Examining Profitability as a Mediating Factor in the Relationship Between Capital Structure, Liquidity, and Sales Growth on Firm Value

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ABSTRACT

The objective of this study is to analyze and assess the role of profitability as an intervening variable in the connection between capital structure, liquidity, and sales growth on the firm value. This research uses a purposive sampling methodology to choose a sample of 13 companies within the healthcare sector. The analysis is executed through path analysis employing the EViews version 12 application. Research findings, shows that capital structure does not influence profitability, while liquidity and sales growth indeed influence profitability. Capital structure, liquidity, and sales growth do not affect firm value, but profitability does. Additionally, profitability does not serve as an intermediary in the connection between capital structure, liquidity, and sales growth in affecting firm value. This research provides a theoretical contribution by examining how profitability acts as an intermediary variable within the framework of the connection between capital structure, liquidity, and the role of sales growth in affecting the firm value in the healthcare sector during the period 2020-2023. This provides a new understanding of the specific internal financial mechanisms in the healthcare sector, especially in pandemic-affected conditions, which have not been studied in depth in the financial literature.

Keywords: Profitability, Capital Structure, Liquidity, Sales Growth, Firm Value.

INTRODUCTION

Economic development in a country has an Effect on the development of a company. The pandemic is one of the obstacles that can slow down economic development, which affects all countries including Indonesia, the healthcare sector exerts a notable influence regarding Indonesi's economy which has demonstrated considerable potential in recent years, Particularly throughout the COVID-19 pandemic era, which positioned this sector as one of the main components in maintaining public health stability. The healthcare sector is a significant sector in the stock market as it is associated with human welfare and strong growth. However, the healthcare sector is difficult to develop in Indonesia, due to constraints in the supply of raw materials in drug manufacturing, increasing human resources, undeveloped R&D, and binding regulations for this industry (Kumalasari et al; 2023). The spread of Covid-19 provides an opportunity for the health industry to grow, where the healthcare industry holds a crucial function in managing the transmission of COVID-19.The existence of Covid-19 makes medical Products and services that are essential for the general public's needs, so the health sector is increasingly needed (Kumalasari et al; 2023).

The health sector in Indonesia experienced stability in growth from 2020 to 2023 with increasing demand for health services. This has an impact on the revenue earned by the health sector in Indonesia in 2020, which is estimated to get a total revenue of IDR 89.4 trillion, in 2021 IDR 240.3 trillion, in 2022 IDR 278.1 trillion, and in 2023 IDR 263.8 trillion (Statista, 2023). This increase in revenue cannot be separated from The management decisions of the company are based on the main objective of obtaining profits and maximizing company value so as to provide welfare for its shareholders (Janah & Munandar, 2022). The significance of companies in the health sector in 2019 averaged 2.8x, in 2020 the average PBV increased by 4.5x, while in 2021 it fell by 3.6x, and in 2022 the average PBV fell again to 3.2x (Syahniar & Wikartika, 2024).

In the view of Fajriah et al. (2022),firm valeu represents the way investors assess its success related to stock prices. Based on Signaling Theory, companies need to provide instructions or images as reference for investors in making decisions. Data presented as financial statement analysis containing sales growth, liquidity, and capital structure. Company value is influenced by several financial aspects, according to Hermuningsih, (2013) and Aji et al; (2024) including profitability, capital structure, liquidity, and sales growth.

The capacity of a company to manage and control its capital is crucial for enhancing profitability. The company's capital structure serves as an essential factor in its operations as it can influence the uncertainties experienced by shareholders and the expected profit-sharing level (Itsnaini & Bernando, 2020). The trade-off theory clarifies the connection within capital structure and firm value through balancing the advantagesand drawbacks of debt utilization. According to Sasongko & Hanatijo (2024), Amelia & Anhar (2019), and Maptuha et al. (2021), capital structure positively impacts firm value. However, this contradicts Santosa et al.'s (2022) study, which concludes that the firm valeu is not influenced by the capital structure

Indicators which investors rely on to evaluate a firm's value by evaluating its capacity to fulfill short-term obligations, which can be assessed through the company's liquidity. According to signaling theory, companies that rely heavily on debt financing send a favorable indication to shareholders, demonstrating the firm's ability and strong effectiveness, which allows it to take on substantial debt due to its ability to repay it (Suastini, 2016). Previous research by Febriani (2020), Maptuha et al; (2021), and Suryanti et al; (2021) discovered that liquidity has an effect on the firm valeu. In contrast, Zuliyanti et al; (2022) discoveredthat the firm valeu is does not influenced by the liquidity.

Sales growth serves as a measure that may influence firm value, as the greater the revenue earned by an enterprise shows that the company has good prospects for generating returns for investors. Increasing market share, influencing growth in sales so as to increase profitability, then sales growth has a considerable impact on the firm valeu. In the view of Fajriah et al; (2022), Putri & Rahyuda (2020), Wijaya (2019) mentioned the same research results that sales growth affects firm value, unlike earlier studies conducted by Yulimtinan and Atiningsih (2021) which stated the findings of their study indicate that sales growth does not influenced firm value.

In this research, profitability serves as an intermediary variable, with profitability playing a central role can act as an intermediary in maximizing firm value. Profitabilityhas ability to indirectly influence firm value (Putri et al; 2021). Profitability is able to mediate because it can strengthen he effect of independent variables on the firm valeu

Financial factors such as capital structure, liquidity, and sales growth can influence firm value (Hermuningsih, 2013). However, previous research shows conflicting results. According to Sasongko & Hanatijo (2024), Amelia & Anhar (2019), and Maptuha et al; (2021), capital structure positively influences the firm valeu, unlike Santosa et al; (2022), who discovered that capital structure has no influence on firm value. The level of liquidity is said to affect the value of the firm as evidenced by the studies of Febriani (2020), Maptuha et al; (2021), and Suryanti et al; (2021), while Zuliyanti et al; (2022) found that liquidity does not impact firm value. According to Fajriah et al; (2022), Putri & Rahyuda (2020), and Wijaya (2019), sales growth positively affects firm value, as an increase in market share leads to higher sales growth, which in turn boosts profitability and firm value. However, research by Yulimtinan and Atiningsih (2021) contradicts this, stating that sales growth does not influence firm value.

A s a result, there is a discrepancy in the findings of previous research. The objective of this research is to reassess the connection within capital structure, liquidity, and sales growth on firm valeu, with profitability serving as an intermediary variable, within the healthcare Industry in Indonesia during the period of 2020-2023. The aim of this study is to offer further insights into the firm valeu which is influenced by capital structure, liquidity, and sales growth mediated by profitability and becomes material in decision making to plan financial and operational matters that will be carried out to be more effective.

The signaling theory by Michael Spence (1973) relies on the principle of the disparity of information between the company and external parties concerning the firm’s future outlook and potential.Debt as a means of capital used provides positive information or signals that are manifested in the firm's stock value, as investors think that the firm is capable of generating substantial profits to pay off its debt (Santoso & Budiarti, 2020). The increasing level of liquidity makes the company have good finances because it guarantees the business's profit income and has a better influence on the firm valeu and increased sales can give investors confidence that the company is able to provide even more returns.

Consistent with the trade-off theory, since the capital structure is below the optimal level, raising debt can improve the firm valeu. Nevertheless, if the capital structure exceeds the ideal point, adding more debt will reduce the firm value (Antoro et al., 2020). Founded on the trade-off theory, it is anticipated that the connection among capital structure and firm value is positive (Wirajaya, 2013). An appropriate capital structure is anticipated to enhance the firm's capacity to provide collateral. To increase firm value, a well-managed capital structure is essential as it influences the company's funding, profitability, and financial position (Alipudin & Pakuan, 2019).

Hermuningsih (2013) explains that the firm valeu is crucial because a higher company value is typically associated with greater shareholder wealth. If a company can demonstrate high value to investors, the likelihood of shareholders, or investors, receiving substantial returns increases (Rohman & Fitriyah, 2024). According to Palupi & Hendiarto (2018), company value represents the condition the company has attained reflecting the confidence of the public in the company after years of activities, from its inception to the present. Brigham and Gapenski (2006) state that the price-to-book value (PBV) is an indicator used to assess firm value. A lower PBV suggests that the company’s shares are undervalued, making it an attractive option for long-term investment, but it can also signify adecline in the company’s quality and fundamental performance.

Profitability is an indicator of how well a business is run, which can be seen from the business's ability to make a profit. Profitability within a company is assessed by its success and the ability to effectively utilize its assets (Setyawan, 2021). The company must continue to be profitable (Profitable), in order to maintain its business continuity. According to Kasmir (2019), the calculation of profitability in a company can use the ROA metric, which will identify the return on a number of assets utilized by the firm.

Capital structure relates to the financial mix of a firm, balancing long-term liabilities and shareholders' equity as capital sources (Fahmi, 2018). Hery (2015) states that capital structure denotes the proportion of long-term financing within a firm, Rrepresented as the proportion Regarding the long-term debt in relation to shareholders' equity. The Debt-to-Equity Ratio (DER) is an indicator employed to assess a firm's liabilities in relation to its equity held by its shareholders (Kasmir, 2018).

According to Harmono (2017), liquidity pertains to thecompany's capacity to meet its temporary financial responsibilitie. In accordance with to Syamsuddin (2011) the current ratioIs a part of the measuring instruments used in assessing the company's liquidity. Liquidity reflects a measure of management performance that manages working capital funded from current debt and cash balances. The larger the ratio maintained by the company, the larger the efficiency in utilizing its current assets to cover current liabilities.

According to Yani and Dana (2017), Sales growth refers to the rise or fall in the overall assets owned by the firm, reflecting the growth of assets uUsed for the company’s business

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operations. Sales growth (growth) contributes to managing working capital. If the company can find out the increase or growth in sales, the company can also estimate or suspect the amount of profit to be obtained.

There is a dependent variable, namely firm value, while the explanatory variables include capital structure, liquidity, and sales growth and the mediating variable is profitability within the healthcare industry.

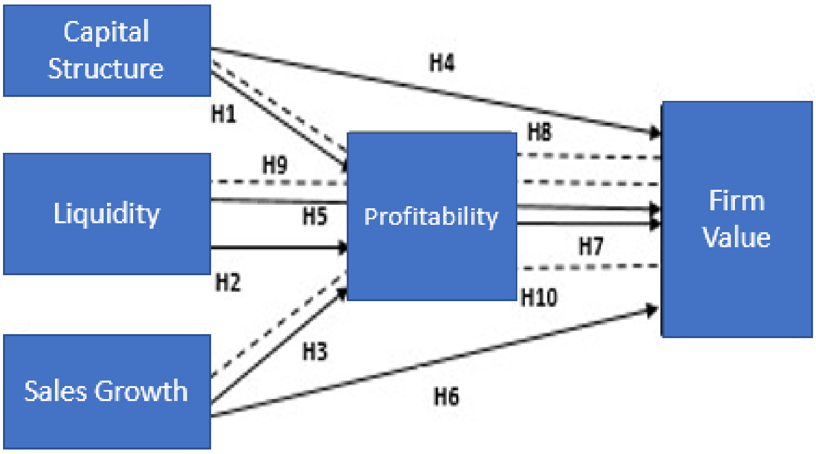

Figure 1. Research Hypothesis

The proposed hypotheses aim to explore the intricate relationships between various financial metrics and their impact on profitability and firm value. First, it is hypothesized that capital structure positively affects profitability, suggesting that how a company finances its operations can enhance its ability to generate profits. Similarly, it is posited that liquidity also plays a beneficial role in profitability, indicating that having sufficient short-term assets can enhance a firm's profit-generating capabilities.

Moreover, sales growth is anticipated to exert a positive influence on profitability, reinforcing the notion that an increase in sales can lead to higher profit margins for the firm. In terms of firm value, the hypotheses suggest that capital structure is favorably connected to firm value itself, indicating that the way a company is financed can significantly enhance its market value. However, it is also hypothesized that liquidity may negatively impact firm value, implying that excessive liquidity could lead to inefficiencies that deter value creation.

Further extending these relationships, it is proposed that sales growth has a positive effect on firm value, supporting the idea that increasing sales can contribute tangibly to overall firm worth. Additionally, profitability is expected to exert a favorable influence on firm value, indicating that higher profitability can increase a firm's attractiveness to investors.

Lastly, the hypotheses include mediation effects, proposing that capital structure, liquidity, and sales growth all influence firm value through their impact on profitability. This underscores the role of profitability as a crucial link between these financial aspects and the overall value of the firm, illustrating the interconnectedness of these key financial factors.

METHOD

This work applies a quantitative approach employing panel data analysis to explore the connections among variables in the healthcare sector in Indonesia. This approach was chosen because it enables the testing of relationships between variables over a defined time period, as well as the analysis of profitability's role as a mediating variable. The data used in this research is secondary, consisting of yearly financial statements from Firms registered on the Indonesia Stock Exchange (IDX) between 2020 and 2023. The study population includes all firms in the healthcare industry registered on the IDX during this period. Samples were selected through Purposive sampling, selected according to particular criteria, resulting in 13 samples.

The information in this research was examined utilizing EViews application to facilitate panel data processing and hypothesis testing. The method of analysis applied the methodology used is path analysis through the application of structural equation modeling, the analysis techniques used include model selection, hypothesis testing, and sobel test.

RESULTS AND DISCUSSION

Model Selection, determining the most appropriate model for panel data, so that the analysis carried out becomes more accurate and in accordance with the characteristics of the existing data. Model selection is carried out using a structural equation model.

Structural I, Chow Test, The Chow test the findings show a probability value of 0.0000 < 0.05, suggesting that the Fixed Effect Model (FEM) is more suitable appropriate for this data. The FEM model was selected because there are fixed characteristics that differ between companies in the healthcare sector, which influence the dependent variable.

Housman Test, In accordance on the Hausman test results, a probability valeu of 0.8064 > 0.05 was obtained. This suggests that the Random Effect Model (REM) is more suitable for use, because the assumption that variations between companies are random and uncorrelated with the explanatory variables in this research is met.

LM test, The results of the LM test show a probability of 0.0000 < 0.05. This indicates that the Random Effect Model (REM) is a better fit, as there are significant random effects among the healthcare sector companies in this data.

Structural II, Chow Test, The Chow test results show that the probability of 0.0000 <0.05. This means that the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM) for this data. Thus, the FEM model was chosen because it considers the distinctions in unchanging characteristics between firms healthcare sector that affect the dependent variable.

Hausman Test, The Hausman Test results showed a probability of 0.7578, which exceeds 0.05. This suggest that the Random Effect Model (REM) is preferred over the Fixed Effect Model (FEM), as the assumption that variations between companies Are random and no relationship with the independent variables in this research holds true.

LM test, The LM Test results show that the probability of 0.0000 < 0.05. This indicates that the Random Effect Model (REM) is more appropriate than the Common Effect Model (CEM), as there is a significant random effect among the healthcare sector companies in this data.

Hypothesis Test, Structural I: T test

Table 1. T Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.068520	0.036408	1.881986	0.0659
X1	-0.032241	0.027438	-1.175078	0.2458
X2	0.019224	0.007743	2.482617	0.0166
X3	0.086149	0.023116	3.726872	0.0005

Source: Eviews 12 output, 2024

The outcomes of the T-test yielded the following results :

The prob value for X1 is 0.2458 > 0.05, which leads to the rejection of Ha and the acceptance of H0, meaning that the capital structure variable not influence profitability. The prob value for X2 is 0.0166 < 0.05, this leads to rejecting H0 and accepting Ha, meaning that the liquidity variable impacts profitability. The prob value for X3 is 0.0005 < 0.05, this leads to rejecting H0 and accepting Ha, meaning that the sales growth variable impacts profitability

F test

Table 2. Results of F Test and R2 Test

R-squared	0.357102
Adjusted R-squared	0.316921
S.E. of regression	0.034079
F-statistic	8.887321
Prob(F-statistic)	0.000086

Source: Eviews 12 output, 2024

The outcomes of the F test, the probability value is 0.000086 < 0.05, this leads to rejecting H0 and accepting Ha, indicating that the variables of capital structure, liquidity, and sales growth together influence on profitability.

R2 Test, The outcomes of the R^2 test show that the adjusted R-square value is 0.316921, indicating that the capital structure, liquidity, and sales growth variables can explain only 31.69% or (32%) of the variance in the mediating variabe, while the rest 68% being attributed to other factors.

Structural II: T test

Table 3. T test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.367675	1.357901	-0.270767	0.7878
X1	1.887498	0.961357	1.963369	0.0555
X2	0.154732	0.296046	0.522663	0.6037
X3	-0.148713	0.870350	-0.170865	0.8651
M	15.64693	5.037785	3.105916	0.0032

Source: Eviews 12 output, 2024

The outcomes of the T-test yielded the following results :

The prob value for X1 is 0.0555 > 0.05, this leads to rejecting Ha and accepting HO, meaning that the capital structure variable does not influence firm value. The prob value for X2 is 0.6037 > 0.05, which leads to the rejection of Ha and acceptance of H0, meaning that the liquidity variable does not influence firm value. The prob value for X3 is 0.8651 > 0.05, which leads to the rejection of Ha and acceptance of H0, meaning that the sales growth variable not influence firm value. The prob value for profitability is 0.0032 < 0.05, this leads to rejecting HO and accepting Ha, meaning that the profitability variable has an effect on firm value.

F test

Table 4. Results of F Test and R2 Test

R-squared	0.250953
Adjusted R-squared	0.187204
S.E. of regression	1.105270
F-statistic	3.936597
Prob(F-statistic)	0.007756

Source: Eviews 12 output, 2024

The outcomes of the F test, with a p-value of 0.007756 < 0.05, H0 is rejected and Ha is accepted, indicating that the variables of capital structure, liquidity, sales growth and profitability together affect profitability.

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R2 Test, The outcomes of the R test2 , the adjusted R-square result is 0.187204 that the capital structure, liquidity, sales growth and profitability variables can account for the firm value variable of 0.187204 or 19%, Whereas the rest 81% is explained Influenced by other factors.

Sobel Test: Formula: $\frac{ab}{\sqrt{(b^2\,SEa^2)+(a^2SEb^2)}}$

Notes : a = The path from the independent variable to the mediating variable; b = The path from the mediating variable to the dependent variable; SE = Standard Error.

Capital Structure on Firm Value through Profitability, In the Sobel test calculation,The calculated t-value (1.10) is lower than the t-table value. (2.01), which indicates that the alternative hypothesis (Ha) is not supported, and the null hypothesis (H0) is not rejected. This means the capital structure variable no influence firm value through the profitability variable as mediation.

Liquidity to Firm Value through Profitability, From the results obtained through the calculation of the sobel test, The calculated t-value (1.94) is compared to the critical t-value (2.01), where t-count (1.94) is less than t-table (2.01. The alternative hypothesis (Ha) is rejected, and the null hypothesis (H0) is accepted, meaning the liquidity variable does not influence firm value when mediated by the profitability variable.

Sales Growth to Firm Value through Profitability, The Sobel test calculation produces a t-value (1.10) that is less than the t-table value (2.01). Therefore, The alternative hypothesis (Ha) is dismissed, and the null hypothesis (H0) is accepted, indicating that sales growth has no effect on the value of the company through profitability as a mediating variable.

Based on structural I and structural II, The conclusions from the T-test and Sobel test are as follows:

Relationship between Capital Structure (DER) and Profitability (ROA)

As a result, we reject the alternative hypothesis (Ha) and accept the null hypothesis (H0), indicating that the analysis does not support a significant effect or relationship among the variables examined. This means that the capital structure variable does not influence profitability. This finding aligns with the study carried out by Aji & Arifin (2022), Pratama (2020), Artanti & Rahmiyanti (2022) which state The findings of their research indicate capital structure does not influence profitability. Based on Modigliani and Miller's theory, the optimal capital structure does not necessarily impact firm value or profitability with perfect conditions in the capital market. Capital structure does not influence profitability, this can occur if the company has a stable capital structure and does not require additional financing in the company's operations, and can also occur in companies that have managed their capital efficiently or have the ability to generate profits without having to rely on changes in capital structure. However, The findings of this study are in contrast to the results from earlier studies carried out by Santoso & Budiarti (2020) which indicates that capital structure positively influences profitability. Several factors influence how capital structure influences profitability, such as business risk, cost of capital, and level of leverage. Capital structure positively influences profitability because efficient the utilization of debt may enhance company profits by leveraging financial resources.

Liquidity Relationship (CR) to Profitability (ROA)

The results indicating that the liquidity variable affects profitability. This aligns with the study carried out by Aji & Arifin (2022), Hanifah (2022), Zuliyanti et al; (2022), where a good level of liquidity allows the company to run its operations well, so that it can increase profitability. Good liquidity encourages companies to maintain cash flow stability and face emergency situations without the need for asset liquidation, thus potentially increasing profits. The research findings suggest that a significant level of liquidity leads to a significant level of profitability. However, In contrast to the investigation by Febriani et al. (2020), which asserts that liquidity does not impact profitability, this can occur if the level of liquidity is too low or too high can reduce profitability. Where low liquidity risks bankruptcy, while too high liquidity shows unproductive funds.

Relationship between Sales Growth (SG) and Profitability (ROA)

The results indicating that the sales growth factor influences profitability. Where, if the sales growth rate is high, it will affect the company's profitability level. The findings are consistent with the study carried out by Aji & Arifin (2022), Yulimtinan and Atiningsih (2021), Santoso & Budiarti (2020) which also state that sales growth affects profitability. This can happen because an increase in sales directly increases revenue, which then affects the company's profitability. Where increased sales not only increase revenue, but also help companies cover fixed costs and increase profit margins. However, Davidsson et al; (2009) state that sales growth is not always related to profitability. This can happen if sales growth goes hand in hand with an increase in operational and investment costs, such as marketing costs, distribution, and efforts to increase production capacity. So, even though the sales volume is elevated, but the operational scale is also large it does not affect profitability.

Relationship between Capital Structure (DER) and Company Value (PBV)

The results indicating that the capital structure variable does not influence firm value. This aligns with the research conducted by Santosa et al. (2022), which revealed that capital structure does not influence firm value. The findings of this study are consistent with Modigliani and Miller's capital structure theory, which asserts that under perfect market conditions In the case where there are no taxes and bankruptcy costs, capital structure does not influence firm value. Where, debt can indeed provide benefits in the form of tax savings, but debt that is too high, risks bankruptcy. The capital structure does not influence firm value due to investors focus more on the company's operational performance rather than its capital structure, or the sector is not too dependent on debt financing. From the results obtained, it shows that if there is an increase or decrease in the capital structure, it does not influence firm value, and as a result, the firm value does not increase or decrease. However, the investigation is in contrast tothe findings of research by Sasongko & Hanatijo (2024), Amelia & Anhar (2019), and Maptuha et al; (2021), which state that capital structure has a positive influence on firm value. This research is in line with the Trade-Off theory, which suggests that raising debt in the capital structure structure can enhance firm value (Antoro et al., 2020).

Liquidity Relationship (CR) to Company Value (PBV)

The results indicating that the liquidity variable does not influence firm value. This agrees with the findings of the study by Zuliyanti et al; (2022), which concluded that liquidity does not influence firm value. High liquidity indicates that the firm has adequate current assets to meet its immediate financial obligations. However, liquidity a level that is too high may suggest that the company keeps too much cash or current assets that are not used productively for profitable investments. The findings indicate that liquidity does not influence firm value can be interpreted that investors do not prioritize high liquidity as a key indicator of performance, especially if the sector tends to have stable cash flow and low liquidity risk. The outcomes of this research reveal that variations in liquidity, whether an rise or fall, have does not influence the firm value. The firm value does not increase or decrease. The investigation is different from the conclusions drawn from the conducted research by Febriani (2020), Maptuha et al; (2021), and Suryanti et al; (2021) indicate that liquidity influences firm value. This aligns with signal theory, where a large degree of liquidity as a positive signal increases investor confidence to invest which will increase company value.

Relationship between Sales Growth and Company Value (PBV)

The results indicating that the sales growth variable does not influence firm value. This aligns with the investigation by Yulimtinan and Atiningsih (2021) found that sales growth does not influence firm value. The findings of this study suggest that changes in sales growth, whether a rise or fall do not impact firm value, the value of the firm neither rises nor falls. Sales growth as a potential increase in profits, if sales growth is not accompanied by increased efficiency or cost control, it will only increase operating costs without having an impact on profitability, thus showing that sales growth does not influence firm value. This is because sales growth is not matched by an adequate increase in profitability, which causes investors to be less interested only in sales growth without seeing a corresponding increase in profits. In contrast to the results of the investigation conducted by Fajriah et al. (2022), Putri & Rahyuda (2020), and Wijaya (2019) found that sales growth influences firm value, where sales growth is an indicator that may affect on firm valeu, because the bigger the revenue generated by a firm shows that the company has promising prospects to generate returns for investors.

Relationship between Profitability (ROA) and Company Value (PBV)

The results indicating that the profitability variable affects firm value. This aligns with the research carried out by Mei & Anom (2019), Maptuha et al. (2021), and Artanti and Rahmiyati (2022), which found that profitability positively impacts firm value. In this study, profitability serves as a mediating variable because it can indirectly influence firm value and enhance the influence of independent variables on firm value (Putri et al., 2021).

Profitability positively affects firm value, meaning that companies with higher profitability are more attractive to investors, leading to a higher market valuation. The bigger the profits a firm generates, the more confident investors become in its potential.

The Relationship of Capital Structure (SG) to Firm Value (PBV) with Profitability (ROA) as a Mediating Variable

In the Sobel test calculation, indicating that the capital structure variable does not influnece firm value through profitability as a mediating variable. Thus, profitability is not able to mediate the Correlation between capital structure and firm value. Capital structure does not influence firm value through profitability, meaning that debt management is not effective enough to increase firm profitability. If capital structure does not directly increase profitability, its effect on firm value will also be insignificant.

The Relationship of Liquidity (CR) to Firm Value (PBV) with Profitability (ROA) as a Mediating Variable

In the Sobel test calculation, indicating that the liquidity variable does not influence firm value via profitability as an intermediary variable. Therefore, it can be inferred that profitability does not serve as a mediator the correlation between liquidity and firm value. A high level of liquidity does not always affect profitability. If a company has high liquidity, but does not use it for productive investment, profitability will not increase. Liquidity's lack of effect on firm value through profitability means that the company's liquidity level does not influence its value via profitability as a mediating factor. Liquid assets do not generate enough income to affect profitability, and ultimately, do not increase firm value.

The Relationship of Sales Growth (SG) to Firm Value (PBV) with Profitability (ROA) as a Mediating Variable

In the Sobel test calculation, indicating that the sales growth variable does not influence firm value through profitability as an intermediary variable. In this case, profitability cannot serve as a mediator between sales growth and firm value. Sales growth can increase profits, but this does not happen if the company is unable to manage operating costs well or if sales growth comes from products that have low margins. Thus, Sales growth does not impact firm value through profitability, indicating that increased sales do not generate significant profits. This means that an increase in sales alone is not enough to increase profitability, which in turn does not influence firm value.

CONCLUSION

Based on the explanation mentioned above, it is possible to concluded that partially capital structure, and liquidity does not influence profitability, while sales growth affects profitability, where the company's sales growth level can influence the level of profitability achieved. At the same time, capital structure, liquidity, and sales growth collectively influence profitability.

Individually, capital structure, liquidity, and sales growth do not affect firm value. Profitability, as a mediating variable, influences firm value. Together, capital structure, liquidity, sales growth, and profitability simultaneously impact firm value. Capital structure does not influence firm value through profitability as a mediating variable, liquidity does not influence firm value through profitability as a mediating variable, and sales growth also does not influence firm value through profitability as an intermediary variable. Therefore, Profitability cannot serve as an intermediary in the connection between capital structure, liquidity, and sales growth on firm value.

With the limitations of this study suggest that future research could focus on expand the research period to five years or more, can conduct tests with other proxies on each variable such as profitability with Return On Equity (ROE), and further research can use a wider object so that it does not only focus on the Healthcare sector.

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