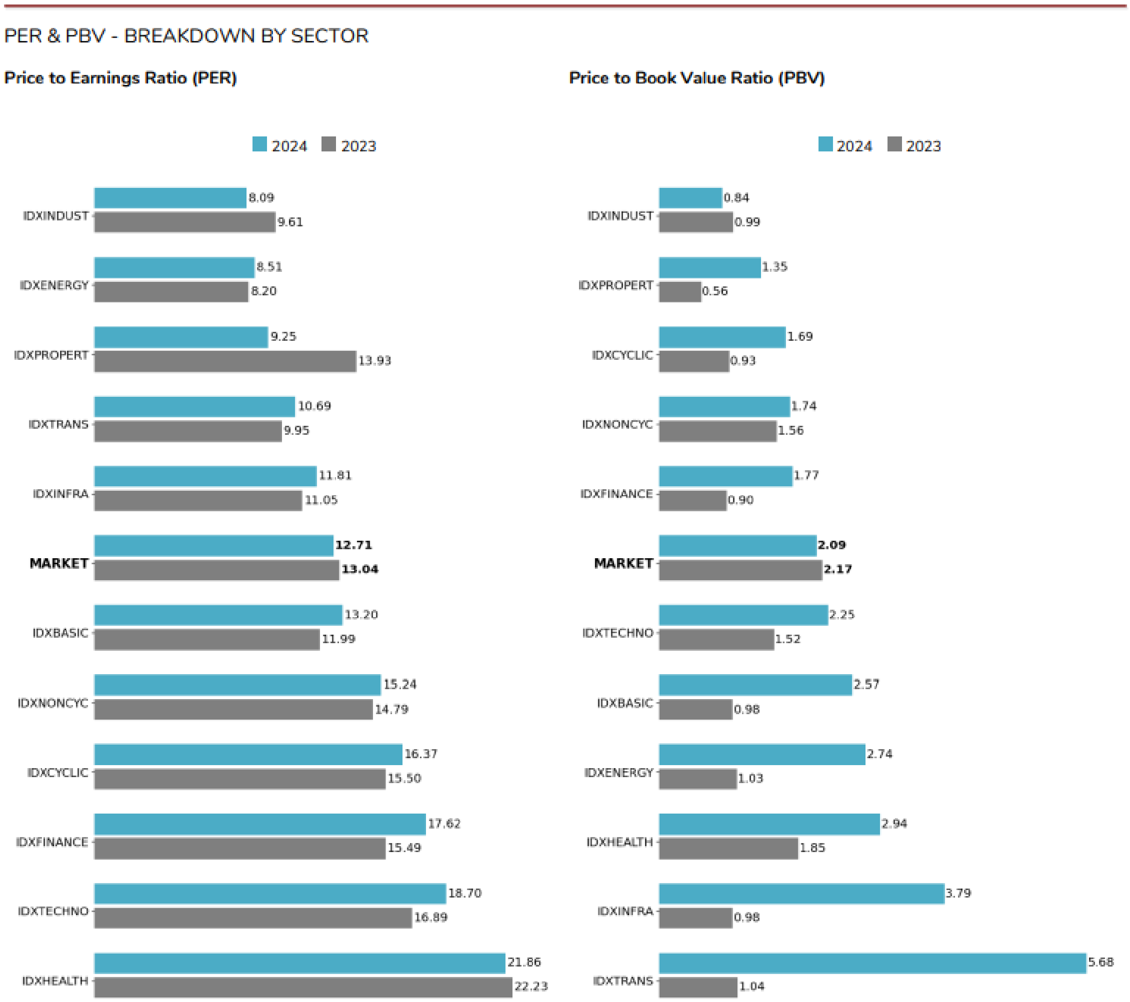

Image 1. Breakdown of PER and PBV by Sector
Source: Bursa Efek Indonesia, 2024

Global and Indonesian research trends highlight the need to understand how profitability affects firm value by considering balancing variables such as capital structure, analyzing determinants of company profitability, or examining corporate social responsibility (CSR) budgets. Local and global comparisons also underline the existence of a research gap and conflicting results, which make further studies on profitability and firm value necessary.

The relationship between profitability and firm value in Indonesia is likely to deviate from findings in developed countries due to local capital market factors. These include stock price volatility, market liquidity, institutional and regulatory influences, and the level of information disclosure applicable in Indonesia. Differences in market characteristics between developed countries and emerging markets, such as Indonesia, create a substantial research gap. This research gap opens opportunities to test how valid and relevant studies conducted in public listed markets are when applied to conditions in emerging markets.

This study aims to analyze the relationship between profitability and firm value in public companies in Indonesia, both directly and indirectly. Specifically, the study intends to investigate the extent to which profitability, when proxied through Return on Assets (ROA) and Return on Equity (ROE), affects firm value measured by Price to Book Value (PBV) and Tobin's Q. Furthermore, the research seeks to examine whether capital structure acts as a mediating factor influencing the strength of the relationship between company performance and its market value. The study also incorporates control variables such as firm size, sales growth, profit volatility, and industry sector characteristics to provide a more comprehensive analysis.

Theoretically, this research is expected to contribute to the development of corporate finance literature by sharpening the understanding of the mechanism of how profitability affects firm market value, especially by including capital structure as a mediating variable. In addition, this study re-evaluates the validity of financial principles such as signaling theory, trade-off theory, and Modigliani and Miller's theory in the context of public companies listed on the Indonesia Stock Exchange. Hence, the findings can expand academic knowledge and strengthen empirical evidence that supports or challenges existing theoretical premises.

Practically, this research offers significant benefits for all stakeholders in capital market activities. For company management, the findings can serve as a reference in formulating effective debt and equity strategies, with the ultimate goal of strengthening market capitalization. For investors, this research can provide insights into whether an increase in profitability correlates with higher market value, as reflected through stock prices or valuation ratios. For stock exchange regulatory authorities, the results can contribute data to support policies that encourage information disclosure and market efficiency, thereby fostering greater public trust in issuers on the Indonesia Stock Exchange.

THEORETICAL BACKGROUND

Signaling Theory

Signaling theory states that a high level of profit in financial statements will be a positive signal for investors about the performance and prospects of the company, thus encouraging market expansion and an increase in firm value. Signaling theory bridges the communication between internal stakeholders of the company, represented by financial management, and external stakeholders, namely investors or the public (Elwisam et al., 2024). This signaling activity can occur when the party that has the information can send a signal to the party that needs it, namely, investors. Then, the investors will assess whether this information can have a good or bad impact on the company. Signaling theory connects profits and firm value (Setyawan & Ghozali, 2024). If profits increase, investors will have more confidence in the company's financial decisions.

Modigliani-Miller (MM) Theory

The Modigliani and Miller theory in 1958 revealed that in the capital market, financing structure decisions are irrelevant to the determination of a company's cost of capital (Lau, 2022). The original Modigliani-Miller (MM), which applies under conditions without taxes, emphasizes that in a perfect capital market, a company's capital structure does not affect the overall value of the firm. However, when the tax shield is taken into account, the use of debt can increase firm value because interest expenses can reduce the tax burden and lower the company's taxable income. This theory also assumes a perfect capital market, no bankruptcy costs, no information asymmetry, and so on, which in reality are not always met. This theory is often combined with or compared to trade-off theory or pecking order theory.

Trade-Off Theory

Trade-off explains that a high level of debt can be considered positive if stock prices and firm value experience a significant increase. A large amount of debt will minimize taxes and illustrate how an optimal capital structure can be achieved. In certain conditions, the use of debt can provide benefits for the company. This makes management and shareholders prefer to utilize debt financing, even though the company may still have internal funding sources available (Octavia, 2024). If a company incurs debt, the benefits of tax savings obtained will be greater than the costs related to the possibility of default. Based on research (Garnadi, Halim, & Indrawati, 2023), it was found that lagged leverage and tangibility have a positive effect on the formation of corporate capital structure. This result is in line with the Trade-Off Theory, which states that companies will balance the benefits of using debt, such as tax savings (tax shield), with the costs incurred due to bankruptcy risk. The findings regarding the positive influence of tangibility and lagged leverage reflect that tangible assets can be used as collateral, thereby increasing the company's tendency to borrow.

Price to Book Value (PBV)

Firm value is often measured using Price to Book Value (PBV) and Tobin's Q. Price to Book Value is a method applied to obtain the fair stock price so that it can be analyzed whether the stock can be classified as undervalued, overvalued, or fair valued, which then allows investors to make decisions whether they need to invest their capital in the company or not (Sutrismi, Minarni, Sisdiyantoro, & Defilatifah, 2023). Firm value is important as an indicator of the success of business strategies and financial performance. Companies that have promising investment value prospects are considered to have healthy performance and growth potential, thus encouraging an increase in firm value on an ongoing basis (Larasati & Nugroho, 2024). The Price to Book Value indicator can be calculated using the following formula,

$$PBV : \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$$

A stock is categorized as undervalued if its market price is below the company's book value (Savira & Ferdian, 2024). Conversely, a stock is considered overvalued if its market price is higher than its book value. The provisions can be concluded based on (Dharma, Atila, & Nasution, 2023):

- PBV > 1, the stock price is greater than the book value (overvalued)
- PBV = 1, the stock price is equal to the company's book value (fair value)
- PBV < 1, the stock price is lower than its book value (undervalued)

Tobin's Q Ratio

Tobin's Q was first introduced by James Tobin in 1969, explaining the ratio of a company's market value to the replacement cost of its assets. This metric ratio is important in the financial world to reassess a company's value and investment opportunities (Tharavanij, 2024). The decision to use Tobin's Q ratio is considered more reasonable or rational because it also takes into account liability elements in its calculation. This ratio includes all elements of the company's debt and equity, so the calculation is not only focused on shareholders but also on creditors. Tobin's Q is usually used when assessing a company in relation to investment decisions. The formula for calculating Tobin's Q ratio is as follows:

$$Tobin's\ Q = \frac{(Market\ Value\ of\ Equity\ +\ Total\ Debt)}{Total\ Assets}$$

The calculation of Tobin's Q is based on three main conditions that reflect a company's investment prospects and growth (Ana & Wibowo, 2024):

- Tobin's Q < 1: Indicates that the company's value is too low (undervalued) in the eyes of the market, implying low or limited investment growth potential.
- Tobin's Q > 1: Indicates that the company's value is too high (overvalued), showing that the company has high potential for future investment growth.
- Tobin's Q = 1: Indicates an average value condition, where investment growth potential tends to be stagnant or does not experience significant development.

The Effect of Profitability on Firm Value

Profitability is a comparative value or ratio used to analyze the extent of a company's ability to generate profit. This ratio is often used as a primary reference by investors because it reflects the efficiency level of resource management as well as future performance prospects. Companies with high profits indicate positive performance and represent promising business potential for long-term sustainability (Utami & Widati, 2022). Investors use strong company performance as a signal to place their money; when business prospects appear bright and convincing, capital will flow in from investors who, in return, expect profit sharing generated by the company's growth (Sihombing, Pranata, & Kwee, 2024). In financial studies, profitability is generally measured through indicators such as ROA (Return on Assets) and ROE (Return on Equity), considered as benchmarks of a company's ability to generate profits from the assets and equity used. Several studies have found a positive relationship between profitability and firm value.

For example, research on issuers listed on the Jakarta Islamic Index (JII) during 2015–2020 shows that ROA, ROE, NPM, and GPM contribute to increasing firm value as proxied by Tobin's Q (Jonnius & Marsudi, 2021). Similarly, the pace of business growth and the company's ability to consistently generate profits show a direct relationship with the increase in firm value (Sudiyatno, Puspitasari, Nurhayati, & Rijanti, 2021). However, the relationship between firm value and two factors, namely liquidity and company operating scale, is not mediated by profitability. Instead, the effect of debt-based capital structure (leverage) on firm value is explained through the role of the level of profit generated (Inrawan & Lie, 2024). The gap in research conclusions shows that the extent to which company profits affect market price is a function of various conditions.

Indirect Effect Through Capital Structure

Capital structure is very crucial because it is related to the company's financial standing. The magnitude of capital structure can be used to maximize operational activities in order to achieve high profits by using debt financing (Adityaputra & Perdana, 2024). Although not directly influential, company profitability also involves capital structure as a mediating variable. The composition of company funding, such as the ratio of debt to equity or Debt to Equity Ratio (DER), is explained through considerations of several aspects. These aspects include tax benefits arising from interest payments, financial distress risk, and the existence of conflicts of interest. Several studies have tested the mediating role of capital structure through funding and profit allocation decisions on firm value, producing various results.

For example, capital structure and funding decisions have been shown to have a positive and significant effect on firm value (Parulian & Syahwildan, 2023). Similarly, companies may consider the indirect path through funding structure toward profits as a way to enhance firm value (Santosa, Atahau, & Martono, 2022). Conceptually, when a corporation's profit level is high, management tends to seek less external financing (loans or debt) and prefers to rely on internally generated funds (retained earnings). According to the Pecking Order Theory, this indicates that profitability tends to reduce the demand for debt. If debt usage is minimal, the leverage effect on business entity valuation may not be significant. On the other hand, if a company strategically chooses to use debt, employing an ideal debt ratio has the potential to increase firm value due to tax reductions arising from interest payments (tax shield).

METHODS

This research uses a type of literature study (library research) in which all the analyzed data are obtained from previous studies that are relevant to the theme of profitability and firm value. This method is chosen because it allows researchers to explore and examine various empirical findings and existing theories without having to collect primary data, thus being more efficient in terms of time and resources (Ulantari, Wardi, & Ilham, 2023). The advantage of literature studies also lies in their ability to reach a broad scope both in national and international contexts, allowing the identification of trends, research gaps, as well as contradictions between studies that may not be visible if relying on only one study (Fadillah, Harimurti, & Sarwono, 2024a). With this method, researchers can build a strong theoretical foundation, strengthen arguments from the basic theory side, and provide a critical view of previous findings.

The data analysis technique used in this research is narrative and descriptive synthesis. Narrative synthesis means that the findings from previous studies are summarized in the form of descriptions that illustrate general patterns, similarities, and differences between studies, especially those concerning profitability variables such as ROA and ROE, and firm value variables such as PBV and Tobin’s Q. In addition, this research also uses thematic categories so that the analysis becomes more systematic and facilitates comparisons among groups of studies; for example, national vs international studies, consistent results vs studies with contradictory results, as well as studies that find a direct effect compared to those that find an indirect effect through intervening variables such as capital structure or industry/market conditions (Ulantari et al., 2023). With this approach, it is expected that data synthesis will not only be a catalog of findings but also be able to interpret contextual differences and explain the factors causing variation in research results. Literature selection is carried out based on clear inclusion and exclusion criteria, covering aspects of topic relevance, methodological quality, year of publication, and indexed journal sources, then data is extracted by taking important information from each study and classified according to the themes that have been determined before the final synthesis is carried out (Sari, 2021).

RESULTS AND DISCUSSION

Results

This section presents the results of a synthesis of previous studies examining the influence of capital structure and profitability on firm value in public companies. The review process was conducted by identifying research works that employ various samples, research periods, analytical methods, and measurement variables. Instead of presenting the findings in a tabular format, this study transforms the literature review into a descriptive narrative that explains the main trends and key differences across research contexts. Such an approach enables readers to capture not only the statistical outcomes but also the underlying methodological approaches and assumptions that shape the results. In addition, the descriptive form provides a more fluid explanation of how different studies are connected and where their conclusions diverge.

The synthesis reveals that there is no absolute consensus regarding the relationship between capital structure, profitability, and firm value. Some studies report a positive and significant effect of profitability on firm value, suggesting that higher returns are consistently rewarded by the market, as indicated in the findings of Wijayaningsih and Yulianto (2022). On the other hand, other studies highlight different or even contradictory results, often shaped by the role of control variables, industry-specific characteristics, and the choice of analytical model. These inconsistencies emphasize the importance of situating findings within their research context and considering moderating factors such as firm size, leverage ratio, or market conditions. Therefore, the descriptive literature synthesis serves as a more nuanced foundation for further discussion, enabling this study to analyze not only whether the relationship exists but also under what conditions it becomes stronger, weaker, or even insignificant.

The study conducted by Gultom, Karamoy, and Rondonuwu (2022) investigated the relationship between capital structure, profitability, and firm value in non-cyclical consumer companies listed on the Indonesia Stock Exchange during the period 2016 to 2020. Using a quantitative descriptive approach with purposive sampling and multiple linear regression analysis, the research measured capital structure with the Debt to Equity Ratio (DER), profitability with Return on Equity (ROE), and firm value with Price to Book Value (PBV). The findings revealed that capital structure hurt firm value, while profitability exerted a positive influence, highlighting the dual role of financial management in shaping corporate valuation (Gultom, Karamoy, & Rondonuwu, 2022).

Mubyarto (2020) examined the influence of profitability on firm value by considering capital structure as a mediating variable, based on panel data from 44 companies listed in the LQ45 index during the period 2015 to 2018. Using path analysis along with Sobel and Bootstrapping tests for significance, the study explored both the direct and indirect effects of profitability. The results demonstrated that profitability positively influenced firm value directly, whereas the indirect effect through capital structure was negative. This emphasizes the critical role of maintaining an optimal capital structure to maximize firm value (Mubyarto, 2020).

Research by Fadillah, Harimurti, and Sarwono (2024) focused on the food and beverage sector companies listed on the IDX for the period 2022 to 2024. Employing a quantitative approach, the study analyzed secondary financial data from ten selected firms using descriptive statistics, classical assumption tests, simple and multiple linear regression, as well as hypothesis testing. The findings indicated that profitability significantly enhanced firm value, while capital structure did not have a meaningful effect. These results suggest that in the food and beverage industry, internal profitability performance plays a more dominant role in determining firm value than capital structure decisions (Fadillah, Harimurti, & Sarwono, 2024b).

The study by Akhmadi and Januarsi (2021) explored the impact of profitability, capital structure, and dividend policy on firm value among Indonesian Sustainable and Responsible Investment (SRI)-KEHATI listed companies, particularly within the non-cyclical consumer sector. Using purposive sampling of 34 firms and applying multiple linear regression in a quantitative descriptive framework, the study measured capital structure through the Debt to Equity Ratio (DER), profitability through Return on Equity (ROE), and firm value through Price to Book Value (PBV). The results revealed that capital structure negatively influenced firm value, whereas profitability had a positive impact, underscoring the importance of profitability as a driver of corporate valuation in sustainable investment contexts (Akhmadi & Januarsi, 2021).

Finally, the research by Wulandari and Honggowati (2023) assessed the effect of capital structure on the financial performance of the ten largest banking enterprises in ASEAN between 2017 and 2021. Utilizing panel data regression analysis and a quantitative descriptive methodology, the study incorporated both descriptive and inferential statistics. The findings highlighted that leverage negatively affected return on assets (ROA) but positively affected return on equity (ROE) and Tobin's Q. Furthermore, the debt-to-equity ratio (DER) showed no effect on ROA and had a negative effect on ROE, while collateralizable assets (CA) positively influenced ROA and ROE but did not significantly impact Tobin's Q. These results illustrate the nuanced role of capital structure components in shaping banking performance within ASEAN (Wulandari & Honggowati, 2023).

Based on the reviewed literature, several important findings can be identified. First, the majority of studies confirm that profitability generally exerts a positive influence on firm value. This finding supports the idea that higher profitability reflects efficient management of resources, increases investor confidence, and ultimately enhances market valuation. Second, the effect of capital structure on firm value appears to be more diverse and context-dependent. Some studies indicate that leverage has a negative impact, particularly in industries with high operational risks such as the non-cyclical consumer sector in the IDX during 2016–2020, where excessive debt exposure tends to increase financial risk and reduce firm valuation. Other research, however, shows that the effect of capital structure can be insignificant or even positive under specific circumstances, such as when firms are able to optimize the use of debt to benefit from tax shields or when market conditions are stable.

Discussion

Profitability, represented through indicators such as Return on Assets (ROA) and Return on Equity (ROE), is widely recognized as a crucial determinant of firm value because it reflects the efficiency of operations and the company's capacity to generate sustainable earnings. High profitability is generally interpreted by investors as a positive market signal, as it demonstrates the firm's ability to manage resources effectively, optimize asset utilization, and convert invested capital into substantial returns. From the perspective of Signaling Theory, firms with consistently high profitability convey a credible signal of financial health, lower business risk, and stronger growth prospects in the future. This, in turn, enhances investor confidence and increases demand for the company's shares, thereby driving up stock prices. Furthermore, profitability not only serves as a performance indicator but also plays a strategic role in influencing corporate decisions, such as dividend policy, reinvestment, and capital structure, all of which ultimately contribute to shaping long-term firm value.

Nevertheless, evidence from local studies also shows that profitability alone does not always provide the maximum positive influence on firm value when capital structure is taken into account. The study "The Influence of Profitability on Firm Value with Capital Structure as The Mediator" by Novi Mubyarto (2020) states that profitability has a direct positive and significant effect on firm value, but the indirect effect through capital structure (mediator) turns out to be negative and significant (Mubyarto, 2020). This means that even though high profitability sends a good signal, if a company has a less optimal capital structure, such as a high level of leverage and large interest expenses, it can weaken or even reduce the profitability signal.

The Trade-Off Theory states that the use of debt (leverage) provides benefits such as a tax shield, but also creates bankruptcy risk and high financial costs if the debt burden exceeds the company's ability to manage its obligations (Olbert, 2024). In this context, even though a company generates substantial profits, a high level of debt accompanied by significant interest expenses can lead investors to downgrade their valuation of the firm due to the potential risks of financial distress in the future. This illustrates the delicate balance that companies must maintain between taking advantage of debt-related benefits and avoiding the long-term consequences of excessive leverage. Therefore, the effectiveness of debt financing is not determined solely by the level of profitability, but also by how well a company can manage its capital structure in relation to its overall financial strategy.

A comparison between local contexts and global studies further shows that although signaling theory and trade-off theory are widely applicable across different economies, empirical findings often vary depending on market environments, regulatory frameworks, and firm-specific characteristics in each country. In developed markets, debt may be more effectively utilized due to stronger investor confidence, stable regulatory systems, and greater transparency, which reduce uncertainty. Conversely, in emerging markets such as Indonesia, higher volatility, limited information disclosure, and fluctuating investor sentiment may weaken the theoretical benefits of debt usage. These contextual differences highlight the importance of adapting corporate financial strategies to local conditions while still drawing insights from global theoretical frameworks.

In Indonesia, numerous studies in sectors such as property, consumer goods, and real estate consistently highlight that profitability tends to have a positive effect on firm value. This relationship indicates that investors generally respond favorably to higher profit levels, as they are seen as signals of operational efficiency and long-term growth prospects. Nevertheless, the role of capital structure as a mediating variable is often less straightforward. Several empirical findings reveal that the mediating effect of capital structure is weak or even insignificant, suggesting that the influence of profitability on firm value does not always pass through leverage. In some cases, the effect can even turn negative, particularly when companies accumulate excessive debt that creates concerns over liquidity and repayment capacity. Such findings underscore that the Indonesian context, with its unique financial market dynamics, requires a careful analysis of the balance between profitability and financing decisions.

Another example from local research further demonstrates the complexity of this relationship. A study conducted on Indonesian companies shows that profitability does not always significantly influence capital structure, and in turn, capital structure does not consistently mediate the relationship between profitability and firm value (Jonathan, Lumbantobing, & Tampubolon, 2024). This implies that the connection between the three variables; profitability, capital structure, and firm value is not linear, but highly dependent on external market conditions, company characteristics, and managerial decision-making. It also reflects the possibility that Indonesian firms rely less on theoretical models of capital structure and more on pragmatic considerations, such as the accessibility of bank loans, investor sentiment, or government policies, which shape financing decisions in ways that deviate from international patterns.

In many international studies, the situation tends to differ due to stronger institutional frameworks. Research evidence shows that countries with clear tax regulations, mature financial markets, and transparent financial reporting systems are more capable of appreciating profitability signals. Under such conditions, firms are better positioned to design optimal capital structures, where the use of leverage is not merely a financial necessity but a strategic tool that supports long-term growth. Debt in these contexts often plays a positive role because its tax benefits can be realized more effectively, while the risks of financial distress are mitigated by stable legal and regulatory environments. This creates a climate where profitability and leverage work in synergy to enhance firm value, thereby validating both the signaling theory and trade-off theory in developed markets.

However, empirical evidence also reveals that even in advanced economies, the influence of profitability on firm value is not immune to external shocks. During periods of economic crises, financial instability, or sharp market fluctuations, the positive effect of profitability may weaken or even reverse. Industries that are particularly sensitive to debt such as banking, aviation, or infrastructure may experience heightened investor caution, as high leverage in volatile times increases the risk of default and reduces confidence in future earnings. Consequently, the same capital structure that enhances firm value in stable times may become a liability in turbulent conditions. These variations demonstrate that while general theoretical frameworks are useful, empirical results must always be contextualized within the prevailing economic and industry environments.

CONCLUSION

Based on the results of the literature review, the majority of studies show that profitability has a positive influence on firm value because it is perceived by investors as a signal of efficiency and good growth prospects. Nevertheless, this influence is not always linear since it can be mediated or moderated by capital structure. In several studies, high leverage weakens the positive impact of profitability, meaning that firms with large profits but excessive debt burdens are not always valued more highly by the market. This underlines the importance of managing an optimal capital structure so that profitability signals are truly reflected in the increase of firm value.

This study still has limitations, particularly because it relies solely on secondary sources, making the results dependent on the scope and quality of previous research. Variations in methods, observation periods, and indicators used, such as PBV, Tobin's Q, ROA, and ROE, generate differences in findings that are difficult to compare directly. In addition, there are still a few studies that consistently take into account external factors such as macroeconomic conditions, tax regulations, interest rates, and governance characteristics, all of which can influence the relationship between profitability and firm value.

From a practical perspective, these findings provide important implications for corporate management to continuously improve profitability through operational efficiency, innovation, and sustainable growth strategies, while maintaining a healthy capital structure to avoid reducing market perception. Investors are also reminded to consider the balance between profitability and capital structure in making investment decisions. Meanwhile, for future research, it is recommended to use a more comprehensive approach by including macroeconomic variables, corporate governance, and inter-industry differences, as well as applying more robust analytical methods such as structural equation modeling or dynamic panel to gain deeper insights into the relationship between profitability, capital structure, and firm value.

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