

Current Ratio, Debt to Equity Ratio and Total Asset Turnover to Firm Value Mediated by Return on Equity

Devi Juliyani, Kurnadi Gularso

Universitas Bunda Mulia, Indonesia

E-mail: devijuliyani@gmail.com, kurnadi.gularso@gmail.com

*Correspondence: devijuliyani@gmail.com

KEYWORDS	ABSTRACT
current ratio; debt to equity ratio; firm value; return on equity; total assets turnover	This research aims to determine the effect of current ratio, debt to equity ratio, and total asset turnover on firm value which is mediated by return on equity studies on basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This research technique was carried out using purposive sampling with a sample of 36 manufacturing companies that published financial reports and were listed on the Indonesia Stock Exchange for the 2018-2022 period. Testing for this research was carried out with the Eviews 9 software program. The results of the research show that there is no significant influence of the current ratio on firm value, there is a significant positive influence of the debt to equity ratio on firm value, there is no significant influence of total asset turnover on firm value, there is no significant influence of the current ratio on return on equity, there is a significant negative effect of debt to equity ratio on return on equity, there is no significant effect of total asset turnover on return on equity, there is a significant positive effect of return on equity on firm value, there is no significant effect of the current ratio on firm value mediated by return on equity, There is a significant influence of the debt-to-equity ratio on firm value, which is mediated by return on equity, there is no significant influence of the total asset turnover on firm value, which is mediated by return on equity.

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Introduction

Manufacturing companies are one of the companies that are believed to have good prospects in the future. Indonesia's population growth and rapid economic development have made manufacturing the most strategic field to generate high returns on investment. However, the pressure of COVID-19 that occurred in 2020 made the Ministry of Industry focus on helping the manufacturing industry get out of contraction, return to positive growth, and become the initiator of economic growth. So that industrial companies in the manufacturing sector are able to make the largest contribution to Indonesia's economic growth (Kemenperin.co.id, 2021). This is supported by the realization that industrial

investment in the first half of 2021 reached very good numbers, is expected to continue to grow, and can also increase investor commitment to investing (Republika.co.id, 2021). Investment is a number of resources involved by owners in the business, generally carried out at the beginning and for a long period of time, carried out in order to obtain profits in a certain period of time (Temy Setiawan et al., 2022). In this case, a person who makes an investment is called an investor. An investor is someone who invests his capital in a particular company. One of the important indicators that become an investment decision for investors is the value of the company (Hirdinis, 2019).

Firm value is a company's performance that is reflected by the share price formed by capital market supply and demand, which reflects how investors value the company. Company value is the main focus for investors to invest or not in the company, because with a high company value, the company will be considered good by investors (Budiharjo, 2019). This shows that investors take the value of the company into consideration when making decision when investing. According to (Hirdinis, 2019), one of the factors that increase company value is profitability as measured by return on equity, where this ratio describes the company's ability to generate net income to recover shareholders' equity. The increase in return on equity indicates a good prospect for the company due to the potential increase in profits obtained by the company. In this case, the company can provide positive signals to investors in order to increase investor confidence in the company. This is supported by signaling theory, where this signal serves to reduce information asymmetry between internal parties of the company and investors. By providing strong and positive signals, the company can increase investor confidence and interest so as to increase company value, especially in terms of increasing profits (Fajaria & Isnalita, 2018).

The increase in company profit indicates that the company's performance is in good condition. According to (Hutabarat, 2020), the company's performance analysis can be seen through its financial performance, one of which is by looking at the level of liquidity. The liquidity ratio describes a company's ability to pay its short-term obligations and measures the extent to which the company pays off its short-term obligations that are maturing soon. This can provide confidence to creditors and investors that the company is able to fulfill its obligations on time (Husna & Satria, 2019). In addition, the leverage ratio can also be used to determine the company's financial performance. The leverage ratio is a ratio used to measure the extent to which a company's assets are financed with debt (Jihadi et al., 2021). Leverage trade-off theory is a theory that states that the most optimal capital structure can be achieved by finding a balance between the benefits of funding and debt and the risks arising from higher interest payments and bankruptcy risk (Hirdinis, 2019). But in this case, pecking order theory assumes that there is no optimal capital structure, but the capital structure is only the result of capital increase decisions. According to this theory, companies prefer internal funding over external, where their activities are financed by retained earnings (Bukalska, 2019). The activity ratio is one of the ratios to see the company's performance that shows the extent of the company's efficiency in using its assets and provides an overview of how well the company can manage and optimize the use of its assets to generate revenue and value for shareholders or company owners. The higher the activity of a company, the higher the value of the company (Gunadi et al., 2020).

Research conducted by (Kalbuana et al., 2022) found that the current ratio as a measure of liquidity has a significant effect on firm value, so the higher the current ratio value indicates good financial health, so it will have an impact on firm value. In contrast

to (Husna & Satria, 2019) research, the current ratio value does not affect the firm value, which shows that a high current ratio does not reflect a high firm value, on the contrary, a low current ratio value does not reflect a low firm value. The difference in research results was also found by (Markonah et al., 2020) where the leverage ratio measuring by the debt-to-equity ratio has a positive and significant effect on firm value. A low debt-to-equity ratio indicates that the higher the company is more likely to meet its obligations to its own capital, which can increase investor confidence and increase firm value. Meanwhile, the results of (Fajaria & Isnalita, 2018) show that the debt-to-equity ratio has a significant negative effect on the value of the company, meaning that the higher the value of the debt-to-equity ratio, it will reduce the value of the company. Companies that have a high level of debt also have a high level of default risk, so investors become less interested in investing in the company. This can reduce the value of the company. In addition, the difference in the results of this study was also observed by (Santosa et al., 2020) who found that in their research, total assets turnover has a positive and significant effect on firm value. A high total asset turnover shows that the company is getting better at managing its asset so that it will increase firm value. In contrast to the results of research by (Gunadi et al., 2020), according to him, total asset turnover does not have a direct effect on firm value.

Based on the description above, there are theories and results of previous research that state that the results of the study are inconsistent, so they cannot provide a definite answer to the results of the study. In addition, the companies used in this study are manufacturing companies in the basic materials sector, different from the previous research sector. Therefore, this study aims to re-investigate the effect of current ratio, debt-to-equity ratio, and total asset turnover on firm value mediated by a return on equity study on basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period.

Literature Review and Hypothesis Development

According to (Kalbuana et al., 2022) the current ratio measures the company's ability to immediately pay off short-term debt with its current assets. This ratio helps to assess the company's liquidity and the company's readiness to meet financial obligations in the near future. Research conducted by (Santosa et al., 2020) and (Husna & Satria, 2019) states that the current ratio does not have a significant effect on firm value, where a high current ratio value does not reflect high company value and vice versa. In contrast to the research of (Jihadi et al., 2021), the current ratio has a positive effect on firm value, where a high current ratio value indicates that the company is better at paying off its short-term debts, which has an impact on increasing firm value. This is supported by (Kalbuana et al., 2022) who state that the current ratio has a positive effect on firm value. So the hypothesis of this study is:

H1: The current ratio has a significant effect on firm value.

(Markonah et al., 2020) mentioned that DER is used to calculate the company's total debt to equity. This ratio describes how much the company finances its assets with debt. The risk taken by the company increases with a high debt-to-equity ratio. DER can affect the risk factors an investor will accept and how they affect the value of the company. Therefore, investors like equities with a low debt-to-equity ratio as a result. Research conducted by (Al-Slehat et al., 2020) and (Khairunnisa et al., 2020) states that the debt-to-equity ratio has no effect on firm value. in contrast to (Zamzamin et al., 2021) who stated that the debt-to-equity ratio has a positive influence on firm value. This

is supported by (Jihadi et al., 2021), who found that the debt-to-equity ratio has a positive influence on firm value. A good leverage ratio will affect investor confidence in the company so that it can increase firm value. So the hypothesis of this study is:

H2: The debt-to-equity ratio has a significant effect on firm value.

According to (Putra, 2020), the effectiveness of utilizing all assets over a certain period of time is assessed using total asset turnover. This ratio shows how often assets are rotated over a certain period of time or how much of the company's assets are used in operations. The higher the value of total asset turnover, the higher the value of the company. Research conducted by (Gunadi et al., 2020) states that total asset turnover does not have a significant effect on firm value. In contrast to (Santosa et al., 2020) found that the value of total asset turnover has a significant effect on the value of the company, where the high value of total asset turnover indicates that the higher the efficiency of management in managing assets, the higher the value of the company. This is supported by (Budiharjo, 2019) who concluded that total asset turnover has a significant effect on firm value. So the hypothesis of this study is:

H3: Total asset turnover has a significant effect on firm value.

(Siregar & Harahap, 2021) revealed that the current ratio is a ratio used to assess a business's ability to cover short-term liabilities with current assets. The debt owed by the company to secured creditors increases as this ratio increases. This ratio gives a general idea of how much a business can use current assets to pay off maturing debt in the near future, which will affect profitability. (Putra, 2020) found that the current ratio value has no effect on return on equity. In contrast to (Chabachib et al., 2020) stated that the current ratio has a significant effect on return on equity, where the high value of the current ratio indicates a low risk of bankruptcy, thus helping companies carry out activities in an effort to create profits. Therefore, a high level of liquidity will have an impact on increasing profitability. This is supported by (Lusy et al., 2018) who concluded that the current ratio has a significant effect on return on equity. So the hypothesis of this study is:

H4: The current ratio has a significant effect on return on equity.

Aniyah et al., (2020) stated that the debt-to-equity ratio is a ratio used to determine how much of a company's funds come from creditors compared to equity. DER represents the ratio of a company's debt to its equity or shareholders' capital. According to (Siregar & Harahap, 2021), a high DER value indicates that many assets are financed by debt, making it difficult for companies to obtain loans from creditors because it is feared that companies will not be able to pay their debts. Conversely, the lower the DER value, the better the company is in the eyes of creditors. Research conducted by (Siregar & Harahap, 2021) states that the debt-to-equity ratio has no effect on return on equity. In contrast to (Khairunnisa et al., 2020) and (Lusy et al., 2018) stated that the debt-to-equity ratio has a significant effect on return on equity. So the hypothesis of this study is:

H5: The debt-to-equity ratio has a significant effect on return on equity.

(Putra, 2020) stated that the higher the total amount of assets turnover indicates that the company is better at utilizing its assets to increase sales and indicates potential progress in the company. However, the company was ineffective in using debt as additional capital, resulting in a decrease in profits generated. This decline in profit was also influenced by an increase in debt load, which then led to a decrease in return on equity. Research conducted by Aniyah et al., (2020) states that total asset turnover does not affect return on equity. In contrast to (Le Thi Kim et al., 2021) and (Muhani et al., 2022) in their research found that the value of total asset turnover has a positive effect on return on equity. So the hypothesis of this study is:

H6: Total assets turnover has a significant effect on return on equity.

(Andriani et al., 2023) stated that return on equity is a ratio that measures the rate of return of shareholders on their investment in the business. With this ratio, net income after tax is compared to equity or ordinary equity. A company's ROE can be used to evaluate how effectively a company uses the capital its owners have contributed to generate profits. The level of prosperity offered to shareholders by the company increases along with the increase in profitability. The more prosperity a company offers, the more investors want to acquire it, which will increase the value of the company (Ningsih & Sari, 2019). Research conducted by (Hirdinis, 2019) found that return on equity has no significant effect on company value. In contrast to (Djashan, 2019), according to him, return on equity negatively affects firm value. Meanwhile, (Oktarina, 2018) shows that return on equity has a positive effect on firm value. So the hypothesis of this study is:

H7: Return on equity has a significant effect on firm value.

According to (Chabachib et al., 2020) high liquidity will have a positive impact on profitability because companies have more current assets than current liabilities to be paid. This high profitability will attract investors and result in an increase in the company's stock price. A high amount of liquidity will consequently increase the value of the company through increased profitability. The results of (Putra, 2020) state that the current ratio has no effect on firm value through return on equity. Another study conducted by (Jihadi et al., 2021) stated that the current ratio has a significant positive effect on firm value. Then (Lusy et al., 2018) stated that the current ratio has a significant positive effect on return on equity. (Chabachib et al., 2020) stated that return on equity is able to mediate the influence of the current ratio on firm value. So the hypothesis of this study, namely:

H8: The current ratio has a significant effect on firm value mediated by return on equity.

According to (Chabachib et al., 2020) if the capital structure is below the ideal threshold and appropriate proportion, the addition of debt will have an effect on increasing firm value. In this case, if accounts payable are used efficiently compared to its own capital, the company's profit may increase. The company's ability to handle its debt can be demonstrated to investors by its effective use of debt, which in turn improves the performance and prospects of the company. Indirectly, this can increase the value of the company. (Chabachib et al., 2020) and (Syifa Mauliddina, Amanda Puspitawati, Sartika Aliffia, Diah Devara Kusumawardani, 2021) found in their research that the debt-to-equity ratio has no effect on firm value through return on equity. The increase in debt still cannot make a steady increase in profitability from year to year, which indirectly causes investors to lower the company's valuation and also doubt the company's future prospects. Another study by (Zamzamin et al., 2021) states that the debt-to-equity ratio has a significant positive effect on firm value. Then (Lusy et al., 2018) revealed that the debt-to-equity ratio has a significant effect on return on equity. In (Khairunnisa et al., 2020) states that the debt-to-equity ratio has a significant effect on firm value through return on equity. So the hypothesis of this study, namely:

H9: The debt-to-equity ratio has a significant effect on firm value mediated by return on equity.

The results of (Putra, 2020) stated that total asset turnover does not affect firm value through return on equity. This shows that the level of efficiency in using company funds, reflected in turnover in general, does not affect the value of the company. When total sales are higher, it signifies that the company's assets are being used more efficiently to

generate profits. This provides a positive investment signal for investors and can trigger an increase in the company's stock price. This increase in stock price can, in turn increase the value of the company. A study by (Santosa et al., 2020) states that total asset turnover has a significant positive effect on firm value. Then, (Siregar & Harahap, 2021) stated that total asset turnover has a significant positive effect on return on equity. This is supported by (Le Thi Kim et al., 2021) who found that total asset turnover has a significant effect on return on equity. Companies that improve their efficiency are associated with opportunities for profit growth, thereby increasing the value of the company. So the hypothesis of this study, namely:

H10: Total assets turnover has a significant effect on firm value mediated by return on equity.

Source: processed by researcher

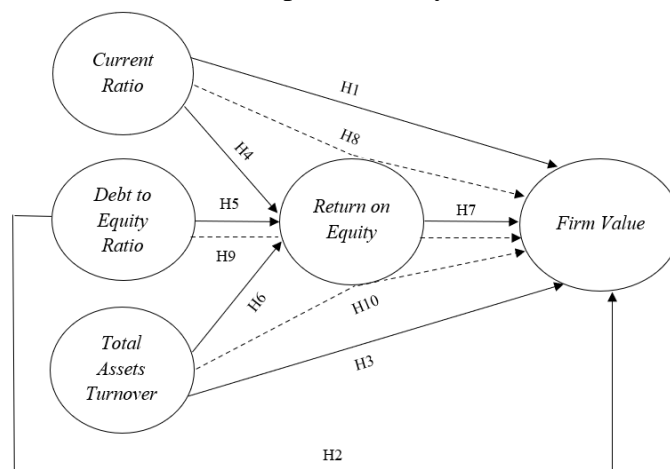


Figure 1. Research Model

Research Methods

This type of research uses quantitative methods. The objects of this study are the current ratio, debt-to-equity ratio, total asset turnover, firm value, and return on equity. The subject used by basic materials sector manufacturing companies listed on the Indonesia Stock Exchange in 2018-2022. This study used the purposive sampling method, which is a sampling method carried out with certain considerations (Sugiyono, 2019). The criteria set for sample determination in this study are as follows:

1. Basic materials sector manufacturing companies are listed on the main board.
2. A manufacturing company that publishes annual financial statements for the period 2018-2022.
3. Financial statements with complete and appropriate data related to the data needed in the research variables.

This data collection technique uses literature study methods and documentation methods. Reading books, research journals, processing data, reading articles, and using websites that are relevant to the research conducted and can be used as references are ways of collecting data from library sources (Sugiyono, 2021). This research uses secondary data in the form of financial statements of companies listed on the Indonesia Stock Exchange through the www.idx.co.id website and the Eviews 9 program.

Results and Discussions

Result

In this study, descriptive analysis is used to explain the mean, median, maximum and minimum values, as well as the standard deviation in the data. The results of the statistical descriptive data in this study are as follows.

Table 1.
DESCRIPTIVE STATISTICS

	FV	CR	DER	TATO	ROE
Mean	-0.089867	2.627200	0.902667	0.740333	5.591400
Median	-0.075000	1.810000	0.675000	0.710000	6.635000
Maximum	1.550000	13.87000	8.230000	1.980000	42.03000
Minimum	-1.830000	0.270000	0.090000	0.160000	-141.9600
Std. Dev.	0.710691	2.264522	0.958448	0.361322	14.75144
Skewness	0.065159	2.232993	3.869561	0.825229	-6.709354

Based on Table 1, the value of the company obtained an average of -0.089867. The median value of the firm value is -0.075000. The maximum and minimum values of the company are 1.550000 and -1.830000 with a standard deviation of 0.710691. CR obtained an average of 2.627200. The median value of CR is 1.810000. The maximum and minimum values of CR are 0.13.87000 and 0.270000 with a standard deviation of 2.264522. Then the DER obtained an average of 0.902667. The median value is 0.675000. The maximum and minimum values of DER are 8.230000 and 0.090000 with a standard deviation of 0.958448. Tattoos earn an average of 0.740333. The median value of TATO is 0.710000. The maximum and minimum values of TATO are 1.980000 and 0.160000 with a standard deviation of 3.61322. then ROE obtained an average of 5.591400. The median ROE value is 6.635000. The maximum and minimum ROE values are 42.03000 and -141.9600 with a standard deviation of 14.75144.

This chow test is carried out to determine the approach model between a common effect and a fixed effect. If profitability $> \alpha$ 0.05 then the model used is a common effect. Conversely, if the probability value is $< \alpha$ 0.05, then the appropriate panel data regression model to use is a fixed effect.

Table 2.
CHOW MODEL I TEST RESULTS

Redundant Fixed Effects Tests			
Equation: Chow			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	14.277485	(29,116)	0.0000
Cross-section Chi-square	227.906338	29	0.0000

Based on Table 2, the value of prob. cross-section F is smaller than 0.05. This indicates that the fixed effect is better than the common effect. Therefore, the panel data regression model on the model I equation that will be selected based on predetermined criteria has a fixed effect.

Table 3.
CHOW MODEL II TEST RESULTS

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.590069	(29,117)	0.0000
Cross-section Chi-square	145.243410	29	0.0000

Based on Table 3, the value of prob. cross-section F is smaller than 0.05. This indicates that the fixed effect is better than the common effect. Therefore, the panel data regression model on the model II equation that will be selected based on predetermined criteria has a fixed effect.

Table 4.
HAUSMAN MODEL I TEST RESULTS

Correlated Random Effects - Hausman Test			
Equation: Hausman			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.613952	4	0.2299

Based on Table 4, the value of prob. Cross-section is greater than 0.05. This indicates that the random effect is better than the fixed effect. So in this study, the model to be used is a random effect. The Lagrange Multiplier test does not need to be done because the two model selection tests above have proven that random effects are better than common effects and fixed effects.

Table 5.
HAUSMAN MODEL II TEST RESULTS

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	58.654534	3	0.0000

Based on Table 5, the value of prob. Cross-section is smaller than 0.05. This indicates that the fixed effect is better than the random effect. So in this study, the model to be used is a fixed effect. The Lagrange Multiplier test does not need to be done because the two model selection tests above have proven that a fixed effect is better than a common effect or a random effect.

Table 6.
RESULT OF MODEL I COEFFICIENT OF DETERMINATION

Cross-section Random			
R-squared	0.066192	Mean dependent var	-0.023005
Adjusted R-squared	0.040432	S.D. dependent var	0.370172
S.E. of regression	0.362611	Sum squared resid	19.06559
F-statistic	2.569555	Durbin-Watson stat	1.531320
Prob(F-statistic)	0.040459		

Based on Table 6, the R-Square (R²) value is 0.066192 or equivalent to 6%. This figure means that CR, DER, TATO, and ROE affect firm value by 6%, while the remaining 96% is influenced by other factors outside the model that were not studied in this study.

Table 7.
RESULTS OF MODEL II COEFFICIENT OF DETERMINATION

Cross-section Fixed			
R-squared	0.753584	Mean dependent var	5.591400
Adjusted R-squared	0.686189	S.D. dependent var	14.75144
S.E. of regression	8.263589	Akaike info criterion	7.253134
Sum squared resid	7989.568	Schwarz criterion	7.915473
Log likelihood	-510.9850	Hannan-Quinn criter.	7.522221
F-statistic	11.18149	Durbin-Watson stat	2.047712
Prob(F-statistic)	0.000000		

Based on Table 7, the R-Square (R²) value is 0.753584 or equivalent to 75%. This figure means that CR, DER, and TATO affect ROE by 75%, while the remaining 25% is influenced by other factors outside the model that were not studied in this study.

Table 8.
F MODEL I TEST RESULTS

Cross-section Random			
R-squared	0.066192	Mean dependent var	-0.023005
Adjusted R-squared	0.040432	S.D. dependent var	0.370172
S.E. of regression	0.362611	Sum squared resid	19.06559
F-statistic	2.569555	Durbin-Watson stat	1.531320
Prob(F-statistic)	0.040459		

Based on Table 8, the value of prob. (F-statistic), which is 0.040459 is less than 0.05. This shows that there is an influence between the variables CR, DER, TATO, and ROE simultaneously on firm value in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period.

Table 9.
F MODEL II TEST RESULTS

Cross-section Fixed			
R-squared	0.753584	Mean dependent var	5.591400
Adjusted R-squared	0.686189	S.D. dependent var	14.75144
S.E. of regression	8.263589	Akaike info criterion	7.253134
Sum squared resid	7989.568	Schwarz criterion	7.915473
Log likelihood	-510.9850	Hannan-Quinn criter.	7.522221
F-statistic	11.18149	Durbin-Watson stat	2.047712
Prob(F-statistic)	0.000000		

Based on Table 9, the value of prob. (F-statistic), which is 0.000000 is less than 0.05. This shows that there is a simultaneous influence between CR, DER, and TATO variables on ROE in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period.

Table 10.
T MODEL I TEST RESULTS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.510362	0.250939	-2.033806	0.0438
CR	0.021957	0.030520	0.719419	0.4730
DER	0.299067	0.095143	3.143327	0.0020
TATO	0.051565	0.220671	0.233675	0.8156
ROE	0.009779	0.003557	2.748888	0.0067

Based on Table 10, it shows that CR has a prob value. 0.4730 is greater than 0.05. It states that H0 is accepted and Ha is rejected, so the first hypothesis states that CR has no effect on the value of the firm. Then DER has a prob value. 0.0020 is less than 0.05. This states that H0 is rejected and Ha is accepted, so the second hypothesis states that DER has a positive and significant effect on the value of the company. Next TATO has a prob value. 0.8156 is greater than 0.05. It states that H0 is accepted and Ha is rejected, so the third hypothesis states that tattoos have no effect on the value of the company. Furthermore, ROE has a prob value. 0.0067 is less than 0.05. It states that H0 is rejected and Ha is accepted, so the seventh hypothesis states ROE has a positive and significant effect on the value of the company.

Table 11.
T MODEL II TEST RESULTS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16.84912	6.157679	2.736278	0.0072
CR	0.323087	0.818312	0.394821	0.6937
DER	-22.53058	1.679470	-13.41529	0.0000
TATO	11.11805	6.607978	1.682520	0.0951

Based on Table 11, the CR value of prob. 0.6937 is greater than 0.05. This states that H0 is accepted and Ha is rejected, so the fourth hypothesis states that CR has no effect on ROE. Then DER has a prob value. 0.0000 is less than 0.05. It states that H0 is rejected and Ha is accepted, so the fifth hypothesis states that DER has a negative and significant effect on ROE. Next TATO has a prob value. 0.0951 is greater than 0.05. This states that H0 is accepted and Ha is rejected, so the sixth hypothesis states that tattooing has no effect on ROE.

According to (Ghozali, 2018), the Sobel Test is one of the statistical methods used to test the significance of the mediating effect in regression analysis. The aim is to test whether the mediating effect proposed in a statistical model is statistically significant. The following are the results of the Sobel test, namely:

Table 12.
SOBEL TEST RESULTS

Variable	Z-tabel	Z-Hitung
CR	1.97769	0.35723
DER	1.97769	-2.45925

Variable	Z-tabel	Z-Hitung
TATO	1.97769	1.27768

Based on Table 12, showing that CR to FV through ROE, it is known that the z-count value of 0.35723 is smaller than the z-table of 1.97769. So the eighth hypothesis shows that indirectly, CR through ROE has no effect on firm value. Then, for DER against FV through ROE, it is known that the z-count value of -2.45925 is greater than the z-table of 1.97769. So the ninth hypothesis shows that indirectly, CR through ROE negatively affects firm value. Furthermore, from TATO to NP through ROE, it is known that the z-count value of 1.27768 is smaller than the z-table of 1.97769. So the tenth hypothesis shows that indirectly, CR through ROE has no effect on firm value.

Discussion

Current Ratio to Firm Value

The test results on the first hypothesis stated that there was no significant influence between the current ratio (CR) on firm value in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This can be seen from the value of prob. 0.4730, which is greater than 0.05. This proves that any increase or decrease in CR value has no effect on the value of the company. A high CR value indicates good financial health for the company to pay off short-term debt through its current assets, but it has no effect on the company's value. The results of this study are in line with (Santosa et al., 2020) which state that CR has no effect on firm value. The market does not value companies that have a high level of liquidity (over-liquidity) represented by CR because it considers management fails to use liquidity to increase firm value. Other research results are also supported by (Chabachib et al., 2020) and (Husna & Satria, 2019) which state that CR has no effect on firm value, meaning that an investor in investing does not consider the CR factor of a company, because CR only provides information about the company's ability to meet current liabilities with its assets. The low value of the company's CR is dominated by the high value of the company's inventory and receivables. Therefore, investors are not interested in seeing the value of CR as a consideration for investing.

Debt to Equity Ratio to Firm Value

The test results on the second hypothesis state that there is a positive and significant influence of the debt-to-equity ratio (DER) on firm value in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This can be seen from the value of prob. 0.0020, which is less than 0.05. This shows that any increase or decrease in the value of DER will affect the value of the company. This means that a low DER value indicates that the higher the company is to meet its obligations to its own capital, which can increase the value of the company. The higher the DER value, the greater the risk the company takes, so DER can affect the factors that investors receive and how they affect the value of the company. The results of this study are in line with Chabachib et al., (2019) which state that there is an influence of DER on firm value, where a high value of DER indicates high debt used by the company to fund its assets. Based on signaling theory, companies that have a lot of debt as a source of funding are interpreted as good news by investors because they show good performance, so companies dare to take on large debts. But on the other hand, high debt also results in high interest expenses that must be borne by the company, so investors interpret it as a signal of the amount of risk to the company. Other research results are

also supported by (Jihadi et al., 2021; Zamzamin@ Zamzamin et al., 2021) which state that there is a positive and significant influence of DER on firm value, where the higher the DER, the higher the firm value.

Total Asset Turnover to Firm Value

The test results on the third hypothesis stated that there was no significant influence between total assets turnover (TATO) on firm value in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This can be seen from the value of prob. 0.8156, which is greater than 0.05. This proves that any increase or decrease in the value of the TATO has no effect on the value of the company. The utilization of assets in company activities or the frequency of asset turnover has no effect on the value of the company. A high TATO value indicates the good use of assets in a company. While slow asset turnover indicates that there are more assets than resources to work with, this does not affect the value of the company. The results of this study are in line with (Yulianti & Syarif, 2021) which state that TATO has no effect on firm value, where some companies have large assets but the level of sales obtained is small. Effective asset turnover does not necessarily increase profits for the company, resulting in a lack of investor consideration to invest or not and this does not affect the value of the company. Other research results are supported by (Ichwanudin, 2022) which state that there is no influence between TATO on firm value.

Current Ratio to Return on Equity

The test results on the fourth hypothesis state that there is no significant influence between the current ratio (CR) to return on equity (ROE) in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This can be seen from the value of prob. 0.6937, which is greater than 0.05. This proves that any increase or decrease in CR value has no effect on ROE. CR shows how much current assets are used to cover short-term debt that is maturing. But the value of CR does not affect how much profit there is for the return on shareholders' equity. The results of this study are in line with (Endri et al., 2021) which state that CR has no effect on profitability and that changes in current assets and current debt are not related to profitability. Another study, also supported by (Siregar & Harahap, 2021) stated that there was no influence between CR and ROE.

Debt to Equity Ratio to Return on Equity

The test results on the fifth hypothesis state that there is a significant negative influence between the debt-to-equity ratio (DER) to return on equity (ROE) in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This can be seen from the value of prob. 0.0000, which is less than 0.05 with a coefficient value of -22.53058. This proves that every increase or decrease in the value of DER will affect the ROE value in the opposite direction. With the increase in company debt, its profitability decreases, and vice versa, if the company's debt decreases, its profitability will increase. The results of this study do not fit with the trade-off theory, which states that the optimal capital structure is done to balance the benefits of debt financing with favorable corporate taxes against higher interest rates. So if the company makes a loan, it can reduce tax payments on loan interest. However, the results of this study are in accordance with the pecking order theory, which states that companies with high profitability levels tend to have low debt because they have sufficient internal funding sources. This theory does not consider the existence of an optimal capital structure. The company has an order of preference or hierarchy in the use of funds. In terms of financing, companies prefer to use internal funds rather than seek external

funding. This theory explains why companies with high profit rates have low levels of debt. The results of this study are in accordance with (Endri et al., 2021) which state that there is an opposite influence of DER on profitability, where companies cannot have large amounts of debt or exceed the company's equity. Companies can reduce the amount of debt by optimizing the use of capital or retained earnings. Other research results are supported, who states that there is a negative influence between DER and ROE.

Total Assets Turnover to Return on Equity

The test results on the sixth hypothesis state that there is no significant influence between total assets turnover (TATO) and return on equity (ROE) in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This can be seen from the value of prob. 0.0951, which is greater than 0.05. This proves that any increase or decrease in the value of the TATO has no effect on ROE. The higher the TATO value, this indicates several potential developments, such as increased sales and expanded market share, but does not affect the ROE value. The results of this study are in line with (Chandra & Juliawati, 2020), who state that there is no influence between TATO and ROE, meaning that changes in TATO will not affect the value of profitability. The results of this study are supported by (Muhani et al., 2022) who stated that there is no influence between TATO and ROE.

Return on Equity to Firm Value

The test results on the seventh hypothesis state that there is a positive and significant influence between return on equity (ROE) on firm value in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This can be seen from the value of prob. 0.0067, which is less than 0.05. This shows that any increase or decrease in the value of ROE will affect the value of the company. A high ROE value indicates that the company has the ability to generate greater profits than its own capital invested and increases investors' perception of the company's value. The results of this study are in line with (Chabachib et al., 2020) which state that there is a significant positive influence of ROE on firm value, where ROE is a reflection of the company's ability to generate profits from its own capital. ROE shows how much profit investors will receive, so investors will be more interested in companies that have a high level of profit. This result is in line with signaling theory, where when ROE increases, it is considered a signal to investors that the prospects are good in the future. The increase in the company's profit potential will increase investor confidence in stock demand, resulting in high stock prices, which will also have an impact on increasing company value. The results of this study are supported by (Santosa et al., 2020) who stated that there is an influence of ROE on firm value.

Current Ratio to Firm Value mediated by Return on Equity

The test results on the eighth hypothesis state that return on equity (ROE) is unable to mediate the effect of the current ratio (CR) on firm value in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This can be seen from the z-count value of 0.35723508, which is smaller than the z-table of 1.97769. The large value of CR reflects that the company has good financial health to pay off short-term debt through its current assets. However, this does not affect the company's profitability value, so the high or low CR value does not have an impact on the company's value through the profits obtained. Therefore, profitability is not able to mediate the effect of CR on the value of the company. The results of this study are in line with Putra which states that ROE cannot mediate the effect of CR on firm value. A high CR value is good from a creditor's point of view, but from an investor's point of

view, it is less profitable because current assets are not used effectively. A low CR is relatively riskier but indicates that management has operated current assets very effectively. The results of this study are supported by (Chabachib et al., 2020) who stated that there is no influence of CR on firm value. Likewise, the results conducted by (Endri et al., 2021) stated that CR has no effect on ROE. So that this result is further reinforced by the results of previous studies, it can be concluded that ROE is not able to mediate the influence of CR on firm value.

Debt to Equity Ratio to Firm Value mediated by Return on Equity

The test results on the ninth hypothesis state that return on equity (ROE) is able to mediate the effect of the debt-to-equity ratio (DER) on firm value in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This can be seen from the value of -2.4592574 being greater than the z-table, which is 1.97769. The amount of DER value reflects the high debt that the company uses to fund its assets. While high debt will increase the burden and risk borne by the company, the large burden of the company due to the use of debt will cause a decrease in the value of profitability. Pecking order theory states that companies with high profitability tend to have low debt because they have sufficient internal funding sources. So it can be concluded that high and low debt will have an impact on the value of the company through the profits obtained. The results of this study are also in line with Khairunnisa et al., (2020) which state that ROE is able to mediate the influence of CR on firm value. Other research results are also supported by (Zamzamin et al., 2021) who state that there is a positive influence between DER on firm value. In addition, the results of research from Endri et al., (2021) stated that there is a negative influence of DER on firm value. So it can be concluded that ROE is able to mediate the influence of CR on firm value.

Total Asset Turnover to Firm Value mediated by Return on Equity

The test results on the tenth hypothesis state that return on equity (ROE) is unable to mediate the effect of total asset turnover (TATO) on firm value in basic materials sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 period. This can be seen from the z-count value of 1.2776832, which is smaller than the z-table of 1.97769. The high value of TATO shows that the company is good at using its assets. While slow asset turnover indicates that there are more assets than resources to work with, this does not affect profitability, so it cannot increase the value of the company. The results of this study are in line with Ichwanudin which state that there is no influence between TATO on firm value. Then another study was supported by (Muhani et al., 2022) which states that tattoos have no effect on ROE. So it can be concluded that ROE is not able to mediate the effect of TATO on firm value.

Conclusion

Based on the results of this study, it is expected to be a reference and consideration in choosing the best solution for solving various problems regarding firm value. For manufacturing companies in the basic materials sector that have gone public, it is expected to pay more attention to factors such as debt and profitability, which have proven to have a significant effect on firm value. In addition, it is also expected to be able to evaluate the efficiency and effectiveness of managing company assets so that among assets, debt, sales, and other expenses related to company operations, they can generate maximum profit. As for investors, it is hoped that they can make this research a consideration in investing by paying attention to debt, profit, and firm value. This aims

to minimize errors in investment decisions made by investors. Before making an investment decision, investors should re-analyze the factors that can affect the value of the company. In addition, in this study, researchers only focus on the value of companies in the basic materials manufacturing sector and use the basic principle that firm value can be measured easily using price to book value, so the implications of this make the scope of research narrow. Then the sampling technique used is non-probability sampling with a fairly limited number of companies. The basic materials sector manufacturing companies sampled in this study are the only ones listed on the Indonesia Stock Exchange for the period 2018-2022 on the main board. This sample limitation will cause different results due to differences in the use of the value of companies that have not yet gone public and longer periods.

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