

Can Profitability Intervene in the Effects of Liquidity, Activity, and Leverage on Company Value?



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ABSTRACT: This study was conducted to examine the effect of liquidity, leverage, and activity on company value using profitability as an intervening variable. The companies used as research objects are various manufacturing companies in IDX30 listed on the Indonesia Stock Exchange with an observation period of 2016-2021.

All collected data was analysed with Smart PLS software. The results of the analysis show that, directly, leverage and activity affect profitability, and profitability affect company value. Meanwhile, liquidity has no effect on profitability. In addition, liquidity, leverage, and activity have no effect on company value. When profitability becomes an intervening variable, profitability amplifies the effect of leverage and activity on company value. However, profitability is not able to strengthen the effect of liquidity on company value.

KEYWORDS: liquidity, leverage, activity, profitability, company value

1. INTRODUCTION

As is well known, the end of 2019 was the beginning of the emergence of the Covid-19 pandemic. This pandemic has hit all countries since 2020. After experiencing its peak, this pandemic continues to decline. This decline comes as many countries try to cope, among others, by vaccinating the public. However, this pandemic is still being felt until 2022.

The pandemic has disrupted global economic growth, including the Indonesian economy. The pandemic has reduced economic growth towards recession in Indonesia (Istiono, et al, 2020). Macroeconomic conditions certainly affect the company's operational performance and investors' investment decisions. Both of these, in turn, can determine company value (Besley and Brigham, 2005).

The operational performance of a company can be measured by looking at the company's financial performance. Measures of financial performance consist of levels of liquidity, leverage, activity, and profitability. In addition, company value can also be a measure of a company's financial performance. However, this value is also determined by the expectations of investors.

Good company management is expected to increase the company's profitability. The results of the company's internal management can be measured by the level of liquidity, leverage, and activity. Thus, optimal levels of liquidity, leverage, and activity are expected to increase the company's profitability. In the end, good financial performance is also expected to increase company value.

Research conducted by Citra Nur Utami and Listyorini Wahyuwidati (2020) found that liquidity has a negative influence on company value. The study also found that profitability had no effect on company value.

A.A. Ngr. Bgs. Aditya Permana and Henny Rahyuda (2019), in their research, found that profitability has a positive effect on company value. Meanwhile, solvency and liquidity have a significant negative effect on the value of the company.

S. Binastuti, SP Intan (2023) found the results of research that liquidity and leverage variables affect profitability, while activity does not affect profitability. Liquidity and leverage variables have no effect on company value, while activity and profitability have an effect on company value. The results also show that profitability as an intervening variable can mediate the effect of liquidity and activity on company value, but profitability cannot mediate the effect of leverage on company value.

The results of research from N Rahmiyati, IN Sholikha (2022) are: Liquidity, Activity and Leverage do not have a significant effect on profitability in pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange for the 2018-2020 period. Liquidity does not have a significant effect on the value of the company, while activity and leverage have a significant effect on the value of the company. Liquidity, Activity and Leverage do not significantly affect the value of the company as mediation variables.

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In connection with the differences in the results of the above research, this study was conducted. The object of this study is a manufacturing company listed in IDX30 on the Indonesia Stock Exchange.

Problem Statement

Based on the background description above, the following problem formulation can be made: (1) Does liquidity affect company value? (2) Does liquidity affect profitability? (3) Does leverage affect company value? (4) Does leverage affect profitability? (5) Does activity affect profitability? (6) Does the activity affect the company value? (7) Does profitability affect company value? (8) Does liquidity affect company value through profitability? (9) Does leverage affect company value through profitability? And (10) Does the activity affect company value through profitability?

2. LITERATURE REVIEW

The value of the company (stock price) will always change all the time, up or down. There are several factors (variables) that affect the value of the company, namely internal factors and external factors of the company. From external factors that affect all companies in the end, all investors determine the stock price or company value (Scoot Besley and Eugene Brigham, 2005, p.19).

According to Brigham and Joel F. Houston (2016, p. 11) the factors that determine stock prices (company value) are managerial measures, economic environment, taxes, and political climate. Then these factors affect the company's cash flow and risk which ultimately determines the stock price and the intrinsic value of the stock. On the basis of the two opinions above, it can be concluded that external factors are the main factors that affect stock prices (company value). Such external factors include: Economic conditions, government laws and regulations and the environment of rivals both domestic and foreign. In addition, people's health conditions are also generally part of external factors, which affect their income and consumption patterns.

However, internal factors of the company are also important factors that affect the stock price (company value). The company's internal factors are shown by the company's performance in managing the company which among others can be seen from the company's liquidity, activity, profitability and leverage, which are published on the Indonesia Stock Exchange. Investors also see the company's prospects in investing in company shares.

This research focuses more on internal company factors. In terms of liquidity, investors can assess the company's ability to meet its short-term maturity, in this case also related to the ability to pay dividends to its investors. In terms of activities, it can be known how efficiently the company uses its resources. In terms of leverage, it shows how the company funds its operations, whether the company's leverage is still in a safe state, then in terms of profitability, it shows how the company's ability to generate profits from the capital it uses. These factors show the company's performance from year to year, which will ultimately affect the stock price (company value).

By looking at these two factors, namely internal and external factors of the company, investors determine the value of the company. This will affect the demand and supply of shares on the exchange which will eventually also shape the stock price (company value).

Company Value

Company value is equal to the market value of the debt plus the market value of the stock, but if the market value of the debt is considered constant, then the value of the company can be interpreted as equal to the market value of the stock. As stated by Sartono in the company's normative goal is to increase shareholder prosperity. Shareholder prosperity will increase if its stock market price increases (Sartono, 2017:9).

Sudana M. (2011: 20) states that company value can be measured using several ways, namely (1) Price Earning Ratio; (2) Dividend Yield; (3) Dividend Payout Ratio; dan (4) Market to Book Ratio.

Types of Financial Ratios

Liquidity Ratio

Liquidity is a company's ability to meet maturing short-term obligations. The liquidity ratio consists of (Cashmere, 2010:110-111): (1) Current Ratio; (2) Quick Ratio; (3) Cash Ratio; (4) Turnover Cash Ratio; and (5) Inventory to Net Working Capital.

Leverage Ratio

Leverage is the proportion of the use of debt to finance a company's investment (Sartono. 2017:120-122). Leverage is measured by: (1) Debt to Asset Ratio; (2) Debt to Equity Ratio; (3) Time Interest Earned Ratio; (4) Fixed Charge Coverage; and (5) Debt Service Coverage.

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Activity Ratio

The activity ratio is a measure of how efficient investment is in assets in the company's operations (Sartono, 2017: 118-120). Activity Ratio is measured by: (1) Average Collection Period; (2) Account Receivable Turnover; (3) Inventory Turnover; (4) Fixed Asset Turnover; and (5) Total Assets Turnover.

Profitability Ratio

Profitability is the company's ability to obtain in relation to sales, total assets and own capital (Sartono, 2017: 122-126). The profitability ratio consists of: (1) Gross Profit Margin; (2) Net Profit Margin; (3) Return on Investment; (4) Return on Equity; (5) Profit Margin; and (5) Earning Power.

Research Hypothesis

Based on the previous discussion, this study proposed 10 hypotheses, such as the following: (1) Liquidity affects company value, (2) Liquidity affects profitability, (3) Leverage affects company value, (4) Leverage affects profitability, (5) Activity affects profitability, (6) Activity affects company value, (7) Profitability affects company value, (8) Liquidity affects company value through profitability, (9) Leverage affects company value through profitability, and (10) Activities affect company value through profitability.

3. RESEARCH METHODS

This research includes *explanatory* research, because this research explains or proves the relationship or influence between variables. This research is quantitative research by analysing the secondary data.

The type of data in this research is quantitative data taken from the company's financial statements for the 2016-2021 period on IDX30 companies on the Indonesia Stock Exchange (IDX), namely the ratio of liquidity, leverage, activity, profitability and company value. The source of this research data is secondary data taken from publications on the IDX website which can be accessed at any time.

The population in this study is companies listed in IDX.30 on the Indonesia Stock Exchange. The number of companies in the sector consists of 30 companies. The samples in this study were taken using *purposive* sampling techniques, which are sampling techniques with certain considerations. The special considerations used to determine the sample in this study are as follows: (1) companies included in IDX30; (2) non-financial companies; and (3) companies that publish Complete Financial Statements for the period 2016-2021. Using these requirements, 18 companies were obtained as research samples.

The data collection technique used is documentary. All financial statements are obtained from secondary sources, namely from the Indonesia Stock Exchange page. Based on this financial statement data, all indicator values of each variable are calculated. There are two variables in this study, namely independent variables consisting of liquidity, leverage and activity. The dependent variable used is company value and profitability being an intervening variable.

Liquidity is a company's ability to meet maturing short-term obligations. Liquidity is measured by:

$$\text{Current Ratio} = \text{CUR} = \frac{\text{Current Assets}}{\text{Current Liability}}$$

$$\text{Quick Ratio} = \text{QR} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liability}}$$

$$\text{Cash Ratio} = \text{CAR} = \frac{\text{Cash and Marketable securities}}{\text{Current Liability}}$$

Leverage is the ability to meet long-term obligations that are due.

Leverage is measured by:

$$\text{Total Debt to Total Assets} = \text{DAR} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

$$\text{Total Debt to Total Equity} = \text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

The Activity Ratio measures how efficiently invested assets are in a company's operations. Activity is measured by:

$$\text{Fixed Asset Turnover} = \text{FATO} = \frac{\text{Sales}}{\text{Fixed Assets}}$$

$$\text{Total Assets Turnover} = \text{TATO} = \frac{\text{Sales}}{\text{Total Assets}}$$

Profitability is the ability of a company to generate a return on its total assets (investments) and on the equity it uses. Profitability in this case is measured by:

$$\text{Return on Assets} = \text{ROA} = \frac{\text{Earning After Tax}}{\text{Total Assets}}$$

$$\text{Return on Equity} = \text{ROE} = \frac{\text{Earning After Tax}}{\text{Total Equities}}$$

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Company value is a measure that shows the investor's assessment of the company's overall condition. The value of a company can be measured by:

$$\text{Price to Book Value} = \text{PBV} = \frac{\text{Market Price}}{\text{Book Value}}$$

Based on the background of the research and literature review, the relationship between variables in this study can be described as in Figure 1.

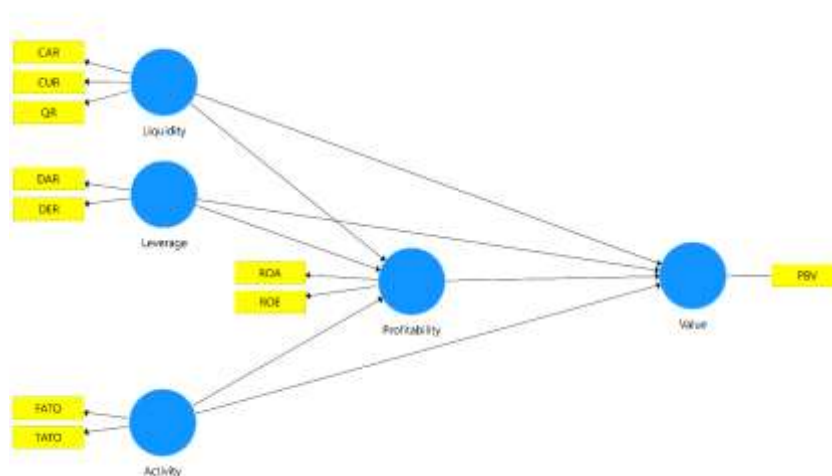


Figure 1: Research Model

Figure 1 is a research model made in this study. This research model shows the relationship between research variables. Based on the picture, research hypotheses can be made which are divided into two, namely direct influence and indirect influence. There are seven hypotheses of direct influence, namely: (1) liquidity affects company value; (2) liquidity affects profitability; (3) leverage affects company value; (4) leverage affects profitability; (5) activity affects profitability; (6) activity affects company value; and (7) profitability affects company value.

As for indirect influences, there are three hypotheses in this study. These three hypotheses consist of: (1) liquidity affects company value through profitability; (2) leverage affects company value through profitability; and (3) activity affects company value through profitability. Thus, in this study there were 10 research hypotheses tested.

All collected data was analysed with SmartPLS software. There are two steps in the analysis, namely the outer model test and the inner model test. The outer model test is to determine the validity and reliability of the model. The validity test is measured by the value of loading factor, average variance extracted (AVE), and cross loading. All indicators are said to be valid if they have a loading factor value above 0.70; AVE value above 0.50; and higher cross loading value for own construct compared to other construct.

Reliability tests are carried out by looking at Cronbach's alpha and composite reliability values. An indicator is reliable if it has a Cronbach's alpha and composite reliability value above 0.70. However, values above 0.60 are still acceptable.

After all the data passes the validity and reliability test, the next step is the inner model test. This test is carried out to determine the relationship and influence between variables. The test is carried out by knowing the value of the R-square and p-value. The higher the R-square value, the stronger the influence between these variables. Meanwhile, the p-value is used to measure the significance of the regression coefficient of each variable. The value of the regression coefficient is significant if it has a p-value below 0.05 (5 percent).

4. DISCUSSION

Description of Research Results

The condition of the observational data can be described as in the following discussion. As stated in front that this study consists of 5 variables. There are three independent variables, one dependent variable, and one intervening variable. Free variables consist of liquidity, leverage, and activity. The independent variable is the value of the company and profitability becomes the intervening variable.

Summary of descriptive statistical results for each indicator of all variables based on observed data as shown in Table 1.

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Table 1: Descriptive Values

Variables	Indicator	Minimum	Maximum	Average	Standard Deviation
Liquidity	CUR	0.2342	10.0743	2.0084	1.5088
	QR	0.2257	9.5920	1.6445	1.3697
	CAR	0.0261	8.5265	0.9624	1.2389
Leverage	DAR	0.0003	0.8005	0.2522	0.1917
	DER	0.0005	11.6418	0.7891	1.4860
Activity	FATO	0.1666	10.8352	2.3198	1.8916
	TATO	0.1312	2.3919	0.7811	0.5112
Profitability	ROA	0.0022	0.4666	0.1033	0.0836
	ROE	0.0035	1.4509	0.2292	0.2964
Company Value	PBV	0.1281	82.4444	5.5567	13.2603

Source: Calculated Data

The average current ratio (CUR) is 2.0084 (200.84 percent). This value indicates that the liquidity level of the corporation is good. This means that the ability of the corporation to pay off its short-term liabilities is twice that of its current liabilities. Current ratio data shows that the minimum value is 0.2342 (23.42 percent) and the maximum value is 10.0743 (1,007.43 percent). This shows that corporate liquidity levels can be very illiquid to highly liquid.

The average value of the ratio of total debt to total assets (DAR) is 0.2522 or 25.22 percent. This value shows that the source of funds from debt used to finance total assets is 25.22 percent. This means that on average, corporations do not use much debt as a source of financing. However, the lowest DAR value was 0.0003 or 0.03 percent. This shows that there are corporations that have no debt in their capital structure in a given year. This corporation will not face financial risk. Conversely, there are also corporations that finance their investments from debt sources amounting to 0.8005 (80.05 percent) of their total investments. The financial risk of this corporation is very high.

The average value of fixed asset turnover (FATO) is 2.3198. This shows that total fixed assets rotated 2.3198 times in one year. This turnover rate is quite low which means also the activity performance is also low. The smallest FATO value is 0.1666. This value indicates that the performance of the corporation's activities is very low. While the highest FATO value is 10.8352. This value shows that fixed assets rotate 10.8352 times in one year or almost every month there is one turnover of fixed assets.

The average value of ROA is 0.1033. This value shows that the average total assets of the corporation generate net income after tax (net income) of 10.33 percent per year. This value is certainly relatively good in managing assets. The minimum value of ROA is 0.0022 or 0.22 percent. This shows that the ability of the corporation to generate net income with assets owned is only 0.22 percent per year and this value is very low. While the highest ROA value was 0.4666 or 46.66 percent. This value shows that the total assets of the corporation are able to generate net income of 46.66 percent per year and this value is very high.

The average value of PBV is 5.5567. This shows that the market price of the common stock is 5.5567 times its book value. This also means that investors are willing, on average, to value the common stock of a corporation at 5.6 times the book value of the stock. The lowest PBV value is 0.1281 which means that the market value of the shares of this corporation is below its book value. This value is certainly not expected by a corporation. Meanwhile, the highest value of PBV is 82.4444. This value indicates that the value of the corporation is very high.

Overall, the values of all the above indicators vary greatly. This is indicated by the relatively large standard deviation values for each indicator. The variation in data can be caused by variations in business lines from the 18 corporations sampled. Although all of the corporations sampled were nonfinancial corporations, their lines of business were different. The variation in data can also be caused by an observation period of 6 years, from 2016 to 2021. During those six years there were two different macroeconomic conditions. The difference is before the COVID-19 pandemic (2016 to 2019) and during the pandemic (2020 and 2021).

Evaluation of the Model

Model evaluation is carried out to determine the feasibility of research models made based on the relationship between variables and the relationship of each indicator with its variables. Model evaluation can be done with two models, namely the outer model and the inner model.

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Outer Model

Outer models are carried out to measure the validity and reliability of research instruments. These two tests are discussed below.

Validity Test

This validity test is carried out knowing the ability of the indicator to measure the variable. This test consists of two tests, namely the convergent validity test and the discriminant validity test. The convergent validity test is to measure the correlation between indicators in a construct. Among these indicators should be highly correlated. The parameters used for the convergent validity test are the values of the loading factor and the average variance extracted (AVE).

The printout results of SmartPLS software for loading factors of each indicator on each research variable are as discussed below. Here is the loading factor value for the liquidity indicator. The loading factor for CAR is 0.969; CUR is 0.976; and QR is 0.997. All of these loading factor values are greater than 0.7. This shows that the three indicators are highly correlated between them and can be used as a liquidity gauge.

The AVE value for variable liquidity is 0.962. This value is higher than 0.5. This shows that variable liquidity can explain all indicators more than half of the variances.

The loading factor for the leverage indicator is 0.759 for DAR and for DER is 1.000. This value is above the cut-off value of 0.7. Medium, the AVE value for leverage is 0.788 and this value is above 0.5. Thus, DAR and DER can be used as a measurement of variable leverage.

There are two variable activity indicators, namely FATO and TATO. The loading value for FATO is 0.795 and for TATO is 0.960. Both values are higher than 0.7. Meanwhile, the AVE value for activity is 0.776 and this value is above 0.5. The loading factor and AVE values show that FATO and TATO are worthy indicators for activity.

ROA and ROE are proposed as indicators for variable profitability. The loading factor values for these two indicators are 0.955 and 0.963. Both of these are greater than 0.7. The AVE value for profitability is 0.920 and is greater than 0.5. Thus, ROA and ROE can be used as indicators for profitability.

This study only proposes one indicator, namely PBV, for company value. The loading factor for PBV is 1,000 with AVE value also 1,000. Thus, PBV is an indicator for company value.

After the convergent validity test, the analysis continued with the discriminant validity test. Discriminant validity test to measure correlation between indicators of different constructs. The correlation between indicators in a construct must be higher than the correlation of that indicator with other constructs. The discriminant validity test is based on cross loading values between indicators with different constructs. The value of cross loading from the SmartPLS print-out shows that the correlation value of each indicator for its own construct is greater than the correlation value with different constructs. This shows that all indicators are valid in measuring their own constructs.

The results of the convergent validity analysis and discriminant validity above show that all indicators are valid to measure each construct.

Reliability Test

Reliability tests are carried out to measure internal consistency or measure the accuracy of indicators in measuring their constructs. The level of reliability of the indicator against its construct can be measured by looking at the value of Cronbach's alpha and composite reliability.

Cronbach's alpha is to measure the lowest value of the reliability of a construct. A construct is reliable if it has a Cronbach's alpha value of at least 0.7. Despite this, Cronbach's alpha value of 0.6 is still acceptable.

Meanwhile, Cronbach's alpha value of the SmartPLS print-out for each research variable is given as follows. Cronbach's alpha for liquidity is 0.980; for leverage is 0.871; for activity is 0.744; for profitability is 0.913; and for company value is 1,000. All of Cronbach's alpha values are higher than 0.7. This means that all indicators are reliable as a measure of each construct.

The composite reliability value for liquidity is 0.987; for leverage is 0.879; for activity is 0.873; for profitability is 0.958; and for company value is 1,000. All of these composite reliability values are true construct reliability values. All such values are higher than 0.7. This shows that all indicators are reliable in measuring their variables.

The results of the reliability analysis show that all indicators are estimated to have internal consistency in measuring all research variables.

Inner Model

The inner model was conducted to measure the relationship of causality among latent variables (constructs) in this study. The inner model in this study was conducted to measure the influence of free variable variation on dependent variable variation, direct

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influence between free variable on bound variable, and indirect influence between free variable on bound variable through intervening variable.

Effect of Variation of Dependent Variables

The effect of independent variable variation on dependent variable variation can be measured by R-Square or R-Square Adjusted values. In this study, the R-Square Adjusted value is used because it is more stable than the R-Square value. The higher this value indicates that the higher the influence of the variation of the independent variable on the variation of the dependent variable. The R-Square value of SmartPLS calculation results is shown in Table 2.

Table 2: R Square

	R Square	R Square Adjusted
Profitability	0.505	0.490
Value	0.795	0.787

Source: SmartPLS Print-Out

The effect of variations in liquidity, leverage, and activity on profitability variations results in an Adjusted R-Square value of 0.490. This value is moderate and he shows that 49 percent of the variation in profitability value can be explained by variations in liquidity, leverage, and activity values. Meanwhile, the remaining variation (51 percent) was influenced by variations in other variables that did not exist in this research model.

The R-Square Adjusted value for the variable company value is 0.787. This value belongs to the strong degree. This means that 78.7 percent of the variation in company value can be explained by variations in liquidity, leverage, activity, and profitability. The remaining variation (21.3 percent) was explained by other variables outside the model.

Direct Effect Test

Direct influence tests are performed to measure the influence of each independent variable on the dependent variable. This test is carried out by comparing the p value with the level of significance (α) chosen to determine the significance of the influence between these variables. The significance level (α) used is 0.05 or 5 percent. The influence between variables is expressed significantly when the p value is less than or equal to 0.05. If the p value is greater than 0.05, then the influence between the variables is not significant or it can be stated that the independent variable has no effect on the dependent variable. The path coefficient values of SmartPLS print-out results are shown in Table 3.

Table 3: Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Activity -> Profitability	0,713	0,752	0,078	9,174	0,000
Activity -> Value	-0,006	0,061	0,087	0,071	0,944
Leverage -> Profitability	0,220	0,244	0,103	2,140	0,035
Leverage -> Value	0,038	0,118	0,114	0,332	0,741
Liquidity -> Profitability	-0,095	-0,083	0,085	1,117	0,266
Liquidity -> Value	-0,082	-0,050	0,059	1,391	0,167
Profitability -> Value	0,873	0,855	0,051	17,204	0,000

Source: SmartPLS Print-Out

The table shows that the p value for the effect of the activity variable on the profitability variable is 0.000. This value is less than 0.05. This shows that activity has an effect on profitability. The original sample coefficient for the effect of activity on profitability is 0.713. This effect is positive, which means that an increase in activity performance will drive an increase in profitability performance.

The P value of the effect of variable leverage on variable profitability is 0.035. This value is less than 0.05, so the level of leverage is influential on profitability. This effect is 0.220 positive. This shows that, to some extent, increased leverage is capable of driving up profitability. However, the effect of leverage on profitability is smaller than the effect of activity variables on profitability.

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Meanwhile, variable liquidity has no effect on profitability. This is indicated by a p value of 0.266, because this value is greater than 0.05.

If company value is a dependent variable, then only profitability is influential. The P value for the influence between these two variables is 0.000 and is less than 0.05. This influence has a positive direction, which means that an increase in profitability can increase company value. Meanwhile, liquidity, leverage, and activity have no effect on company value. This is indicated by their p value which is higher than 0.05.

Effect Size

Effect size is to measure the strength of the influence of the independent variable on the dependent variable. The effect size is seen from the f Square value of each variable. If the value of f Square is 0.35, then the effect is strong. If the value is 0.15, the effect is moderate, and if the value is 0.02, the effect is weak. The value of the f Square statistic is shown in Table 4.

Table 4: f-squares

	Activity	Leverage	Liquidity	Profitability	Value
Activity				0,960	0,000
Leverage				0,083	0,006
Liquidity				0,017	0,029
Profitability					1,840
Value					

Source: SmartPLS Print-Out

Table 4 shows that the effect of activity on profitability is strong. The effect of leverage on profitability is moderate, and the effect of liquidity on profitability is weak. While the influence of independent variables on company value is explained below. The effect of activity and leverage is weak. The effect of liquidity is moderate, and the effect of profitability on company value is strong.

Indirect Effect

Indirect influence is the influence of the independent variable on the dependent variable through intervening variables. This study uses profitability as an intervening variable. The significance of the influence is measured by comparing the p value with the significance level value (α) of 0.05 (5 percent). P values from SmartPLS print-outs for indirect effects are shown in Table 5.

Table 5: Coefficient of Specific Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Activity -> Profitability -> Value	0,623	0,643	0,075	8,278	0,000
Leverage -> Profitability -> Value	0,192	0,208	0,088	2,178	0,032
Liquidity -> Profitability -> Value	-0,083	-0,072	0,074	1,124	0,263

Source: SmartPLS Print-Out

The indirect effect of activity on company value through profitability has a p value of 0.000 (less than 0.05). This shows that activity affects company value through profitability. This effect is 0.623. This value indicates that when the level of activity rises and is driven by an increase in the level of profitability, the company value will also rise, and vice versa.

The indirect influence of activity (through profitability) on company value can be compared to its direct influence. The previous discussion shows that activity does not have a direct effect on company value. Thus, from this comparison, it can be concluded that profitability can strengthen the influence of activity on company value.

The P value for the indirect effect of leverage on company value is 0.032. This value is less than 0.05. This concludes that leverage affects indirectly (through profitability) company value. The original sample value for this effect was 0.192. This value indicates that the company value can be increased through an increase in leverage (within a certain limit).

Furthermore, the results of the indirect influence of leverage on company value are compared with the results of the direct influence analysis. As discussed earlier, the direct effect of leverage on company value is insignificant. The results of this comparison conclude that profitability can strengthen the effect of leverage on company value.

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The P value for the indirect effect of liquidity on company value is 0.263. This value is greater than 0.05. This shows that the indirect effect of liquidity on company value is insignificant. This result is similar to the direct effect of liquidity on company value. Thus, it can be concluded that profitability is not able to strengthen the influence of liquidity on company value.

5. CONCLUSION

Based on the discussion above, conclusions can be made as follows. The influence of the independent variable on the dependent variable is divided into two parts, namely direct influence and indirect influence. The results of the direct influence hypothesis test conclude that: (1) liquidity has no effect on company value or its effect is weak; (2) liquidity has no effect on profitability; (3) leverage has no effect on company value; (4) leverage positively affects profitability at a moderate level; (5) activity positively affects profitability at a strong level; (6) activity has no effect on company value.

Test the indirect influence hypothesis, using profitability as an intervening variable, it was found that: (1) profitability is not able to increase the effect of liquidity on company value; (2) profitability can increase the effect of leverage on company value; and (3) profitability is able to encourage the influence of activity on company value.

Suggestions that can be proposed to improve research with the same topic are: (1) increasing the number of research objects; (2) extend the range of observation time; and (5) choose an observation period with relatively stable macroeconomic conditions.

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