

# Determinants of firm value with profitability as intervening variables

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## Abstract

The research objective is to analyze the factors affecting profitability and their impact on firm value of manufacturing companies on the IDX for the 2017-2019 period. Data collection is done by reading secondary data, with the number of companies that match the characteristics of 27 companies, so that the number of samples becomes 81. The analysis method uses SEM-PLS. The research results are asset structure and profitability influence to firm value, while leverage, capital structure, firm size, liquidity, and firm growth have no effect on firm value. The capital structure has an influence to profitability, but leverage, asset structure, firm size, liquidity, and company growth are not having significant results and profitability is not an intervening variable.

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## Introduction

The firm value describes the management's ability to manage assets. The purpose of a go-public company is to increase the firm value because it results in increasing the welfare of the owner. Asset management, funding and investment decisions are a reflection of stock prices (Mayogi & Fidiana, 2016).

Firm value, it can be influenced by many factors, the first is debt or leverage. Debt is one of the sources of finance in the company. In previous research, Utama and Lisa (2018), Miswanto, Abdullah, and Suparti (2017), leverage has an influence to firm value, but research by Fauzi and Nurmatias (2015); Jiarni (2019), the firm value is not effect by leverage.

In its operations, the company uses assets as its resources. These two elements of assets will form the asset structure. The asset structure describes some of the total assets that can be used as collateral (Tansyawati & Asyik, 2015). In previous studies, Farizki, Suhendro, and Masitoh (2021) and Sumartono, Wijayanti, and Fajri (2020), the asset structure had an influence to firm value, but the research of Tondok, Pahlevi, and Aswan (2019), the asset structure has no influence to firm value.

In addition, the capital structure is the important thing to enhancing organization productiveness and performance. The optimal capital structure of a firm is a combination of debt and capital that maximizes the company's stock price. Companies management has always established a target capital structure. Hermuningsih (2013) discovered that the capital structure affects firm value, but Dewi et al. (2014), there is no actual influence to firm value.

The following variables is the firm size. The size or quantity of a firm assets can be expressed in terms of total assets or total net sales (Afiezan et al., 2020). The larger or larger the business, the easier it is for the business to obtain both internal and external funding sources. Rahayu and Sari (2018), the firm size affects firm value, but according to a survey by Dj, Artini, and Suarjaya (2012), Nurhayati (2013), and Khasanah and Khafid (2020), the size of a company is exactly affected not the firm value.

In addition, a factor influencing the firm value is its liquidity. The liquidity index used in this study is the current index. Effectiveness and efficiency of the business activities can impact a company's profits and cash flow, ultimately adding value to the company. In previous studies, Noerirawan and Muid (2012), and Saleem, Rahman, and Umar (2015) found that liquidity affects firm value, but Iqbal and Zhuquan (2015), Nurhayati (2013), Dj, Artini, and Suarjaya (2012) and Mahardhika and Roosmawarni (2016), liquidity does not influence to firm value.

The firm growth also affects the firm value. The firm growth itself means that companies that are large. This convenience indicates that large companies are relatively easy to meet sources of funds from debt through the capital market, companies that have good company growth rates show their ability to increase company value. In the research of, Hermuningsih (2013), Miswanto, Abdullah, and Suparti (2017), firm growth has an influence to firm value, but research by Akhmadi and Ariadini (2018), Papilaya and Ririhena (2014), Mahardhika and Roosmawarni (2016) and Dewi et al. (2014), the firm growth does not influence firm value.

There are still differences in the results of the factors that affect the firm value above, so previous research suggests the existence of intervening variables, such as: Miswanto, Abdullah, and Suparti (2017), and Akhmadi and Ariadini (2018) which state that profitability can be used as an intervening variable related to with the firm value, assuming that the company's share price can be above or below its book value. Of course, this is very important for investors to be able to make decisions. Profitability can affect the firm value by considering the magnitude of the firm performance, which is reflected in the profits generated. Therefore, companies must constantly strive to improve profitability. The more profitable a company is, the more guaranteed the continuity of the business unit.

In addition to the inconsistency of previous studies above on the factors that influence firm value and the suggestions of the researchers above, this research is feasible. On the other hand, contribution of this study is that the researchers know, there have been no previous researchers who have used a model like this in this study, because most previous researchers, such as: Suprantiningrum and Asji (2013); Marangu and Jagongo (2014) and Nurhayati (2013) have used profitability as an independent variable.

## **Literature Review and Hypotheses Development**

Leverage is the use of assets or funds, for which the company must bear a fixed burden in the form of depreciation or interest (Tondok, Pahlevi, & Aswan, 2019). On the opposite, corporations with excessive leverage ratios permit a big hazard of loss, however additionally have the possibility to earn excessive profits. A excessive go back technique is desirable, however buyers normally refuse to simply accept hazard. The decrease the debt ratio shows that simplest a small a part of the corporation's belongings is financed with debt. Vice versa, the extra of this ratio approach the corporation's leverage, so if the leverage of a corporation is getting smaller than the monetary overall performance of the corporation may be stated to be accurate for the corporation's inner and outside parties (Rifai, Arifati, & Minarsih, 2015).

Most manufacturers invest primarily in property, plant and equipment. These companies generate higher return on investment. Therefore, fixed assets represent assets that can really benefit a company. The larger the asset structure, the larger the assets that can actually benefit the company.

Capital structure is the balance of the amount of debt permanent short term long-term debt, preferred stock, and common stock (Rifai, Arifati, & Minarsih, 2015). Higher net income certainly increases the firm value. The existence of debt will make the firm management continue to work as well as possible to meet the company's goals and payment of interest expense on the debt and the principal of the debt, so that shareholders do not need to supervise management excessively so that it creates a new burden for the company's finances, with reduced agency costs. It will increase net income which then lead to an increase in ROE (Warraich, Ahmed, Ahmad, & Khoso, 2014).

The large of the dimensions of the enterprise is a high-quality signal, inflicting the cost of the enterprise to be better as well. This is due to the fact massive agencies have a tendency to have extra solid conditions. This situation is the motive of the boom withinside the enterprise's proportion charge withinside the capital market place due to the fact traders have excessive expectancies of massive agencies (Meidiyustiani, 2016). The boom in call for enterprise stocks can be capable of spur an boom in proportion fees withinside the capital marketplace. This boom suggests that the enterprise is taken into consideration to have a more "cost" in order to in the end boom the earnings of the enterprise. Large agencies are simpler to acquire loans due to the fact the cost of the belongings used as collateral is more and the extent of consider in banks or economic establishments is a much better (Warraich et al., 2014).

Afiezan, Wijaya, and Claudia (2020), liquidity is ability of firm in fulfilling obligations or pay off short term debt. Thus, if liquidity does not run smoothly, the company's financial performance will also decline and have a negative impact on interested parties.

Asset growth is one of the determining indicators in encouraging the growth of a company's profit. Asset growth is calculated as the percentage change in assets at a certain time against the previous year (Wijoyo, 2018).

Debt (leverage) is a way for companies to increase their capital in search of greater profits. Debt can come from banks or other financing. Leverage is to compare total debt and total assets which shows how much assets are financed with company debt (Rifai et al., 2015).

Asset structure is the arrangement of the presentation of assets in a certain ratio of the financial statements, namely the comparison between current assets and fixed assets. This variable will be measured using the ratio of fixed assets to total assets (Budiasa, Purbawangsa, & Rahyuda, 2016). In manufacturing companies, most of the capital is embedded in fixed assets, which prioritizes internal funding. These companies will obtain greater returns from fixed assets so that it can be said that fixed assets describe assets that can actually provide profits to the company which will increase the value of the company.

Hermuningsih (2013), states that debt policy is: "The decision to use debt by considering the fixed costs that arise from debt in the form of interest, which will lead to increased financial leverage and an increasingly uncertain rate of return for ordinary shareholders".

Firm size is defined as a scale that total asset value, total sales, and market capitalization (Aghnitama et al., 2021). The total value of assets can be indicates the size of the invested capital and the number of sales indicates the size cash flow in the company.

Dewi et al. (2014), a company that has a high level of liquidity means that it has sufficient current assets to repay its current debt so as to provide opportunities to get easy access to debt from creditors. Of course, this affects the value of the company.

Alicia et al. (2017) found evidence that companies facing low growth opportunities, the debt ratio is positively related to firm value. Total assets were chosen as a measure of company growth by considering the relatively stable asset value compared to the market capitalized value and sales.

Profitability is calculated by the ROA ratio which shows how much the company has earned a return on its total assets. According to Dhani and Utama (2017), investors buy shares and are interested in return on equity, or part of the overall benefit to shareholders. This ratio can show how much profit will be obtained by the stockholders, therefore ROE as a tool used to see the firm value (Shamaileh & Khanfar, 2014).

### **Hypotheses Formulation in Brief:**

- H1 : Leverage effect on profitability.
- H2 : Asset structure effect on profitability
- H3 : Capital structure effect on profitability
- H4 : Firm size effect on profitability
- H5 : Liquidity effect on profitability
- H6 : Firm growth effect on profitability.
- H7 : Leverage effect on firm value
- H8 : Asset structure effect on firm value
- H9 : Capital structure effect on firm value
- H10: Firm size effect on firm value
- H11: Liquidity effect on firm value
- H12: Firm growth effect on firm value
- H13: Profitability effect on firm value.

### **Research Methods**

The population are all manufacturing companies on the Indonesia Stock Exchange during 2017 – 2019 (174 data). By purposive sampling, the sample is 81 samples (27 companies, the data is for

3 years (2017-2019). The PLS scoring model is based on predictive measurements with nonparametric properties.

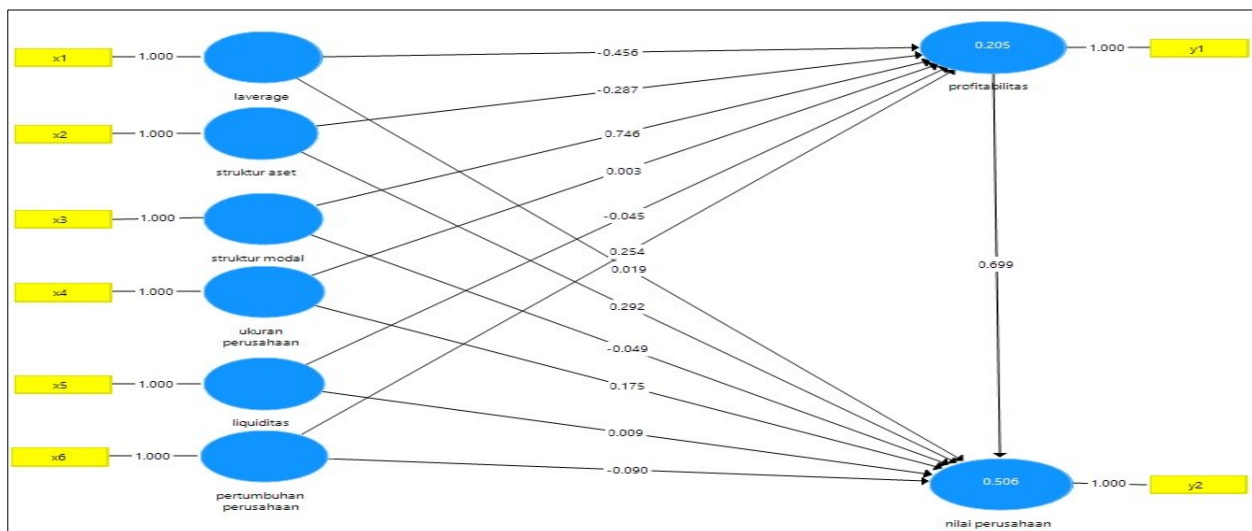
**Statistical Distribution**

**Table 1.** Statistical Distribution

Variables	Mean	Median	Min	Max	Std Dev	Excess Kurtosis	Skewness
X1	36.049	34.000	8.000	74.000	16.785	-0.631	0.524
X2	36.506	38.000	0.000	74.000	15.842	-0.421	-0.256
X3	71.654	51.000	9.000	291.000	61.733	2.733	1.725
X4	2,842.691	2,861.000	2,394.000	3,234.000	203.355	-0.562	0.116
X5	290.630	251.000	63.000	866.000	183.479	0.900	1.111
X6	9.198	8.000	-28.000	56.000	12.679	4.213	1.142
Y1	13.272	10.000	1.000	92.000	13.855	12.691	3.036
Y2	450.679	252.000	0.000	2,888.000	578.395	8.692	2.811

The average of each variable is in a positive number. Variables Leverage (X1), Asset Structure (X2), Capital Structure (X3), Company Size (X4) and Liquidity (X5) above show the average value > std dev., which means that the data is stable, evenly distributed. and no deviation occurs. While the variables of Company Growth (X6), Profitability (Y1) and Firm Value (Y2) in the descriptive results above show the average value < the std dev., but it is not too far apart, meaning it has more variance (difference) data. The value of R Square of the firm value variable is 0.506, meaning that the percentage of the firm value can be explained at 50.60%. The value of R Square of profitability is 0.205.

**Full Model-Structural Equation Model Analysis**



**Figure 1.** Full Model-SEM Test Results

**Table 2.** R Square Test Result

	R Square	R Square Adjusted
Company Value	0.506	0.458
Profitability	0.205	0.141

**Results and Discussion**

**Hypotheses Test Results**

The Smart PLS bootstrapping process can be seen in Figure 2 and Table 3 below:

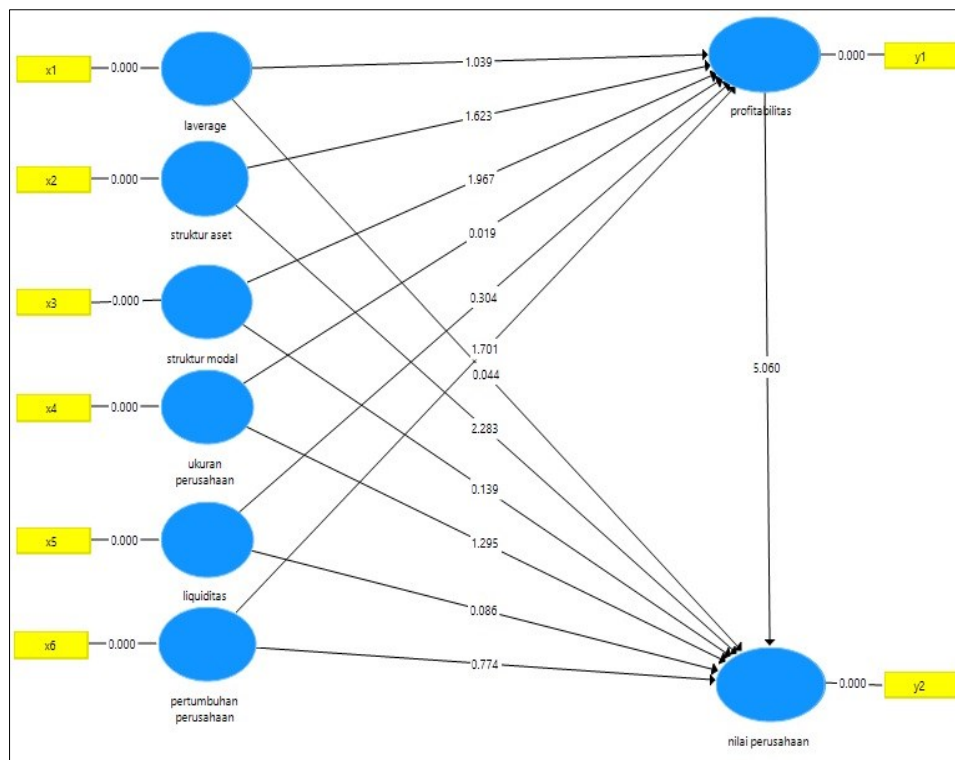


Figure 2. Bootstrapping Result

Table 3. Path Coefficients Result

	Original sample	Sample mean	Standard deviation	T statistics	P value
Leverage → firm value	0.019	0.046	0.418	0.044	0.965
Leverage → profitability	-0.456	-0.540	0.439	1.039	0.299
Liquidity → firm value	0.009	-0.009	0.110	0.086	0.932
Liquidity → profitability	-0.045	-0.041	0.149	0.304	0.761
Firm growth → firm value	-0.090	-0.053	0.117	0.774	0.439
Firm growth → profitability	0.254	0.226	0.149	1.701	0.090
Profitability → firm value	0.699	0.746	0.138	5.060	0.000***
Asset structure → firm value	0.292	0.239	0.128	2.283	0.023*
Asset structure → profitability	-0.287	-0.242	0.177	1.623	0.105
Capital structure → firm value	-0.049	-0.065	0.352	0.139	0.889
Capital structure → profitability	0.746	0.788	0.380	1.967	0.050*
Firm size → firm value	0.175	0.143	0.135	1.295	0.196
Firm size → profitability	0.003	0.045	0.154	0.019	0.985

Note: \*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .000$

In figure 2, the following results are obtained:

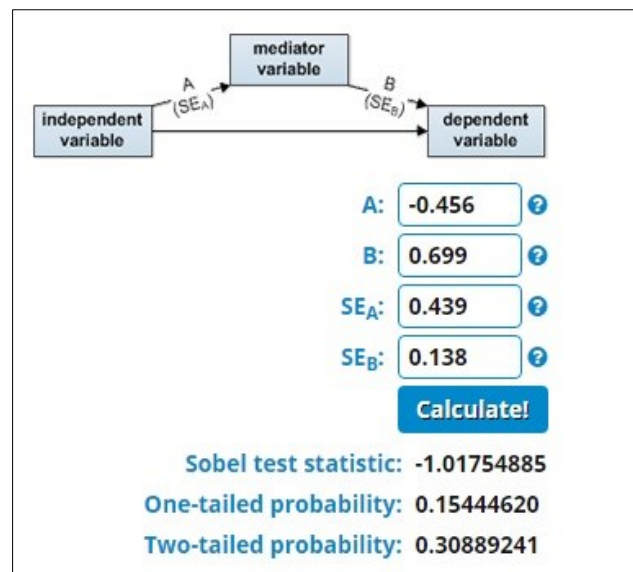
1. Hypothesis 1: Parameter estimation of the effect of leverage on profitability, obtained by -0.456 which means it has a negative effect. Testing the relationship between the two variables shows a sig. value of  $1.039 < t$  table (1.960) with a sig.  $> 0.05$  which means Not Significant. So, the leverage has an insignificant negative effect on profitability. Thus, H1 is rejected.
2. Hypothesis 2: Parameter estimation of the effect of asset structure on profitability, obtained by -0.287 which means it has a negative effect. Testing the relationship between the two variables shows a sig. value of  $1.623 < t$  table (1.960) with a sig.  $> 0.05$  which means Not Significant. So the asset structure has a negative effect on profitability. Thus, H2 is rejected.
3. Hypothesis 3: Parameter estimation of the effect of capital structure on profitability, obtained by 0.746 which means it has a positive effect. Testing the relationship between the two variables

- shows a sig. value of  $1.967 > t$  table (1.960) with a sig  $< 0.05$  which means Significant. So, the capital structure has a positive and significant effect on profitability. Thus, H3 is accepted.
4. Hypothesis 4: Parameter estimation of the effect of firm size on profitability, obtained by 0.003 which means it has a positive effect. Testing the relationship between the two variables shows a sig. value of  $0.019 < t$  table (1.960) with a sig.  $> 0.05$ , Not Significant. So, firm size has a significant positive effect on profitability. Thus, H4 is Rejected.
  5. Hypothesis 5: Parameter estimation of the effect of liquidity on profitability, obtained by -0.045 which means it has a negative effect. Testing the relationship between the two variables shows a sig. value of  $0.304 < t$  table (1.960) with a sig.  $> 0.05$ , Not Significant. So, liquidity has an insignificant negative effect on profitability. Thus, H5 is Rejected.
  6. Hypothesis 6: The parameter estimation of the effect of company growth on profitability, was obtained at 0.254 which means it has a positive effect. Testing the relationship between the two variables shows a sig. value of  $1.701 < t$  table (1.960) with a sig.  $> 0.05$  which means Not Significant. So, firm growth has a significant positive effect on profitability. Thus, H6 is Rejected.
  7. Hypothesis 7: Parameter estimation of the effect of leverage on firm value, obtained by 0.019 which means it has a positive effect. Testing the relationship between the two variables shows a sig. value of  $0.044 < t$  table (1.960) with a sig.  $> 0.05$ , Not Significant. So, the leverage has a significant positive effect on firm value. Thus, H7 is Rejected.
  8. Hypothesis 8: Parameter estimation of the effect of asset structure on firm value, obtained by 0.292 which means it has a positive effect. Testing the relationship between the two variables shows a sig. value of  $2.283 > t$  table (1.960) with a sig.  $< 0.05$ , Significant. So, the asset structure has a significant positive effect on firm value. Thus, H8 is accepted.
  9. Hypothesis 9: Parameter estimation of influence the capital structure to firm value, obtained by -0.049 which means it has a negative effect. Testing the relationship between the two variables shows a sig. value of  $0.139 < t$  table (1.960) with a sig.  $> 0.05$ , Not Significant. So, firm value is significantly affected by capital structure Thus, H9 is Rejected.
  10. Hypothesis 10: Parameter estimation of the effect of firm size on firm value, obtained by 0.175 which means it has a positive effect. Testing the relationship between the two variables shows a sig. value of  $1.295 < t$  table (1.960) with a sig.  $> 0.05$ , Not Significant. So, the firm size has a insignificant positive effect on firm value. Thus, H10 is rejected.
  11. Hypothesis 11: Parameter estimation of the effect of liquidity on firm value, obtained by 0.009 which means it has a positive effect. Testing the relationship between the two variables shows a sig. value of  $0.086 < t$  table (1.960) with a sig.  $> 0.05$ , Not Significant. So, the liquidity has an insignificant positive effect on firm value. Thus, H11 is Rejected.
  12. Hypothesis 12: Parameter estimation of the effect of firm growth on firm value, obtained by -0.090 which means it has a negative effect. Testing the relationship between the two variables shows a sig. value of  $0.774 < t$  table (1.960) with a sig. of  $< 0.05$ , Not Significant. So, the firm growth has a significant negative effect on company value. Thus, H12 is Rejected.
  13. Hypothesis 13: Parameter estimation of the effect of profitability on firm value, obtained by 0.699 which means it has a positive effect. Testing the relationship between the two variables shows a sig. value of  $5.060 > t$  table (1.960) with a sig. of  $< 0.05$ , Significant. So, firm value is significantly affected by profitability. H13 accepted.

### Path Analysis Testing

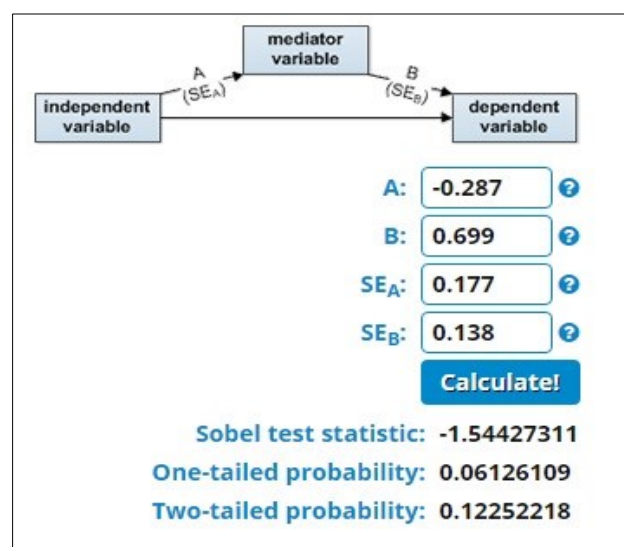
This path test will use a test using sobel test online from the web page <https://www.danielsoper.com/>, so that the results obtained are as follows:

1. Sobel test profitability as a mediating variable of leverage on firm value. To test whether the Profitability variable is an intervening variable from the leverage to firm value variable. Z value (Sobel Statistical Test)  $-1.0175 < 1.96$  with sig. 5% level, meaning that the relationship between leverage and firm value cannot be mediated by profitability.
  - a) The A value obtained from the leverage path to profitability is -0.456 with a std dev. 0.439.
  - b) The B value obtained from the profitability path to firm value is 0.699 with a std dev. 0.138.



**Figure 3.** Sobel Test Result of Leverage on Firm Value

2. Sobel test profitability as a mediating variable of asset structure on firm value. Testing profitability as an intervention of the relationship between asset structure and firm value. Z value (Sobel Statistical Test)  $-1.544 < 1.96$  with sig. level of 5%, meaning that the relationship between asset structure and firm value cannot be mediated by profitability.
  - a) The value of A is obtained from the asset structure to profitability path with a value of  $-0.287$  with a std. dev.  $0.177$ .
  - b) The B value obtained from the profitability path to the firm value is  $0.699$  with a std. dev.  $0.138$ .



**Figure 4.** Sobel Test Result of Asset Structure on Firm Value

3. Sobel test profitability as a mediating variable of capital structure on firm value. Testing profitability as an intervention of the relationship between capital asset structure and firm value. Z value (Statistical Sobel test)  $1.830 < 1.96$  with a sig. level of 5%, level, meaning that the relationship between capital structure on firm value cannot be mediated by profitability.
  - a) The value of A obtained from the path of capital structure to profitability is worth  $0.746$  with a std. dev.  $0.380$ .

- b) The B value obtained from the profitability path to the firm value is 0.699 with a std dev. 0.138.

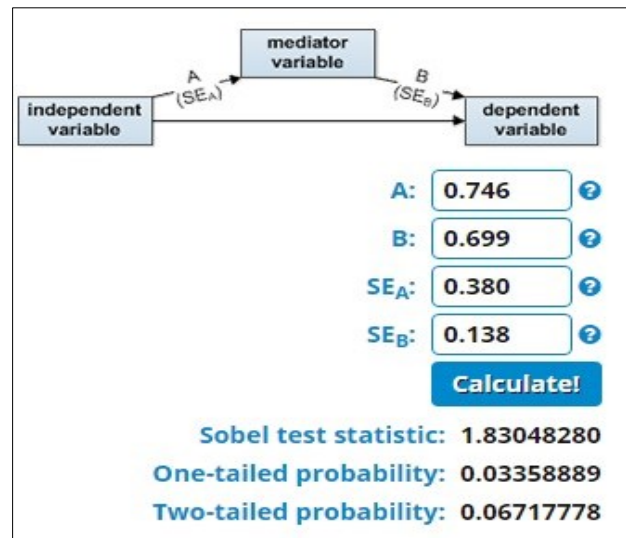


Figure 5. Sobel Test Result of Capital Structure and Firm Value

4. Sobel test profitability as a mediating variable firm size on firm value. Testing profitability as an intervention of the relationship between firm size and firm value. Z value (Statistical Sobel test) is 0.0194 < 1.96 with a sig. of 5% level, meaning that the relationship between firm size and firm value cannot be mediated by profitability.
- a) The A value obtained from the path of firm size to profitability is worth 0.003 with a std dev. 0.154.
- b) The B value obtained from the profitability path to the firm value is 0.699 with a std dev. of 0.138.

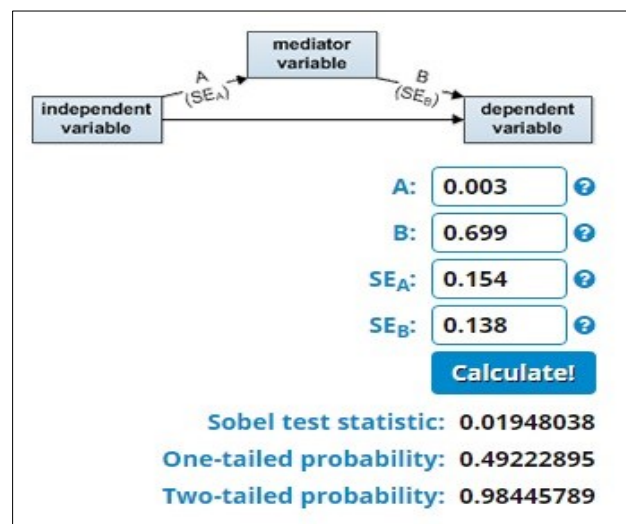
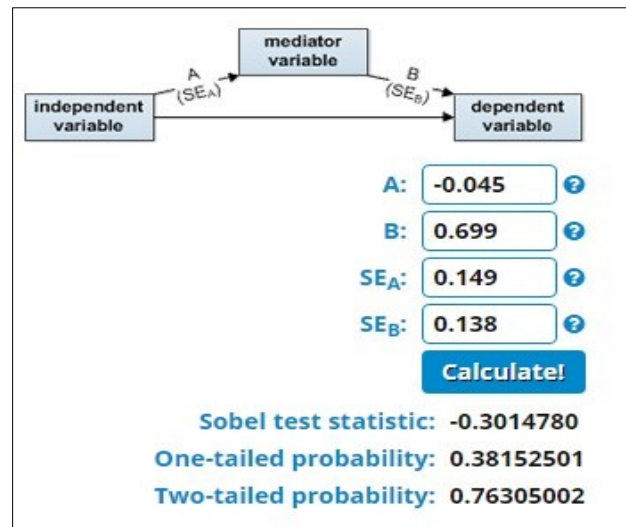


Figure 6. Sobel Test Result of Firm Size on Firm Value

5. Sobel test profitability as a mediating variable liquidity to firm value. To test whether the profitability variable is an intervening variable from the liquidity to firm value variable. Z value (Statistical Sobel test) -0.3014 < 1.96 with a sig. of 5% leve; meaning that the relationship between liquidity and firm value cannot be mediated by profitability.
- a) The A value obtained from the path of liquidity to profitability is -0.045 with a std dev. 0.149.

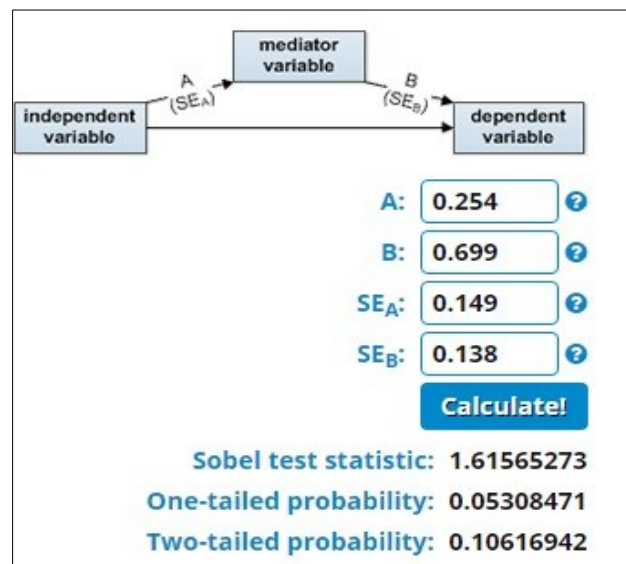


- b) The B value obtained from the Profitability path to the Firm Value is 0.699 with a std dev. 0.138.



**Figure 7.** Sobel Test Result of Liquidity on Firm Value

6. Sobel test profitability as a mediating variable of firm growth on firm value. To test whether the profitability variable is an intervening variable from the firm growth to firm value variable. Z value (Statistical Sobel test) 1.6156 < 1.96 with sig. 5% level, meaning that the relationship between firm growth and firm value cannot be mediated by profitability.
- a) The value of A is obtained from the Company's Growth Path to Profitability with a value of 0.254 with a std dev. 0.149.
- b) The B value obtained from the profitability path to the firm value is 0.699 with a std dev. 0.138.



**Figure 8.** Sobel Test Result of Firm Growth on Firm Value

### The Effect of Leverage on Profitability

The results of hypothesis testing, the significance level is above 0.5 with an effect of -0.456 providing information that the hypothesis is rejected. This means that leverage does not have a significant influence to the profitability. Leverage has a negative direction on profitability, this shows that the higher the leverage, the lower the profitability of the company, but it does not have

a significant influence. Wibowo and Wartini (2012), Jayanti and Sukarno (2020), that leverage has no influence to profitability. However, contrary to Tamba and Sudjiman (2021), that leverage has an effect on profitability

### **The Effect of Asset Structure on Profitability**

The results of hypothesis testing, the significance level is above 0.5 with an effect of -0.287 providing information that the research hypothesis is rejected. This means that the asset structure does not have a significant influence to profitability. The asset structure has a negative direction on profitability, this shows that the higher the asset structure, the lower the company's profitability, but it does not have a significant effect. Wardhana and Mawardi (2016) that the asset structure has no effect on profitability. However, contrary to Rahmiyatun and Nainggolan (2016) that asset structure has a positive and significant influence to profitability.

### **The Effect of Capital Structure on Profitability**

The results of hypothesis testing, the significance level is below 0.5 with a beta of 0.746 providing information that the research hypothesis is accepted. This means that the capital structure has a significant influence to profitability. The results show that the higher the capital structure, the higher the company's profitability and vice versa. Addae, Nyarko-Baasi, and Hughes (2013); and Budiasa et al. (2016), that capital structure has an effect on profitability.

### **The Effect of Firm Size on Profitability**

The results of hypothesis testing, the significance level is above 0.5 with a beta of 0.003 providing information that the research hypothesis is rejected. This means that the firm size does not have a significant influence to profitability. The firm size has a positive direction on profitability, this indicates that the higher the size of the company, the greater the value of the company's profitability, but it does not have a significant effect. Jayanti and Sukarno (2020) which states that firm size has no influence to profitability. However, contrary to Iqbal and Zhuquan (2015), Ambarwati et al. (2015) and Marangu and Jagongo (2014) that firm size has a positive and significant influence to profitability.

### **The Effect of Liquidity on Profitability**

The results of hypothesis testing, the significance level is above 0.5 with a beta of -0.045 providing information that the research hypothesis is rejected. The liquidity does not have a significant influence on the profitability. The results show that liquidity has a negative direction on profitability, this indicates that the higher the liquidity, the lower the company's profitability, but it has no significant effect. Pratomo (2017) that liquidity does not have a significant influence to profitability. However, contrary to Alicia et al. (2017) that liquidity has a positive and significant influence to profitability

### **The Effect of Firm Growth on Profitability**

The results of hypothesis testing, the significance level is above 0.5 with a beta of 0.254 providing information that the research hypothesis is rejected. This firm growth does not have a significant influence to profitability. The results show that the firm growth has a positive direction on profitability, this shows that the higher the firm growth, the more it increases profitability but does not have a significant influence. Jayanti and Sukarno (2020) that firm growth had no influence to profitability. However, contrary to Miswanto, Abdullah, and Suparti (2017), and Papilaya and Ririhena (2014) that firm growth has a positive and significant influence to profitability.

### **The Effect of Leverage on Firm Value**

Hypothesis testing results. the significance level is above 0.5 with an estimated parameter of 0.019 providing information that the research hypothesis is rejected. This leverage does not have a

significant influence to firm value. The results show that leverage has a positive direction on firm value, this indicates that the higher the leverage, the higher the firm value but does not have a significant influence. This is in line with the pecking order theory where the company has a high level of profitability, so it reduces the level of debt, but the results of this study do not support the signaling theory. Fauzi and Nurmatias (2015) and Jiarni (2019) that leverage has no influence to firm value. However, the results of this study do not support Rahayu and Sari (2018), Utama and Lisa (2018), Miswanto, Abdullah, and Suparti (2017), leverage has a positive and significant influence to firm value.

### **The Effect of Asset Structure on Firm Value**

The results of hypothesis testing, the significance level is below 0.5 with an effect of 0.292 providing information that the research hypothesis is accepted. The asset structure has a significant positive influence to firm value. The results show that the higher the asset structure, the higher the firm value. Farizki, Suhendro, and Masitoh (2021), Sumartono, Wijayanti, and Fajri (2020), and Wijoyo (2018) that asset structure has a positive and significant influence to firm value. However, contradict with Tondok, Pahlevi, and Aswan (2019), that asset structure having no influence to firm value

### **The Effect of Liquidity on Firm Value**

The results of hypothesis testing, the significance level is above 0.5 with a beta of -0.045 providing information that the research hypothesis is rejected. The liquidity does not have a significant influence on the profitability. The results show that liquidity has a negative direction on profitability, this indicates that the higher the liquidity, the lower the company's profitability, but it has no significant influence. Pratomo (2017) that liquidity does not have a significant positive influence to profitability. However, contradict with Noerirawan and Muid (2012), and Saleem, Rahman, and Umar (2015) that liquidity has a positive and significant influence to firm value.

### **The Effect of Firm Growth on Firm Value**

The results of hypothesis testing, the significance level is above 0.5 with a beta of 0.254 providing information that the research hypothesis is rejected. The firm growth does not have a significant influence to profitability. The results show that the firm growth has a positive direction on profitability, this shows that the higher the firm growth, the more it increases profitability but does not have a significant influence to profitability itself. Jayanti and Sukarno (2020) that firm growth had no influence to firm value. However, contradict with Hermuningsih (2013) and Miswanto, Abdullah, and Suparti (2017) that firm growth has a positive and significant influence to firm value.

### **The Effect of Leverage on Firm Value**

Hypothesis testing results. the significance level is above 0.5 with an estimated parameter of 0.019 providing information that the research hypothesis is rejected. The leverage does not have a significant influence to firm value. The results show that leverage has a positive direction on firm value, this indicates that the higher the leverage, the higher the firm value but does not have a significant influence. This is in line with the pecking order theory where the company has a high level of profitability, so it reduces the level of debt, but the results of this study do not support the signaling theory. Fauzi and Nurmatias (2015) and Jiarni (2019) that leverage that has no influence to firm value. However, support with Rahayu and Sari (2018), Utama and Lisa (2018), Miswanto, Abdullah, and Suparti (2017).

### **The Effect of Asset Structure on Firm Value**

The results of hypothesis testing, the significance level is below 0.5 with an effect of 0.292 providing information that the research hypothesis is accepted. The asset structure has a significant positive influence to firm value. The results show that the higher the asset structure, the higher the firm

value. The company's return will be high when the company's fixed assets are used optimally so that it will influence the firm growth value. Farizki, Suhendro, and Masitoh (2021), Sumartono, Wijayanti, and Fajri (2020) and Wijoyo (2018) that asset structure has a positive influence to firm value.

### **The Effect of Capital Structure on Firm Value**

The results of hypothesis testing, the significance level is above 0.5 with a beta of -0.049 providing information that the research hypothesis is rejected. The capital structure does not have a significant influence to firm value. The results show that the capital structure has a negative direction on firm value. Capital structure has a negative effect but has no effect on firm value, which means that increasing debt does not necessarily increase firm value. Thus, a high DER must be followed by good management in order to increase profits and initial returns. Dewi et al. (2014), that capital structure has a positive but not significant influence to firm value. However, contrary with Hermuningsih (2013) that capital structure influence to firm value.

### **The Effect of Firm Size on Firm Value**

The results of hypothesis testing, the significance level is above 0.5 with a beta of 0.175 providing information that the research hypothesis is rejected. The size of the company does not have a significant influence to firm value. The results show that firm size has a positive direction on firm value, this indicates that the higher the firm size, the higher the firm value but no significant effect. Firm size has no significant effect on firm value because investors see the financial performance of a company more than the size of the company. So when the company's performance shows good prospects, investors can determine where to invest, so that it can attract investors which will result in stock prices increasing and company value increasing. Farizki, Suhendro, and Masitoh (2021), Nurhayati (2013) and Khasanah and Khafid (2020) that firm size has no influence to firm value. However, contradicts with Hidayat and Wijaya (2019) and Rahayu and Sari (2018) that firm size has an influence on firm value.

### **The Effect of Liquidity on Firm Value**

The results of hypothesis testing, the significance level is above 0.5 with a beta of 0.009 providing information that the research hypothesis is rejected. The liquidity does not have a significant influence to firm value. The results show that liquidity has a positive direction on firm value, this indicates that the higher the liquidity, the higher the firm value but does not have a significant effect. Farizki, Suhendro, and Masitoh (2021), Nurhayati (2013) and Mahardhika and Roosmawarni (2016) that liquidity having no influence to firm value. However, contradicts with Noerirawan and Muid (2012), Pratomo (2017) and Saleem, Rahman, and Umar (2015) that liquidity has an influence to on firm value.

### **The Effect of Company Growth on Firm Value**

The results of hypothesis testing, the significance level is above 0.5 with a beta of -0.090 providing information that the research hypothesis is rejected. The company's growth does not have a significant effect on firm value. Akhmadi and Ariadini (2018), Mahardhika and Roosmawarni (2016), and Dewi et al. (2014) that firm growth has a negative but not significant effect on firm value. However, contradicts with Rahmiyatun and Nainggolan (2015), Hermuningsih (2013), Miswanto, Abdullah, and Suparti (2017) that firm growth influence to firm value.

### **The Effect of Profitability on Firm Value**

The results of hypothesis testing, the significance level of 0.5 with a beta of 0.699 provides information that the research hypothesis is accepted. The profitability has a positive and significant influence to firm value. Suprantiningrum and Asji (2013), Marangu and Jagongo (2014) Nurhayati

(2013) and Sumartono, Wijayanti, and Fajri (2020) that profitability had a positive and significant influence to firm value (Indratjahaja, Maimunah, & Qadariyanti, 2012).

## Implication and Conclusion

Leverage and liquidity has a negative and insignificant influence to profitability. Asset structure has a negative and insignificant influence to profitability. Capital structure has a positive and significant influence to profitability. Firm size has a positive and insignificant influence to profitability (Modigliani & Miller, 1958; Alam, Alam, & Hoque, 2017). The firm growth has a positive and insignificant influence to profitability. Leverage has a positive and insignificant influence to firm value. Asset structure and profitability has a positive and significant influence to firm value. Capital structure and firm growth has a negative and insignificant influence to firm value. Firm size and liquidity has a positive and insignificant influence to firm value. However, when it becomes an intervening variable, profitability is not able to mediate the influence of the leverage variable and such as other variables like asset structure, capital structure, firm size, liquidity, firm growth, and firm value. Next researchers can choose other variables that can influence firm value and add their research period in order to get better results.

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