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Mediating Effect Of Capital Structure On The Influence Of Liquidity, Profitability, And Asset Growth On Firm Value In Companies Listed In The Lq45 Index During The Period Of 2020-2022

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Abstract

This study aims to examine the capability of capital structure as a mediator in the influence of liquidity, profitability, and asset growth on firm value. In this research, liquidity is proxied by CR and OCFR, profitability by ROA and ROE, and asset growth by CAG and FAG. Capital structure is proxied by DER and DAR, while firm value is proxied by Q Tobin and PER. The research sample consists of 19 companies listed in the LQ45 index during the period 2020-2022. Data analysis was conducted using the PLS 3.0 application, which indicates that liquidity and asset growth have a positive influence on firm value, while capital structure has a negative influence on firm value. Profitability does not have a significant influence on firm value. Additionally, liquidity has a negative influence on capital structure, while profitability and asset growth do not have a significant influence on capital structure. Capital structure can act as a mediator in the influence of liquidity on firm value, but does not act as a mediator in the influence of profitability and asset growth on capital structure.

Keywords : *firm value, liquidity, profitability, asset growth, capital structure*

1. Introduction

One of the significant challenges faced by companies during the pandemic is how to maintain their performance under such conditions. A healthy company is one that can sustain its performance and has a good firm value. Firm value itself is defined as the value measured by the market value of equity plus the amount of existing debt (Herwanti, Hermuningsih, & Maulida, 2022). Firm value is fundamental because according to Baye & Prince (2022), the long-term goal of a company is to maximize its corporate value. In this study, firm value is proxied by Tobin's Q and PER. According to Anggriani (2018), there are three variables that can affect corporate value. These variables are liquidity, profitability, and asset growth.

Liquidity ratio itself can be defined as the company's ability to timely pay its current obligations. In this study, liquidity is proxied by the current ratio (CR) and operating cash flow ratio (OCFR). According to Hapsoro & Falih (2020), good company liquidity can indicate the availability of funds to run the company's operations and demonstrate the company's ability to continue to grow. This will be a positive signal for investors, thus increasing the company's value.

The second variable that can affect firm value is profitability, which can be defined as a company's ability to generate profits from its business activities (Sutrisno, Trisnawati, & Jap, 2023). In this study, profitability is proxied by the return on assets (ROA) and return on equity (ROE) ratios. The greater the profit obtained, the more investors will be interested in investing with the hope of getting a large return. Investors' expectations of high returns due to high profitability will increase the firm value (Grace & Nugroho, 2022).

Then the next variable that can affect firm value is asset growth. Novitasari & Krisnando (2021) explain that asset growth can be interpreted as the increase or decrease that occurs in the total assets of a company over a certain period. In this study, asset growth is measured by current asset growth (CAG) and fixed asset growth (FAG). Makmur, Amali, & Hamin (2022) explain that high asset growth followed by increased company performance will increase external confidence in the company. This increased confidence will increase the firm value.

The mediating variable in this study is capital structure. Capital structure can be defined as the comparison between all of the company's obligations compared to its own capital. Therefore, capital structure is the result of financing decisions made by the company to

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achieve optimal corporate value (Yanti & Darmayanti, 2019). In this study, capital structure is proxied by the debt to equity ratio (DER) and debt to asset ratio (DAR). Maria & Widjaja (2023) prove that capital structure can mediate the influence of liquidity on firm value. Then the gap in the influence of profitability on corporate value is proven by Mardianto's research (2022) can be filled with the capital structure variable. Dewi & Candradewi (2018) prove that capital structure can act as a mediating variable in the influence of asset growth on firm value.

2. Method

The research object in this scientific work is companies classified in the LQ45 index during the period 2020-2022. The sample determination technique applied in this research is nonprobability with purposive sampling technique, resulting in 19 companies selected as samples and tested in this study. The testing tool used is PLS 3.0.

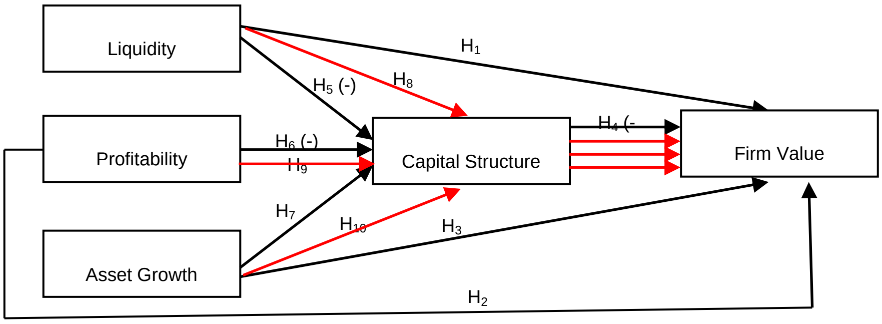

Figure 1. Research Model
Source: Data Processing

3. Results and Discussions

Table 1. Direct Effect Test Results

Hypotheses	Direct Effect	Original Sample	T Statistic	P Values
H_1	Liquidity → Firm Value	0,461	2,781	0,006
H_2	Profitability → Firm Value	-0,091	0,985	0,325
H_3	Asset Growth → Firm Value	0,337	2,841	0,005
H_4	Capital Structure → Firm Value	-0,199	2,008	0,045
H_5	Liquidity → Capital Structure	-0,407	2,533	0,012
H_6	Profitability → Capital Structure	0,253	1,109	0,268
H_7	Asset Growth → Capital Structure	0,070	0,559	0,577

Source: Data Processing

Based on the results of the direct influence test, it is found that H_1 is accepted. The hypothesis testing results indicate that liquidity has a positive effect on firm value. Companies with high liquidity levels can have a good image in the eyes of the public, resulting in favorable evaluations of the company. Research by Jihadi et al. (2021) shows similar results.

After testing, it is found that H_2 is rejected. This study indicates that profitability does not have a significant effect on firm value. The level of company profit does not necessarily determine the public's assessment of the company. The results of this study are in line with Reschiwati, Syahdina, & Handayani (2019).

After the test, it is known that H_3 is accepted. Company assets that grow each year will improve company performance, followed by an increase in firm value. Asset growth can enhance operational capabilities, allow for larger production, and open opportunities to expand market share. The results of this study are supported by research by Putra (2021).

Then it is found that H_4 is accepted. Companies with high debt levels have high payment risks. This risk will deter investors from investing in the company, resulting in a

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decrease in firm value. The results of the study by Dewantari, Cipta, & Susila (2019) support this.

In this study, H_5 is accepted. Companies with good liquidity levels certainly have the ability to meet their short-term needs in carrying out business operations. Therefore, companies with high liquidity levels tend to have sufficient internal funds and are less dependent on the use of capital as a source of company financing. Research by Lukman & Hartikayanti (2022) is consistent with these results.

This study shows that H_6 is rejected. The results of this study indicate that profitability does not affect changes in the company's capital structure. Company profitability does not affect the level of debt usage. Research by Agustinus & Mulyani (2023) supports these findings.

And it is known that H_7 is rejected in this study. The magnitude of changes in company assets does not affect company management in making financing decisions. Research by Lukman & Hartikayanti (2022) supports these findings.

Table 2. Indirect Effect Test Results

Hypotheses	**Indirect Effect**	**Original Sample**	**T Statistic**	**P Values**
H_8	Liquidity → Capital Structure → Firm Value	0,081	1,648	0,100
H_9	Profitability → Capital Structure → Firm Value	-0,014	0,561	0,575
H_{10}	Asset Growth → Capital Structure → Firm Value	-0,050	1,121	0,263

Source: Data Procesing

Based on the results of the indirect influence test, it is found that hypothesis H_8 is accepted. Capital structure can positively mediate the effect of liquidity on firm value. Companies with good liquidity levels have the ability to meet their short-term needs in carrying out business operations. Companies with high liquidity levels tend to have sufficient internal funds and rely less on debt usage as a source of financing. The use of debt will reduce the cost of capital and the risk of default for the company. This will capture investor attention, thereby increasing firm value. These results are consistent with the findings of the study by Maria & Widjaja (2023).

Then it is found that H_9 is rejected in this study. In this study, it is observed that capital structure does not successfully mediate the effect of profitability on firm value. Although changes in the company's capital structure can determine investor perceptions of the company, the level of profitability is not found to be a determining factor for companies in increasing or decreasing their debt usage levels. Similar results were found in the research conducted by Dewi & Candradewi (2023).

H_{10} is found to be rejected in this study. The test results indicate that capital structure cannot mediate the effect of liquidity on firm value. The level of change in company assets cannot be a determining factor for management in making financing decisions using debt. This lack of significance makes the contribution of the capital structure variable as a mediator not significant. Similar results were also found in the research conducted by Mardianto (2022).

4. Conclusion and Recommendations

This study was conducted to examine the effects of liquidity, profitability, and asset growth on firm value with capital structure as a mediating variable in companies listed in the LQ45 index during the period 2020-2022. The analysis was performed using the PLS 3.0 application, yielding the following results: Liquidity has a positive effect on firm value, Profitability does not have a positive effect on firm value, Asset growth has a positive effect on firm value, Capital structure has a negative effect on firm value, Liquidity has a negative

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effect on capital structure, Profitability does not have a negative effect on capital structure, Asset growth does not have a negative effect on capital structure, Capital structure positively mediates the effect of liquidity on firm value, Capital structure does not positively mediate the effect of profitability on firm value, and Capital structure does not positively mediate the effect of asset growth on firm value. Recommendations for future research include further development of the research model by adding independent variables that may affect capital structure and firm value.

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