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THE EFFECT OF FIRM SIZE, PROFITABILITY, AND LIQUIDITY ON FIRM VALUE WITH CAPITAL STRUCTURE AS INTERVENING VARIABLES

Sri Hermuningsih[1]*, Teguh Santoso[2], Riskin Hidayat[3], Saizal bin Pinjaman[4]
[1.2.3]Magister of Management, Faculty of Economic, Universitas Sarjanawiyata Tamansiswa, Indonesia
[4] Universiti Sabah, Malaysia
*Corresponding Author:
hermuningsih@ustjogja.ac.id

Abstract
This study aims to examine, the effect of firm size, profitability, and liquidity on firm value and capital structure as intervening variables. The focus of this study is on companies in the property and real estate sector listed on the Indonesia Stock Exchange during the period 2019 to 2023. The indicators used include profitability measured using size, Price Book Value, Return on Assets and Current Ratio, while capital structure is measured using the Debt to Equity Ratio. The sample in this study consisted of 19 companies using purposive sampling. The results of hypothesis testing show that company size, profitability, liquidity and capital structure has a positive and significant effect on firm value, company size has a positive and significant effect on capital structure, profitability has no effect on capital structure, Liquidity has a positive and significant effect on capital structure, Capital structure can mediate the relationship between firm size and firm value, while capital structure does not mediate the relationship between profitability and firm value, but capital structure mediates the relationship between liquidity and firm value.

Keywords: Firm Size, Profitability, Liquidity, Firm Value, Capital Structure

1. Introduction

The globalization of the economy has led to increased economic integration and interdependence between national, regional, and local economies around the world, such as the globalization of production and finance, markets and technology, organizational and institutional regimes, companies and labor, played out by actors such as the WTO, IMF, and World Bank . The development of the national property sector plays an important role in agriculture, industry, trade, services, and others.

A phenomenon found in these companies is that the property and real estate industries have specific characteristics, such as sensitivity to interest rates and economic cycles . These factors can affect how size, profitability, and liquidity impact company value and capital structure. In addition, this sector often requires large amounts of capital for construction and development, making capital structure very important for business continuity. One of the long-term goals for companies is to increase shareholder welfare by increasing company value.

Company value is the result of management's work in several dimensions. Several factors that influence company value are company size, liquidity, profitability, and capital structure . Size is considered to influence company value. The larger the size or scale of the company, the easier it is for the company to obtain funding sources, both internal and external (Muharramah & Hakim, 2021).The results of the research conducted

Nurwulandari et al., (2021) shows that company size has a positive effect on company value.

Profitability can also affect firm value. The level of profitability generated by a firm can affect firm value by looking at profitability as a measure and performance of the firm as indicated by the profits generated by the firm. Investors will assume that the firm will continue to exist and be profitable in the future (Fitri Lim et al., 2022). Research conducted by Panjaitan, R., Simanjuntak, M., & Siregar, (2020) Profitability does not affect and is not significant to the value of a firm. Research conducted by Erna & Sutama, (2018) states that profitability has a positive and significant effect on firm value. The research conducted Mariani, (2021) states that profitability has a positive and significant effect on capital structure. Research Aditya, M. A., & Santioso, (2020) states that profitability has a negative and significant effect on capital structure.

Liquidity is a ratio that describes a firm's ability to meet its short-term obligations in a timely manner. This means that if a firm incurs debt, it will be able to repay that debt. Previous research conducted by (Imam, M., Rahmawati, D., & Hidayat, 8 C.E.) states that liquidity has a positive effect on firm value. This opinion is in line with research conducted by Nugraha, A. R., & Alfarisi, (2020) and Natalie, C., & Lisiantara, (2020) which states that liquidity has a positive effect on firm value. Previous research by Febrianti, (2012) and Adiputra, I. N. G., & Hermawan, (2020) states that liquidity does not have a significant effect on firm value.

This study also uses an intervening variable, namely capital structure. Capital structure is a policy made by companies in considering the optimal composition of long-term debt and equity capital. Every company expects to have an optimal capital structure, namely a capital structure that can maximize firm value and minimize costs. (Nurwulandari et al., 2021). Research according to Irawati et al., (2022) states that capital structure has a negative and significant effect on firm value.

Based on the background of the problem and the formulation of the problem that has been described, this study aims to analyse the effect of company size, profitability, and liquidity on company value. Additionally, this study also aims to examine the influence of company size, profitability, and liquidity on capital structure and to analyse the role of capital structure as an intervening variable in the relationship between company size, profitability, and liquidity on company value in property and real estate companies listed on the Indonesia Stock Exchange for the period 2019–2023).

2. Theoretical Background

2.1 The Influence of Company Size on Company Value

The size of a firm measured by total assets reflects the amount of assets owned by the firm, which can provide a general picture of the firm's capacity to manage operations and investments (Bita et al., 2021). Large firms are typically better at managing risk because they have greater resources to diversify their investments and operations. Lower risk tends to attract investors because it is considered safer to invest, thereby increasing PBV. In a study conducted by Kristiadi & Herijawati, (2023) A positive and significant effect of company size on firm value was found. These results indicate that larger companies will have a higher value in the eyes of investors, as indicated by a higher PBV. This is in line with research conducted by (Kaulika & Imronudin, 2025). Therefore, the first hypothesis proposed in this study is:

H_1: Firm size has a positive effect on firm value

2.2 The Effect of Profitability on Firm Value

ROA is a measure of profitability that shows how efficiently a firm manages its assets to generate profits. Firms with high ROA indicate that management is capable of managing assets efficiently to generate profits. This strong performance reflects the firm's ability to create value from its assets, which increases investor confidence in the firm's future prospects. These results are in line with research conducted by Aritopan et al., (2024), Salma et al., (2024), and Aziz & Hidayat, (2023). Therefore, the second hypothesis proposed in this study is:

H2: Profitability has a positive effect on Firm Value

2.3 The Effect of Liquidity on Firm Value

A CR that is too high may indicate that the firm has cash or current assets that are not being used for operational activities or productive investments. This may create the perception that the firm is not managing its assets optimally. Investors may assume that the firm has a conservative working capital management strategy, thereby assessing its growth prospects as low, which may lower the PBV (Nur utami & Widati, 2022). Liquidity has a positive effect on firm value, provided that the firm can manage its cash efficiently without allowing excess funds that could be misused by management. In a study conducted by was found that liquidity has a positive and significant effect on firm value. These results are in line with research conducted by Ramadhan et al., (2021). Therefore, the third hypothesis proposed in this study is:

H3: Liquidity has a positive effect on Firm Value

2.4 The Effect of Firm Size on Capital Structure

Large firms tend to be more trusted by creditors and have easier access to capital markets or financial institutions to obtain debt. Size is often an implied guarantee that a firm has the ability to pay its debts and reduces the risk of default. (Anjarwati et al., 2022). These results are in line with research conducted by (Adhitya & Santioso, 2020), and (Rahmawati & Sapari, 2021). Therefore, the fourth hypothesis proposed in this study is:

H4: Firm size has a positive effect on capital structure

2.5 The Effect of Profitability on Capital Structure

seeking external sources of funding such as debt. Therefore, firms with high ROA tend to have lower DER because they are better able to fund their operations and investments from internal profits rather than debt (Annisa et al., 2023). Highly profitable companies may feel that the cost of debt (interest) is not worth the risk, especially if they have sufficient internal sources of funding. Thus, a firm with a high ROA tends to have a lower DER. In a study conducted by (Nursyahbani & Sukarno, 2023) found that profitability has a positive and significant effect on capital structure. These results are in line with research conducted by (Aamir et al., 2022) and (Dewi & Fachrurrozie, 2021).Therefore, the fifth hypothesis proposed in this study is:

H5: Profitability has a negative effect on Capital Structure.

2.6 The Effect of Liquidity on Capital Structure

Firms with high CR indicate that they have sufficient current assets to fund their working capital needs. With high liquidity (high CR), firms tend not to need to use additional debt to meet short-term operational needs. This allows firms to maintain a healthier capital structure by reducing DER (Arilyn, 2020). With high liquidity, a firm

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can avoid increasing debt and maintain financial stability (Rahmawati & Sapari, 2021). These results are consistent with research conducted by (Cahyono & Fitria, 2022), (Anggita & Priyanto, 2022). Therefore, the sixth hypothesis proposed in this study is:
H6: Liquidity has a positive effect on Capital Structure.

2.7 The Effect of Capital Structure on Firm Value

Firm with higher DER have more debt than equity, which increases financial risk, including default risk and higher interest payments (Lumantow, 2022). Investors often view firms with high financial risk as riskier investments, so they value them lower, which is reflected in a lower PBV. High debt requires periodic interest payments, which reduce the firm's net income and may affect its ability to generate higher returns to shareholders (Santosa et al., 2022). This can influence investor decisions and cause the firm's PBV to decline. In a study conducted by Irawati et al., (2022) ound that capital structure has a significant effect on firm value. These results are consistent with research conducted by Anisa et al., (2021) and Santosa et al., (2022). Therefore, the seventh hypothesis proposed in this study is:
H7: Capital structure has a positive effect on Firm Value

2.8 The Effect of Firm Size on Firm Value with Capital Structure as a Mediating Variable

Large firms tend to have capital structures, as they are better able to manage debt than smaller firms. With larger assets, these firms are more attractive to creditors, so they tend to obtain debt more easily. If firms use debt wisely and efficiently, a higher DER can increase the value of the firm (PBV), as debt can increase returns to shareholders through financial leverage (Nurwulandari et al., 2021). Research conducted by Nurwulandari et al., (2021) shows that capital structure can mediate the effect of Firm Size on Firm Value with positive and significant results. Therefore, the eighth hypothesis proposed in this study is:
H8: Capital Structure can mediate the effect of Firm Size on Firm Value

2.9 The Effect of Profitability on Company Value with Capital Structure as a Mediating Variable

High profitability indicates that a firm can generate significant profits from its assets. This gives stakeholders confidence that the firm is able to meet its debt obligations and increase its ability to obtain further debt. With a high ROA, firms demonstrate that they are able to manage assets efficiently and generate strong profits, which increases investor confidence and ultimately increases PBV (Khotimah et al., 2023). This is in line with research conducted by (Nurwulandari et al., 2021) which shows that capital structure can mediate the effect of profitability on company value with positive and significant results. Therefore, the ninth hypothesis proposed in this study is:
H9: Capital structure can mediate the effect of profitability on firm value.

2.10 The Effect of Liquidity on Firm Value with Capital Structure as a Mediating Variable

A high DER indicates that the firm uses debt as a source of financing. In terms of liquidity, companies with high CR may have low DER because they tend to use current assets rather than debt for financing. In this case, high DER may reflect a greater debt burden or the firm's dependence on external financing, which may be less desirable to

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investors because it is considered to increase the risk of default or limit the firm's financial flexibility (Maria & Widjaja, 2022). This is in line with research conducted by Maria & Widjaja, (2022) which shows that capital structure can mediate the effect of liquidity on firm value with significant results. Therefore, the tenth hypothesis proposed in this study is:
H10: Capital structure can mediate the effect of liquidity on firm value.

3. Methods

This study is a quantitative study with a descriptive approach that aims to determine the effect of firm size, profitability, and liquidity on firm value with capital structure as a mediating variable in property and real estate companies listed on the Indonesia Stock Exchange for the period 2019–2023. The data used is secondary data in the form of company annual reports taken from the official websites of the IDX and IDN Financials. The research sample was determined using purposive sampling based on specific criteria: property and real estate companies listed on the IDX for the period ending 2023, companies that do not publish audited financial statements and do not experience losses, resulting in 19 firms with a total of 95 observations over five years. Researchers chose companies in the property and real estate sector because this sector plays a vital role in the Indonesian economy and development. This sector is also one of the indicators for assessing the growth and development of a country. Data collection techniques were carried out through documentation studies, while data analysis was performed using descriptive statistics, Model measurement evaluation (outer model) and Structural model (Inner Model). The analysis of the relationship between variables was carried out using the path analysis method using SmartPLS to determine the direct and indirect effects between variables according to the research model that had been designed.

4. Results and Discussion

4.1 Descriptive Statistical Analysis

Descriptive analysis is usually conducted by presenting data in the form of tables, graphs, diagrams, percentages, means, medians, modes, and standard deviations to provide a clear picture of the characteristics of the data. Descriptive analysis is managed using the SPSS program as follows:

Table 1. Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Size	95	0,732	6,309	2,41837	1,324863
ROA	95	0,003	1,676	0,23092	0,194775
CR	95	0,078	0,834	0,49398	0,202107
PBV	95	0,009	0,416	0,09124	0,064162
DER	95	0,109	2,465	0.81924	0,564629
Valid N (listwise)	95				

Source: processed data

Based on the table above, a descriptive analysis was conducted on the data obtained from 95 samples covering the variables of company size, Return on Assets, Current Ratio, Price Book Value and Debt to Equity. The firm size variable had a minimum value of 0.732, a maximum value of 6.309, and a mean value of 2.418. The standard deviation of

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firm size was 1.324. The mean value of firm size was greater than the standard deviation, which means that the mean value can be used as a representation of the entire data set.

In the Profitability analysis, the minimum value is 0.003, the maximum value is 1.676, and the mean value is 0.2309. The standard deviation of the profitability variable is 0.1947. These results show that the firm is able to generate a net profit of 0.23% of its total assets, while the mean value is greater than the standard deviation, which means that the mean value can be used as a representation of the overall data.

Looking at the current ratio, the minimum value is 0.078, while the maximum value is 0.834. The mean value of CR is 0.4939, while the standard deviation is 0.2021. The price-to-book value variable has a minimum value of 0.009, a maximum value of 0.416, and a mean value of 0.0912. The standard deviation of the PBV variable is 0.641. This indicates that the mean value is greater than the standard deviation, which means that the mean value can be used as a representation of the entire data set.

In addition, the capital structure has a minimum value of 0.109, a maximum value of 2.465, and a mean value of 0.8192. The standard deviation of the capital structure is 0.5646. The mean value is greater than the standard deviation, which means that the mean value can be used as a representation of the entire data.

4.2 Measurement Model Evaluation (*Outer Model)*

The model measurement evaluation stage was conducted using three criteria, namely convergent validity, discriminant validity, and composite reliability*:*

a. *Convergent Validity*

An indicator is considered to have good convergent validity if the outer loading value is > 0.7. The following are the outer loading values of the indicators on the research variables:

Table 2. Validity Testing based on Factor Loadings.

Variable	Indicator	Outer Loading
Firm Size (X1)	X1_ Firm Size	1,000
Profitability(X2)	X2_ROA	1,000
Liquidity (X3)	X3_CR	1,000
Firm Value(Y)	Y_PBV	1,000
Capital Structure (Z)	Z_DER	1,000

Source: processed data Smart PLS

Based on Table 2, it is known that each research variable indicator meets the outer loading value > 0.7 and is declared feasible or valid for further analysis**.**

b. Discriminant Validity

For the discriminant validity test, use the average variant extracted (AVE) value for each indicator, which must be > 0.5 for a good model. The following are the average variant extracted values for each variable:

Table 3. Validity testing based on *Average Variance Extracted* (AVE)

Variable	Average Variance Extracted (AVE)
X1_SIZE	1.000
X2_ROA	1.000
X3_CR	1.000
Y_PBV	1.000

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Variable	Average Variance Extracted (AVE)
Z_DER	1.000

Source: processed data Smart PLS

Based on the table above, it is known that the AVE values of the variables Size, ROA, CR, PBV, and DER are > 0.5, so it can be stated that the discriminant validity is very good.

c. Composite Reliability

A construct is considered reliable if it has a composite reliability value > 0.7. This value indicates that the indicators for each variable have met the criteria for good reliability.

Table 4. Reliability testing based on *Composite Reliability* (CR).

Variable	Composite Reliability
X1_Size	1.000
X2_ROA	1.000
X3_CR	1.000
Y_PBV	1.000
Z_DER	1.000

Source: processed data Smart PLS

Based on the table above, it can be seen that the composite reliability value of all variables is > 0.7. Thus, each variable has met the composite reliability and has a high level of reliability.

4.3 Structural Model Evaluation (*Inner Model)*

Structural model testing was conducted to assess the strength of the relationship between constructs and the level of model significance through the R-Square (R^2)

Table 5. Result R-Square

Variable	R Square	Description
Y_PBV	0.449	Moderate
Z_DER	0.528	Quite Powerful

Source: processed data Smart PLS

Based on the table above, it can be seen that the R-Square value of 0.449 for the Y_PBV variable indicates that 44.9% of the variation in PBV can be explained by the independent variables in the model, while the remaining 55.1% is explained by other factors outside the model. Meanwhile, the R^2 value for the Z_DER variable is 0.528, which means that 52.8% of the variation in DER can be explained by the independent variables used in the study, and the remaining 47.2% is influenced by other variables outside the model.

4.4 Hypothesis Test Results

The structural model was evaluated by looking at the path coefficient values, which describe the direction and magnitude of the influence between latent variables in the research model. The main purpose of this test is to determine the significance level of the relationship between variables, which is done through a t-test. The hypothesis testing process is carried out using the bootstrapping method in SmartPLS software, so that t-statistic and p-value values are obtained. These two values are the basis for determining whether the relationship between variables in the model is significant or insignificant.

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The following presents the bootstrapping output results from the analysis using SmartPLS**:**

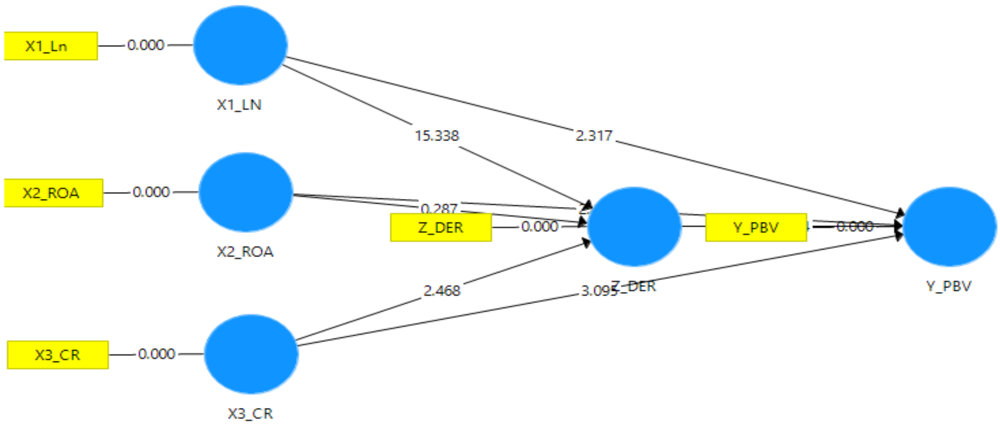

Figure 1. Results Bootstrapping
Source: processed data Smart PLS

Table 6. Hypothesis Testing Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
SIZE -> PBV	0,322	0,307	0,139	2,317	0,021
SIZE -> DER	0,806	0,814	0,053	15,338	0,000
ROA -> PBV	0,152	0,153	0,063	2,407	0,016
ROA -> DER	0,031	0,024	0,108	0,287	0,774
CR-> PBV	0,380	0,375	0,123	3,095	0,002
CR -> DER	0,192	0,204	0,078	2,468	0,014
DER -> PBV	0,732	0,719	0,096	7,634	0,000

Source: processed data Smart PLS

Table 7. Results Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
SIZE -> DER -> PBV	0,590	0.600	0.097	6,062	0,000
ROA -> DER -> PBV	0,023	0,021	0.079	0,290	0,772
CR -> DER -> PBV	0,140	0,151	0.066	2,121	0,034

Source: processed data Smart PLS

4.5 Discussion

4.5.1 The Effect of Firm Size on Firm Value

The results of the hypothesis test show that firm size has a positive and significant effect on firm value. The larger the firm size, the higher the firm value in the eyes of investors. This result supports the view that large companies tend to have easier access to funding, a stronger reputation, and a high level of trust from the market. Theoretically, this result is in line with the signaling theory which explains that large companies send positive signals to the market regarding their ability to survive, reputation, and better resource management capacity compared to small companies. Large firm size also reflects financial strength and operational stability, leading investors to assess large firms as having lower investment risk. Thus, the results of this study reinforce the view that company size is an important signal for investors in assessing a company's prospects and market value. This is in line with research conducted by Kaulika & Imronudin, (2025), Sukamdi, (2023), Irawati et al., (2022), and Bita et al., (2021) which states that firm size has a positive and significant effect on firm value.

4.5.2 The Effect of Firm Size on Capital Structure

The results of the hypothesis test show that firm size has a positive and significant effect on capital structure. Large companies also have better access to external financing, making it easier for them to obtain loans from financial institutions. In addition, in signaling theory, optimal use of debt can be a positive signal to investors that management is confident in the firm's ability to generate future cash flows. These findings are supported by research by Bui et al., (2023) and Chatterjee, (2022) who found that large companies tend to have higher capital structures because they are considered more credible by financial institutions. An empirical study by Mahirah, (2023) also concluded that firm size has a significant effect on a firm's capital structure. Thus, the results of this study reinforce the view that company size is a major determinant in the formation of capital structure.

4.5.3 The Effect of Profitability on Firm Value

The results of the profitability hypothesis test show a positive and significant effect on firm value. Theoretically, these results support the signaling theory, which states that profitability is one of the financial signals that investors pay the most attention to, as it reflects a firm's ability to generate profits from its assets. High profitability indicates efficient use of assets and good financial prospects, thereby increasing market confidence in the firm's value. These results are consistent with research Hung & Su Dinh, (2022) which found that Return on Assets has a positive and significant effect on firm value. Both studies show that high profits send a positive signal about the health and performance of the company, which in turn increases investor interest in the company's shares. Thus, the results of this study support the view that profitability is a fundamental factor that influences market perceptions of firm value.

4.5.4 The Effect of Profitability on Capital Structure

The results of the hypothesis test show that profitability has no effect on capital structure. The results of the study show that profitability has a positive but insignificant effect on capital structure, meaning that in theory, the higher the profitability, the better the company's ability to obtain external funds. However, this increase in profit is not strong enough to cause a real change in capital structure. companies with high profitability tend to use internal funds (retained earnings) to finance investments before using external debt, so the relationship between profitability and leverage is not strongly apparent. From a signaling theory perspective, these results indicate that the profitability signal is more strongly perceived by the market through an increase in firm value, rather than through changes in capital structure. These results are consistent with research Natsir, (2020) and Rustanti, (2024) which found that the relationship between profitability and debt to equity ratio is not always significant because firms with high earning power prefer internal financing.

4.5.5 The Effect of Liquidity on Firm Value

The results show that liquidity has a positive and significant effect on firm value. This indicates that the higher a company's ability to meet its short-term obligations, the greater its value in the eyes of investors. According to signaling theory, a high level of liquidity is a positive financial signal because it indicates the stability and financial health of the company. Investors will assess liquid companies as entities that are able to maintain operational continuity and have a low risk of default. This research is in line with the findings, which shows that liquidity ratios, particularly the current ratio, have a positive effect on firm value. Therefore, the results of this study reinforce the view that liquidity plays an important role in increasing investor confidence in firm value.

4.5.6 The Effect of Liquidity on Capital Structure

The results show that liquidity has a positive and significant effect on capital structure, meaning that the higher the liquidity, the greater the likelihood that the company will use capital structure. This can be interpreted as meaning that liquid companies are more confident in taking on debt because they have good repayment capabilities. From a creditor's perspective, a high level of liquidity is also a positive signal that the company is able to meet its loan obligations, making it easier to obtain external funding. According to signaling theory, the use of debt in liquid companies can be perceived as a signal of management's confidence in the company's ability to manage financial risk. This study is consistent with the findings of (Bui et al., 2023; Rustanti, 2024), who found that firm with strong liquidity conditions are more likely to take out loans for expansion. Thus, the results of this study indicate that healthy liquidity not only increases firm value directly, but also encourages firms to optimize their use of debt. These results are in line with the research conducted by Anggita & Priyanto, (2022) and Adhitya & Santioso, (2020) which states that liquidity has a significant effect on capital structure.

4.5.7 The Effect of Capital Structure on Firm Value

The results show that has a positive and significant effect on firm value. This finding indicates that optimal debt usage can increase firm value through capital structure. This is consistent with signaling theory, in which debt usage decisions are viewed as positive signals because they indicate that management is confident about future profit prospects. Well-managed capital structure strengthens market confidence in the company's ability to generate consistent profits. According to Bui et al., (2023) and Rustanti, (2024), an optimal capital structure can increase firm value, especially when the debt level is still within safe limits. Thus, the results of this study reinforce the view that the right capital structure is key to creating maximum firm value.

4.5.8 The Effect of Firm Size on Firm Value through Capital Structure as a mediating variable

The indirect relationship between firm size and firm value through capital structure shows that capital structure can mediate the relationship between firm size and firm value. This means that the use of debt by large companies increases market confidence. firm size and capital structure serve as signals of management's confidence in the company's prospects, which ultimately increases the value of the firm. According to signaling theory, large companies tend to send positive signals to the market because they are considered to have better capabilities in managing resources, maintaining cash flow stability, and bearing financial risks. When large companies use debt optimally, it becomes an additional signal that management is confident in the firm's prospects and is capable of managing its financial obligations well. The results of this study are in line with those conducted by Nurwulandari et al., (2021) and Mahirah, (2023) shows that capital structure can mediate the effect of company size on firm value with positive and significant results.

4.5.9 The effect of profitability on firm value through Capital Structure as a mediating variable

The results show that the effect of profitability on firm value through capital structure is insignificant. These results indicate that capital structure does not mediate the relationship between profitability and firm value. According to the Signaling theory, this condition can be explained because a high level of profitability is already a strong signal for investors. Firms that are able to generate large profits do not need to strengthen their signals through the use of debt. Instead, firms tend to use retained earnings to finance investments and operations, thereby reducing their dependence on external funding. According to Bui et al., (2023) and Rustanti, (2024) companies with high profitability prefer internal financing because large profits are sufficient to send a positive signal to the market regarding the company's ability to generate profits. Thus, the results of this study confirm that in the context of Signaling theory, profitability functions as a stand-alone signal and does not require capital structure mediation to influence firm value. These results are in line with research conducted by Faisal et al., (2024) which states that capital structure is unable to mediate the relationship between profitability and firm value.

4.5.10 The Effect of Liquidity on Firm Value through Capital Structure as a mediating variable

The results show that liquidity has a positive and significant effect on firm value through capital structure. This means that capital structure partially mediates the relationship between liquidity and firm value. According to signaling theory, a high level of liquidity is a positive signal for investors because it demonstrates the company's ability to meet its short-term obligations and manage cash flow well. When a liquid company decides to use debt, this decision reinforces the positive signal that management believes in the company's ability to meet its financial obligations, thereby increasing the perception of value in the eyes of investors. Good cash conditions increase creditors' confidence in the company. According to Rustanti, (2024) , firms with high liquidity levels tend to be able to use debt effectively to strengthen their capital structure and increase firm value. Firms with high liquidity capabilities signal their debt management capabilities, which increases the attractiveness of their shares in the market. Thus, these results reinforce the Signaling theory that liquidity and capital structure (DER) can be strong signals of a firm's financial health and prospects. This is in line with the research conducted Maria & Widjaja, (2022) which shows that capital structure can mediate the effect of liquidity on firm values

5. Conclusion

Based on the results of the above research, it can be concluded that: H1 Firm size has a positive and significant effect on firm value, meaning that the larger the firm size, the higher the firm value in the eyes of investors. H2 Firm size has a positive and significant effect on capital structure, meaning that larger firms tend to have higher capital structure levels. H3 Profitability has a positive and significant effect on firm value , meaning that the higher the firm's profitability, the higher its value as reflected in the Price to Book Value ratio. H4 Profitability does not affect capital structure, meaning that firms with high profit levels do not necessarily increase their use of debt. H5 Liquidity has a positive and significant effect on firm value, meaning that the higher a firm's ability to meet its short-term obligations, the greater its value in the eyes of investors. H6 Liquidity has a positive and significant effect on capital structure, meaning that the higher the liquidity, the greater the likelihood that the firm will use capital structure. H7 Capital structure has a positive and significant effect on firm value, meaning that optimal debt usage can increase firm value through capital structure. H8 Capital structure has a positive and significant effect on firm value, meaning that the higher the firm's profitability, the greater its firm value as reflected in the Price to Book Value ratio. The theoretical implications explain the contribution of this research in enriching the study of the influence of firm size, profitability, and liquidity on firm value with capital structure as an intervening variable, particularly in the property and real estate sector. Meanwhile, the practical implications are aimed at providing recommendations for company management, investors, and relevant stakeholders in making financial decisions related to capital structure management, improving financial performance, and efforts to increase company value.

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