

**EFFECT OF CAPITAL STRUCTURE AND LIQUIDATION ON FIRMS VALUE
WITH PROFITABILITY AS INTERVENING VARIABLES
(Case Study On Property And Real Estate Companies Registered In Indonesia Stock
Exchange 2014-2019)**

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ABSTRACT

This study aims to determine the effect of capital structure, liquidity on firm value with profitability as an intervening variable. The samples used in this study are companies engaged in property and real estate listed on the Indonesia Stock Exchange (IDX) for the period 2014 - 2019. The independent variables in this study are the current ratio (CR) and debt to equity ratio (DER) to price book value ratio (PBV) with return on equity (ROE). The number of samples used in the study amounted to 20 companies using purposive sampling. The results of this study indicate that the variable capital structure (DER) has no effect on firm value (PBV), liquidity (CR) affects firm value (PBV), capital structure (DER) affects profitability (ROE), Liquidity (CR) affects profitability (ROE), profitability (ROE) are unable to mediate the capital structure (DER) on firm value (PBV) and profitability is able to mediate between liquidity (CR) against firm value (PBV).

Keywords: capital structure, liquidation, firms value, profitability

Introduction

The development of business in Indonesia has recently been considered to have increased, especially in the category of property and real estate companies. Many people are interested in investing their funds in this sector because the price continues to rise. The Indonesia Stock Exchange listed the brightest sectors throughout the beginning of 2019, namely property and real estate

One of the company's goals is to make a profit, there are various ways to make it happen, one of which is how to manage its capital structure. An optimal capital structure can create a strong and stable financial condition. With the increase in public knowledge in the field of capital markets and the availability of funds from potential investors who are interested in investing their capital. The capital structure has become one of the important investment considerations. This relates to the risks and returns that investors will receive.

A high liquidity value reflects a company's high ability to meet its short-term obligations. Companies that have a good liquidity value will be considered to have good performance by investors. According to Sartono (2010) liquidity is the company's ability to meet short-term financial obligations on time. The size of a company's liquidity is proxied by the current ratio (CR), which is the ratio between current assets and current liabilities. High liquidity shows the strength of the company in terms of its ability to

meet current debts from current assets so this increases the confidence of outsiders in the company.

In addition to the above reasons, previous research and field data indicate inconsistencies. The inconsistent results of previous research (research gap) can be seen in Hamidy's research (2015) which states that DER has a significant and significant effect on ROE and has a significant effect on PBV. Then the research conducted by Antwi, Samuel et al (2012) and Kusumawati, et al (2018) states that capital structure affects firm value. Meanwhile, research conducted by Hirdinis (2019) and Velnampy, et al (2012) states that capital structure has no effect on profitability.

In addition, there is also research conducted by Lubis, et al. (2017) which states that there is a significant influence between liquidity on profitability and firm value. Then Ajanthan (2013) and Bolek, M., & Wilinski, W. (2012) revealed that there is a significant effect of liquidity on profitability. Meanwhile, according to Suidani (2016) and Thuraisingam (2015), liquidity does not have a significant effect on firm value. Similar to research conducted by Lumentut, et al (2016) and Fajaria, et al (2018) which states that liquidity has no effect on firm value.

Therefore, researchers are interested in conducting research again on the factors that can affect firm value. So that it can identify the effect of each independent variable used in this study on firm value (PBV) with profitability as an intervening variable in companies that are included in the Property and Real Estate category in the period 2014 - 2019

Literature Review and Hypothesis Development

Capital Structure

Ang (2010) states that capital structure is a balance or comparison between the amount of long-term debt and its own capital. The capital structure indicator in this study is measured by the debt to equity ratio (DER). DER is the ratio used to measure the level of leverage (use of debt) to the total shareholder equity owned by the company.

Liquidity is one of the factors that determine the success or failure of a company. Providers of cash needs and resources to meet these needs determine to what extent the company is at risk. In general, the definition of liquidity refers to the company's ability to meet its short-term obligations. The ratio of total debt to equity

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100 \%$$

Liquidity

According to Van Horne and Wachowicz (2013) liquidity is the ratio used to measure a company's ability to meet its short-term obligations. This ratio compares short-term liabilities with short-term resources (current assets) available to meet these short-term liabilities. According to Kasmir (2016), the current ratio is a ratio to measure the company's ability to pay short-term obligations or debts that are due immediately when they are collected as a whole. The ratio of current assets to short-term debt

$$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}} \times 100\%$$

Profitability

Profitability is a description and performance of management in managing the company. Profitability is (Brigham & Joel F. Houston, 2010). In addition to being an indicator of the company's ability to meet its obligations for its funders, it is also an element in creating company value that shows the company's prospects in the future.

In this study the authors will use the return on equity (ROE) analysis. This ROE can show the company's ability to earn profits so that it is very attractive to shareholders and prospective shareholders, but it can also be used to measure the performance of company management in managing available capital to generate profit after tax. The higher the ROE, the higher the company value, this is certainly an attraction for investors to invest in the company. The ratio of comparison between net income after tax to total equity.

$$ROE = \frac{EAT}{\text{Total Equity}} \times 100\%$$

Firm value

Firm value is a measure of objective value by the public and an orientation towards the company's survival (Harmono, 2009). The main objective of the company according to the theory of the firm is to maximize the wealth or value of the firm (value of the firm) (Salvatore, 2005). Meanwhile, according to I Made Sudana (2015) company value is corporate value is real value of income flow or cash planning. According to Husnan (2015), company value is the price a prospective buyer is willing to pay if the company is sold.

The share price is the price that occurs on the stock exchange at a certain time determined by market players, namely market supply and demand. (Harmono, 2009). This Price to Book Value shows how far a company is able to create company value relative to the amount of invested capital, so that the higher the PBV ratio or more than 1, the more successful the company is in creating value for

shareholders. PBV (Price to Book Value) is ratio of the comparison between the market price per share to the book value per share.

$$PBV = \frac{\text{Market Price per Share}}{\text{Book Value per share}} \times 100\%$$

The theoretical framework in this study can be described as follows:

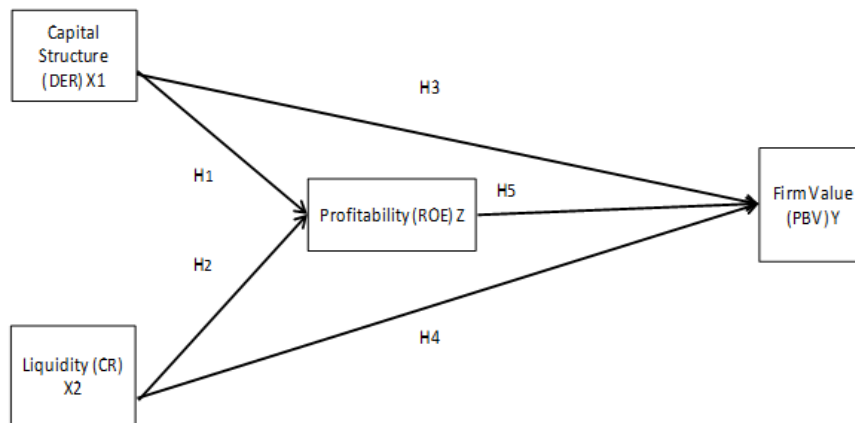


Figure 1. Research Framework

Hypothesis Development

1. Effect Capital Structure on firm value

Companies that are unable to meet their funding through internal funding can use external funding in the form of debt. The capital structure with the proper use of debt will be an advantage for the company as long as the costs incurred for using debt are less than the cost of capital itself. Even though using debt has advantages, the company must maintain a balance in the use of debt within the company because the higher the company's leverage, the higher the risk of bankruptcy and thus creditors will charge higher interest rates.

This statement is in line with research conducted by Hamidy et al. (2018) which states that capital structure has a positive effect on firm value. Based on this description, then the hypothesis that is built on the explanation of the theory and the results of previous research is as follows:

H1. Capital Structure (DER) has a significant effect on firm value (PBV)

2. Effect Liquidity on firm value

Liquidity is a ratio that describes the company's ability to meet its short-term obligations in a timely manner. High liquidity can minimize the risk of capital costs because it shows that the company is a liquid asset (Lubis, et al. 2017). Liquidity that is too high will indicate that there is a lot of idle cash so that investors will see that the company is less productive in managing its current assets. Firm value is

determined by the company's ability to generate profits. If high liquidity will reduce the profit generated, the company's value will also decrease.

This statement is in line with research conducted by Lubis, et al. (2017) which states that liquidity affects firm value. Based on this description, then the hypothesis that is built on the explanation of the theory and the results of previous research is as follows:

H2: Liquidity has a significant effect on firm value .

3. Effect Capital Structure on profitability.

The capital structure describes how much the company is financed by debt and capital. If a company uses debt as its funding appropriately, it can increase company profits compared to the use of its own capital. The use of debt is effective for the company if the costs incurred for using debt are less than the cost of own capital. It can be concluded that there is an influence between capital structure and profitability.

This statement is in line with research conducted by Violita (2017) and Abeywardhana (2015) which states that capital structure has a significant effect on profitability. Based on this description, then the hypothesis that is built on the explanation of the theory and the results of previous research is as follows:

H3: Capital Structure (DER) has a significant effect on profitability (ROE).

4. Effect Liquidity on profitability.

Liquidity plays an important role in the company's function in business success, because the company must ensure that the company does not lack or excess liquidity to meet its short-term obligations. Companies that have a high liquidity value will have low risk but also have low profitability (Horne & Wachowics, 2013).

This statement is in line with research conducted by Ajanthan (2013) which states that liquidity has a significant effect on profitability. Based on this description, then the hypothesis that is built on the explanation of the theory and the results of previous research is as follows:

H4: Liquidity (CR) has a significant effect on profitability (ROE).

5. Effect Profitability on firm value.

Profitability is used to show the company's ability to generate profits while firm value is the company's success rate which is described by the stock price. The greater the profitability of a company, the more benefits that can be obtained, the more benefits that can be obtained, and the higher the value of the company. Companies that have a high level of profitability means that the profits are distributed more so that the company value is expected to be high.

This statement is in line with research conducted by Sudiani and Darmayganti (2016) which states that profitability affects firm value. Based on this description, then the hypothesis that is built on the explanation of the theory and the results of previous research is as follows:

H5: Profitability has a significant effect on firm value (PBV).

6. Profitability mediated effect capital structure on firm value,

In determining company funding decisions will affect the level of company profitability. The use of debt within the company must be done effectively so that the costs incurred for using debt are smaller than the cost of own capital. Meanwhile, the company's debt will reduce the company's profitability because the risk to be accepted by the company is getting bigger.

One of the capital structure theories is Modigliani and Miller (MM). MM explained that companies that use debt will have a more waiting company value than companies that do not use debt. The higher the company's debt, the higher the value indicated by the value of the company's shares. This statement is in line with research conducted by Hamidy et al. (2015) which states that profitability is able to mediate the effect of capital structure on firm value. Based on this description, then the hypothesis that is built on the explanation of the theory and the results of previous research is as follows:

H6. Profitability mediated effect capital structure on firm value.

7. Profitability mediated effect Liquidity on firm value.

Liquidity is the ability of a company to fulfill its short-term obligations in a timely manner. Liquidity, which is proxied by the current ratio, shows the ability of current assets compared to short-term debt. Companies that have a high liquidity value will have low risk but also have low profitability (Horne & Wachowics, 2013). Companies that have large amounts of current assets have a negative impact, namely the loss of opportunities for companies to earn profits because cash is idle fund, meaning that cash does not provide income if it is only stored. The company's lack of productivity in managing its current assets will have an effect on the profits that the company will get and investors will think that this is a bad thing. High liquidity will make investors think that this is less profitable so that it will affect the company value.

Based on this description, then the hypothesis that is built on the explanation of the theory and the results of previous research is as follows:

H7: Profitability mediated effect Liquidity on firm value.

Methodology

The population in this study were 61 property and real estate companies listed on the Indonesia Stock Exchange in 2014-2019 with a total of 61 companies.. In this study, the method or technique used is the Sampling Technique (purposive sampling), which is a sample determination technique that is specifically selected based on the research objectives. Furthermore, the sample used in this study were 20 companies.

According to Ferdinand (2014), sampling can use purposive sampling technique where in this technique the researcher chooses a sample that aims subjectively. The sample selection made by the researcher is to understand that the required information can be obtained from a certain target group who is able to provide the desired information because they do have such information and they meet the criteria determined by the researcher.

This type of research is an explanatory research, and the approach used in this research is a quantitative approach. Data collection technique procedures in this study with secondary data. The data collected by the author is in the form of published annual reports such as balance sheets and income statements as well as stock price reports and data related to other research issues. The financial statements of the companies that are looking for are financial statements of companies that have gone public from the 2014 to 2019 that have been audited by an independent public accountant.

The data analysis method in this study used panel data regression. This regression analysis aims to test the influence and relationship model of the independent variables using SmartPLS 3.0 software.

Results and Discussion

Description of Research Object

Descriptive statistical analysis explains how the characteristics of the data have been summarized and presented in a more informative form, so that the minimum, maximum, average (mean) and standard deviation values of the company average are used as research objects. The minimum value shows the lowest value for each variable, while the maximum value shows the highest value for each variable. The mean value is the average value of each research variable and the standard deviation indicates the distribution of the data used to provide fluctuating heterogeneous or homogeneous data. The variable descriptive statistics used are as follows:

Table 1. Analisis Deskriptif

	Mean	Median	Minimum	Maximum	Standar Deviasi	Excess Kurtosis
ROE	9.923	8.780	0.040	31.750	7.477	0.468
PBV	1.598	0.940	0.130	12.770	1.982	1.288
DER	0.797	0.600	0.070	3.700	0.651	1.990
CR	2.627	2.060	0.620	12.180	2.055	1.111

Source: Data processed (2020)

Based on the descriptive statistical analysis table above, the results can be explained as follows:

The profitability variable seen through the Return on Equity (ROE) indicator has an average value of 9.923% with a standard deviation value of 7.477%. Meanwhile, the mean value of the ROE data obtained is 8,780. ROE has the lowest value of 0.040 and the highest value of 31.750.

The firm value variable seen through the Price to Book Value (PBV) indicator has an average value of 1.598 with a standard deviation value of 1.982. Meanwhile, the mean value of the company value data obtained is 0.940. PBV has the lowest value of 0.130 and the highest value of 12.770.

The capital structure variable seen through the Debt to Equity Ratio (DER) indicator has an average value of 0.797 with a standard deviation value of 0.651 while the mean value of the company size data obtained is 0.600. DER has the lowest value of 0.070 and the highest value of 3,700.

The liquidity variable has an average value of 2.627 with a standard deviation of 2.055. Meanwhile, the mean value of liquidity obtained is 2,060. The liquidity variable has the lowest value of 0.620 and the highest value of 12.180. The company that has the smallest liquidity value is PT. Greenwood Sejahtera Tbk in 2016 and the company that has the largest liquidity value is PT. Ciputra Development Tbk. in 2019.

Results

Convergent validity of the measurement model with reflexive indicators can be seen from the correlation between the item / indicator score and the construct score. Individual indicators are considered reliable if they have a correlation value above 0.70. However, at the scale development stage research, loading 0.50 to 0.60 is still acceptable. Based on the result for outer loading (Table 2), all indicators have a loading above 0.50 and are significant. PLS output for loading factor gives the following results in table 2:

Table 2. Outer Loading

	Liquidiy	Capital Structure	Profitability	Firms Company
CR	1.000			
DER		1.000		
ROE			1.000	
PBV				1.000

Source: Data processed (2020)

Validity testing for reflective indicators uses the correlation between the item scores and the construct scores. Measurements with reflective indicators indicate a change in an indicator in a construct if other indicators of the same construct change (or are removed from the model). Reflective indicators are suitable for measuring perceptions, so this study uses reflective indicators. Based on the results of the analysis from the table above, it is known that all dimensions have met the convergent validity because they have a loading value of more than 0.50.

The following is the path diagram generated after running the Smart PLS program for all constructs in Figure 1 below:

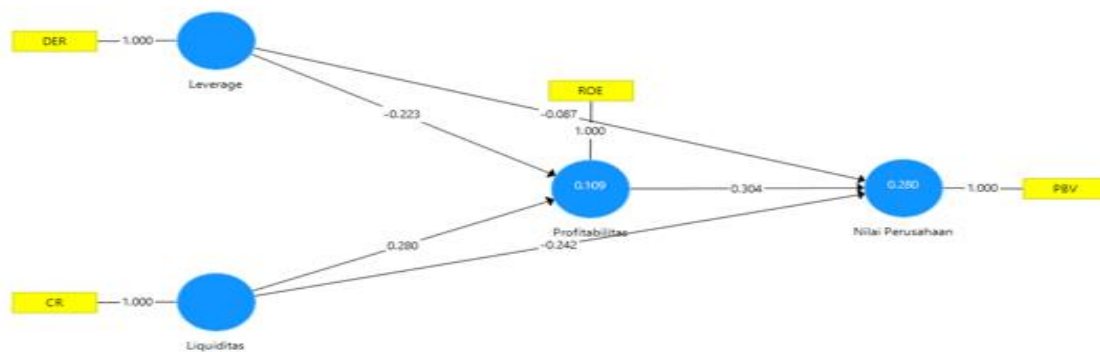


Figure 2. Summary of Construct Validity

Source: Data processed (2020)

2. Discriminat Validity

Discriminate validity of the measurement model with reflexive indicators is assessed based on the cross loading of the measurement with the construct. If the construct correlation with the item of measure is greater than the measure of the other constructs, then it shows that the latent constructs predict the size on their block better than the size on the other blocks. Another way to measure discriminat validity is to look at the square root of average variance extracted (AVE) value. The recommended value is above 0.5. The following is the AVE value in the research produced in Table 3 as follows.

Table 3. Average Variance Extracted (AVE)

Contract	AVE
Liquidity	1.000
Capital Structure	1.000
Profitability	1.000
Value of The Company	1.000

Source: Data processed (2020)

Based on the table above, it shows that the AVE value is above 0.5 for all constructs, namely Liquidity, Capital Structure, Profitability and Firm Value, which has the same AVE value of 1,000. This result means that all constructs have high discriminat validity.

3. Composite Reliability

The next test is Composite Reliability from the indicator block that measures the construct. A construct is said to be reliable if the Composite Reliability value is above 0.60. The value of the outer model loading results, which shows the composite reliability of each construct in table 4 below:

Table 4. Composite Reliability

CONSTRUCT	Composite Reliability
Liquidity	1.000
Capital Structure	1.000
Profitability	1.000
Value of The Company	1.000

Source: Data processed (2020)

Based on the table above, it shows that the composite reliability value is satisfactory for all constructs, namely Liquidity, Capital Structure, Profitability and Company Value which have the same composite reliability value of 1,000. This result means that all variables used in this study are reliable.

Evaluation of the Structural Model or Inner Model

Assessing the inner model is evaluating the relationship between latent constructs as hypothesized in this study, namely how the first model relationship examines the effect of Capital Structure and Liquidity on Firm Value with Profitability as an intervening. The R square formed from the two models is as follows:

Table 5. R-Square

Model	R Square
Profitability	0.109
Value of The Company	0.280

Source: Data processed (2020)

Based on the table above, it can be explained that the first model shows that the Capital Structure and Liquidity variables are able to explain the variability of the Profitability construct of 0.109 or 10.9% and the remaining 89.1% is explained by other constructs outside the variables examined in this study. Whereas in the second model, it shows that the variables of Capital Structure and Liquidity through Profitability are able to explain the variability of the Firm Value construct of 0.280 or 28.0% and the remaining 72.0% is explained by other constructs outside the variables examined in this study.

Structural Model Testing (Inner Model)

The test of model adequacy (Goodness off Fit) uses the value of the total relevance level (Q^2) of the two equations. Equation 1 (first) obtained a Q^2 value of 0.109 and equation 2 (second) obtained r^2 of 0.280 and the equation:

$$\begin{aligned}
 Q^2 \text{ model} &= 1 - (1 - r^2_1) (1 - r^2_2) \\
 &= 1 - (1 - 0,109^2) (1 - 0,280^2) \\
 &= 1 - (0,988) (0,921) \\
 &= 0,090 \text{ or } 90\%
 \end{aligned}$$

The results of the calculation of the determination of the model are 90%, this explains that the contribution of the model to explain the structural relationship of the 4 variables studied is 90% and the rest is explained by other factors that are outside of this research model. Thus the path analysis model produced in this test has met the value of a good model rating or can be stated as having a good goodness of fit, so that the path analysis model is worthy of interpretation for hypothesis testing.

Hypothesis test

The results of the path analysis are used to see the effect between variables by looking at the level of significance between variables and the relationship between variables. To see the influence between variables, it can be seen from the magnitude of the R Square value by calculating the Coefficient of Determination (KD), and to see whether a hypothesis can be accepted or rejected, among others, by paying attention to the significance value between the constructs, t-statistics, and p-values. Meanwhile, to see the level of significance between variables used the research Sig, if the research Sig is less than

0.05 (Sig <0.05), then it is stated that there is a significant influence between variables. If the Sig value of the study is greater than the value of 0.05 (Sig > 0.05), it is stated that the influence between variables is not significant or it can also be seen using the t test. If the value of t is greater than the table (t count > t table) then the influence between variables is significant. Conversely, if the value of t is smaller than t table (t count < t table) then the effect between variables is not significant. The value of testing the hypothesis of this study can be shown in Table 7

Table 6. Direct Effect Test

Hipotesis	Original Sample	Sample Mean	Standar Deviasi	T Statistik	P Value
Capital Structure → Value of The Company	0,047	-0,089	0,135	0,642	0,521
Liquidity → Value of The Company	-0,242	-0,234	0,064	3,786	0,000
Capital Structure → Profitability	-0,223	-0,127	0,085	2,449	0,000
Liquidity → Profitability	0,280	0,281	0,095	2,956	0,003
Profitability → Value of The Company	0,304	0,291	0,145	2,093	0,037

Source: Data processed (2020)

Result

1. Effect Capital Structure on Firm Value.

The results of statistical calculations of the effect of capital structure on the firm value variable show a statistic of 0.642, a p-value of 0.521 and a path coefficient (beta) of 0.047. The results of the t test show that based on the P-value, the calculation results show that the t-value is smaller than the t-table (0.642 < 1.67), while the p-value calculation shows that the p-value is greater than the α value (0.521 > 0.05). These results can be explained that the t-value is smaller than t-table and p-value is greater than α , and the path coefficient (beta) value has a positive number, so it can be said that capital structure has no effect on firm value.

Thus the hypothesis proposed by researchers which states that capital structure affects firm value is not proven. This is also in line with the research conducted by Lubis, et al. (2017), stated that capital structure has no significant on firm value.

2. Effect of Liquidity on Firm Value.

The results of statistical calculations of the effect of the Liquidity variable on the Firm Value variable show a statistic of 3,786 a p-value of 0,000. and the path coefficient (beta) of -0.242. Drawing t-test results Based on the P-value where the results of the calculation that the t-value is greater than the t-table (3,786 > 1,67), while based on the results of the p-value calculation, it shows that the p-value is smaller than the α value (0,000 < 0.05). Based on the P-value, the calculation results show that the p-

value is smaller than the α value ($0.000 < 0.05$). These results can be explained that the statistical value is greater than the t-table and the p-value is smaller than the α value, and the path value coefficient (beta) has a negative number so that it can be said that liquidity affects firm value.

Thus the hypothesis proposed by researchers which states that liquidity affects firm value is proven. This is also in line with research conducted by Lubis, et al. (2017), stated that liquidity has a significant effect on firm value.

3. Effect of Capital Structure on Profitability.

The results of the statistical calculation of the effect of the Capital Structure variable on the Profitability variable show a statistic of 2.449, a p-value of 0.000 and a path coefficient (beta) of -0.223. Drawing t-test results Based on the P-value where the results of the calculation that the t-value is greater than t-table ($2.449 > 1.67$), while based on the results of the p-value calculation, it shows that the p-value is smaller than the α value ($0,000 < 0.05$). Based on the P-value, the calculation results show that the p-value is smaller than the α value ($0.000 < 0.05$). These results can be explained that the statistical value is greater than the t-table and the p-value is smaller than the α value, and the path value coefficient (beta) has a negative number so that it can be said that the capital structure affects profitability.

Thus the hypothesis put forward by researchers which states that capital structure affects profitability is proven. This is in line with research conducted by Violita, et al. (2017) and Li-Ju Chen et al (2011), stated that capital structure has a significant effect on profitability.

4. Effect of Liquidity on Profitability.

The results of statistical calculations of the effect of the Liquidity variable on the Profitability variable show a statistic of 2.956, a p-value of 0.003 and a path coefficient (beta) of 0.280. Drawing t-test results Based on the P-value where the calculation results show that the t-value is greater than the t-table ($2.956 > 1.67$), while based on the results of the p-value, the calculation shows that the p-value is smaller than the α value ($0.003 < 0.05$). These results can be explained that the statistical value is greater than the t-table and the p-value is smaller than the α value, and the path value coefficient (beta) has a positive number so that it can be said that liquidity has an effect on profitability.

Thus the hypothesis put forward by researchers which states that liquidity has an effect on profitability is proven. This statement is in line with research conducted by Saleem, et al (2011), Ajanthan (2013) and Pitoyo and Lestari (2018), stated that liquidity has a significant effect on profitability.

5. Effect of Profitability on Firm Value.

The results of statistical calculations of the effect of the Profitability variable on the Firm Value variable show a statistic of 2.093, a p-value of 0.037 and a path coefficient (beta) of 0.304. Drawing t-test results Based on the P-value where the results of the calculation that the t-value is greater than t-table ($2.093 > 1.67$), while based on the results of the p-value calculation, it shows that the p-value is smaller than the α value ($0.037 < 0.05$). These results can be explained that the statistical value is greater than the t table and the p-value is smaller than the α value, and the path value coefficient (beta) has a positive number so it can be said that profitability can affect firm value.

Thus the hypothesis put forward by researchers which states that liquidity has an effect on profitability is proven. This statement is in line with research conducted by Lubis, et al. (2017), Sudiani and Darmayganti (2016), Sucuahi, et al (2016) and Li-Ju, Chen et al (2011). Siswanti et al (2015) stated that profitability has a significant effect on firms value

Table 8. Indirect Effect Test

Hipotesis	Original Sample	Sample Mean	Standar Deviasi	T Statistik	P Value
Capital Structure → Profitability → Value of The Company	-0,037	-0,040	0,061	1,770	0,048
Likuiditas → Profitability → FirmsValue	0,085	0,077	0,043	1,991	0,047

Source: Data processed (2020)

6. Profitability mediated Effect Capital Structure on Firm Value

The result of the path coefficient that tests the indirect effect of capital structure on firm value through profitability, it is known that the statistical calculation results show the t-count of 1.770, the p-value of 0.048 and the path coefficient (beta) or original sample of -0.037. The results of the t test show that the t-value is smaller than the t-table ($1.770 < 1.67$), while based on the results of the p-value, the calculation shows that the p-value is greater than the α value ($0.048 > 0.05$), so it can be said that the test results show that there is an insignificant effect. Furthermore, the path coefficient (beta) has a negative number, so it can be said that profitability is not able to mediate the capital structure on firm value.

Thus the hypothesis proposed by researchers which states that profitability is able to mediate the capital structure on firm value is not proven. This statement is in line with the research conducted by Antriska and Sudiarta (2019).

7. Profitability mediated Effect Liquidity on Firm Value

The result of the path coefficient that tests the indirect effect of liquidity on firm value through profitability, it is known that the statistical calculation results show the tcount of 1.991, the p-value of 0.047 and the path coefficient (beta) or the original sample of 0.085. The results of the t test show that the t-value is greater than t-table ($1.991 > 1.67$), while based on the results of the p-value, the calculation shows that the p-value is smaller than the α value ($0.047 < 0.05$), so it can be said that the test results show that there is a significant effect. Furthermore, the path coefficient (beta) has a positive number, so it can be said that profitability is able to mediate the effect of liquidity on firm value.

Thus the hypothesis proposed by researchers which states that profitability is able to mediate liquidity on firm value is proven. This statement is in line with research conducted by Sudarman (2017) and Kurniawan, et al (2016).

Conclusions and Suggestion

Based on the results of the analysis that has been described, capital structure has no effect on firm value, which means that the greater the capital structure of the company, which is indicated by a large debt value, does not affect the increase in firm value.

In contrast to the capital structure, liquidation has an effect on firm value, which in this study shows that the higher the level of liquidation has an effect on the decline in firm value. This is because companies that have high liquidity ratios tend to hold profits. As a result, the greater the profit retained by the company, the smaller the amount of dividends distributed to investors so that it can reduce investors' interest in investing which causes the company's value to decrease.

Furthermore, for the profitability variable has an effect on company value, the higher the profitability value will affect the increase in firm value. Profitability is also able to mediate the effect of liquidity on firm value, however profitability is not able to mediate the effect of capital structure on firm value.

Based on the above conclusions, according to the author, for companies that want to increase their company value, it is necessary to consider several factors related to this research so that they are able to optimize their company value. Investors or prospective investors with this research are expected to be able to provide an overview to evaluate companies that will provide maximum profit. For future research, it is expected to add variables, periods and objects of research..

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