Contents lists available at *JEMACA*

Journal of Economics, Management, Accounting and Computer Applications

Journal Homepage: https://jemaca.aks.or.id/index.php/jemaca/index

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

Ningtias A'inatunnadillah[1], Akhmadi[2], Emma Suryani[3]
Department of Management, Faculty of Economics and Business, University of Sultan Ageng Tirtayasa

Info Article

Keywords:

Profitability
Liquidity
Capital structure
Company value
SMInfra18 Index
Indonesia Stock Exchange

ABSTRACT

This study aims to test and analyze the influence of profitability and liquidity on the value of companies with capital structure as intervening variables in companies listed in the SMInfra18 Index on the Indonesia Stock Exchange for the 2018-2023 period. The variables studied included profitability proxied by Net Profit Margin (NPM), liquidity with Current Ratio (CR), capital structure with Long-term Debt to Equity Ratio (LTDER), and company value with Tobin's Q. Purposive sampling method was used to obtain eleven companies as a sample with a total of 66 observation data. Data analysis was conducted using IBM SPSS Statistics 23. The results of the study show that profitability and liquidity have a positive and significant effect on the company's value. Profitability and liquidity have a negative and significant effect on capital structure. Capital structure is not able to mediate the influence of profitability on the value of the company, but it is able to mediate the influence of liquidity on the value of the company.

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Corresponding Author:

Ningtias A'inatunnadillah
Department of Management
University of Sultan Ageng Tirtayasa
Jl. Raya Palka KM. 03 Sindangsari, Pabuaran District, Serang Regency, Banten Province
Email: 5551200036@untirta.ac.id

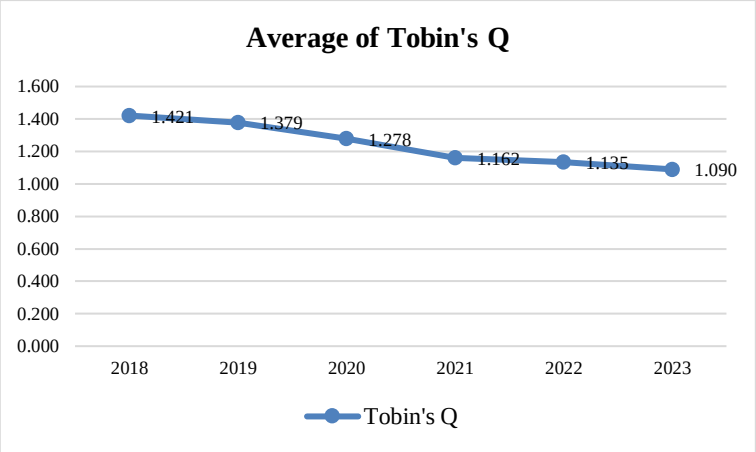
1. INTRODUCTION

Rapid economic growth and dynamic developments in the business world have had a significant impact, especially for companies listed on the Indonesia Stock Exchange (IDX). In the context of an increasingly competitive industry, companies in Indonesia face challenges to optimize corporate value and ensure their operational sustainability [1]. In an ever-evolving business landscape, increased competitiveness is a must, encouraging entrepreneurs to explore more creative and strategic approaches, both at the individual and company levels, to sustain success [2].

A company's value, which reflects the market's perception of a company's intrinsic value, is heavily influenced by its financial performance, growth potential, and competitive advantage. Strong performance, which is reflected in the high share price, allows investors to anticipate maximum and sustainable profits [3]. With the

increase in public trust in companies, the value of the company tends to increase, which in turn increases the demand for shares in the capital market [4].

But, although a company's value is an important indicator of performance, there is a gap in understanding the factors that influence those values. Previous research has shown that profitability and liquidity have a significant influence on a company's value, but the results are often inconsistent [5], [6]. In addition, capital structure as an intervening variable in the relationship between profitability, liquidity, and company value has not been widely explored. Therefore, this study aims to fill this gap by analyzing the influence of profitability and liquidity on the value of companies with capital structure as an intervening variable. The following is the average development of Tobin's Q in the SMInfra18 Index for the 2018-2023 period:



Picture 1. The average Tobin's Q of the SMInfra18 Index for the 2018–2023 period
Source: Data processed, 2023

The graph in Figure 1 shows a significant decline in the average Tobin's Q over the period, reflecting a decline in investor confidence in the growth prospects of infrastructure companies. The sharpest decline occurred between 2020 and 2021, where Tobin's Q fell by 9.08% due to the impact of Large-Scale Social Restrictions (PSBB) and global economic uncertainty. This downward trend suggests that investors are becoming more cautious in assessing growth potential.

Based on this background, the research questions asked are: (1) Does profitability affect the company's value in companies listed in the SMInfra18 Index for the 2018-2023 period? (2) Does liquidity affect the value of the company? (3) Does profitability affect the capital structure? (4) Does liquidity affect the capital structure? (5) Does the capital structure affect the value of the company? (6) Is the capital structure able to mediate the influence between profitability on the value of the company? (7) Is the capital structure able to mediate the influence between liquidity on the value of the company?

This research is expected to make a theoretical and practical contribution in understanding the dynamics of corporate value in Indonesia's infrastructure sector as well as providing insights for investors and company management in making better decisions.

2. RESEARCH METHOD

This research is included in the category of causal associative research with a quantitative approach that aims to examine the influence of profitability and liquidity on the value of companies with capital structure as an intervening variable. The type of data used in this study is secondary data in the form of data sourced from the annual *financial reports* of companies included in the SMInfra18 Index listed on the Indonesia Stock Exchange for the period 2018-2023 which is sourced from the official website of www.idx.co.id and the official website of each company that is the research sample. Data processing is carried out using *IBM SPSS Statistics 23* software.

The population in this study is all companies listed in the SMInfra18 index on the Indonesia Stock Exchange (IDX) in the 2018-2023 period, which totals 18 companies. From the entire population, the researcher took 11 research samples using *the purposive sampling* method with the criteria of companies listed in the SMInfra18 index that published their financial statements in a complete and consistent manner in the 2018-2023 period. The eleven companies include PT AKR Corporindo Tbk., PT XL Axiata Tbk., PT Indocement Tunggal Prakarsa Tbk., PT Jasa Marga Tbk., PT Medco Energi Internasional Tbk., PT Perusahaan Gas Negara Tbk., PT PP (Persero) Tbk., PT Semen Indonesia (Persero) Tbk., PT Telkom Indonesia (Persero) Tbk., PT United Tractors Tbk., and PT Wijaya Karya (Persero) Tbk.

The data used in this study is panel data. Panel data has the advantage of not requiring autocorrelation and linearity testing. Linearity tests are hardly performed on every linear regression model, as it is already assumed that the model is linear. The following is the operational definition of the variables in this study:

Table 1. Variable Operations

No.	Variabel	Variable Concepts	Size	Scale
1.	Company Values (Y)	A company's value reflects the level of confidence investors have in the company's capabilities. When public trust in the company increases, the value of the company will usually also increase in the eyes of investors [4]	$\text{Tobin's Q} = \frac{\text{MVE} + \text{Total Liability}}{\text{Total Assets}}$	Ratio
2.	Profitability (X1)	Profitability is a ratio used to measure a company's ability to generate profits at a certain level [7].	$\text{NPM} = \frac{\text{Net Profit}}{\text{Sales}}$	Ratio
3.	Liquidity (X2)	Liquidity is a company's ability to meet short-term obligations and convert all of its assets into profits [8].	$\text{CR} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$	Ratio
4.	Capital Structure (Z)	Capital structure is a component of a company's financial structure which includes a combination of capital from long-term and short-term debt and capital that is the source of the company's financing [8].	$\text{LTDER} = \frac{\text{Total Longterm Liabilities}}{\text{Total Equity}}$	Race

3. RESULTS AND DISCUSSION

3.1. Descriptive Statistical Analysis

Table 2. Descriptive Statistical Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
NPM	66	-.31638	.43357	.0782971	.10527116
CR	66	.27966	3.28359	1.3286164	.67023005
LDER	66	.02760	2.90856	.9133092	.77784690
Tobin's Q	66	.73278	2.52289	1.2405426	.42773172
Valid N (listwise)	66				

Source: SPSS 23 output, data processed 2024

Based on Table 2, this study analyzed 66 data from 11 companies over 6 years. Descriptive analysis showed that the Profitability variable (NPM) had the lowest value of -0.31638% (WIKA, 2023) due to large losses, and the highest of 0.43357% (JSMR, 2023) due to increased efficiency, with an average of 0.0782971% and a standard deviation of 0.105271%, reflecting fairly homogeneous data. The lowest liquidity (CR) of 0.27966% (JSMR, 2019) indicates difficulty meeting short-term liabilities, while the highest of 3.28359% (INTP, 2019) reflects the strength of liquidity, with an average of 1.3286164% and a standard deviation of 0.67023005%, indicating more dispersed data. The lowest Capital Structure (LTDER) of 0.02760% (INTP, 2018) indicates low debt to capital, while the highest of 2.90856% (MEDC, 2019) still reflects prudent debt management, with an average of 0.9133092% and a standard deviation of 0.77784690%, reflecting large variations in capital structure. Meanwhile, the lowest Corporate Value (Tobin's Q) of 0.73278% (PGN, 2023) indicates the challenge of creating market value, and the highest of 2.52289% (INTP, 2018) indicates high investor confidence, with an average of 1.2405426% and a standard deviation of 0.42773172%, indicating the stability of the company's value in general.

3.2. Classic Assumption Test
3.2.1. Normality Test

Table 3. Normality Test Results of Substructural 1 Before Outlier Removal

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		66
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.38844011
Most Extreme Differences	Absolute	.116
	Positive	.116
	Negative	-.061
Test Statistic		.116
Asymp. Sig. (2-tailed)		.028[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: SPSS 23 output, data processed 2024

Table 3 shows that the significance value of *Asymp. Sig (2-tailed)* is 0.028 smaller than 0.05. Therefore, in accordance with the decision-making criteria in the Kolmogorov Smirnov normality test, it can be concluded that the data on Substructural 1 are abnormally distributed.

Table 4. Normality Test Results of Substructural 2 Before Outlier Removal

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		66
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.69603926
Most Extreme Differences	Absolute	.186
	Positive	.186
	Negative	-.121
Test Statistic		.186
Asymp. Sig. (2-tailed)		.000[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: SPSS 23 output, data processed 2024

Table 4 shows that the significance value of *Asymp. Sig (2-tailed)* is 0.00 smaller than 0.05. Therefore, in accordance with the decision-making criteria in the Kolmogorov Smirnov normality test, it can be concluded that the data on Substructural 2 are abnormally distributed.

Table 5. Normality Test Results of Substructural 1 Before Outlier Removal

One-Sample Kolmogorov-Smirnov Test

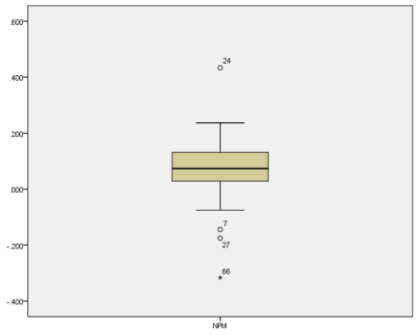
		Unstandardized Residual
N		66
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.36180851
Most Extreme Differences	Absolute	.090
	Positive	.090
	Negative	-.062
Test Statistic		.090
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

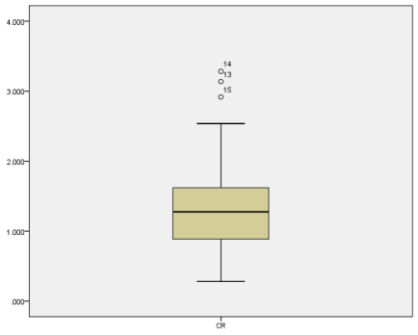
Source: *Output* SPSS 23, data diolah 2024

Table 5 shows that the significance value of *Asymp. Sig (2-tailed)* is 0.200 greater than 0.05. Therefore, in accordance with the decision-making criteria in the Kolmogorov-Smirnov normality test, it can be concluded that the data in Substructural 3 are normally distributed.

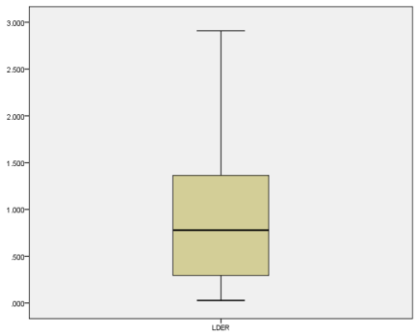
After the normality test was carried out on each substructure, it can be found that the research data on substructures 1 and 2 showed an abnormal residual data distribution. Therefore, it is necessary to carry out *treatment* to make the residual data be distributed normally, one of which is by analyzing through the visualization of *the box-plot* on each variable.



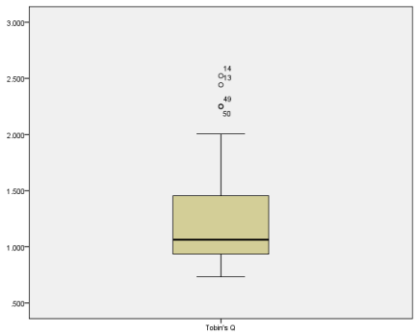
Picture 2. Boxplot Outlier Profitability
Source: SPSS 23 output, data processed 2024



Picture 3. Boxplot Outlier Liquidity
Source: SPSS 23 output, data processed 2024



Picture 4. Boxplot Outlier Capital Structure
Source: SPSS 23 output, data processed 2024



Picture 5. Boxplot Outlier Company Values
Source: SPSS 23 output, data processed 2024

Based on the *boxplot* image for each variable, it can be seen that there is outlier data that needs to be eliminated. For the Profitability variable, outlier data was detected on the 24, 7, 27, and 66 data. In the Liquidity variable, outlier data is found in the 13, 14, and 15 data. As for the Company Value variable, the outlier data is found in the 13, 14, 49, and 50 data. Therefore, the researcher decided to release the 7, 13, 14, 15, 27, 49, 50, and 66 data from the research sample that had been identified as outlier data. After excluding the outlier data, the normality test was again carried out using 58 observation data using the Monte Carlo test method. The results obtained are as follows:

Table 6. Normality Test Results of Substructural 1 After Outlier Removal Using the Monte Carlo Method

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			66
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.25808884
Most Extreme Differences	Absolute		.122
	Positive		.122
	Negative		-.080
Test Statistic			.122
Asymp. Sig. (2-tailed)			.017[c]
Monte Carlo Sig. (2-tailed)	Sig.		.258[d]
	99% Confidence Interval	Lower Bound	.247
		Upper Bound	.269

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Based on 10000 sampled tables with starting seed 92208573.

Source: SPSS 23 output, data processed 2024

Table 6 shows that the significance value of 0.258 is greater than 0.05 so it can be concluded that the data on substructural 1 are normally distributed so that the research can be continued.

Table 7. Normality Test Results of Substructural 1 After Outlier Removal Using the Monte Carlo Method

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			66
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.78892080
Most Extreme Differences	Absolute		.131
	Positive		.131
	Negative		-.124
Test Statistic			.131
Asymp. Sig. (2-tailed)			.007[c]
Monte Carlo Sig. (2-tailed)	Sig.		.195[d]
	99% Confidence Interval	Lower Bound	.184
		Upper Bound	.205

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. Based on 10000 sampled tables with starting seed 1335104164.

Source: SPSS 23 output, data processed 2024

Table 7 shows that the significance value of 0.195 is greater than 0.05 so it can be concluded that the data in substructural 2 are normally distributed so that the study can be continued.

3.2.2. Multicollinearity Test

Table 8. Multicollinearity Test Results of Substructural 1

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	NPM	.970	1.031
	CR	.970	1.031

a. Dependent Variable: Tobin's Q

Source: SPSS 23 output, data processed 2024

Based on the results of the Substructural multicollinearity test 1 in Table 8, it is known that each variable has a VIF value of less than 10 and *a Tolerance* value greater than 0.01, so it can be concluded that the Substructural model 1 is free of multicollinearity and the research can be continued.

Table 9. Multicollinearity Test Results of Substructural 2

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	NPM	.859	1.053
	CR	.870	1.067

a. Dependent Variable: LDER

Source: SPSS 23 output, data processed 2024

Based on the results of the Substructural multicollinearity test 2 in Table 9, it is known that each variable has a VIF value of less than 10 and *a Tolerance* value greater than 0.01, so it can be concluded that the Substructural 2 model is free of multicollinearity and the research can be continued.

Table 10. Multicollinearity Test Results of Substructural 3

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	NPM	.901	1.110
	CR	.872	1.146
	LDER	.801	1.249

a. Dependent Variable: Tobin's Q

Source: SPSS 23 output, data processed 2024

Based on the results of the Substructural Multicollinearity 3 test in Table 10, it is known that each variable has a VIF value of less than 10 and *a Tolerance* value greater than 0.01, so it can be concluded that the Substructural 3 model is free of multicollinearity and the research can be continued.

3.2.3. Heteroscedasticity Test

Table 11. Heteroscedasticity Test Results of Substructural 1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.163	.026		6.367	.000
	NPM	.004	.077	.029	.056	.956
	CR	-.054	.075	-.376	-.719	.474

a. Dependent Variable: ABS_RES1

Source: SPSS 23 output, data processed 2024

Based on the results of the Glejser test in Table 11, it shows that the significance value of both variables is higher than 0.05. This indicates that there is no indication of heteroscedasticity in the Substructural regression model 1. Thus, the assumption of homocedasticity is met, and the model can be considered valid for further analysis.

Table 12. Heteroscedasticity Test Results of Substructural 2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.550	.137		4.009	.000
	NPM	.431	.342	-.159	-1.262	.212
	CR	.062	.093	.083	.662	.511

a. Dependent Variable: ABS_RES2

Source: SPSS 23 output, data processed 2024

Based on the results of the Glejser test in Table 12, the significance value of both variables is higher than 0.05. This indicates that there is no indication of heteroscedasticity in the Substructural regression model 2. Thus, the assumption of homocedasticity is met, and the model can be considered valid for further analysis.

Table 13. Heteroscedasticity Test Results of Substructural 3

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.211	.038		5.541	.000
	NPM	-.096	.081	-.155	-1.176	.244
	CR	-.016	.022	-.096	-.740	.462
	LDER	-.006	.018	-.047	-.356	.723

a. Dependent Variable: ABS_RES3

Source: SPSS 23 output, data processed 2024

Based on the results of the Glejser test in Table 13, it shows that the significance value of the three variables is higher than 0.05. This indicates that there is no indication of heteroscedasticity in the Substructural

regression model 3. Thus, the assumption of homoscedasticity is met, and the model can be considered valid for further analysis.

3.3. Regresi Linear Berganda

3.3.1. The Effect of Profitability and Liquidity on Company Value (Substructural 1)

Table 14. Multiple Linear Regression Test Results of Substructural 1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.906	.115		7.864	.000
	NPM	1.321	.465	.325	2.842	.006
	CR	.174	.073	.272	2.378	.020

a. Dependent Variable: Tobin's Q

Source: SPSS 23 output, data processed 2024

Table 15. Substructural Coefficient of Determination (R2) 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.419[a]	.175	.149	.394558

a. Predictors: (Constant), CR, NPM

Source: SPSS 23 output, data processed 2024

Meanwhile, the value of e can be determined by using the following formula:

$$e = \sqrt{(1 - R^2)} = \sqrt{(1 - 0{,}175)} = \sqrt{0{,}825} = 0{,}908295$$

Based on Tables 14 and 15, it can be seen that the formula for the multiple linear regression equation in the Substructural Model 1 is as follows:

$$\text{Tobin's Q} = 0{,}906 + 1{,}321\ \text{NPM} + 0{,}174\ \text{CR} + 0{,}908$$

From the regression equation, it can be concluded that the value of the constant (α) is 0.906 which indicates that when the variables Profitability and Liquidity are considered zero or very low, then the value of Tobin's Q is 0.906. The value of the Profitability coefficient (X1) of 1.321 indicates that if the Profitability increases one unit assuming that other independent variables are constant, then the Company Value will increase by 1.321. The value of the Liquidity Coefficient (X2) of 0.174 indicates that if the Liquidity level increases by one unit assuming that other independent variables are constant, then the Company's Value will increase by 0.174.

3.3.2. The Effect of Profitability and Liquidity on Capital Structure (Substructural 2)

Table 16. Multiple Linear Regression Test Results of Substructural 2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.611	.207		7.802	.000
	NPM	-.590	.833	-.296	-2.628	.011
	CR	-1.396	.131	-.341	-3.028	.004

a. Dependent Variable: LDER

Source: SPSS 23 output, data processed 2024

Table 17. Determination Coefficient (R^2) of Substructural 2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.446[a]	.199	.174	.707001

a. Predictors: (Constant), CR, NPM

Source: SPSS 23 output, data processed 2024

Meanwhile, the value of e can be determined by using the following formula:

$$e = \sqrt{(1 - R^2)} = \sqrt{(1 - 0{,}199)} = \sqrt{0{,}801} = 0{,}894986$$

Based on Tables 16 and 17, it can be seen that the formula for multiple linear regression equations in the Substructural 2 model is as follows:

LTDER = 1,611 – 0,590 NPM – 1,396 CR + 0,894

From the regression equation, it can be concluded that the value of the constant (α) is 1.611 which indicates that when the variables of Profitability and Liquidity are considered zero or very low, then the value of LTDER is 1.611. The value of the Profitability coefficient (X1) of -0.590 indicates that if the level of Profitability increases by one unit assuming that other independent variables are constant, then the Capital Structure will decrease by -0.590. The value of the Liquidity Coefficient (X2) of -1.396 indicates that if the Liquidity level increases by one unit assuming that other independent variables are constant, then the Capital Structure will decrease by -1.396.

3.3.3. The Effect of Profitability and Liquidity on Company Value with Capital Structure as an Intervening Variable (Substructural 3)

Table 18. Multiple Linear Regression Test Results of Substructural 3

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.128	.643		6.421	.000
	NPM	2.328	.282	.618	8.256	.000
	CR	.126	.031	.272	4.086	.000
	LDER	-.127	.030	-.306	-4.228	.000

a. Dependent Variable: Tobin's Q

Source: SPSS 23 output, data processed 2024

Table 19. Determination Coefficient (R^2) of Substructural 3

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.533[a]	.284	.250	.370459

a. Predictors: (Constant), LDER, NPM, CR

Source: SPSS 23 output, data processed 2024

Meanwhile, the value of e can be determined by using the following formula:

$$e = \sqrt{(1 - R^2)} = \sqrt{(1 - 0{,}284)} = \sqrt{0{,}716} = 0{,}846168$$

Based on Tables 18 and 19, it can be seen that the formula for multiple linear regression equations in this Substructural 3 model is as follows:

Tobin's Q = 4,128 + 2,328 NPM + 0,126 CR – 0,127 LTDER + 0,846

From the regression equation, it can be concluded that the value of the constant (α) is 4.128 which indicates that when the variables Profitability and Liquidity are considered zero or very low, then the value of Tobin's Q is 4.128. The value of the Profitability coefficient (X1) of 2.328 indicates that if the Profitability level increases one unit assuming that other independent variables are constant, then the Company Value will increase by 2.328. The value of the Liquidity Coefficient (X2) of 0.126 indicates that if the Liquidity level increases by one unit assuming that other independent variables are constant, then the Company's Value will increase by 0.126. The value of the Capital Structure coefficient (Z) of -0.127 indicates that if the level of Capital Structure increases by one unit assuming that other independent variables are constant, then the Company Value will decrease by -0.127.

3.4. Hypothesis Test (Partial t-test)

3.4.1. The Effect of Profitability and Liquidity on Company Value (Substructural 1)

Table 20. Results of Hypothesis Test 1 and Hypothesis Test 2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.906	.115		7.864	.000
	NPM	1.321	.465	.325	2.842	.006
	CR	.174	.073	.272	2.378	.020

a. Dependent Variable: Tobin's Q

Source: SPSS 23 output, data processed 2024

Based on the results of the hypothesis test in Table 20, it is known that the t-value of the Profitability variable is 2.842. Meanwhile, the value of t-table at the real level of 5% (α = 0.05) with the value *of degrees of freedom* (df) = 66 – 3 = 63 is 1.669. This shows that the t-count (2.842) > the t-table (1.669), with a significance value of 0.006 < 0.05 then Ho1 is rejected and Ha1 is accepted. It can be concluded that Profitability has a positive and significant effect on Company Value. So **Ha_1 is accepted.**

Based on the results of the hypothesis test in Table 20, it is also known that the t-calculated value of the Liquidity variable is 2.378. Meanwhile, the value of t-table at the real level of 5% (α = 0.05) with the value *of degrees of freedom* (df) = 66 – 3 = 63 is 1.669. This shows that the t-count (2.378) > the t-table (1.669), then Ho2 is rejected and Ha2 is accepted with a significance value of 0.020 < 0.05. It can be concluded that Liquidity has a positive and significant effect on the Company's Value. So **Ha_2 is accepted.**

3.4.2. The Effect of Profitability and Liquidity on Company Value (Substructural 1)

Table 21. Results of Hypothesis Test 3 and Hypothesis Test 4

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.611	.207		7.802	.000
	NPM	-.590	.833	-.296	-2.628	.011
	CR	-1.396	.131	-.341	-3.028	.004

a. Dependent Variable: LDER

Source: SPSS 23 output, data processed 2024

Based on the results of the hypothesis test in Table 21, it is known that the t-value of the Profitability variable is -2.628. Meanwhile, the value of t-table at the real level of 5% (α = 0.05) with the value *of degrees of freedom* (df) = 66 – 3 = 63 is 1.669. This shows that the t-count (-2.628) > the t-table (-1.669), then Ho3 is rejected and Ha3 is accepted with a significance value of 0.011 < 0.05. It can be concluded that Profitability has a negative and significant effect on Capital Structure. So **Ha_3 is accepted.**

Based on the results of the hypothesis test in Table 21, it is also known that the t-value of the Liquidity variable is -3.028. Meanwhile, the value of t-table at the real level of 5% (α = 0.05) with the value *of degrees of freedom* (df) = 66 – 3 = 63 is 1.669. This shows that the t-count (-3.028) > the t-table (-1.669), then Ho4 is rejected and Ha4 is accepted with a significance value of 0.004 < 0.05. It can be concluded that Liquidity has a negative and significant effect on Capital Structure. So **Ha_4 is accepted.**

3.4.3. The Influence of Capital Structure on Company Value

Table 22. Results of Hypothesis Test 5

Coefficients[a]

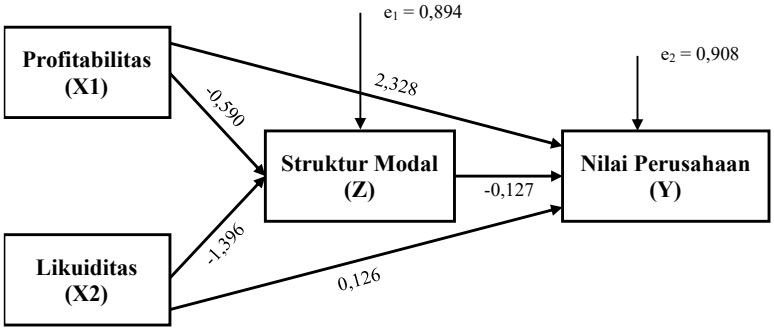
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.128	.643		6.421	.000
	NPM	2.328	.282	.618	8.256	.000
	CR	.126	.031	.272	4.086	.000
	LDER	-.127	.030	-.306	-4.228	.000

a. Dependent Variable: Tobin's Q

Source: SPSS 23 output, data processed 2024

Based on the results of the hypothesis test in Table 22, it is known that the t-value of the Capital Structure variable is -4.228. Meanwhile, the t-table value at the real level of 5% (α = 0.05) with the value *of degrees of freedom* (df) = 66 – 4 = 62 is 1.670. This shows that if the t-count (-4.228) > the t-table (-1.670) with a significance value of 0.000 < 0.05, then Ho5 is rejected and Ha5 is accepted. It can be concluded that the Capital Structure has a negative and significant effect on the Company's Value. So **Ha_5 is accepted.**

3.5. Path Analysis



Picture 6. ***Path Analysis***
Source: Data processed, 2024

3.5.1. The Effect of Profitability on Company Value with Capital Structure as an Intervening Variable

Based on Figure 6, it is known that the influence given by the Profitability variable (X1) on the Company Value variable (Y) is as follows:

Direct contact = 2,328
Indirect relationships = -0.590 x -0.127 = 0.074
Total Relationship = 2.328 + 0.074 = 2.402

Based on the results of the calculation, it shows that the direct influence has a greater value than the indirect influence (2.328 > 0.278), the Capital Structure variable (Z) is not able to mediate the relationship between the Profitability variable and the Company Value.

3.5.2. The Effect of Liquidity on Company Value with Capital Structure as an Intervening Variable

Based on Figure 6, it is known that the influence given by the Liquidity variable (X2) on the Company Value variable (Y) is as follows:

Direct contact = 0.126
Indirect relationships = -1.396 x -0.127 = 0.177
Total Relationship = 0.126 + 0.177 = 0.303

Based on the results of the calculation, it shows that the direct influence has a smaller value than the indirect influence (0.126 < 0.177), it is believed that the Capital Structure variable (Z) is able to mediate the relationship between the Liquidity variable and the Company Value.

3.6. Sobel Test

3.6.1. The Effect of Profitability on Company Value with Capital Structure as an Intervening Variable

The following is a standard error calculation of the indirect influence between the variable Profitability (X1) on Company Value (Y) and Capital Structure as an intervening variable (Z) using the sobel test to determine whether the influence of the mediation variable is really significant:

Known:
a = Coefficient X1 to Z : -0,590
b = Coefficient of Z to Y : -0,127
Sa = Standard error X1 against Z : 0,833
Sb = Error standard Z versus Y : 0,030

$$S_{ab} = \sqrt{b^2Sa^2 + a^2Sb^2 + Sa^2Sb^2}$$
$$S_{ab} = \sqrt{(-0{,}127^2 \text{ x } 0{,}833^2) + (-0{,}590^2 \text{ x } 0{,}030^2) + (0{,}833^2 \text{ x } 0{,}030^2)}$$
$$S_{ab} = \sqrt{(0{,}0161 \text{ x } 0{,}6950) + (0{,}3481 \text{ x } 0{,}0009) + (0{,}6950 \text{ x } 0{,}0009)}$$
$$S_{ab} = \sqrt{0{,}0111895 + 0{,}00031329 + 0{,}0006255}$$

$S_{ab} = \sqrt{0{,}01212829}$
$S_{ab} = 0{,}110129$

The following are the calculations to test the level of significance of the indirect impact partially:

$$t = \frac{ab}{S_{ab}} = \frac{0{,}07493}{0{,}110129} = 0{,}680384$$

Based on the results of the calculation using the sobel test, a t-calculation value in a positive direction of 0.680384 was obtained which was smaller than the t-table (df) = 66 – 3 = 63, which resulted in a t-table of 1.669 (0.680 < 1.669) which showed an insignificant result. Therefore, it can be concluded that the variable capital structure is not able to mediate the relationship between profitability and company value. So **Ha_6 was rejected.**

3.6.2. The Effect of Liquidity on Company Value with Capital Structure as an Intervening Variable

The following is a standard error calculation of the indirect influence between the Liquidity variable (X2) on Company Value (Y) and Capital Structure as an intervening variable (Z) using the sobel test to determine whether the influence of the mediation variable is really significant:

Known:
a = Coefficient X2 to Z : -1,396
b = Coefficient of Z to Y : -0,127
Sa = Standard error X2 to Z : 0,131
Sb = Error standard Z versus Y : 0,030

$S_{ab} = \sqrt{b^2Sa^2 + a^2Sb^2 + Sa^2Sb^2}$
$S_{ab} = \sqrt{(-0{,}127^2 \text{ x } 0{,}131^2) + (-1{,}396^2 \text{ x } 0{,}030^2) + (0{,}131^2 \text{ x } 0{,}030^2)}$
$S_{ab} = \sqrt{(0{,}0161 \text{ x } 0{,}0172) + (1{,}9507 \text{ x } 0{,}0009) + (0{,}0172 \text{ x } 0{,}0009)}$
$S_{ab} = \sqrt{0{,}00027752 + 0{,}00175563 + 0{,}00001548}$
$S_{ab} = \sqrt{0{,}00204863}$
$S_{ab} = 0{,}0452$

$$t = \frac{ab}{S_{ab}} = \frac{0{,}177522}{0{,}0452} = 3{,}927$$

Based on the results of the sobel test, it was found that the value of t-calculation in the positive direction of 3.927 was greater than the t-table (df) = 66 – 3 = 63, which resulted in a t-table of 1.669 (3.927 > 1.669) which showed significant results. So it can be concluded that the variable capital structure is able to mediate the relationship between profitability and company value. So **Ha_7 is accepted.**

Based on the results of the study, profitability measured by *Net Profit Margin* (NPM) has a positive effect on the company's value (Tobin's Q), where the higher the profitability, the higher the company's value because it gives a positive signal to investors regarding the company's performance and prospects. These findings are in line with *Signalling Theory* and are consistent with previous studies. In addition, liquidity measured by *the Current Ratio* (CR) also has a positive effect on the company's value, because companies with high levels of liquidity are considered able to meet their short-term obligations, thereby increasing market confidence and attracting investor interest. On the other hand, profitability has been shown to have a negative effect on the capital structure (*Long-Term Debt to Equity Ratio*), which indicates that companies with high profitability tend to use internal funds and reduce dependence on long-term debt, according to *the Pecking Order Theory*. A similar thing is also found in liquidity, where more liquid companies tend to use lower amounts of debt in their capital structures. Although this can reduce financial risk, management still needs to maintain a balance so that available funds do not settle unproductively. Interestingly, a high capital structure actually has a negative impact on the company's value because the high use of debt increases financial risk and decreases investors' perception of the company's stability. Therefore, the selection of an optimal capital structure is essential to maintain and increase the market value of a company. Furthermore, the results of the study show that the capital structure is not able to mediate the influence of profitability on the value of the company, which indicates that the relationship between the two is influenced by other factors such as market conditions or industry characteristics. On the other hand, the capital structure has been proven to be able to mediate the influence of liquidity on the company's value, where good liquidity allows the company to make more optimal use of debt so that it has a positive impact on the company's value, in accordance with the principles of *Pecking Order Theory*. The implication of these findings is that the company's management needs to carefully manage profitability and liquidity to increase the company's value, while still

considering the optimal capital structure so as not to create excess financial risks. In addition, investors can also use profitability and liquidity indicators as considerations in assessing the health and long-term prospects of a company.

4. CONCLUSION

The results of the analysis of SMInfra18 Index companies for the 2018–2023 period show that: Profitability and liquidity have a significant positive effect on the company's value. High profitability reflects good business prospects, attracts investor interest, and encourages an increase in the company's market value. Similarly, strong liquidity fosters investor confidence in the company's financial stability, thereby increasing demand for shares and the value of the company. On the contrary, profitability and liquidity have been shown to have a negative effect on the capital structure. Companies that have high profitability and liquidity tend to rely on internal funds rather than debt, reducing reliance on external financing. A capital structure dominated by debt actually has a negative impact on the company's value because it increases financial risk. Capital structures are unable to mediate the influence of profitability on a company's value, suggesting that investors consider profit potential more than financing structures. However, capital structure has been shown to mediate the relationship between liquidity and company value, where good liquidity supports the optimization of capital structure and strengthens positive signals for investors.

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