

The Effect of Capital Structure, Liquidity, and Firm Size on Company Value with Profitability as an Intervening Variable

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Abstract: The purpose of this research is to analyze and obtain empirical evidence of the influence of capital structure, liquidity, and firm size on firm value with profitability as an intervening variable. The population in this study are manufacturing companies in the food and beverage sub-sector that are listed on the Indonesia Stock Exchange in 2018-2022, with a total sample of 24 companies and using a purposive sampling method. Furthermore, data were collected quantitatively using multiple regression using Stata 14.2 software. This study shows that capital structure has a significant negative effect on profitability, liquidity has a positive and insignificant effect on profitability, and firm size has a positive and significant effect on profitability. Capital structure has a positive and significant effect on firm value, liquidity has a negative and significant effect on firm value and firm size has a negative and insignificant effect on firm value. Capital structure has a negative and significant effect on firm value through profitability, liquidity has a positive and insignificant effect on firm value through profitability and firm size has a positive and significant effect on firm value through profitability.

Keywords: Capital Structure, Firm Size, Liquidity, Profitability Firm Value

A. Introduction

Company optimization can be achieved with good governance and implementation of the financial management function. A financial decision made can affect the value of the company. The higher the value of the company, the company will be viewed favorably by investors. Firm value is a crucial factor for investors, because firm value is an indicator of how the market values the company as a whole. Firm value is an illustration for potential investors to assess a company's position. (Ardiana & Chabachib, 2018) states that firm value can be likened to the price that potential investors are willing to pay if a company is to be sold. The value of the company can be seen through the price of shares owned by a company. If the stock price is high then the value of the company will increase and vice versa, if the stock price is low then the value of the company will also decrease. Firm value can be seen in several ways such as Price Earnings Ratio (PER), Price to Book Value (PBV), and Earning Per Share (EPS). In this study, the firm value indicator is proxied by Price to Book Value (PBV). PBV is a ratio that compares stock prices to book values so that it illustrates how much the market appreciates the book value of a company's shares.

The PBV ratio was chosen because according to (Adita & Mawardi, 2018) the advantage of using the PBV ratio in measuring firm value is that the PBV ratio is relatively stable in representing the fair price value of shares, because it is calculated based on company equity where when the company is able to create profits, its value will also increase. PBV ratios can be compared between companies which can finally provide a signal whether the company's value is over (overvalued) or under (undervalued). A high PBV ratio shows the prosperity of shareholders, so that it can increase the valuation by investors of a company for the long term. An increase in the value of the company in the eyes of investors can affect the stock price in the next period. (Daries et al., 2021) states that a PBV ratio above one (> 1) indicates a stock market value that is greater than the book value of a company, in other words a company that has a PBV ratio above one illustrates that the company is running well.

The development of the value of manufacturing companies, which is proxied by Price to Book Value (PBV), is used to see how high the stock price is in the capital market because the higher the stock price in the capital market, the higher the value of the company. Changes that vary in the value of the company for each year in all manufacturing sub-sectors experience fluctuations. A company is said to be good, if the firm value is more than 1.00 because the higher the PBV value, the higher the stock return. The higher the stock return, it will increase the company's income. The food and beverage sub-sector shows a higher average firm value compared to other companies, which means that the company's value is said to be good in the 2018-2022 period and has fluctuated. So the researcher is interested in researching this sub-sector. Given that the main goal of a company is to make a profit which will then have a domino effect for a company. So it takes good management of financial performance to carry out its business activities. Thus investors can be interested in current income and hope to get more profits in the future.

Company performance can be measured through financial ratios. Companies that have registered on the Indonesia Stock Exchange will provide information regarding financial performance to the public, both as investors and potential investors to be taken into consideration in determining investment. (Isti'adah, 2015), (Rendy & Suhendah, 2020) explains that the company's goal is to earn profits while the long-term goal is to provide prosperity for company owners and maximize firm value which can be seen through share prices, where an increase in share prices will encourage an increase in firm value. Profit is the main goal, therefore in conducting ratio analysis information regarding performance appraisal can be used, namely looking at the profit/loss of a company. Capital structure is considered to affect the value of a company. Capital structure is the proportion of funding used by a company, where usually a company uses internal and external funding. Internal funding can be in the form of equity owned and external funding comes from debt.

According to (Limbong & Chabachib, 2016) states that funding decisions can cause financial disruption which will reduce the level of profitability and have an impact on decreasing firm value if funding decisions are taken carelessly. Therefore, management must really consider all the risks of the decisions to be chosen and estimate the company's ability to pay its debts. In this study to measure the capital

structure is proxied by the Debt-to-Equity Ratio (DER). DER is often used by investors in measuring the amount of debt owned and compared with the assets owned by a company. The higher the DER owned means the company has a higher risk, because more company funding is financed by debt. According to (Winarno et al., 2015) the use of debt in a stable economic situation will provide greater benefits than the interest costs that must be paid, but in an abnormal situation the use of debt will burden the company with a fixed burden, which has an impact on financial position. According to (Hasanudin, 2022) , the high debt gives a bad signal to investors so that investors are reluctant to buy the company's shares. Another factor that has an influence on firm value is liquidity. Liquidity is the ability possessed by a company to pay its financial obligations. (Octaviany et al., 2019) argues that liquidity is a company's ability to pay debts that are due. Meanwhile (Hamidy et al., 2015) states that liquidity is the relationship between cash and current assets with the current liabilities of a company. Liquidity of a company can affect the financial position which can have an impact on the ability of a company to obtain profitability. The more liquid the company will be followed by a high level of trust in creditors and investors to provide capital to the company so that it can increase the value of the company.

According to (Anisqe Adita & Wisnu Mawardi, 2018) suggests that from the creditor's point of view, the higher the level of liquidity owned by the company, the creditor assumes that the company is able to pay its short-term obligations in a timely manner. Meanwhile, according to (Balqish, 2020) suggests that the higher the liabilities owned by a company, the negative impact it will have, because the company can lose opportunities to gain profitability because cash is an idle fund, besides that cash held can also reduce the effect of tax imposition. In this study the liquidity ratio is proxied by the Current Ratio (CR). Current ratio is obtained by comparing the company's current assets with current liabilities. Thus, CR can show the relationship between current assets and current liabilities of a company. The greater the CR owned; it will show the ability of a company to meet its operational needs.

Profitability is excellent for investors, because the greater the profit a company gets, the greater the rate of return they receive. Profitability can be seen by Net Profit Margin (NPM), Return on Assets Ratio (ROA), Return on Equity (ROE), Return on Sales (ROS), Return on Investment (ROI), Earning per Share (EPS) and other ratios. In this study, measuring the profitability of a company is proxied by Return on Equity (ROE). According to (Kusuma, 2020) it is used to make comparisons between companies by looking at companies that generate higher profits compared to other companies based on the book value of shareholders. ROE is a calculation of the company's income to the capital invested by the company's owners (investors). ROE can show the company's success in managing its capital so that the level of profit can be measured from the investment of capital owners or company shareholders. (Mulyana et al., 2018), (Sukarya & Baskara, 2019) that ROE is a measure of the ability of a company to obtain profits available to investors.

A company will look good if it is able to benefit from its business processes, the high profit earned will have an impact on increasing the value of the company so that it can attract investors to buy the company's shares. Profit for a company is something

that must get the attention of company management in order to maximize existing resources and reduce the risks it has. This research was conducted at manufacturing sector companies listed on the Indonesia Stock Exchange (IDX). Manufacturing companies are companies that manage raw goods into finished goods and can increase selling prices. The manufacturing sector is considered to have the largest number of companies compared to other sectors listed on the IDX. The manufacturing sector also has a broad reach among consumers, making the manufacturing sector the main driving force for trade. In addition, the manufacturing sector can be said to be a support for Indonesia's Gross Domestic Product (GDP), the Ministry of Industry announced that, based on data released by the United Nations Statistics Division in 2016, Indonesia was ranked fourth in the world out of 15 countries whose manufacturing industry contributed more than 10 percent to the Gross Domestic Product (GDP). The Indonesian industrial sector is able to contribute up to 22 percent of GDP, this figure is the largest after South Korea (29 percent), China (27 percent) and Germany (23 percent). According to (Veronica & Viriany, 2020) companies operating in the manufacturing sector can increase GDP due to the government's need for infrastructure development in one country and the needs of an increasingly diverse society.

The food and beverage sub-sector are a strategic sector for the Indonesian nation because it plays a role in providing food for the community as well as an industrial sector that is exported. Even in Law No. 3 of 2014 concerning Industry and Presidential Regulation No. 28 of 2008 concerning National Industrial Policy, recognizing the existence of the food and beverage industry as the main pillar of the national industry makes it an important contribution to the national economy because Indonesia is actually superior in natural resources, most of which are the raw materials for this industry. Based on previous studies, it was found inconsistent with the results of research regarding the effect of capital structure, liquidity, and firm size on firm value. The relationship between variables in this study has been tested by previous researchers and has had different results.

B. Methods

The research method used in this study is quantitative analysis using panel data. Quantitative data is data expressed in the form of numbers. Panel data is a combination of time series data and cross-section data, which includes several research subjects within a certain period of time. The type of data used is secondary data, which is obtained from financial reports and annual reports of food and beverage sub-sector manufacturing companies obtained from the Indonesian Stock Exchange website and 28 listed food and beverage sub-sector manufacturing companies. Data collection was carried out using the documentation method, which collected data from various literature and company financial reports published by the Indonesia Stock Exchange through www.idx.co.id. The data used is the annual data of manufacturing companies in the food and beverage sub-sector which includes capital structure, liquidity, firm size, profitability, and firm value.

The population in this study are all food and beverage sub-sector manufacturing companies operating in Indonesia and listed on the Indonesia Stock Exchange during the 2018-2023 research period. Samples were taken using a purposive sampling method, namely by using certain criteria such as companies that are registered and publish annual financial reports during the study period, and present data consistently in financial reports in rupiah (Rp). The data analysis method used is linear regression analysis and Structural Equation Modeling (SEM). Linear regression analysis is used to determine the relationship between the independent variable (independent) and the dependent variable (dependent). SEM is a multivariate analysis technique involving indicators on a variable and a structural model. SEM allows the analysis of a series of relationships simultaneously, which provides statistical efficiency. By using the documentation method and panel data, as well as linear regression analysis and SEM, this research is expected to provide an in-depth understanding of the relationship between capital structure, liquidity, firm size, profitability, and firm value in manufacturing companies in the food and beverage sub-sector in Indonesia during the 2018-2023 research period. The results of this study can be useful for decision makers and other researchers who are interested in the same field.

C. Results and Discussion

Table 1. Path Diagram Results

Standardized	Coef.	OIM Std. Err.	z	P> z	[95% Conf.	Interval]
StructuralROE <-						
DER	-.2299834	.1082255	-2.13	0.034	-.4421014	-.0178653
CR	.1840296	.1073599	1.71	0.087	-.0263919	.3944511
SIZE	.3115966	.0740749	4.21	0.000	.1664125	.4567807
_cons	-5.185232	1.543414	-3.36	0.001	-8.210268	-2.160196
PBV <-						
ROE	.7509066	.0678865	11.06	0.000	.6178514	.8839618
DER	.2261092	.0995235	2.27	0.023	.0310467	.4211717
CR	-.2487144	.0972166	-2.56	0.011	-.4392553	-.0581735
SIZE	-.0207736	.0755122	-0.28	0.783	-.1687749	.1272276
_cons	1.538274	1.529215	1.01	0.314	-1.458931	4.53548
var(e.ROE)	.6902493	.064478			.5747684	.8289322
var(e.PBV)	.5587013	.0676576			.4406572	.7083673

Source: Results of Data Processing, *Output STATA 14.2 (2023)*

Based on Table 1 using standardized coefficients, 2 (two) regression equations can be made as follows:

Return on Equity (ROE) equation substructure:

Coefficient values are used to determine the influence and significance of the variable Debt to Equity Ratio (DER), Current Ratio (CR), and Size on Return on Equity (ROE) and to formulate the regression equation, so we get the following equation:
 $ROE = -5.185232 - 0.2299834DER + 0.1840296CR + 0.3115966Size + e_1$.

Substructure of the Price to Book Value (PBV) equation:

Coefficients are used to determine the influence and significance of the Debt-to-Equity Ratio (DER), Current Ratio (CR), and Size and Return on Equity (ROE) variables on Price to Book Value (PBV) and to formulate the regression equation. so, the following equation is obtained:
 $PBV = 1.538274 + 0.2261092DER - 0.2487144CR - 0.0207736Size + 0.7509066ROE + e_2$

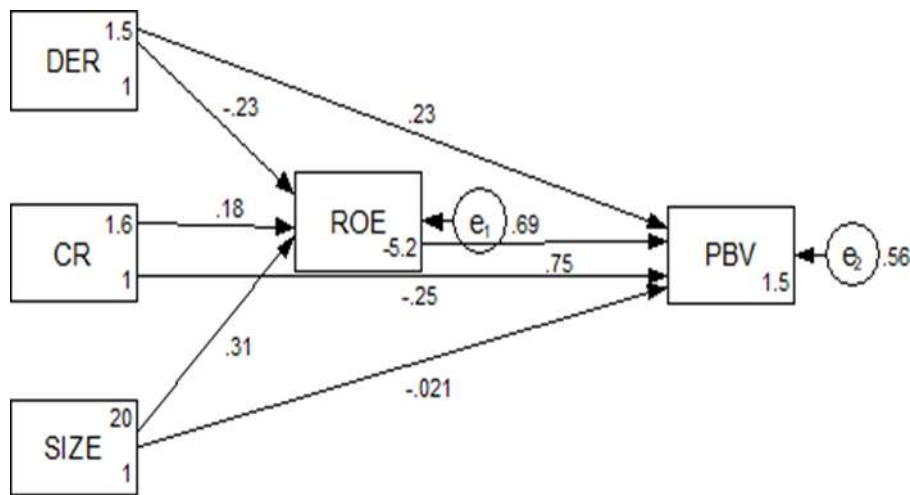


Figure 1. Path Diagram

Hypothesis Testing 1

H1: Debt to Equity Ratio has a negative effect on Return on Equity in Manufacturing Companies in the food and beverage sub-sector on the Indonesia Stock Exchange for the 2018-2022 period. The test results show that the Debt-to-Equity Ratio has a negative and significant effect on Return on Equity, with a path coefficient value of -0.033919 and with a probability $p = 0.037 < 0.05$. Thus Hypothesis 1 is accepted.

Hypothesis Testing 2

H2: Current Ratio has a positive effect on Return on Equity in Manufacturing Companies in the food and beverage sub-sector on the Indonesia Stock Exchange for the 2018-2022 Period (X2 → Z). Test results show that the Current Ratio has a positive and insignificant effect on Return on Equity, with a path coefficient value of 0.0121558 and with a probability $p = 0.090 > 0.05$. Thus Hypothesis 2 is rejected.

Hypothesis Testing 3

H3: Size has a positive effect on Return on Equity in Manufacturing Companies in the food and beverage sub-sector on the Indonesia Stock Exchange for the 2018-2022 Period ($X_3 \rightarrow Z$). The test results show that Size has a positive and significant effect on Return on Equity, with a path coefficient value of 0.196942 and with a probability of $p = 0.000 < 0.05$. Thus Hypothesis 3 is accepted.

Hypothesis Testing 4

H4: Debt to Equity Ratio has a negative effect on Price to Book Value in Manufacturing Companies in the food and beverage sub-sector on the Indonesia Stock Exchange for the 2018-2022 period ($X_1 \rightarrow Y$). The test results show that the Debt-to-Equity Ratio has a significant positive effect on the Price to Book Value, and with a path coefficient value of 0.5946019 with a probability of $p = 0.025 < 0.05$. Thus Hypothesis 4 is rejected.

Hypothesis Testing 5

H5: Current Ratio has a positive effect on Price to Book Value in Manufacturing Companies in the food and beverage sub-sector on the Indonesia Stock Exchange for the 2018-2022 period ($X_2 \rightarrow Y$). The test results show that the Current Ratio has a negative and significant effect on the Price to Book Value, with a path coefficient value of -0.2929259, and with probability $p = 0.012 < 0.05$. Thus Hypothesis 5 is rejected.

Hypothesis Testing 6

H6: Size has a positive effect on Price to Book Value in Manufacturing Companies in the food and beverage sub-sector on the Indonesia Stock Exchange for the 2018-2022 Period ($X_3 \rightarrow Y$). The test results show that Size has a negative and insignificant effect on Price to Book Value, with a path coefficient value of -0.023411 and with a probability $p = 0.783 > 0.05$. Thus Hypothesis 6 is rejected.

Hypothesis Testing 7

H7: Return on Equity has a positive effect on Price to Book Value in Manufacturing Companies in the food and beverage sub-sector on the Indonesia Stock Exchange for the 2018-2022 period ($Z \rightarrow Y$). The test results show that Return on Equity has a positive and significant effect on Price to Book Value, with a path coefficient value of 13.38898 and with a probability of $p = 0.000 < 0.05$. Thus Hypothesis 7 is accepted.

Hypothesis Testing 8

H8: Debt to Equity Ratio has a negative effect on Price to Book Value through Return on Equity in Manufacturing Companies in the food and beverage sub-sector on the Indonesia Stock Exchange for the 2018-2022 period ($X_1 \rightarrow Z \rightarrow Y$). The test results show that the Debt-to-Equity Ratio has a negative and significant effect on

Price to Book Value through Return on Equity, with a path coefficient value of -0.4541407 and with a probability $p = 0.042 < 0.05$. Thus Hypothesis 8 is accepted.

Hypothesis Testing 9

H9: Current Ratio has a positive effect on Price to Book Value through Return on Equity in Manufacturing Companies in the food and beverage sub-sector on the Indonesia Stock Exchange for the 2018-2022 period ($X_2 \rightarrow Z \rightarrow Y$). The test results show that the Current Ratio has a positive and insignificant effect on Price to Book Value through Return on Equity, with a path coefficient value of 0.1627535 and with a probability of $p = 0.095 > 0.05$. Thus Hypothesis 9 is rejected.

Hypothesis Testing 10

H10: Size has a positive effect on Price to Book Value through Return on Equity in Manufacturing Companies in the food and beverage sub-sector on the Indonesia Stock Exchange for the 2018-2022 period ($X_3 \rightarrow Z \rightarrow Y$). The test results show that Size has a positive and significant effect on Price to Book Value through Return on Equity, with a path coefficient value of 0.2636856 and with a probability of $p = 0.000 < 0.05$. Thus Hypothesis 10 is accepted.

Debt to Equity Ratio has a negative and significant effect on Return on Equity.

Based on the research results, the path coefficient value is -0.033919 and with a probability $p = 0.037 < 0.05$. This shows that the greater the value of the Debt-to-Equity Ratio owned by a company identified with a large total debt value, the lower the profitability (ROE) obtained. The capital structure of companies that use debt with a high proportion cannot be said to be the optimal capital structure, because companies that have high debt can be categorized as companies that cannot work properly. The high use of debt makes companies have high obligations on interest that must be paid regularly so that this will reduce the profits earned by the company. The results of the study which state that the Debt-to-Equity Ratio has a negative and significant effect on profitability is supported by the pecking order theory which states that companies tend to seek funding sources with minimal risk, where this theory prefers funding from internal companies rather than external companies, and in this theory predicts a negative relationship between profits and debt ratios. The results of this study are in line with research conducted by (Azmi et al., 2018), and (Priscilla et al., 2021).

Current Ratio has a positive and insignificant effect on Return on Equity

Based on the research results, the path coefficient value is 0.0121558 and with a probability $p = 0.090 > 0.05$. This shows that the Current Ratio has a very low effect on Return on Equity, because short-term debt payments have no effect on increasing profits. With no automatic profit increase, Return on Equity will not increase. However, the company must continuously monitor the company's liquidity, because

this is very important to evaluate the company's ability to pay its current obligations so that the company's operational activities can run smoothly. The results of this study are in line with research conducted by (Balqish, 2020) which states that the Current Ratio has no effect on Return on Equity.

Size has a positive and significant influence on Return on Equity

Based on the research results, the path coefficient value is 0.196942 and with a probability $p = 0.000 < 0.05$. This proves that companies with large assets have good work stability and are able to generate higher profits because of the many resources they have. The size of the company can be reflected through the assets owned by the company. Large companies have easy access to gain the trust of investors and creditors to meet the funding needs for the company's operational sustainability. The maximum operations carried out by the company can directly increase the profits to be generated. This research is in line with research conducted by (Ardiana & Chabachib, 2018)) which states that Size has a significant positive effect on Return on Equity.

Debt to Equity Ratio has a significant positive effect on Price to Book Value

Based on the research results, the path coefficient value is 0.5946019 with a probability $p = 0.025 < 0.05$. Where Capital Structure has a positive effect on firm value. Research confirms that the capital structure of manufacturing companies in the food and beverage sub-sector on the IDX has not yet reached its optimal point. As explained by the Trade off Theory where the benefits of increasing debt are still greater than the sacrifices incurred so that the benefits of using debt directly increase the value of the company. The increase in firm value due to an increase in the amount of debt (debt is still below its optimal point) is caused by company management using this debt for company expansion. The results of this study are in line with research conducted by (Priyatama & Pratini, 2021) which states that the Debt-to-Equity Ratio has a significant positive effect on Price to Book Value.

Current Ratio has a negative and significant effect on Price to Book Value

Based on the research results, the path coefficient value is -0.2929259, and with probability $p = 0.012 < 0.05$. This shows that the company's current assets are not used to increase operational activities. This resulted in these operational activities not increasing the company's performance as indicated by the declining profits. Declining profits show that earnings per share are also falling and this results in a decrease in the value of the company. The results of this study are in line with research conducted by (Rendy & Suhendah, 2020) which states that the Current Ratio has a negative effect on Price Book Value.

Size has a negative and insignificant effect on Price to Book Value

Based on the research results, the path coefficient value is -0.023411 and with a probability $p = 0.783 > 0.05$. The size of a large company cannot guarantee high firm value, because large companies may not dare to make new investments related to

expansion, before their obligations (debt) have been paid off. The results of this study are in line with research conducted by (Octaviany et al., 2019), (Veronica & Viriany, 2020) which states that Size has a negative and insignificant effect on Price to Book Value.

Return On Equity has a positive and significant effect on Price to Book Value

Based on the research results, the path coefficient value is 13.38898 and with a probability $p = 0.000 < 0.05$. Higher profitability will make the company's value also increase, and vice versa. Profitability is the company's success in managing its business. The higher the profit generated by the company, the better the company will be seen by investors. In accordance with the signaling theory that if the company issues a positive signal and is well received by investors, then there will be a positive response from investors. This positive response can increase the company's stock price and increase firm value. The company will be able to attract investors to invest in the company when the profitability of the company is high. The stock price will be high when the interest of investors to invest in the company is high as a result of high Return on Equity. Profitability with stock prices that have a positive relationship means that high stock prices will affect the value of the company. The results of this study are in line with research conducted by (Sukarya & Baskara, 2019), (Priyatama & Pratini, 2021), (Manalu et al., 2021), and (Setiawan et al., 2021).

Debt to Equity Ratio has a negative and significant effect on Price to Book Value through Return on Equity

Based on the research results, the path coefficient value is -0.4541407 and with a probability $p = 0.042 < 0.05$. The use of high debt that is not matched by the ability to manage it properly by managers can make the company lose profits and also have a high risk so that it makes investors avoid companies that have high risk, with investors' disinterest in companies that have high risk makes demand for the company's shares decrease so that share prices decrease and result in a decrease in firm value. The results of this study are in line with research conducted by (Hamidy et al., 2015) where profitability is able to mediate the relationship between capital structure and firm value.

Current Ratio has a positive and insignificant effect on Price to Book Value through Return on Equity

Based on the research results, the path coefficient value is 0.1627535 and with a probability $p = 0.095 > 0.05$. The Current Ratio has an insignificant effect on the Price to Book Value due to the insignificant influence on the Price to Book Value due to the large Current Ratio which indicates that the company has a lot of current assets compared to its current liabilities. This shows that companies accumulate more of their assets in their current assets, which means that the company's performance is less effective in converting current assets into sales or income so that this makes investors less interested and makes the company's value decrease. The results of this

study are in line with research conducted by (Anisqe Adita & Wisnu Mawardi, 2018) where Return on Equity cannot mediate the relationship between Current Ratio and Price to Book Value.

Size has a positive and significant effect on Price to Book Value through Return on Equity

Based on the research results, the path coefficient value is 0.2636856 and with a probability $p = 0.000 < 0.05$. This indicates that the size of the company can increase the profit generated due to the abundance of resources owned. High profitability will increase investor confidence so that it can increase the company's stock price. Thus, indirectly the size of the company can increase the value of the company through profitability. The results of this study are in line with research conducted by (Ardiana & Chabachib, 2018) where profitability can mediate the relationship between firm size and firm value.

D. Conclusion

Based on the results of the research and discussion regarding the Effects of Capital Structure, Liquidity, and Firm Size on Firm Value with Profitability as Intervening Variables in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period, there are several conclusions that can be drawn taken: (1) Debt to Equity Ratio has a negative and significant effect on Return on Equity (ROE). Thus, companies must consider the right proportion between the use of debt and equity to create an optimal capital structure in order to increase ROE. (2) The Current Ratio has a positive, but not significant, effect on ROE. This indicates that liquidity, which is represented by the Current Ratio, does not have a significant impact on ROE. Even so, managing current assets properly can still make a positive contribution to company profits. (3) Firm size (Size) has a positive and significant effect on ROE. the larger the size of the company, its ROE tends to increase. Companies must focus on development and growth to increase firm size so as to increase profits. (4) The Debt-to-Equity Ratio has a positive and significant influence on the Price to Book Value (PBV). This result is not in accordance with the hypothesis which states that the debt-to-equity ratio should have a negative effect on PBV. (5) Current Ratio has a negative and significant effect on PBV. Contrary to the previous hypothesis, liquidity represented by the Current Ratio should have a positive effect on PBV. (6) Firm size (Size) has a negative effect, but not significant on PBV. This shows that firm size does not have a big influence on PBV. Investors in making investment decisions must consider other factors besides firm size. (7) ROE has a positive and significant effect on PBV. This is consistent with the hypothesis which states that profitability has a positive impact on PBV. High profits will increase PBV and attract investors. (8) The Debt-to-Equity Ratio has a negative and significant effect on PBV through ROE. This suggests that the negative effect of the debt-to-equity ratio on PBV occurs through the effect on ROE. (9) Current Ratio has a positive, but not significant, effect on PBV through ROE. So that liquidity does not have a significant effect on PBV through the influence on ROE. Efficient liquidity management remains important, even if it does not directly impact PBV and (10) Firm

size (Size) has a positive and significant influence on PBV through ROE. This shows that firm size has a positive impact on PBV through its influence on ROE. Companies must continue to focus on growth and development to increase PBV and attract investors.

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