

The effect of profitability and liquidity on the value of companies with capital structure as an intervening variable

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ARTICLE INFO	ABSTRACT
<p>Keywords: Profitability, Liquidity, Capital Structure, Firm Value.</p>	<p>This research aims to describe profitability, liquidity, capital structure, and firm value; analyze the influence of profitability on capital structure; analyze the influence of liquidity on capital structure; analyze the influence of profitability on firm value; analyze the influence of liquidity on firm value; analyze the influence of capital structure on firm value; analyze the indirect effect of profitability on firm value through capital structure; and analyze the indirect effect of liquidity on firm value through capital structure. The population in this study consists of 27 listed companies. The sampling technique used is purposive sampling with criteria that provide financial reports for 4 years, from 2019 to 2022. Based on these criteria, a total of 13 companies were selected as samples. The data analysis technique used is path analysis. The results of the analysis show that profitability has a significant influence on capital structure. However, liquidity does not have a significant influence on capital structure. Profitability does not have a significant influence on firm value, whereas liquidity has a significant influence on firm value. Capital structure does not have a significant influence on firm value. Additionally, profitability does not have an indirect influence on firm value through capital structure, and neither does liquidity.</p>

INTRODUCTION

Company value is a description of the general state of the company. Investors use a company's value as a measure of a company's value, which is often associated with the company's value. The high value of the company indicates a high level of prosperity as a shareholder. Company value is very important because when the company's value is high, the welfare of shareholders is also higher. The higher the level of company value, the higher the value of the company which shows the company's future prospects, and reflects the *total assets* owned by the company.

According to Jogiyanto (2014), There are two factors that affect the value of the company, including internal company factors, namely factors that are within the company and can be controlled by company management. For example, marketing, production, and funding announcements related to equity and debt and external factors are factors that are outside the company that cannot be controlled by company management. The capital structure must be decided on the management of the enterprise. Modigliani & Miller (1958), It has laid the foundation of the theory, that several theoretical models have been developed that try to identify the main factors influencing the choice of a company to determine its capital structure. Traditional trade-off theory sees the choice of capital structure as a trade-off between the benefits and costs of increasing debt. Pecking order theory sees capital structure as the result of asymmetric information between insiders and outsiders, whereas market timing theory sees capital structure as the result of a last-ditch effort by company management to time the capital market. The predictions of these theories are often inconsistent with each other. Research results Muliana & Ahmad (2021) found that capital structure has an effect on the value of the company. In contrast to the results of the study Brimantyo *et al.* (2019), and Irawan & Kusuma (2019), which found that capital structure had no effect on the value of the company.

The high liquidity value reflects the company's high ability to meet its short-term obligations. Companies that have good liquidity value will be considered to have good performance by investors (Sartono, 2020). High liquidity shows the company's strength in terms of the ability to meet current debt from current assets owned so that this increases outside confidence in the company and attracts investors to invest in the company so as to increase the company's value. Research results Septriana & Mahaeswari (2019), Ndruru *et al.* (2020), Ambarwati & Vitaningrum (2021), and Iman *et al.* (2021) prove that liquidity affects the value of the company. In contrast to the results of the study Tandanu & Suryadi (2020) That finding liquidity has no effect on the value of the company.

Profitability measures a company's ability to make a profit. High profitability indicates that the company is able to earn high profits and is considered a positive signal for investors because the company may have good prospects in the future, so as to attract investors to buy shares of the company. The more people are interested in buying shares of company value, if the company's company value is high, then the company's value is also Research results Ndruru *et al.* (2020), Muliana & Ahmad (2021), Ambarwati & Vitaningrum (2021), Iman *et al.* (2021) Proving that profitability affects the value of the company. But it is different from the results of the study Septriana & Mahaeswari (2019) which found that profitability had no effect on the value of the company.

The computer service industry and its devices as the object of research because the computer service industry and its devices are one of the industries that have grown rapidly in recent years. The Central Statistics Agency (BPS) said that in 2020, as many as 78.18% of households in Indonesia had used the internet, an increase of 4.43 points compared to the previous year of 73.75%. This increase occurred in line with restrictions on community activities during the COVID-19 pandemic, where many activities such as working, studying, and shopping were carried out digitally from home.

In addition, 18.83% of households own at least one computer, a slight increase from 2019 which reached 18.78%. BPS also reported that Indonesia's Information and Communication Technology (ICT) Development Index has increased. The ICT Development Index score rose by 5.08% from 5.32 in 2019 to 5.59 in 2020. The highest growth occurred in the usage indicator, which rose by 10.10% from 4.85 to 5.34. Access and infrastructure also increased by 2.53% from 5.53 to 5.67. Furthermore, the expertise indicator increased by 1.37% from 5.84 to 5.92. These improvements in ICT development show an increase in the use, accessibility, and competence in technology in Indonesia (Jayani, 2021). Based on the description above and the inconsistency of research results (*research gap*), so researchers are interested in re-examining which is the development of research Zulkarnain (2020) and Dumilah *et al.* (2021) By adding capital structure as *an intervening* variable related to profitability and liquidity and its effect on the value of the company.

Company Value

Company value according to Hery (2017) is a certain condition that has been achieved by a company to be an expression of public trust in the company after going through a process of activity for several years, starting from the establishment of the company until now. Hermuningsih (2012) Mentioning that company value is the investor's perception of the company that is linked to market prices. Market price is the stock price observed in the financial market.

Profitability

Profitability is the company's ability to make a profit according to the assets that the company has. Profit is business income generated after paying all costs directly related to revenue, such as producing products, and other costs related to the implementation of business activities. Husnan (2015) suggests that certain aspects such as assets and working capital enable the company to make a profit. Kasmir (2016) Defining profitability is a ratio in evaluating the company's ability to pursue profits. The profitability ratio also gives a measure of the level of effectiveness of managing an enterprise. This is shown by the profits obtained from the sale and receipt of investments. The use of profitability ratios basically shows the performance of an enterprise.

Liquidity

Liquidity according to Horne & Wachowicz (2012) that is, the ratio used to measure the company's ability to meet its short-term obligations. This ratio compares short-term liabilities with short-term resources (current assets) available to meet those short-term obligations. Next Kasmir (2016) Explaining the liquidity *ratio* is a ratio that describes the company's ability to meet short-term obligations (debt). Not much different from this opinion, according to Subramanyam & Wild (2012) Liquidity is the company's ability to meet its financial obligations that must be met immediately (short term). Hanafi & Halim (2014) Defining the Liquidity Ratio is the company's short-term liquidity capability by looking at the size of current assets relative to its current debt.

Capital Structure

Capital structure refers to the amount of debt and/or equity used by a company to finance its operations and finance its assets (Brigham & Houston, 2015). The higher the use of debt to finance assets, the higher the financial risk, and the higher the cost of capital. The cost of capital increases because it costs more to raise funds for risky businesses. Typically, companies that are heavily financed by debt have more aggressive capital structures and therefore pose greater risk to investors (Chen & Chen, 2011).

Hipotesis

The hypotheses in this study are as follows:

- H1 : Profitability has a positive effect on capital structure.
- H2 : Liquidity has a positive effect on capital structure.
- H3 : Profitability has a positive effect on the value of the company.
- H4 : Liquidity has a positive effect on the value of the company.
- H5 : Capital structure has a positive effect on the value of the company.
- H6 : Profitability positively affects the value of the company through capital structure.

METHOD

Variable Operational Definition

a. Profitability

Profitability is a measure in percentages to measure the extent to which a company's ability to utilize its resources to generate profits from its operations.

The formula is:

$$ROA = \frac{\text{Earning After Tax}}{\text{Total Asset}}$$

b. Liquidity

Liquidity in this study is proxied by the *current ratio*. *Current Ratio* is used to measure the company's ability to pay obligations that must be immediately met with its current assets.

Formula

$$\text{Current Ratio} = \frac{\text{Aktiva Lancar}}{\text{Hutang Lancar}} \times 100\%$$

c. Capital Structure

Capital structure is a company's decision to fund its operations and growth using its own mix of debt and capital. The formula used is:

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

d. Company Value

Company value is the value or market price applied to the company's common shares.

The formula:

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

Information:

MVE = *Market Value of Equity*

TA = *Total Assets*

DEBT = *(Current Liabilities - Current Assets) + Inventories + Non-Current Liabilities.*

Population and Sample

The selected population, namely computer and device service companies listed on the IDX, amounted to 27 issuers. The sampling technique uses purposive sampling with criteria for 4 years, namely 2019 to 2022 to provide financial statements. The selection of this period is based on the availability of financial statement data from 2019 to 2022. Based on these criteria, a sample of 13 companies was obtained, so that observation data was obtained as many as 13 companies x 4 years = 52 observations.

Data Analysis Techniques

The stages in analyzing are descriptive analysis, testing classical assumptions and path analysis. After ensuring that the classical assumptions are met, path analysis is performed to evaluate the relationships between various variables in a model. Path analysis is a statistical approach that allows us to measure direct and indirect effects between variables.

RESULTS AND DISCUSSION

Results of Descriptive Analysis of Research Variables

This descriptive analysis aims to provide an overview of the characteristics of the existing data, such as the minimum and maximum values observed, as well as how consistent or varied the data is around the mean value. With this information, researchers or readers can better understand the distribution of data from the variables observed in the research, namely profitability, liquidity, capital structure, and company value during the period 2019 to 2022.

Table 1. Descriptive Statistics of Research Variables in 2019 – 2022

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	52	-89,12	28,05	3,29	17,35028
Liquidity	52	44,01	7665,44	558,76	1239,19219
Capital Structure	52	-626,84	464,78	88,16	136,58098
Company Value	52	0,74	32,32	4,75	5,42199
Valid N (listwise)	52				

Source: Data processed, 2023.

In Table 1, there is information on profitability measured using Return on Assets (ROA). The results of the descriptive analysis showed that the range of ROA values ranged from -89.12% to 28.05%. The minimum ROA of -89.12% indicates that in some observations, the company suffered a considerable loss, reaching -89.12%. Meanwhile, the maximum ROA value of 28.05% indicates that on several occasions, the company recorded the highest profit rate of 28.05%. In another sense, this range of ROA values indicates significant fluctuations in the level of profitability of the company over the observed period of time. Some companies experience poor financial performance with a negative ROA, while others manage to record high levels of profit. Furthermore, the average value of ROA is 3.29%. This means that overall, the average profitability of the company in that time period was 3.29%. In other words, the company has an average profit of 3.29% of the company's total assets. This information provides an overview of the variability and consistency of a company's financial performance in generating profits over a period of time.

In this research, liquidity is measured using the current ratio. Current ratio is one of the liquidity indicators that describes the company's ability to meet its short-term obligations using current assets (assets that can be converted into money in the near future). The current ratio is calculated by dividing total current assets by total current liabilities. The results of descriptive analysis show that the overall current ratio has a range of varying values. The minimum current ratio is 44.01%, which indicates that on some observations, the company has a relatively low level of liquidity. That is, the company has limitations in fulfilling its short-term obligations by using current assets. On the other hand, the maximum value of the current ratio is 7665.44%, which indicates that on some occasions, the company has a very high level of liquidity. The company has a much larger amount of current assets than its short-term liabilities. The overall average current ratio was 558.76%. This average shows the average level of liquidity of the company in meeting its short-term obligations. Companies with above-average current ratios tend to have better liquidity, while companies with below-average ratios may need to pay attention to managing their liquidity to avoid financial problems.

In this research, capital structure is proxied using Debt to Equity Ratio (DER). DER describes the comparison between a company's total debt (long-term debt and short-term debt) with its total equity. The results of descriptive analysis show that DER has a very variable range of values. The lowest value of DER was -626.84%. This negative value indicates that in some observations, the company has more equity than its total debt. This situation is referred to as "overcapitalization," where a company has more equity capital than it actually needs for its operations. On the other hand, the highest value of DER was 464.78%. This indicates that on some observations, a company's total debt is greater than its total equity. This situation is referred to as "undercapitalization" where the company relies on more debt than its equity capital for financing its activities. The overall average DER was 88.16%. This average describes the company's overall debt-to-equity ratio. A low DER indicates that a company

tends to use more equity capital than debt in its capital structure, while a high DER indicates a company's tendency to use more debt in its operating financing. In capital structure analysis, company management must consider appropriate financial policies to achieve a balanced capital structure and in accordance with the company's business goals and needs. Smart and balanced use of DER can help companies achieve optimization of corporate value and reduce financial risk.

In this research, company value is proxied using Tobin's Q. Tobin's Q is one of the indicators used to measure company value. This indicator illustrates the relationship between the company's market value (stock price) and the company's book value (total assets minus total liabilities). The results of descriptive analysis show that Tobin's Q value has a range of varying values. The lowest value of Tobin's Q is 0.74, which indicates that on some observations, the company's stock price is worth less than the company's book value. That is, the company is trading at a price that is less than the value of its assets and liabilities. On the other hand, Tobin's Q highest value is 32.32, which signifies that on some occasions, the company's stock price is worth more than the company's book value. This high Tobin's Q value can indicate that the market provides a higher value to the company's assets and performance, meaning the company is considered to have more value in a market perspective. Tobin's overall average Q is 4.75. This average describes the overall level of value of the company in a market perspective. Companies with Tobin's Q above average tend to have better value in the eyes of the market, while companies with Tobin's Q below average may need to pay attention to their performance and business strategy to increase the company's value in the eyes of investors.

The Effect of Profitability and Liquidity on Company Value Through Capital Structure

The hypothesis testing procedure is carried out by path analysis, namely by using multiple regression then filtering based on statistical and meaningful tests. This statistical test can be carried out using the beta standardized coefficient (β standard). If the β value is significant, then the path coefficient is significant. While the obtained path coefficient is insignificantly discarded. Significance tests can be done by comparing the significance of these pathways. If the significance value of the path coefficient is less than 0.10 so that the coefficient is considered significant. Conversely, when the significance value of the coefficient exceeds 0.10, it is considered insignificant. The results of the effect of profitability and liquidity on the value of the company through capital structure are described in table 2.

Table 2. Summary of Direct, Indirect, and Total Influence Analysis Results from Path Analysis

Variable	Direct Influence	Prob	Indirect Influence	Total Influence
Profitability → Capital structure	0,608	0,000*	-	-
Liquidity → Capital structure	-0,113	0,316	-	-
Profitability → Company value	0,169	0,323	-	-
Liquidity → Company value	0,284	0,000*	-	-
Capital structure → Company value	-0,299	0,088*	-	-
Profitability → Capital structure → Enterprise value	0,169	-	0,608 X -0,299 = -0,139	0,030
Liquidity → Capital structure → Company value	0,284	-	-0,113 X -0,299 = 0,026	0,310

* significant on α 10%.

Based on Table 2, the value of the beta coefficient of profitability has a value of 0.608 and a calculated t value of 5.444 and a p value of 0.000 less than $p = 0.10$ ($\alpha = 10\%$), which means that profitability significantly affects the capital structure. Thus the first hypothesis that states profitability affects capital structure is statistically tested. The value of the beta liquidity coefficient of -0.113 and the calculated t value of -1.014 and the p value of 0.316 are greater than $p = 0.10$ ($\alpha = 10\%$), which means that liquidity does not significantly affect the capital structure. Thus, the second hypothesis that liquidity affects capital structure is statistically untested.

Based on Table 12, the value of the beta coefficient of profitability has a value of 0.169 and the calculated t value of 0.998 and p value of 0.323 is greater than $p = 0.10$ ($\alpha = 10\%$), which means that profitability does not affect the value of the company. Thus, the third hypothesis that profitability affects the value of the company is statistically untested. The value of the beta liquidity coefficient with a value of 0.284 and a calculated t value of 2.101 and a p value of 0.041 is less than $p = 0.10$ ($\alpha = 10\%$), which means that liquidity significantly affects the value of the company. Thus, the fourth hypothesis that states liquidity has an effect on the value of the company is statistically tested.

Based on Table 2, the value of the beta coefficient of capital structure is obtained with a value of -0.299 and the calculated t value of -1.742 and p value of 0.088 is smaller than $p = 0.10$ ($\alpha = 10\%$), which means that capital structure affects the value of the company, thus the fifth hypothesis that states that capital structure affects the value of the company is statistically tested. Based on Table 2, the results of the analysis show that capital structure cannot be considered as a mediating variable between profitability and company value. This is because the significance value between profitability and company value does not show a significant relationship (significance value of 0.323) and the value of indirect influence is lower than direct influence ($-0.139 < 0.169$). Thus, the sixth hypothesis that states profitability affects the value of the company through capital structure is statistically untested.

Based on Table 2 the results of the analysis show that capital structure cannot be considered as a mediating variable between liquidity and company value, it is necessary to meet several criteria liquidity must have a significant effect on company value, liquidity has a significant effect on company value with a significance value of 0.000. Liquidity must have a significant effect on the capital structure, however, from the results of the analysis there is no visible effect of liquidity on the capital structure, because the significance value between liquidity to the capital structure is 0.316 (more than 0.10). Capital structure has a significant effect on the value of the company with a significance value of 0.088. The value of influence is greater than indirect influence ($0.284 > 0.026$). Thus, the seventh hypothesis that states that liquidity affects the value of a company through capital structure is statistically untested.

Based on the description of the hypothesis test, so that the path model in path analysis is depicted in Figure 10.

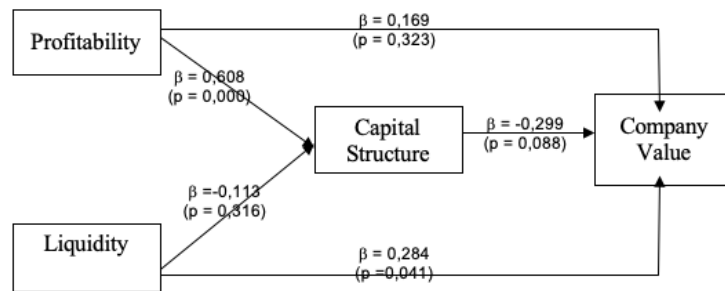


Figure 1. Path Analysis Results
Source : Secondary data processed, 2023.

Discussion

The Effect of Profitability on Capital Structure

Profitability affects the capital structure, which means there is a relationship between the level of profitability of a company and the way the company finances its activities (capital structure). The level of profit earned by the company can influence the company's choice to use various sources of funding, such as loans or equity capital, to fund operations and investments. If profitability increases, it means that the company generates more profit from its business activities. This can have an impact on the company's ability to meet its financial obligations, and it is likely that the company has sufficient resources to fund operations and investment projects internally, without needing to rely heavily on debt. In this situation, companies tend to have lighter or equity-oriented capital structures. On the other hand, if profitability declines or the company incurs losses, the company will have to find additional sources of funding to finance its operations, and will most likely rely more on debt. In this situation, companies tend to have heavier or debt-oriented capital structures.

High profitability can improve a company's capital structure by: increasing the company's ability to repay debt, increasing investor confidence in the company, and lowering the company's cost of capital. Increasing a company's ability to repay debt can reduce the company's risk to creditors. This will make creditors more willing to lend to the company, even at a lower interest rate. Increased investor confidence in the company will make investors more willing to buy company shares. This will increase the amount of capital available for the company to invest. A decrease in the company's cost of capital will make the company more efficient in using its financial resources. This will increase the company's profits and allow the company to pay back debts more quickly. The results of this study support Chandrarin & Cahyaningsih (2018), Dumilah *et al.* (2021) found that profitability has an effect on capital structure. But the results of this study do not support Zulkarnain (2020) which found that profitability had no effect on capital structure.

Effect of Liquidity on Capital Structure

Liquidity has no effect on the capital structure, which means that high and low liquidity has no impact on the capital structure. The level of a company's ability to deal with its financial obligations or convert assets into cash (liquidity) does not influence the company's decision to use funding sources, such as loans or equity capital. For example, if a company has a high level of liquidity, it means that the company has many assets that can be quickly converted into cash to meet its financial obligations. However, this high level of liquidity will not automatically lead a company to use less debt and more equity capital in its capital structure. Instead, a company's decisions about its capital structure are more influenced by other factors, such as interest rates, business risk, shareholder preferences, and taxation policies.

Similarly, if a company has a low level of liquidity, it means that the company has few assets that can be converted into cash quickly. However, this low level of liquidity will also not automatically encourage companies to rely more on debt in their capital structure. The decision will be influenced by other considerations that are more relevant to the company's condition and business environment. A company can have high liquidity, but if the company does not have the ability to generate enough profit to pay back debts, then the company will still experience financial difficulties. Conversely, a company can have low liquidity, but if the company has the ability to generate enough profit to pay back debt, then the company will still be able to survive. Therefore, liquidity cannot be used as a major factor in determining a company's capital structure. The results of this study support Zulkarnain (2020) That finding liquidity has no effect on capital structure. But the results of this study do not support Dumilah *et al.* (2021) which found that liquidity has an effect on capital structure.

The Effect of Profitability on Company Value

Profitability has no effect on the value of the company, which means that high and low profitability has no impact on the value of the company. Profitability is the company's ability to make a profit. Company value is the amount of money an investor is willing to pay to buy shares of a company. Although profitability is a factor that affects the value of a company, it is not the only factor. Other factors that can affect a company's value include growth and risk. A fast-growing company does not generate as much profit as a more stable company, but its value may be higher due to its future growth potential. Riskier companies generate higher returns, but their value is also lower because investors demand a higher risk premium to invest in those companies.

The reasons profitability does not always affect the value of the company include: profitability can fluctuate from year to year. A company that has high profitability in a given year may not have high profitability in subsequent years. Profitability can be affected by factors that are beyond the control of the company. For example, a company that is in an emerging industry has high profitability, but a company that is in a declining industry may have low profitability. The results support the results Septriana & Mahaeswari (2019) which found that profitability had no effect on the value of the company. However, it does not support research Ndruru *et al.* (2020), Muliana & Ahmad (2021), Ambarwati & Vitaningrum (2021), Iman *et al.* (2021) which found that profitability had an effect on the value of the company.

The Effect of Liquidity on Company Value

Liquidity affects the value of the company, which means that higher liquidity can increase the value of the company. Investors and markets tend to give better judgments to companies that have high liquidity because they are considered more potential to generate profits and have lower financial risk. Company value refers to the valuation or valuation of the company as a whole by the market or investors. Liquidity refers to a company's ability to convert assets into cash quickly without incurring large losses. The higher the liquidity level of a company, the easier it can meet its financial obligations or finance its investments and operations without difficulty. High liquidity also provides flexibility and confidence for investors and creditors, because the company is considered capable of managing its cash flow well.

Companies that have high liquidity will find it easier to sell their assets to get cash, which can be used to finance the company's growth or to pay debt. In addition, liquidity also makes the company more attractive to investors. Investors prefer to invest in companies that have high liquidity because investors can easily sell their shares if the company needs cash. Therefore, the higher the liquidity of the company, the higher the value of the company. Companies that have high liquidity will find it easier to get loans from banks, attract investors, buy new assets, pay debt, and companies that have high liquidity will be more resistant to economic changes. Overall, liquidity is an important factor that can increase the value of a company. Companies that have high liquidity will find it easier to get funding, attract investors, and run their business smoothly. The results of this study support Septriana & Mahaeswari (2019), Ndruru *et al.* (2020), Ambarwati & Vitaningrum (2021), and Iman *et al.* (2021)

prove that liquidity affects the value of the company. But the results of the study do not support Tandanu & Suryadi (2020) That finding liquidity has no effect on the value of the company.

The Effect of Capital Structure on Company Value

Capital structure negatively affects a company's value, which means that companies with higher levels of debt tend to have lower company values. A decline in a company's value due to a higher capital structure can be caused by higher debt often resulting in greater interest costs, which can reduce net income and, consequently, the value of the company decreases. A heavy capital structure can also increase a company's financial risk, as debt obligations must be paid even though the company faces financial stress. High risk can make it more difficult for a company to obtain loans, which will ultimately lower the value of the company. Debt can make it easier for a company to go bankrupt. If the company cannot meet its debt obligations, it may go bankrupt. Bankruptcy can decrease the value of the company and can even make the company cease to exist. Therefore, companies need to maintain the company's capital structure to remain optimal. An optimal capital structure is a capital structure that can help a company to increase the value of the company without increasing the company's risk. The results support the results Muliana & Ahmad (2021) which found that capital structure had no effect on the value of the company. The results of this study do not support Brimantyo *et al.* (2019), serta Irawan & Kusuma (2019), which found that capital structure has an effect on the value of the company.

The Effect of Profitability on Company Value through Capital Structure

Capital structure fails to mediate the effect of profitability on company value. Profitability is the company's ability to make a profit. Capital structure is a combination of debt and equity used to finance a company's operations. Company value is the market price of all shares issued by the company. Profitability affects the capital structure because profitability can affect a company's ability to repay debt. Companies with high profitability will find it easier to repay debt, so they can use more debt to finance their operations. Conversely, a company with low profitability will find it more difficult to repay debt, so the company will have to use less debt to finance its operations. As the opinion Husnan (2015) which explains that certain aspects such as assets and working capital are able to generate profits. However, profitability has no impact on the value of the company because the value of the company is determined by many other factors, such as growth, risk, and quality of management. Profitability is only one of the factors that can affect the value of a company.

Companies that are in a declining industry may have high profitability, but low company value because they do not have good growth prospects. A company that has a lot of debt may have high profitability, but the value of the company is low because the company has a high risk. Companies that have poor management may have high profitability, but the value of the company is low because the company cannot manage the company well. Companies that are in emerging industries may have low profitability, but high company value because they have good growth prospects. A company that has little debt may have low profitability, but the value of the company is high because the company has low risk. A company that has good management may have low profitability, but the value of the company is high because the company can manage the company well.

The Effect of Liquidity on Company Value through Capital Structure

The capital structure fails to mediate the effect of liquidity on the value of the company. Capital structure is a combination of debt and equity used to finance a company's operations. Liquidity is the ability of assets to be converted into cash quickly and easily without losing value. Liquidity affects the value of the company because liquidity can affect the company's ability to get funding. Companies that have high liquidity will be easier to get funding, so that the company can grow and develop better. Liquidity can also affect a company's ability to repay debt. Companies that have high liquidity will be easier to pay debts, so the company will have lower risk. As the opinion Horne & Wachowicz (2012) which describes the liquidity ratio used to measure a company's ability to meet its short-term obligations.

However, the capital structure cannot mediate the effect of liquidity on the value of the company. This is because the capital structure only affects the cost of capital of the company. The cost of corporate capital is the cost that a company must pay to obtain funding. A company's cost of capital is influenced by many factors, including a company's capital structure, corporate risk, and economic conditions. Capital structure cannot mediate the effect of liquidity on the value of the company because it does not affect the company's ability to obtain funding. Companies that have a good capital structure will find it easier to get funding, but the funding will not increase the value of the company. The value of a company is determined by many factors, including the profitability of the company, the growth of the company, the risk of the company, and the quality of the company's management. Capital structure is only one factor that can affect a company's cost of capital, but it has no effect on a company's ability to obtain funding.

CONCLUSION

The results of descriptive statistical analysis show that the company's profitability has an average profit of 3.29% of the company's total assets. This information provides an overview of the variability and consistency of a company's financial performance in generating profits over a period of time. Liquidity as measured by the current ratio has an average value of 558.76%. This average shows the average level of liquidity of the company in meeting its short-term obligations. Companies with above-average current ratios tend to have better liquidity, while companies with below-average ratios may need to pay attention to managing their liquidity to avoid financial problems. The capital structure proxied with DER has an average value of 88.16%. This value describes the extent to which a company relies on debt to finance its operations compared to the capital it has. The value of the company is proxied using Tobin's Q with an average value of 4.75. A value above 1, can be interpreted as a signal that the market has a positive outlook on the company's performance and growth prospects, so the company is trading at a market value higher than the cost of replacing its assets.

Profitability affects the capital structure, which means that profitability can improve the company's capital structure by increasing the company's ability to repay debt, increasing investor confidence in the company, and lowering the company's cost of capital. Liquidity has no effect on the capital structure. This shows that the high and low level of liquidity of the company does not affect the capital structure used by the company. Profitability has no effect on the value of the company. This shows that the high and low level of profitability of the company has no impact on the value of the company. Liquidity affects the value of the company. The higher the level of liquidity of the company, the more the value of the company increases. High liquidity provides confidence for investors and creditors in the company's financial condition. Capital structure affects the value of the company. The high capital structure of the company can reduce the value of the company. Managing debt wisely can reduce interest expense and increase the net income available to shareholders. Profitability has no effect on the value of the company through the capital structure. That is, the relationship between profitability and enterprise value is not mediated by capital structure. Liquidity has no effect on the value of the company through the capital structure. That is, the relationship between liquidity and company value is not mediated by capital structure.

In connection with the conclusion, the researcher can give suggestions including: Increase profitability by: increasing sales. The company can increase sales by offering better products or services, by expanding market share, or by marketing its products or services more effectively; reduce costs. Companies can reduce costs by optimizing production processes, by using cheaper raw materials, or by negotiating better prices with suppliers; Increase efficiency. Companies can increase efficiency by using more advanced technology, by better training their employees, or by implementing more efficient work processes; Improve the quality of products or services. A company can improve the quality of its products or services by using better raw materials, by better training its employees, or by using more sophisticated production processes. Companies should focus on increasing their liquidity to increase the value of their companies. A company can increase its liquidity by increasing sales, reducing costs, and improving its asset management.

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