



The Influence of Profitability and Liquidity on Company Value through Capital Structure in Food and Beverage Sector Companies on the Indonesia Stock Exchange

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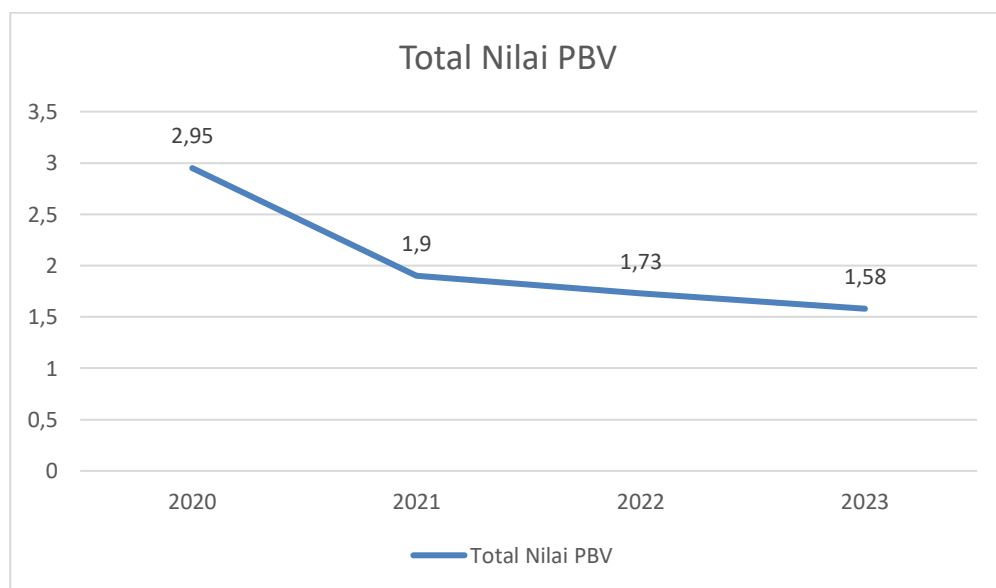
ABSTRACT

One of the key measures of a business's performance is its value; a high valuation indicates that investors are confident in the company's potential for future growth. This study aims to examine the following factors: (1) the impact of profitability on company value; (2) the impact of liquidity on company value; (3) the impact of profitability through capital structure; and (4) the impact of liquidity on company value in companies in the food and beverage sector listed on the Indonesia Stock Exchange. This study employs a path analysis method in conjunction with a quantitative methodology. Purposive sampling was utilized in the data gathering process, and 31 companies in the food and beverage industry that were listed on the Indonesia Stock Exchange between 2020 and 2023 made up the sample. The study's findings indicated that a company's value is influenced by its profitability. A company's liquidity adds to its worth. Through its capital structure, profitability adds to a company's worth. Through its capital structure, liquidity adds to a company's worth.

INTRODUCTION

Dynamic global economic developments encourage companies to continue to improve their competitiveness and financial performance. In a competitive business environment, companies are required to present innovative products while demonstrating solid financial performance. A company's value, which represents the market's assessment of the company's prospects and capacity to generate profits for future capital owners, is one of the primary metrics used to evaluate its success. (Kasmir, 2021). For investors, a company's high valuation is typically a good sign because it reflects expectations for the longevity of the business's earnings, financial stability, and growth (Brigham & Houston, 2019).

The Price to Book Value (PBV) ratio, which compares the stock market price and the company's book value, is typically used to determine a company's worth (Ranti & Pertiwi, 2022). Investor confidence over the company's prospects is reflected in a high PBV ratio, which shows that the market values the company higher than its book value. However, as shown in figure 1 below, data from the Indonesia Stock Exchange (2024) indicates that the average PBV of businesses in the food and beverage sub-sector saw a decline from 2020 to 2023.



Source: Data processed by the author (2025)

Figure 1. Average PBV of food and beverage sector manufacturing companies listed on the IDX in 2020-2023

In 2020, the average PBV was recorded at 2.95 times, but it continued to decline until it reached 1.58 times in 2023. This phenomenon shows a decline in the company's market value even though the food and beverage industry remains an essential sector. The decline in the value of the company raises questions about the factors that affect it. Based on signal theory (Spence, 1973), companies can send signals to investors through financial information, such as profitability, liquidity, and capital structure. Profitability reflects a company's ability to generate profits and is an indicator of operational efficiency (Kasmir, 2021). A company's liquidity shows its financial stability and its capacity to fulfill

short-term obligations (Kasmir, 2021). It is thought that these two factors impact investor perception, which in turn impacts the company's worth.

However, the findings of earlier research show inconsistent findings. Several studies such as those conducted by Syaharani & Nur (2022), Dewi & Praptoyo (2022), and Ranti & Pertiwi (2022) demonstrate how profitability significantly raises a company's value, while other studies such as by Jannata & Pertiwi (2022), Dewi & Soedaryono (2023), and Febiyanti & Anwar (2022) state the opposite. Similarly, liquidity according to several studies (Jannata & Pertiwi, 2022; Agustin & Anwar, 2022) has a favorable impact on business value, although an Ambarwati et al. (2021) study refuted it. The fact that this study gap exists indicates that there hasn't always been a clear correlation between profitability and liquidity and the company's valuation.

This study used capital structure as a mediating variable to address these discrepancies. The ratio of debt to equity that a business utilizes to fund its operations is reflected in its capital structure. High profitability allows companies to use internal funding (retained earnings), thereby reducing reliance on debt and lowering financial risk. Similarly, companies that have high liquidity generally do not need additional debt to meet their short-term cash needs. Therefore, capital structure can be an important channel in explaining how a company's value is impacted by profitability and liquidity.

Based on the background, empirical phenomena, and research gaps that have been presented, The purpose of this study is to investigate how capital structure functions as a mediating variable in the relationship between profitability and liquidity and the value of companies in the food and beverage industry that are listed on the Indonesia Stock Exchange between 2020 and 2023.

LITERATURE REVIEW

Signalling Theory

By sending signals that represent the company's financial situation, businesses can lessen the information gap among both internal and external stakeholders, particularly investors, according to Spence's (1973) signal theory. These signals may appear as capital structures, dividend policies, financial statements, or metrics like liquidity and profitability (Kasmir, 2021). High profitability indicates that the business is doing well to generate profits sustainably (Brigham & Daves, 2021), while high liquidity indicates financial stability and the capacity to fulfill immediate obligations, thereby reducing the risk of bankruptcy (Weston & Brigham, 2014). Capital structure is positioned as a strategic response of management that becomes the medium of signal transmission to the market, where the optimal composition between debt and equity reflects prudent financing policies (Brigham & Houston, 2019). According to Connelly et al. (2011), in order for a signal to be trusted by investors, it must meet three criteria, namely observable, contain real information, and be difficult to falsify. Therefore, profitability and liquidity act as initial signals, while capital structure reinforces those signals, which, when received positively by the market, will increase investors' view of the company's worth.

Profitability

Andhika and Yuniningsih (2022) assert that a company's profitability serves as a criterion for displaying its earnings. The ability of a business to turn a profit over a specific time period is measured by profitability. Because it analyzes assets to assess a company's capacity to make profits after tax deductions, this study use the ROA (Return on Asset) ratio. Through the ROA ratio level, the business must protect its financial performance from risks that could result in losses (Maulydia & Setiawati, 2024).Kasmir (2021) states the ROA formula as follows:

$$ROA = \frac{Net\ Profit}{Assets} \times 100\%$$

The ability of the business to use its assets as efficiently as possible to turn a profit is indicated by a high ROA.

Liquidity

A company's ability to use its present assets to meet short-term obligations is reflected in its liquidity. The current ratio, which illustrates how much current assets can cover current debt, is used in this study to quantify liquidity. Kasmir (2021) states that the formula for the current ratio is:

$$Current\ Ratio = \frac{Current\ Asset}{Current\ Debt}$$

Strong liquidity conditions are shown in a high current ratio, which shows that the corporation can satisfy short-term obligations.

Capital Structure

The ratio of debt to equity that a business utilizes to fund its operations is reflected in its capital structure. The Debt to Equity Ratio (DER) is used in this study to measure capital structure, which serves as a mediating variable. Kasmir (2021) states that the DER formula is:

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

A high DER number shows how much of the company's finance structure is made up of debt., which can increase financial risk if not managed optimally.

Company Values

A company's value reflects the market's perception of the company's prospects and performance, which is reflected through the stock price. In this study, The Price to Book Value (PBV) ratio is used to determine a company's worth. According to Kasmir (2021), the PBV formula is:

$$PBV = \frac{\text{Share price per share}}{\text{Book value of equity per share}}$$

The market values the company more than its book value if the PBV is greater than 1. The greater the PBV value, the higher the investor's opinion of the business in relation to the invested capital. The market's expectations for the company's performance and growth potential are reflected in this.

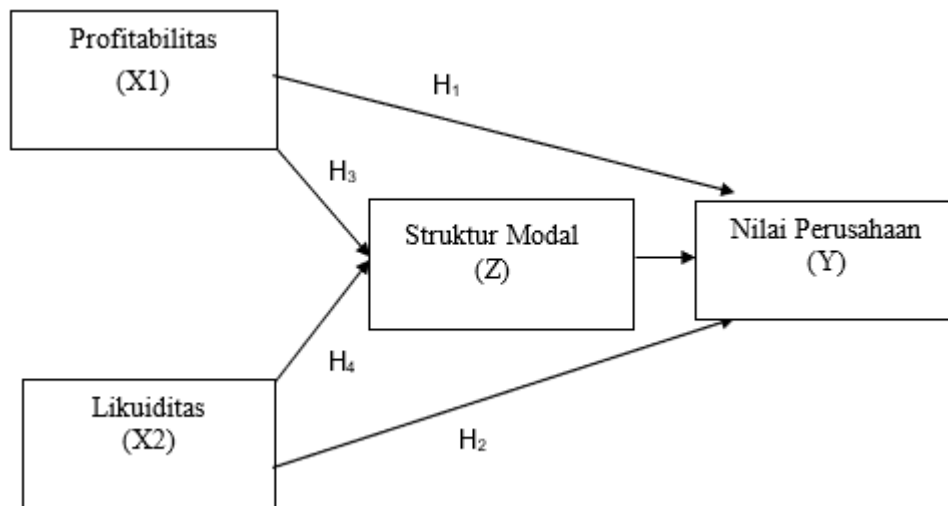


Figure 2. Research Framework

METHODOLOGY

In order to objectively and measurably assess the correlations between variables using numerical data, this study employs a quantitative technique. With this method, secondary data in the form of business financial statements can be statistically analyzed, making it suitable for testing hypotheses and empirically answering problem formulations. According to Nurhasanah et al. (2022), the quantitative method involves the process of collecting, recording, and assessing secondary data with relevant research instruments and analysis that refers to hypotheses. This study involved four variables, specifically, one mediation variable (capital structure/Z) and two separate variables (profitability/X1 and liquidity/X2), and one dependent variable (company value/Y), and aimed to identify direct and indirect influences between variables.

Population and Sample

96 businesses in the food and beverage industry that are listed on the Indonesia Stock Exchange (IDX) make up the study's population. The selection of this sector is based on its characteristics as part of basic needs (consumer non-cyclicals) that are relatively resistant to economic turmoil. However, in the 2020–2023 period, the sector experienced a decline in the Price to Book Value (PBV) ratio, demonstrating a decline in the market's assessment of the company's worth despite the continued high level of demand. The availability of comprehensive financial statement data and the significance of the PBV decline phenomenon

during that time period were taken into consideration while choosing the observation period.

Applying the purposive sampling methodology involves selecting samples by evaluating them according to predetermined standards.

Table 1. Sample Selection Table	
Information	Sum
All food and beverage sector companies on the Indonesia stock exchange for the period 2020 – 2023	96 Company
Companies that have just been listed on the Indonesia Stock Exchange for the period 2020 – 2023	(64 Company)
Companies delisted on the Indonesia Stock Exchange for the period 2020 – 2023	(1 Company)
Sample company data that meets the criteria	31
Data sample x research period (31 x 4)	124

Source: Data processed by the author (2025)

Data Collection Techniques

The technique to collect data in this study uses data from literature and documentary study methods. Literature studies are carried out by examining scientific literature, journals, articles, and other written sources that are relevant to the research problem. The documentary technique is carried out by utilizing written documents such as financial statements, annual reports, and other official documents from The business that is the subject of the study. The document is usually public and can be accessed for systematic analysis to obtain valid secondary data. The website of the Indonesia Stock Exchange (IDX) and the financial statements of the company were used to gather data for this study.

Data Analysis Techniques

Descriptive Statistical Test

Measures such as minimum, maximum, average, variance, and standard deviation are examples of descriptive statistics that are used to characterize the features of data in a study. These metrics are used to find patterns, consistency, and data distribution.

Classical Assumption Test

The following classical assumption tests were employed in this study:

1. Normality Test

This test aims to ensure that the residue of the regression model is normally distributed, so that the results of the analysis are valid and reliable. The residual normality test in this study used the Kolmogorov-Smirnov (K-S) test. The decision-making criteria are at a significance level of 5%.

2. Multicollinearity Test

3. Autocorrelation Test
4. Heteroskedasticity Test

Hypothesis Test

In this study, hypothesis testing the influence that profitability and liquidity have an impact on the company's value through capital structure was carried out using path analysis based on multiple regression techniques. Pathway analysis allows researchers to identify causal relationships in more depth, including indirect influences through modal structures as intervening variables. Thus, the use of multiple regression in path analysis is considered appropriate because it is able to provide comprehensive results in answering problem formulations and testing hypotheses empirically and systematically.

Coefficient of determination (R^2): used to measure the proportion of variation in dependent variables that can be explained by independent variables in the model. To determine if the independent variables collectively have an impact on the dependent variables, the Stimulant F test is utilized to evaluate the overall significance of the regression model. The significance of each independent variable's partial influence on the dependent variable is tested using the Parisal test (t).

Path Analysis (Mediation Test)

Multiple linear regression is developed into path analysis, which is used to evaluate the causal links between variables in a theoretically designed structural model. The purpose of this approach is to evaluate the degree to which the mediation variable bridges the influence between independent and dependent variables, or to examine the impact of mediation. The Sobel Test is employed as a significance testing tool to statistically examine the impact of mediation.

RESULTS AND DISCUSSION

Statistics Descriptive

According to the findings of a data tabulation of 31 firms in the food and beverage industry that were listed between 2020 and 2023 on the Indonesia Stock Exchange, data were obtained for each of the following research variables:

Table 2. Descriptive Statistical Analysis				
Variabel	Min	Max	Mean	Std. Dev.
Firm Value	0.06918	17.570035	2.971	3.324527
Profitability	-27.8	94.36	5.700	13.430690
Liquidity	0.2	98.63	4.913	12.20525
Capital Structure	0.08	17.04	1.281	2.064839

Source: SPSS Processing (2025)

Classic Assumption Test

Normality Test

The Kolmogorov-Smirnov method's normality test produced a significance value of 0.200 (> 0.05), indicating a residual that is normally distributed. The presumption of normalcy is thus satisfied.

Multicollinearity Test

According to the results of the multicollinearity test, all independent variables had a VIF < 10 and a tolerance value > 0.1 , indicating that the model does not contain multicollinearity.

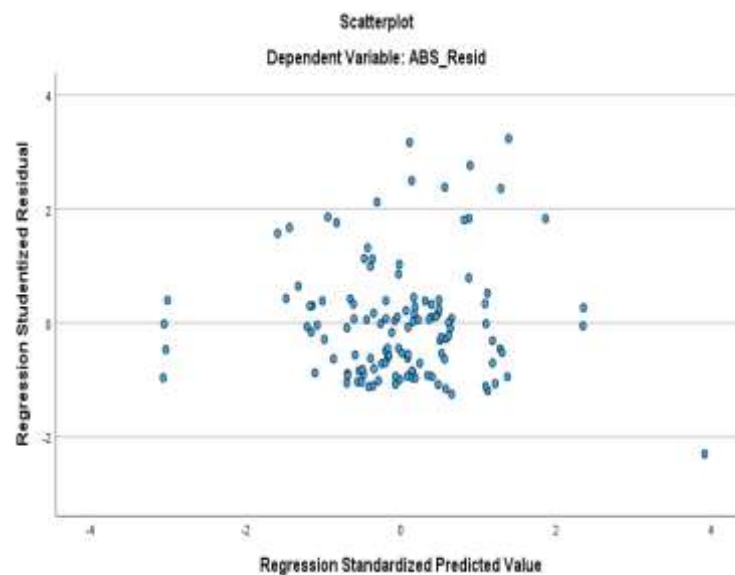
Table 3. Multicollinearity Test Results

Model		Coefficients	
		Collinearity Statistics	
		Tolerance	VIF
1	Liquidity	.729	1.372
	Profitability	.888	1.127
	Capital Structure	.687	1.455

a. Dependent Variable: Company Value

Source: SPSS Processing (2025)

Heteroscedasticity Test



Source: SPSS Processing (2025)

Figure 3 Scatter Plot Test Results"

The Heteroscedasticity test based on scatter plots showed the absence of a specific pattern in the residual distribution, which indicates that heteroscedasticity symptoms are absent from the model.

Autocorrelation Test

Table 4. Autocorrelation Test Results
Model Summary

Model	Durbin-Watson
1	1.768a
a. Predictors: (Constant), Profitability, Liquidity, Capital Structure	
b. Dependent Variable: Company Value	

Source: SPSS Processing (2025)

The Autocorrelation test via Durbin-Watson yielded a value of 1.768, which is between the upper limit ($dU = 1.757$) and $4 - dU$ (2.243). This indicates the absence of autocorrelation in the model.

Pearson Correlation Test Results

Table 5. Pearson Correlation Test Results
Correlations

		Liquidity	Profitability	Capital Structure	Company Values
Liquidity	Pearson Correlation	1	-.218*	-.440**	.401**
	Sig. (2-tailed)		.015	0.001	0.001
	N	124	124	124	124
Profitability	Pearson Correlation	-.218*	1	-.127	.212*
	Sig. (2-tailed)	.015		.161	.018
	N	124	124	124	124
Capital Structure	Pearson Correlation	-.440**	-.127	1	-.556**
	Sig. (2-tailed)	0.001	.161		0.001
	N	124	124	124	124
Company Values	Pearson Correlation	.401**	.212*	-.556**	1
	Sig. (2-tailed)	0.001	.018	0.001	
	N	124	124	124	124

According to the Pearson Correlation test results, company value was significantly positively correlated with both liquidity and profitability ($r = 0.401$; sig. < 0.001 and $r = 0.212$; sig. $= 0.018$), while Capital Structure had a significant negative relationship ($r = -0.556$; sig. < 0.001). This suggests that more liquid and profitable companies have higher value, while debt-dependent companies tend to have lower values.

Structure of Regression Equation IDetermination Coefficient (R^2)

Tabel 6. Model Summary I

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.496 ^a	.246	.234	.41674

a. Predictors: (Constant), Profitability, Liquidity

A determination coefficient (R^2) of 0.246 indicates that 24.6% of the variation in Capital Structure can be explained by Liquidity and Profitability, while the remaining 75.4% is explained by other factors outside the model. This value reflects the predictive ability of the model in the medium category.

*Simultaneous Test Results (F Test)*Table 7. ANOVA I Test Results
ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	6.858	2	3.429	19.743	0.001b
Residual	21.015	121	.174		
Total	27.872	123			

a. Dependent Variable: Structure Modal

b. Predictors: (Constant), Profitability, Liquidity

With a significance level of 0.001, the F test produced a computed F-value of 19.743, which was less than 0.05. This indicates that the Capital Structure is significantly impacted by both liquidity and profitability at the same time. The regression model that was formed has statistical feasibility.

*Partial Test Results (t-test)*Table 8. Regression Coefficient I Test Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.016	.045		.358	.721
Liquidity	-.019	.003	-.491	-6.075	0.001
Profitability	-.008	.003	-.234	-2.891	.005

a. Dependent Variable: Structure Modal

Capital Structure was significantly impacted negatively by liquidity ($t = -6.075$; sig. = 0.001) and profitability ($t = -2.891$; sig. = 0.005), according to the t-test. The two independent variables partially have an influence on the dependent variable.

Multiple Linear Regression Equations

The multiple linear regression equations obtained are:

$$\text{Capital Structure} = 0.016 - 0.019(\text{Liquidity}) - 0.008(\text{Profitability})$$

Thus, for every unit increase in liquidity, the capital structure will fall by 0.019, and for every unit rise in profitability, the capital structure will fall by 0.008. Both variables contributed to the decline in the company's debt structure.

Structure of Regression Equations II

Coefficient of Determination (R^2)

Tabel 9. Model Summary II

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.618a	.382	.366	.20926

a. Predictors: (Constant), Capital Structure, Profitability, Liquidity

With a determination coefficient value (R^2) of 0.382, liquidity, profitability, and capital structure account for 38.2% of the variation in company value. The model's Adjusted R^2 of 0.366 suggests that it is suitable for use in generalizations.

Simultaneous Test Results (F Test)

Table 10. ANOVA II Test Results

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.243	3	1.081	24.682	0.001b
Residual	5.255	120	.044		
Total	8.497	123			

a. Dependent Variable: Company Value

b. Predictors: (Constant), Capital Structure, Profitability, Liquidity

The F test gives an F result of a calculation of 24.682, significance level of 0.000, indicating simultaneous significance of the model. Together, the three distinct factors have an impact on the company's value.

*Partial Test Results (t-test)*Table 11. Regression Coefficient II Test Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.189	.023		8.378	0.001
Liquidity	.006	.002	.268	3.191	.002
Profitability	.004	.001	.219	2.877	.005
Capital Structure	-.226	.046	-.410	-4.956	0.001

a. Dependent Variable: Company Value

A significant positive impact of liquidity ($t = 3.191$; $\text{sig.} = 0.002$), a significant negative impact of capital structure ($t = -4.956$; $\text{sig.} < 0.001$), and a significant positive impact of profitability ($t = 2.877$; $\text{sig.} = 0.005$) also contribute to the company value.

Multiple Linear Regression Equations

Company Value = $0.189 + 0.006(\text{Liquidity}) + 0.004(\text{Profitability}) - 0.226(\text{Capital Structure})$

This indicates that for every unit increase in liquidity, the company value will rise by 0.006, for every unit increase in profitability, the company value will rise by 0.004, and for every unit increase in capital structure, the company value will fall by 0.226. This model confirms that companies that are financially healthy and less reliant on debt tend to have better market value.

Indirect Influence Test (Sobel Test)

Liquidity to Company Value through Capital Structure

Input:		Test statistic:	Std. Error:	p-value:	
a	-0.019	Sobel test:	3.88194524	0.00110615	0.00010362
b	-0.226	Aroian test:	3.85208327	0.00111472	0.00011712
s _a	0.003	Goodman test:	3.91251264	0.0010975	0.00009134
s _b	0.046	Reset all	Calculate		

Figure 4. Sobel Test I Results

The indirect effect of profitability on company value was recorded at 0.0018, obtained from the profitability coefficient on capital structure (-0.008) and capital structure on company value (-0.226). The direct influence of 0.004, indicates that the direct path is still stronger. However, the Sobel test (statistical = 2.3436; $p\text{-value} = 0.019$) as well as the Aroian and Goodman tests confirm that mediation by capital structure is significant.

Liquidity to Company Value through Capital Structure

Input:		Test statistic:	Std. Error:	p-value:
a	-0.008	Sobel test:	2.34369197	0.00077143
b	-0.226	Aroian test:	2.30706851	0.00078368
s _a	0.003	Goodman test:	2.38211683	0.00075899
s _b	0.046	Reset all	Calculate	

Figure 5. Sobel Test II Results

Based on the multiplication of the liquidity coefficient on the capital structure (-0.019) and the capital structure on the firm value (-0.226), the results indicated that the indirect influence of liquidity on the company's value was 0.0043. The direct influence is 0.006, indicating that the direct path is more dominant. However, the Sobel test yielded a statistical value of 3.8819 (p-value = 0.0001), supported by the Aroian and Goodman tests, which are equally significant. This demonstrates that the impact of liquidity on the company's value is considerably mediated by the capital structure.

All things considered, the relationship between liquidity and profitability to the company's worth was significantly mediated by capital structure. In order to test for both direct and indirect impacts between variables, it supports an integrative model.

DISCUSSION

The Effect of Profitability on Company Value

The study's findings demonstrate that profitability significantly and favorably affects a company's worth. This demonstrates that a company's perceived value among investors increases with its capacity to turn a profit. The primary metric that represents operational effectiveness and potential for future expansion is profitability. Businesses that can consistently turn a profit are seen by investors as reliable, effective, and desirable places to invest. This finding is in line with Spence's (1973) signal theory, which holds that a company's prospects are positively signaled to the market by high earnings. Additionally, these findings are consistent with earlier studies conducted by Ranti & Pertiwi (2020), Dewi & Praptoyo (2022), and Syaharani & Nur (2022) which showed a positive relationship between profitability and company value. Practically, company management is advised to continue to improve cost efficiency and optimize asset utilization in order to increase profits which ultimately have an impact on increasing the company's value.

The Effect of Liquidity on Company Value

In addition to profitability, regression analysis results also demonstrate that liquidity significantly and favorably affects the company's worth. This demonstrates that investors view businesses that can successfully fulfill their short-term commitments as more reliable and financially sound. High levels of liquidity reduce the risk of operational failure and create a positive perception in

the market. The food and beverage sector, which relies heavily on smooth cash flow for daily operations, is particularly sensitive to this aspect. These findings corroborate the view of signal theory, which states that internal financial conditions such as liquidity can provide investors with important information. Brigham & Houston (2022) assert that healthy liquidity reflects the efficiency of cash management and short-term liabilities. This research is also consistent with the findings of Jannata & Pertiwi (2022) and Agustin & Anwar (2022), which discovered that liquidity had a liquidity impact on company value. Managerially, this suggests the importance of careful cash and current asset management to maintain market confidence.

The Effect of Profitability on Company Value Through Capital Structure

The study also discovered that the relationship between profitability and firm value is strongly mediated by capital structure. The outcomes of the Sobel Test's mediation test demonstrate that profitability affects the capital structure both directly and indirectly. Profitable businesses typically employ their own capital instead of borrowing from outside sources. This condition results in lower leverage, creating a healthier and more stable capital structure, which ultimately improves investors' perception of the company. These findings support the signal theory as well as the research results of Jemani & Erawati (2020), which highlight the role of capital structure as a mechanism that reinforces the influence of profitability on firm value. The strategic implication of these findings is that management needs to align capital structure policies with profit-making capabilities. When profitability increases, companies should reduce their dependence on debt in order to maximize the firm's value optimally.

The Effect of Liquidity on Company Value Through Capital Structure

It has also been demonstrated that capital structure mediates the impact of liquidity on a firm's worth. Businesses with a lot of liquidity are usually better able to satisfy their own funding needs, which means they don't need as much debt. This improves the capital structure and lowers financial risk, which further increases the value of the company. These findings are also in line with signal theory, which holds that businesses with high liquidity send out a good signal about how well they manage working capital and cash flow. This study backs up the conclusions of Puri & Lisiantara (2023), who found that capital structure acts as a mediating variable between liquidity and a company's value. The managerial implication is the importance of maintaining optimal liquidity levels. Liquidity that is too low increases the risk of default, while liquidity that is too high can reflect inefficiency. Therefore, the management of cash, receivables, and inventories must be carefully managed so that the capital structure remains healthy and the firm's value is maintained.

Research Limitations

However, This research has limitations. Only businesses in the food and beverage industry that are listed on the Indonesia Stock Exchange are the subject of the study, so the results cannot necessarily be generalized to other sectors with different financial characteristics. In addition, the independent variables used are

limited to profitability and liquidity, whereas a number of additional factors can also affect the company's worth, including company size, ownership structure, revenue growth, dividend policy, and macroeconomic conditions. These limitations become opportunities for further research that can extend the model by considering other variables or different industry sectors.

CONCLUSION

The study's findings demonstrate that liquidity and profitability have a significant impact on a company's value, both directly and indirectly through the capital structure. It has been demonstrated that profitability plays a major role in raising the company's worth, which is a reflection of performance effectiveness and a promising financial future. Investors tend to value high-profitability companies as entities that have competitiveness and long-term growth potential. The value of the company has also been shown to be significantly impacted by liquidity. The market views a company's financial stability more favorably when it has a high degree of liquidity, which shows that it can satisfy its short-term obligations. The company's market value and investor interest are positively impacted by this. Furthermore, the relationship between corporate value and profitability is mediated by capital structure. Companies with high profitability tend to rely on in-house financing, which has an impact on a healthier capital structure and lower leverage. This ultimately reinforces the company's value. Similarly, Through its capital structure, liquidity has been demonstrated to have an indirect impact on a company's value. Companies with high liquidity tend to avoid reliance on external financing, which contributes to a more efficient capital structure and lower risk perception from investors.

RECOMMENDATION

The research's limits and conclusions allow for the transmission of a number of scholarly and practical recommendations. In order to optimize revenues, businesses are practically urged to enhance asset management and operational efficiency. In order to build sustainable growth and enhance the company's perceived worth to investors, this phase is crucial.

Additionally, companies need to maintain optimal liquidity levels through effective management of cash, receivables, and inventory. A healthy level of liquidity not only maintains operational continuity, but also builds market confidence. The use of profits obtained should be focused on financing internal activities so that dependence on debt can be minimized. Thus, the capital structure can be maintained at a healthy and stable level.

Additionally, it is anticipated that the business would be able to capitalize on its robust liquidity position to keep leverage low and avoid excessive external financing. This practice will increase financial flexibility and strengthen investor confidence.

ADVANCED RESEARCH

In order to make the findings more representative and generalizable, it is advised that the industrial sector be included in future studies. A more thorough

grasp of long-term dynamics may also be obtained by extending the observation period. Researchers can also take into account other elements that may impact the firm's worth, such as ownership structure, earnings growth, company size, and external factors like macroeconomic conditions.

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