



Effect of Profitability and Liquidity on Capital Structure and Value of Plantation Companies in Indonesia

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Abstract: This study aims to examine the effect of profitability and liquidity on firm value in plantation companies in Indonesia with the intervening variable capital structure on plantation companies listed on the Indonesia Stock Exchange for the period 2018-2021. The results of this study indicate that: (1) Profitability has a significant positive effect on Capital Structure; (2) Liquidity has a significant negative effect on Capital Structure; (3) Profitability has no significant positive effect on firm value; (4) Liquidity has a significant negative effect on Firm Value; (5) Capital structure has a significant negative effect on firm value; (6) The effect of statistical intervention on Capital Structure, can mediate the effect of Profitability on Firm Value; (7) The effect of statistical intervention on Capital Structure can mediate the effect of Liquidity on Firm Value.

Keywords: Profitability, Liquidity, Capital Structure, Firm Value

INTRODUCTION

The plantation industry is a source of strength that supports the national economy which provides a very important role for the economic fundamentals of the Indonesian nation. This industry is able to provide a large contribution to the national Gross Domestic Product (GDP) with the largest income in the plantation sector coming from oil palm plantations. The main objective of the plantation industry is to increase income. The higher the company's income, the more it will increase the value of the company.

Company value is a description of the company's performance that can affect the attention of stockholders/investors to the company. Martono & Harjito (2013:13) say that company value is very important because increasing company value means increasing the prosperity of company owners or company shareholders. The wealth of shareholders and companies is presented by the stock market price which shows an overview of investment decisions, funding (financing) and asset management (Hermuningsih, 2013:128).

Company value is a reflection of the welfare of company owners and company shareholders. The higher the value of the company will increase the welfare of the owner of

the company. Therefore, the value of the company is very important for investors and creditors to know. The value of the company can give a good signal in the eyes of investors to invest in the company and vice versa, in the view of creditors/creditors, the value of the company will provide an overview of the company's ability to pay its debts which will give creditors confidence to provide credit to the company. In addition, the value of the company will also be very meaningful if the company wants to go public, that is, it wants to get capital by selling shares on the stock exchange. At any time the stock price on the stock exchange can be evaluated against the value of the company. The development of the company's operating and financial performance will affect the share price and the value of the company as a whole.

The capital structure is a permanent financing consisting of long-term debt, preferred stock and shareholder capital. According to Brigham & Houston (2011) capital structure is a mixture of debt and equity in the long-term financial structure of the industry. The capital structure is very meaningful for the company because the high and low capital structure will have a direct effect on the company's financial position which in turn will affect the value of the company. Inappropriate decisions in the use of the capital structure will have a broad impact on the company, especially in utilizing debt which will result in an even greater debt burden that is borne by the company.

There are several factors that significantly influence the achievement of company goals. Profitability is the main attraction for company owners and shareholders because profitability is the result obtained through management efforts on the funds invested by shareholders and describes the distribution of profits that are their rights, namely how much is reinvested and how much is paid as cash dividends, as well as stock dividends to them. A large company dimension shows that the industry is facing developments so that investors will respond positively and the value of the company will increase.

Another factor that affects the capital structure and firm value, in this research, besides the profitability ratio, is the liquidity ratio. Liquidity has a close relationship with profit because liquidity shows the amount of working capital needed by the company in financing the company's operational activities. Planning and monitoring the company's liquidity is very important because it can prevent the company from the risk of non-fulfillment of short-term financing obligations and excess current assets. Sartono (2012:116) states that liquidity indicates the industry's readiness to settle short-term obligations on time at maturity, which is reflected in the amount of current assets owned by the company. Companies with large liquidity ratios tend to reduce debt or not use debt at all because companies have large amounts of internal funds, so they prefer to optimize the use of these internal funds. Capital structure in this research is used as an intervening variable of firm value.

Based on the description above, this study aims to examine the direct and indirect effects of profitability, liquidity and capital structure on firm value in plantation sub-sector companies listed on the Indonesia Stock Exchange (IDX). Theoretical studies conducted with the findings of empirical studies that provide an overview of the variables and the relationship between variables which can then help formulate hypotheses. Based on this framework, this Master's Program Final Project research is expected to provide theoretical and practical contributions regarding the direct influence of profitability, liquidity and capital structure on firm value and the indirect effect of profitability and liquidity on firm value through capital structure.

In detail, the purpose of this article is to determine the effect of the exogenous variables of profitability and liquidity on the endogenous variables of capital structure and firm value.

- 1) Effect of profitability on capital structure
- 2) Effect of liquidity on capital structure
- 3) The effect of profitability on firm value

- 4) Effect of liquidity on firm value
- 5) Effect of capital structure on firm value
- 6) The effect of profitability on firm value mediated by capital structure
- 7) Effect of liquidity on firm value mediated by capital structure

LITERATUREREVIEW

The value of the company

Company value according to Fahmi (2015:82), is a market value ratio, which is a ratio that describes conditions in the market. This ratio can provide a description to the industrial management of the state of implementation to be carried out and the consequences in the future. Furthermore, according to Sartono (2016: 9), company value is the goal of maximizing the prosperity of shareholders and is pursued by maximizing the current value or present value. All shareholder wealth will increase if share prices increase. Meanwhile, the company value according to Harmono (2014:233) is the industry's performance which is reflected by the stock price which is built by the demand and supply of the capital market which reflects the evaluation of the citizens towards the industry's performance. Based on the opinions of the experts above, it can be concluded that company value is a value that can be used to measure the level of interest of an industry from the point of view of some parties, such as investors who attribute the value of an industry to its share price. In the long term, the value of an industry is to maximize the value of the industry, the higher the value of the industry, the more prosperous the owner is.

Research on firm value has been widely studied by previous studies such as research developed by Anjarwati, et al. (2015), Jayanti (2018), Ananda (2017), Sondakh (2019), Chasanah (2019), Sugiyanto & Setiawan (2019), Dewi, et al. (2018), Permatasari (2018), Hirdinis (2019), Mudjijah, et al. (2019), Asih, et al. (2019), Robiyanto, et al. (2020), Maharani (2019), Musarofah (2020) dan Nabilah (2020).

Profitability Ratio

Understanding the profitability ratio according to Sutrisno (2012:120), is the industry's ability to earn profits in relation to sales, total assets or own capital. Thus, long-term investors will be very interested in this profitability analysis. According to Hanafi & Halim (2016:82), the profitability ratio is a ratio that measures the industry's ability to create profits (profitability) at a certain level of sales, assets and share capital. While the profitability ratio according to Fahmi (2015:116), the profitability ratio is to prove the success of the industry in creating profit for potential investors to carefully analyze an industry and its ability to earn profits. The better the profitability ratio, the better it will describe the high profitability of the industry.

From some understanding according to the opinion of the experts above, it can be concluded that the profitability ratio is a ratio that describes the company's ability to create industrial profits. Research on profitability ratios has been widely studied by previous studies such as research developed by Maharani (2019), Rahma, et al. (2019), Denziana & Yunggo (2017), Widayanti, et al. (2016), Nasution (2017), Jayanti (2018), Primantara & Dewi (2016), Ananda (2017), Sondakh (2019), Chasanah (2019), Sugiyanto & Setiawan (2019), Asih, et al. (2019), Robiyanto, et al. (2020), Musarofah (2020), Anjarwati, et al. (2015).

Liquidity Ratio

The liquidity ratio according to Kasmir (2013:65) is a ratio that describes the industry's ability to complete its short-term obligations (less than one year). An industry that has the ability to pay its short-term obligations is called a liquid industry, and vice versa, an industry that does not have the ability to pay its short-term obligations is called an illiquid industry.

Some of the types of ratios listed in the liquidity ratio are the current ratio, the quick ratio and the cash ratio. Furthermore, according to Fahmi (2015:65), the liquidity ratio is the ability of an industry to meet its short-term obligations appropriately.

Research on liquidity ratios has been widely studied by previous studies such as research developed by Nabilah (2020), Rahma, et al. (2019), Widayanti, et al. (2016), Nasution (2017), Šarlija & Harc (2012), Jayanti (2018), Primantara & Dewi (2016), Sondakh (2019), Chasanah (2019), Sugiyanto & Setiawan (2019), Dewi, et al. (2018), Asih, et al. (2019), Musarofah (2020), Anjarwati, et al. (2015).

Capital Structure

The capital structure according to Fahmi (2015:184), states that the capital structure is a form of the proportion of industry finance, namely between owned capital sourced from long-term debt (long term liabilities) and own capital (share holders equity) which is a source of financing for an industry. Then according to Halim (2015:81), capital structure is a comparison between total debt (foreign capital) with total own capital/equity. Furthermore, according to Sartono (2012:225), argues that the capital structure is a balance between the amount of permanent short-term debt, long-term debt, preferred stock, and common stock. Based on some of the definitions above, it can be concluded that the capital structure is part of the financial structure derived from the comparison between short-term debt, long-term debt, preferred stock, and common stock used by the industry.

Research on capital structure has been widely studied by previous studies such as research developed by Permatasari (2018), Rahma, et al. (2019), Denziana & Yunggo (2017), Widayanti, et al. (2016), Nasution (2017), Šarlija & Harc (2012), Jayanti (2018), Primantara & Dewi (2016), Ananda (2017), Mouna, et al. (2018), Chasanah (2019), Dewi, et al. (2018), Hirdinis (2019), Mudjijah, et al. (2019), Asih, et al. (2019), Maharani (2019), Musarofah (2020), Nabilah (2020).

Theoretical Framework

Based on theoretical studies and relevant articles, the framework for this article is:

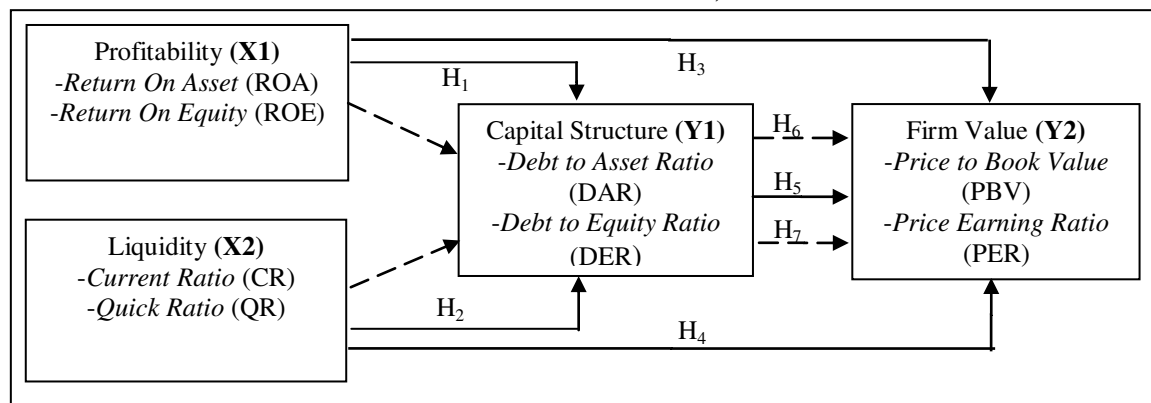


Figure 1. Conceptual Framework

Based on the problem formulation and empirical studies that have been carried out previously, the hypotheses proposed in this study are:

H1 : Profitability has a negative effect on capital structure

H2 : Liquidity has a negative effect on capital structure

H3 : Profitability has a positive effect on firm value.

H4 : Liquidity has a positive effect on firm value.

H5 : Capital structure has a positive effect on firm value.

H6 : Capital structure mediates the effect of profitability on firm value.

H7 : Capital structure mediates the effect of liquidity on firm value.

RESEARCH METHODS

Population and Sample

The population in this study are all plantation sub-sector companies that have been and are still listed on the Indonesia Stock Exchange in the 2018-2021 period as many as 22 companies. The sampling method applied in the research is to apply a purposive sampling procedure, namely the determination of the sample on certain criteria or considerations. The criteria or considerations used in the study are:

- a. Plantation sub-sector companies that have been and are still listed on the IDX in a row in 2018-2021.
- b. Plantation sub-sector companies that are not listed in the calculation of the 2021 Compass 100 Index on the IDX for the period February 2021 to July 2021.
- c. Companies that publish their financial statements for the consecutive quarterly period 2018-2021 during the observation period.
- d. Companies that suffer losses and are excluded from testing
- e. Companies that present financial statements in Rupiah.
- f. Availability and completeness of data during the study.

Based on the established criteria, in this study the number of samples that entered the criteria were 4 companies in the plantation sub-sector. So the number of research samples taken for each 3 years 9 months = 15 quarters of the financial statements so that the number of research observations is $4 \times 15 = 60$ observations.

Data analysis in this study used SEM (Structural Equation Modeling) with the application of Partial Least Square (PLS) version 3.3.3. The steps used in the analysis using SEM-PLS consist of three steps, namely as follows:

- 1) The first step is to see the validity and reliability of the measuring instrument which is manifested by the information collected. The initial step is called testing the measurement model or the outer model which is used to evaluate the relationship between the indicator and its latent construct. Assessment of the measurement model, which consists of: convergent validity, discriminant validity and composite reliability.
- 2) The second step after the initial step is fulfilled is to analyze the information that matches the proposed hypothesis. The second step is called testing the structural model or inner model which is used to explain the relationship between the constructs being evaluated. Assessment of the structural model, which consists of: goodness of fit (GoF) index sourced from stone geisser Q^2 and effect size (f^2) is R^2 .
- 3) The third step is to analyze the path coefficient, as well as test the hypothesis (path coefficient). The relationship can be obtained by the bootstrapping procedure, with the following criteria: if the t-count > t-table (1.96) = influential and if the significance level < 5% = significant. The criteria for accepting or rejecting the hypothesis are that H_a is accepted and H_0 is rejected if the t-statistic > 1.96. And rejecting or accepting the hypothesis using probability then H_a is accepted if the p Values < 0.05 (Hussein, 2015:19).

Mediation test

The mediation test in this research uses the help of the Smart PLS application. The mediation test aims to identify how big the position of the intervening variable is in mediating the bond between exogenous variables and endogenous variables in research. The criteria in the mediation test using Smart PLS is if the t-count > t-table is 1.96 to make sure that the mediating variable can function as a mediator between the independent variable and the dependent variable. And vice versa, if the value of t-count < t-table is 1.96, it makes sure

that the mediating variable has not been able to function as a mediator between the independent variable and the dependent variable.

FINDINGS AND DISCUSSION

Research result

Descriptive Statistical Analysis

Description of the variable firm value as measured by PBV and PER indicators, profitability as measured by ROA and ROE indicators. Then liquidity is measured by CR and QR indicators and capital structure is measured by DAR and DER indicators. In identifying the description of each variable indicator, the results of data processing are presented as follows:

Table 1. Descriptive statistics of research variable indicators

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA	60	-1.840	6.39	1.7962	1.81941
ROE	60	-3.610	15.98	3.5593	3.87070
CR	60	74.70	494.75	227.8715	132.68259
QR	60	49.11	444.64	166.4760	117.96989
DAR	60	14.98	72.50	41.5743	20.05048
DER	60	17.62	263.58	98.7253	84.65644
PER	60	-220.00	577.42	53.8960	125.27692
PBV	60	.03	2.98	.6027	.92298
Valid N (listwise)	60				

According to table 1, the profitability variable can be seen that the minimum ROA value is -1.84 percent and the maximum value is 6.39 percent. The average value (mean) is 1.796 percent and the standard deviation is 1.819 percent. Then the minimum ROE value is -3.610 percent and the maximum value is 15.98 percent. The average value (mean) is 3.559 percent and the standard deviation is 3.871 percent. For the liquidity variable, the minimum CR value is 74.70 percent and the maximum value is 494.75 percent. The average value (mean) is 227.872 percent and the standard deviation is 132.683 percent. Then the minimum QR value is 49.11 percent and the maximum value is 444.64 percent. The average value (mean) is 166.476 percent and the standard deviation is 117.970 percent. For the capital structure variable, the minimum DAR value is 14.98 percent and the maximum value is 72.50 percent. The average value (mean) is 41.574 percent and the standard deviation is 20.050 percent. Then the minimum DER value is 17.62 percent and the maximum value is 263.58 percent. The average value (mean) is 98.725 percent and the standard deviation is 84.656 percent. For the firm value variable, the minimum PER value is -220.00 times and the maximum value is 577.42 times. The average value (mean) is 53,896 times and the standard deviation is 125,277 times. Then the minimum PBV value is 0.03 times and the maximum value is 2.98 times. The average value (mean) is 0.603 times and the standard deviation is 0.923 times.

Evaluation of Measurement Model

In connection with the indicators that make up the latent variables, in this study using Smart PLS software which was run with the help of computer media after running with the PLS Algorithm produced Smart PLS output with results as shown in figure below.

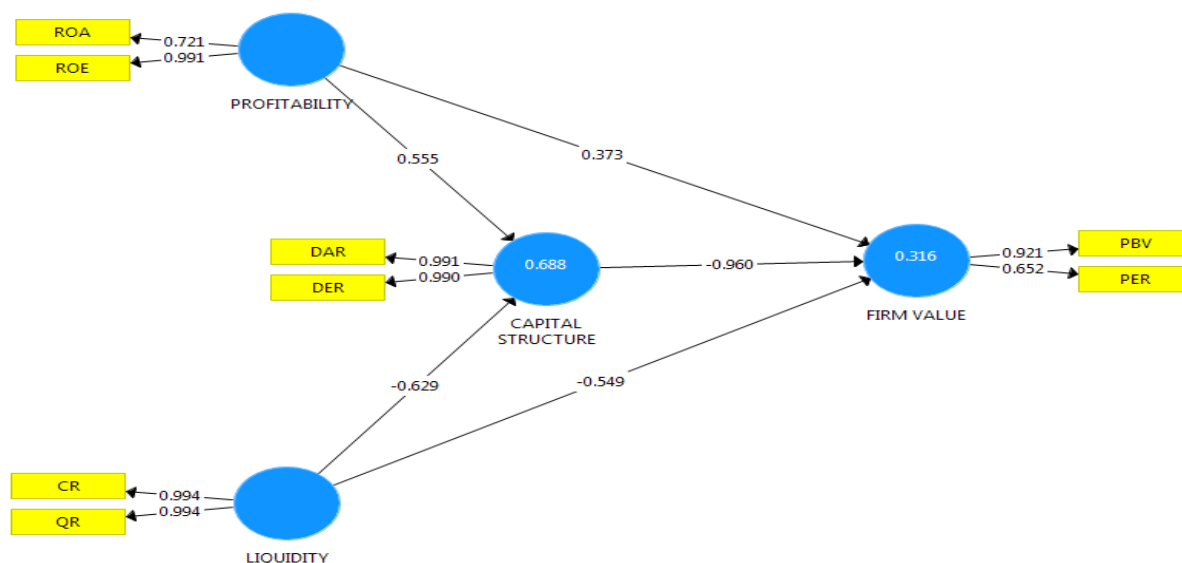


Figure 2. Path diagram of structural equation running pls algorithm

From Figure 2, it can be seen the value and significance of the path coefficient in the outer model test, namely by looking at the path coefficient value (β) and its significance with the following equation:

1. $Y_1 = 0.555 X_1 - 0.629 X_2 + e$, with R square = 0.688
2. $Y_2 = 0.373 X_1 - 0.549 X_1 - 0.960 Y_1 + e$, with R square = 0.316

From Figure 2 above, it shows that the loading factor value of each variable indicator has given the recommended value, which is above 0.50. It means that the indicators used in this study are valid or have met Convergent Validity. Another method that can be used to see discriminant validity is to look at the value of the square root of Average Variance Extracted (AVE). The recommended value is more than 0.50. The results of the PLS Algorithm analysis show that the value of the AVE index on each variable is more than 0.50, namely the X_1 variable of 0.751; variable X_2 of 0.989; Y_1 variable is 0.981 and Y_2 variable is 0.636 so it can be concluded that all data have met the valid properties. From the table above, the AVE value is more than 0.50 for all variables contained in the research model. This is considered sufficient to meet the requirements to be tested at a later stage.

The reliability test can be done by looking at the Composite Reliability value of each indicator block that measures the construct. Composite Reliability results will show a satisfactory value if it is more than 0.70. From the PLS Algorithm analysis shows that the value of the composite reliability index for all variables is more than 0.70, namely X_1 is 0.855; X_2 variable is 0.994. Then the Y_1 variable is 0.991 and the Y_2 variable is 0.773. The value on the composite reliability index for all variables shows that all variables in the estimated model have met the discriminant validity criteria so that it can be tested at a later stage.

The manifest variable in the block must be tested for multicollinearity symptoms. In this study, the collinearity test uses data based on the collinearity statistic value, namely the variance inflation factor (VIF) value obtained after running the PLS Algorithm. The value of the VIF inner values index in each relationship between variables is less than 10, namely the relationship between X_1 and Y_1 variables is 1.001; the relationship between variables X_1 to Y_2 is 1.985; the relationship between X_2 and Y_1 variables is 1.001; the relationship between variables X_2 to Y_2 is 2.269 and the relationship between variables Y_1 to Y_2 is 3.202 so that it can identify that all data does not have multicollinearity.

R Square Analysis Results

R Square (R^2) is often called the coefficient of determination, which is used to measure the goodness of fit of the regression equation. The results of the R Square analysis can be explained as follows:

1. R Square (R^2) the capital structure variable gives a value of 0.688 which means that profitability and liquidity can be explained by 68.8% capital structure and the remaining 31.2% is not explained in this study.
2. R Square (R^2) the Firm Value variable gives a value of 0.316 which means that profitability, liquidity and capital structure can be explained by firm value of 31.6% and the remaining 68.4% is not explained in this study.

After the estimated model has met the criteria for the Outer Model, the next step is to test the structural model (Inner model).

Evaluation of Structural Model

Evaluation of the structural model is a test of the research hypothesis. To examine the relationship between the direct effect of exogenous variables on endogenous variables and the relationship of influence between exogenous variables on endogenous variables through mediating variables or indirect effects by looking at the path coefficient values of each relationship. The path coefficient value is the significance value of the influence between variables by looking at the parameter coefficient values and the T statistical significance value. In testing the path coefficient, it is done by looking at the results of the Bootstrapping Algorithm report, with the following results:

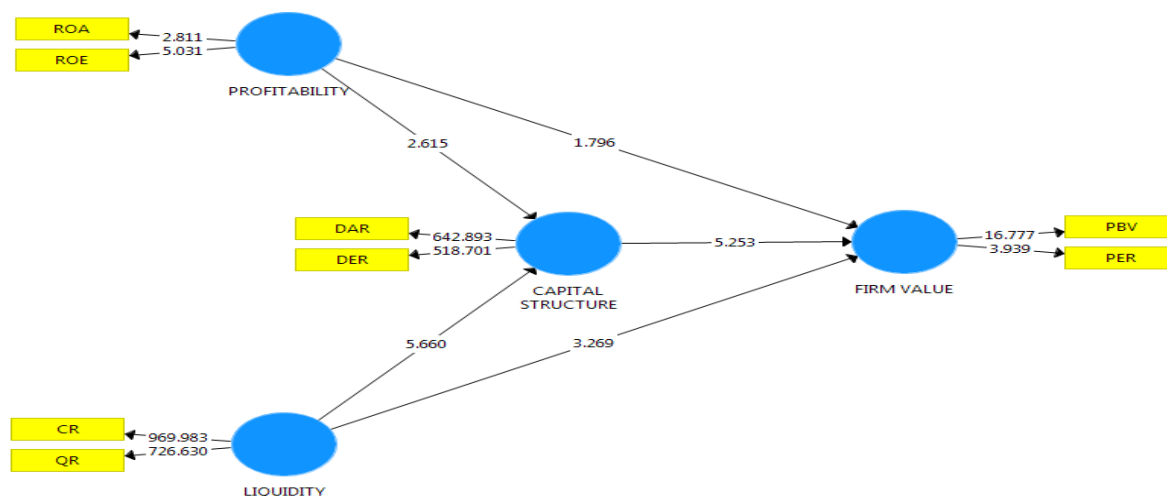


Figure 3. Bootstrapping report algorithm

Based on the comparison of the t-count value and the t-table value, it can be seen the significance level of the path coefficient value obtained from the calculation. The direct influence path coefficient values obtained through the bootstrapping procedure are presented in the following table:

Table 2. Output path coefficients direct effect

Hip.	Structural Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Decision
H1	X1 -> Y1	0.555	0.523	0.212	2.615	0.009	Positive and Significant Influence
H3	X2 -> Y1	-0.629	-0.597	0.111	5.660	0.000	Negative and Significant Effect

H2	X1 -> Y2	0.373	0.360	0.208	1.796	0.073	No Significant Effect
H4	X2 -> Y2	-0.549	-0.530	0.168	3.269	0.001	Negative and Significant Effect
H5	Y1 -> Y2	-0.960	-0.958	0.183	5.253	0.000	Negative and Significant Effect

Then the presence or absence of indirect effects is based on the results of the total indirect effects. The results of the total indirect effects in this study after the bootstrapping process are shown in the following table:

Table 3. Output Results of Total Indirect Effects

Hip.	Indirect Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Decision
H6	X1 -> Y1-> Y2	-0.533	-0.517	0.235	2,270	0.024	Negative and Significant Effect
H7	X2 -> Y1-> Y2	0.604	0.567	0.128	4.716	0.000	Positive and Significant Influence

Mediation Test

The mediation test in this study uses Smart PLS by looking at the T Statistics and P Values after the bootstrapping process. The role of capital structure variables in mediating the relationship of exogenous variables to endogenous variables can be explained as follows:

- The direct effect of profitability on firm value statistically (by looking at the t-count value) is $1.796 <$ (less significant) compared to the indirect effect of profitability on firm value through the capital structure intervening variable with a t-count value of 2.270. This shows that exogenous variables cannot significantly influence endogenous variables without going through intervening variables (indirect), so it can be said that the role of mediating variables plays a full mediation role in the relationship between profitability and firm value.
- The direct effect of liquidity on firm value statistically (by looking at the t-count value) is $3.269 <$ (less significant) compared to the indirect effect of liquidity on firm value through the capital structure intervening variable with a t-count value of 4.716. This shows that exogenous variables are able to directly influence endogenous variables, although not through mediator variables, so it can be said that the role of mediating variables plays a role in Full Mediation in the relationship of the influence of liquidity on firm value.

Discussion

1. Effect of Profitability on Capital Structure

Profitability shows a positive and significant effect on the capital structure of the plantation sub-sector companies listed on the IDX for the 2018-2021 period. This shows that the higher the profitability (ROA and ROE) of a company, the higher the value of the company's capital structure (DAR and DER). The results of this study indicate that companies with high profitability or profits indicate that the company will have high retained earnings which is an internal source of funds for the company, so that companies can use these internal funds to increase their capital. The findings of this study support the signaling theory model, namely company policy taken by company management by providing

instructions for investors about the company's prospects. Companies with high profitability will give a signal by using a large portion of debt, which means that the correlation between the debt ratio and profitability is positive.

The results of this study are consistent with research conducted by Maharani (2019) which states that profitability has a positive and significant effect on capital structure, the higher the profitability, the greater the retained earnings which will be offset by higher debt with good company prospects. The findings of this study support the results of research conducted by Rahma, et al. (2019), which states that the profitability variable has a significant negative effect on capital structure. Likewise, the findings of research conducted by Denziana & Yunggo (2017) with the results of their research which states that profitability has a negative and significant effect on capital structure, which means that companies that have a high level of profitability will reduce dependence on capital from outside parties.

2. Effect of Liquidity on Capital Structure

Liquidity shows a negative and significant effect on the capital structure of the plantation sub-sector companies listed on the IDX for the 2018-2021 period. This shows that an increase in the company's liquidity (CR and QR) has the potential to reduce the Capital Structure (DAR and DER). The results of this study indicate that companies with a high level of liquidity will tend not to use financing from debt because the company has a large internal source of funds to finance its internal funding needs.

The results of this study are consistent with research conducted by Asih, et al. (2019), Dewi, C. (2021), Anjarwati, et al. (2015) and Dewiningrat & Mustanda (2018) which state that liquidity has a negative and significant effect on capital structure. The findings of this study also support the results of research conducted by Šarlija & Harc (2012), which found that "The results of this research show that there is a negative relationship between liquidity and capital structure".

3. The Effect of Profitability on Firm Value

Profitability shows a positive and insignificant effect on company value in plantation sub-sector companies listed on the IDX for the 2018-2021 period. This means that an increase in profitability (ROA and ROE) will have the potential to increase firm value (PBV and PER). The results of this study indicate that a high company value reflects that the plantation sub-sector company has good prospects in the future so that it attracts investors to invest in the company. The results of this study are consistent with research conducted by Ananda (2017), which states that profitability has a positive and insignificant effect on firm value. These results are also consistent with research conducted by Sondakh (2019), which states that "profitability is not appropriate and not significant to firm value".

The findings of this study do not support the results of research conducted by Jayanti (2018), Chasanah (2019), Maharani (2019), which state that profitability has a significant effect on firm value. Where Profitability or profit is income minus expenses and losses during the accounting reporting period. The growth of the company's profitability means that the company's prospects in the future are considered to be getting better, and it means that the better the company is in the eyes of investors so that it will affect the value of the company which is reflected in the company's stock price.

4. The Effect of Liquidity on Firm Value

Liquidity has a negative and significant effect on firm value in plantation sub-sector companies listed on the IDX for the 2018-2021 period. This means that an increase in the company's liquidity (CR and QR) has the potential to reduce the Company's Value (PBV and PER). The liquidity ratio describes the company's financial performance in terms of its

obligations which can affect the assessment of the public, especially investors in giving confidence to the company to invest in the company. If a company has a good ability to settle its short-term obligations using current assets, the company can be said to be liquid, so investors are not worried about the funds invested in the company. The results of this study are consistent with research conducted by Dewi, et al. (2018) which states that liquidity has a negative and significant effect on firm value.

The findings of this study support the results conducted by Sondakh (2019) which states that liquidity has a positive and significant effect on firm value where liquidity is the ability of the company to meet its short-term obligations by using its current assets. The current ratio in the company can reduce the value of the company because companies with high liquidity will have low profits.

5. Effect of Capital Structure on Firm Value

Capital Structure shows a negative and significant effect on Company Value in plantation sub-sector companies listed on the IDX for the period 2018-2021. This means that an increase in the capital structure (DAR and DER) will potentially reduce the firm value (PBV and PER). The results of this study indicate that a company with a higher level of capital structure will further reduce the value of the company. This happens because companies with higher levels of capital structure mean that companies use a lot of funds from external sources or debt. Debt is an element of the company's capital structure. Capital structure is the proportion of funding with debt (debt financing). One of the main tasks of company management is to determine the optimal target capital structure. In accordance with the trade off theory, if the capital structure is above the optimal target, then any increase in debt will reduce the value of the company.

This finding is supported by research conducted by Permatasari (2018), which shows that capital structure has a significant effect on firm value. Likewise, research conducted by Ananda (2017) and Hirdinis (2019), which states that capital structure has a significant positive effect on firm value.

The findings of this study do not support the results of research conducted by Jayanti (2018) and Chasanah (2019), which state that capital structure has no significant effect on firm value.

6. Capital Structure Mediates the Effect of Profitability on Firm Value

Profitability through capital structure mediation shows a negative and significant effect on firm value. Capital structure (DAR and DER) can mediate the effect of profitability (ROA and ROE) on firm value (PBV and PER) in plantation sub-sector companies listed on the Indonesia Stock Exchange for the period 2018-2021. This means that the increase in the value of profitability through capital structure mediation will have the potential to reduce firm value. The test results show that the profitability variable directly has no effect on the firm value variable, then the capital structure variable directly affects the firm value variable. As mentioned earlier, the capital structure variable is influenced by profitability. If the profitability variable has a significant effect on the capital structure variable, then the significance of the capital structure variable on the firm value variable will determine whether the capital structure variable can function as an intervening variable in bridging the indirect effect of the profitability variable on the firm value variable.

The estimation results of the model show that the profitability variable has a positive and significant effect on the capital structure. This means that the capital structure variable is an intervening variable for the profitability variable. The capital structure variable becomes pure intervening for the profitability variable on firm value, because the profitability variable directly does not affect the firm value variable, the profitability variable will affect the firm

value variable through the capital structure variable. The findings of this study support the results of research conducted by Robiyanto, et al. (2020), Ananda (2017), Anjarwati, et al. (2015) and Musarofah (2020) which state that capital structure can mediate the relationship between profitability and firm value.

7. Capital Structure Mediates the Effect of Liquidity on Firm Value

Liquidity through capital structure mediation shows a positive and significant effect on firm value. Capital structure (DAR and DER) can mediate the effect of liquidity (CR and QR) on firm value (PBV and PER) in plantation sub-sector companies listed on the Indonesia Stock Exchange for the 2018-2021 period. This means that the increase in the value of liquidity through the mediation of the capital structure will potentially increase the value of the company. The test results show that the liquidity variable directly has a significant negative effect on the firm value variable. Likewise, the capital structure variable directly has a significant negative effect on the firm value variable. As previously mentioned, the capital structure variable is influenced by liquidity. If the liquidity variable has a significant negative effect on the capital structure variable, then the significance of the capital structure variable on the firm value variable will determine whether the capital structure variable can function as an intervening variable in bridging the indirect effect of the liquidity variable on the firm value variable.

The estimation results of the model directly show that the liquidity variable has a negative and significant effect on the firm value variable. This means that the capital structure variable is an intervening variable for the liquidity variable. The capital structure variable is also a pure intervening for the liquidity variable on firm value, because the liquidity variable directly has a negative effect on the firm value variable, the liquidity variable will have a significant positive effect on the firm value variable through the capital structure variable. The findings of this study support the results of research conducted by Musarofah (2020), Asih, et al. (2019), Dewi, et al. (2018) and Anjarwati, et al. (2015) which shows that capital structure can mediate the relationship between liquidity and firm value.

CONCLUSION AND RECOMMENDATION

Conclusion

The findings from the study explain the relationship between the variables of profitability, liquidity on firm value with capital structure as an intervening variable in plantation sub-sector companies in Indonesia listed on the Indonesia Stock Exchange for the period 2018-2021 resulting in the following conclusions:

1. Profitability has a significant positive effect on capital structure. This happens because companies with higher levels of profitability, the company's retained earnings will also be greater, but the company's management policy will usually also balance by adding debt because it is considered a more profitable company prospect so that it is interested in adding operational activities, one of which is by adding debt. .
2. Liquidity has a significant negative effect on capital structure. This happens because companies with higher levels of liquidity will increase the amount of funds from internal sources owned by the company so that it will reduce the use of funds from external sources or debt.
3. Profitability has no significant positive effect on firm value. This indicates that companies with higher levels of profitability will increase firm value. The value of the company with a small increase reflects the company's unfavorable prospects. This happens because companies with increased levels of profitability do not come from the company's operational activities but profits from debt loans so that the profit ratio is small.

4. Liquidity has a significant negative effect on firm value. This indicates that companies with higher levels of liquidity will actually lower the value of the company. If the company's policy is to use a lot of funds to pay off short-term debt, it will reduce the profits that will be distributed to shareholders so that it will reduce the value of the company.
5. Capital structure has a significant negative effect on firm value. This indicates that a company with a higher level of capital structure will further reduce the value of the company. This happens because companies with higher levels of capital structure mean that companies use more funds from debt. The company's policy in managing the capital structure that uses more debt will result in a decrease in stock prices so that it will reduce the value of the company.
6. Indirectly, profitability through capital structure has a significant negative effect on firm value. This indicates that companies with a high level of profitability through their capital structure actually reduce the value of the company. The increase in profitability which is offset by the company's policy in capital structure management that uses more debt will affect the smaller return and indirectly the value of the company will also decrease. Small returns are not liked by investors. In accordance with signaling theory, this will be captured by investors as a negative signal so that it will reduce investor confidence in the company to withdraw funds from the shares owned.
7. Indirectly, liquidity through capital structure has a significant positive effect on firm value. This indicates that a company with a high level of liquidity through its capital structure will further increase the value of the company. Liquidity is the ability of a company to be able to meet its short-term obligations, which will indirectly increase the value of the company because the company's low debt value with a high level of liquidity shows a lot of funds in the company. This will increase the value of the company so that investors will also be more interested in investing in the company.

Suggestion

Based on the results of the analysis obtained, several implications in the company's management policies can be recommended, including:

1. For investors

It is recommended to investors who will carry out buying and selling transactions in the shares of companies in the plantation sub-sector with the aim of obtaining profits to conduct a more comprehensive analysis of the company's condition. Investors should not be affected by the company's short-term financial performance such as profitability, because the company's liquidity and capital structure must also be considered by investors in evaluating shares, because plantation companies are more long-term. Based on this research, firm value is significantly affected by liquidity and capital structure, while profitability affects firm value through capital structure.

2. For companies

It is recommended for companies to have good performance, be professional and be more careful in managing company assets. In addition, it is recommended that companies pay attention to the optimal composition of the company's capital structure, the level of ability to earn profits and the availability of funds to meet short-term obligations. In addition, an increase in the company's liquidity has the potential to reduce the capital structure, therefore it is recommended for the company to carry out managerial policies aimed at increasing the company's liquidity, evaluate the results of the use of funds originating from external sources, although under certain conditions that require companies to use external sources of funds but are aimed at increasing the value of the company.

3. For future researchers

This study only examines the value of the company on plantation companies that are included in the Kompas 100 index, it is recommended for future researchers to examine the value of the company by involving other industrial companies such as the mining, finance, property and manufacturing industries. In addition, future researchers can also add data by extending the year of research observations, adding exogenous variables and adding to the number of measuring indicators.

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