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EFFECT OF LEVERAGE, COMPANY SIZE AND WORKING CAPITAL TURNOVER ON FIRM VALUE WITH PROFITABILITY AS MEDIATION VARIABLE

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ABSTRACT

The purpose of this study was to analyze the effect of leverage, firm size and working capital turnover on firm value with profitability as a mediating variable. This research consists of four independent variables consisting of Leverage proxied by DER, Company Size proxied by Ln(Asset), Working Capital Turnover which is proxied by WCTO and Profitability which is proxied by ROE, as well as one dependent variable namely Company Value proxied by PBV . In this study there were 153 companies that met the criteria from a total of 719 observations with research objects in non-financial sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2019 to 2021. The measurement of this study used Econometric Views 12 (Eviews 12). The results of this study indicate that leverage has a negative effect on profitability. Firm size has a positive effect on profitability. Working Capital Turnover has no effect on Profitability. Leverage has no effect on Firm Value. Firm size has a positive effect on firm value. Working Capital Turnover has no effect on Company Value. And Profitability can mediate Firm Size to Firm Value. This research can also be taken into consideration for investors and shareholders to be more careful in receiving financial statement information provided by companies in making investment decisions because this research focuses more on internal financial reports.

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1. INTRODUCTION

In the current pandemic era, where not a few companies have to collapse due to the inability to survive and compete in very limited circumstances in various ways. And not a few companies are able to survive despite the obstacles they face. Investors in this case will begin to be careful in looking at a company's future prospects by knowing the value of the company and measuring the financial capability resulting from the good and bad management of wealth by management. The company value will be fully maximized by the company. This is very important to do in order to maintain the prosperity of shareholders and also one of the goals of the company (Sugiyanto et al., 2021).

When the pandemic hit almost every corner of the world, many companies experienced losses and even went out of business. And there are a large number of companies that have experienced profits, such as health sector companies in Indonesia, which have experienced profits when this epidemic hit almost all over the world. At PT. Kalber Farma Tbk. experienced a profit of 1.5 billion during the 2019-2020 period (www.idx.co.id, 2021). In this research, the selection of non-financial sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2021 period is to find out the prospects for the level of corporate value during a pandemic which is not seen based on one company sector, but based on many sectors that are experiencing impact of this pandemic. And how capable the company's performance is in maintaining it.

Leverage plays an important role in measuring the effectiveness of using corporate debt. Increasing the control of debt funds will have an impact on increasing the value of the company by increasing the performance and productivity of the company (Zuhroh, 2019). Profitability is considered vital by being the selected indicator in measuring the financial performance of companies, with this profitability can be a reference in evaluating companies (Hapsoro & Falih, 2020).

Working capital turnover can be used as a measuring tool for companies in working capital management, where the more optimal the company manages working capital, the more optimal the

profits generated from company performance in increasing company value (Puspita et. al., 2021). Company size is a factor to consider in increasing company value. Companies that have developed can basically be grouped into large companies, this has received a positive response from investors who think they can also increase the value of the company (Chabachib et al., 2019).

According to Hidayat & Dewi's research, (2022) explains that if leverage has a negative impact on profitability, if the debt ratio is low, the level of profitability will be high. Hirdinis' research, (2019) explains that if company size has a positive impact on profitability, large companies have work performance that increases profitability. Research by Widagdo & Sa'diyah, (2021) explains that if working capital turnover has a positive impact on profitability, profitability increases if it has optimal working capital turnover. Zuhroh's research, (2019) explains that if leverage has a negative impact on company value, a low debt ratio has an impact on high company value. Research by Wijayaningsih & Yulianto, (2021) explains that if company size has a positive impact on company value, companies that are categorized as large use their assets to increase company value. Research by Widhiastuti et al., (2020) shows that if working capital turnover has a positive impact on company value, good capital turnover generates profits to increase company value. Atiningsih & Izzaty's research, (2021) explains that if profitability is able to mediate company size and company value, maximum profit is obtained from large companies for high company value as well. There are several differences currently being made to previous research, namely the capital structure variable which is converted into leverage and the dividend policy variable which becomes a company size variable in non-financial sub-sector companies for the 2019-2021 period.

The purpose of this study was to examine the effect of leverage, company size and working capital turnover on firm value with profitability as a mediating variable for non-financial sub-sector companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2021. In addition, there are also benefits for the company to maintain and maximize the stability of the company's performance so that the value of the company will be good in the eyes of investors and for the company to be able to evaluate the supporting aspects of the company's performance studied by using the leverage variable to measure company debt, company size by assessing total assets and assessing working capital turnover using the working capital side of the company.

2. LITERATURE REVIEW

A. Pecking Order Theory

The pecking order theory was introduced by (Donaldson, 1961), but the mention of Pecking Order Theory was initiated by (Myers & Majluf, 1984). Pecking order theory explains how companies with smaller debts get higher profitability. And the small debt will affect the value of the company. In particular, in the use of funds, companies must have an order of preference, starting from low-cost funds to expensive funds. There are three sources of financing, debt funds, internal and new equity. The company's priority in sources of financing, starting with internal financing, and then debt and lastly efforts to increase equity. Companies tend to prefer internal funding over external funding and if internal funding is insufficient, then debt is preferred by companies to capital. Internal funding is obtained from retained earnings, where this last option results in a lower level of debt used by the company (Maneerattanarungrot & Donkwa, 2018; Popovic & Paunovic, 2018). According to (Zuhroh, 2019) the use of debt can lead to benefits, costs and risks. Utilization of maximum debt will affect the characteristics of the company (market share, assets and profit capability) so as to minimize the company's risk of failing to fulfill obligations and avoid the risk of decreasing investor confidence which can cause a reduction in the value of the company.

B. Signaling Theory

According to (Spence, 1973) signaling theory states that it is important for companies to convey information through financial reports to parties outside the company in a good and accountable manner. The company has detailed information regarding the company's performance and financial condition as well as challenges and opportunities in the future, this causes information asymmetry. Not disclosing the information that the company provides to external parties can raise doubts in investing by investors, this doubt is caused by a lack of confidence that investors will be afraid of losses so that investors give a low value to the company.

Positive signals that companies convey through financial reports can reduce information asymmetry (Sudiyatno et. al., 2020). Likewise, the information that the company provides has important meaning for investment decisions. This information provides an overview in the form of notes and

descriptions related to companies and capital markets from the past, present and future (Talunohi & Bertuha, 2022). Based on the signaling theory, company size is interpreted as a positive signal received by investors because it can be a good prospect for the company and the total assets owned can be easily controlled by management in increasing the value of the company.

C. Leverage

Leverage, namely the ratio that companies use in measuring the obligations they already have (Indrati & Putri, 2021). Modigliani and Miller (1963) explained that increased company value is obtained from funding. An increase in leverage will increase the value of the company to a certain level, and an increase in the level of leverage after the limit will weaken the value of the company due to an increase in the risk of corporate debt. According to (Kurniawan, 2021) in measuring the amount of debt to equity, you can use a ratio called the debt to equity ratio. Debt to Equity Ratio (DER) explains how capable a company is to pay off all of its debts, as evidenced by the proportion between debt and capital used to pay off. The greater the debt to equity ratio (DER) can make the loan capital bigger which results in a high debt burden (interest cost) that the company must bear (Ramadani & Jumono, 2020). This ratio uses a comparison of total debt, including current debt with total capital. And also, the balance between the company's liabilities and capital can be measured by this ratio. The low DER ratio proves that more capital is used than debt.

D. Company Size

According to (Hapsoro & Falih, 2020), company size is the total value of assets owned by the company which can determine the value of the company. (Harahap et. al., 2020) said that as the size of the company increases, assets will turn over more quickly so that net sales and company profits will increase and in the end the value of the company will also increase. For companies, a large level of risk is one of the factors in a large company size picture. In accordance with research (Abbas et. al., 2020; Tangngisalu et. al., 2020) that company size is a determining factor in generating profits and investors will be more confident in large companies with a large number of assets because large companies are said to be able to continue to improve their company performance and always strive to improve the quality of earnings.

Company size can be used as an indicator in measuring company performance, if the company's performance is good, the total assets owned will increase and the company size will increase. Companies with large categories are more desirable than companies with small categories, so company progress greatly impacts company value (Anggraini & Agustiningsih, 2022). The size of the company is classified according to Law Number 20 of 2008 concerning the category of company size which classifies company size into 4 groups consisting of micro businesses with the highest total assets of Rp. 50,000,000, small businesses with total assets between IDR. 50,000,000 to IDR. 500,000,000, medium businesses with total assets ranging from IDR 500,000,000 to IDR 10,000,000,000 and large businesses with total assets exceeding IDR 10,000,000,000. This company size classification is based on the total assets owned by the company.

E. Working Capital Turnover

Companies need funds to carry out their business activities, and these funds are working capital. The company expects that any working capital issued can return quickly after selling its products in each period (Widagdo & Sa'diyah, 2021). Working capital turnover is an operating activity from cash funds into working capital components that are invested to become cash back funds. According to (Puspita et. al., 2021) working capital turnover, namely the ratio that compares sales to net capital. Related to this, working capital is obtained by reducing current assets with current liabilities.

The high value of company sales can be seen from the high ratio of working capital to the effectiveness in using working capital. Thus, it can be said that the turnover rate of working capital is high and the company's income through its cash funds will also be high. Therefore, the maximum working capital turnover rate indicates that the company has the opportunity to achieve maximum profit growth in the future (Hidayat & Dewi, 2022). And in research (Ardiansah & Wahyudi, 2022) working capital turnover can also be used as a measuring tool for companies in managing working capital, where the more optimally a company manages working capital, the more optimal it will be to increase company value on profit earned from company performance.

F. Profitability

Research (Thoin et. al., 2021) profitability is an indicator of a company's ability to handle its investments effectively. Profitability is the ratio for calculating profit by measuring the results of management performance on company management. ROE (Return on Equity) can be used in measuring profitability ratios. ROE calculation uses a comparison of net profit to company capital. The greater the profitability ratio, it means that management can use capital effectively and efficiently and can process it into profits. Investors tend to like consistent company profits, thereby increasing share prices (Sudiyatno et. al., 2020; Suzulia et. al., 2020; Zuhroh, 2019). Furthermore, (Abdelkarim & Almumani, 2018) states that profitability is a company's ability to make certain investments in order to get returns from its use. In this case, according to (Awaluzi & Maharani, 2020). The value of the profitability ratio can affect company value because it is one of the indicators for assessing financial performance. It can be summarized that profitability is a method used to increase company profits from the expertise of the company itself to be able to influence company value.

G. The Value of the Company

Firm value is a reflection of the company's stock price from the description of the company's financial performance itself. (Putri, 2020; Sihombing et. al., 2021). The PBV (Price to Book Value) ratio can be an option in measuring company value. The PBV ratio calculation is obtained from a comparison of the stock price and the company's book value. The PBV ratio increases, so the stock price also increases. Investor trust is built from optimal company performance, so that share prices have increased and demand for shares has also increased. The maximum PBV ratio illustrates that the more optimal the value of the company and the higher its performance (Chabachib et. al., 2019; Purwani, 2019; Putri, 2020; Suzulia et. al., 2020). Statement (Suhardi & Fadli, 2021) in his journal if the company's value can be said to be the present value of the cash desired and obtained in the future. And also company value is of particular concern to investors because it is able to obtain multiple profits for company investors in using this financial ratio to determine company value (Wibowo et. al., 2022). The whole statement can be concluded if the company's value is translated into a value that can describe the price that can be paid by investors, which can be measured from the present value of cash expected and obtained.

H. Leverage Relationship to Profitability

The composition of financing is a matter of great concern in the capital structure. And to increase company profits, the use of debt is one way to expand and improve the company's operating results. By increasing the use of debt, the company's income will also increase. The company's income will be burdened by interest expenses on the use of debt. The lower the level of debt, the higher the level of profitability (Hidayat & Dewi, 2022).

This study refers to the pecking-order theory, where lower leverage leads to higher profitability. This discussion is in accordance with research that has been conducted on (Alarussi & Alhaderi, 2018; Pardanawati, 2021; Widhiastuti et al., 2020). Based on these arguments, a hypothesis was formed in this study, namely:

H1: Leverage has a negative effect on profitability.

I. The Relationship between Firm Size and Profitability

Company size is an indicator because the company has sufficient resources, markets, assets and capital to carry out its operations. This can encourage investors to provide a positive assessment. Thus, companies will have easy access to the capital market and obtain funding. According to previous research, the bigger the company, the better its profitability (Khajar et. al., 2020).

In addition, previous research illustrates that shares in large companies tend to be of interest to investors because they are traded on the capital market in greater volume and frequency (Hirdinis, 2019). Another assumption is that large companies have different markets to promote their products, improve performance and generate higher profitability (Atiningsih & Izzaty, 2021; Chabachib et al., 2019). Therefore, the conclusion of the hypothesis of the research above is:

H2 : Company size has a positive effect on profitability

J. The Relationship between Working Capital Turnover and Profitability

Acquisition of working capital is obtained from reducing current assets to current liabilities. Maximum working capital turnover causes the use of working capital to be more effective and the

company's sales value will increase (Puspita et. al., 2021). High sales value results in an increase in the company's ability to generate profits.

According to research (Hidayat & Dewi, 2022; Khajar et al., 2020; Widagdo & Sa'diyah, 2021). The more optimal the turnover of working capital, the more optimal the profit generated. Based on this description, the appropriate hypothesis can be drawn, namely:

H3 : Working capital turnover has a positive effect on profitability

K. Leverage Relationship to Firm Value

Pecking order theory says that if the maximum use of debt will reduce the value of the company. Increased debt will increase the risk of income circulation in the company, where revenue is affected by external factors but debt results in fixed expenses regardless of income. The company has an obligation to use debt for principal and interest costs. The use of debt (external funding) has a considerable risk of non-payment of debt, so that debt needs to pay attention to profits generated from the company's ability. The more liabilities owed to the company, the higher the potential for company failure which will lead to business bankruptcy (Zuhroh, 2019).

The company must know the amount of debt because limiting the amount of debt to a certain limit will increase the value of the company. However, if the amount of debt exceeds a certain limit, it can cause a decrease in company value. Related previous statements, namely (Ispriyahadi & Abdulah, 2021; Saragih, 2021; Sihombing et al., 2021) which also explains that leverage has a negative impact on firm value. According to this description, the hypothesis that is formed is:

H4: Leverage has a negative effect on firm value

L. The Relationship between Firm Size and Firm Value

Based on signaling theory, company size is explained as a positive sign that investors receive if the company has optimal prospects expressed in the size of the assets owned by the company providing management convenience in managing the company so as to maximize firm value. A larger company size can be said to have a higher operating profit because it is able to provide a more convincing return on investment so that it will easily increase company value (Wijayaningsih & Yulianto, 2021).

According to (Saragih, 2021) companies with high total assets will receive more interest from investors, creditors and other stakeholders. In addition, management can be more flexible in maximizing corporate value by utilizing existing assets. This is based on previous research (Chabachib et. al., 2019; Hirdinis, 2019). The hypothesis in accordance with the research above is:

H5: Firm size has a positive effect on firm value

M. The Relationship between Working Capital Turnover and Firm Value

The working capital turnover rate requires companies to demonstrate their effectiveness. Thus it can be said that the turnover rate of working capital is high and the company's income through cash funds will also be high, which means that the company is considered suitable for managing activities such as transactions in the company. Therefore, having a maximum working capital turnover rate means that the company has a way to achieve high profit growth in the future (Hidayat & Dewi, 2022). The increase in the value of working capital turnover indicates that currently the company is more efficient in using working capital, to increase company value. Increasing company profits will result in increasing company value.

From previous research (Saluy et al., 2020; Widagdo & Sa'diyah, 2021; Widhiastuti et al., 2020) which states that working capital turnover has a positive effect on firm value. According to the explanation above, the hypothesis is concluded from the statement above, namely:

H6: Working capital turnover has a positive effect on firm value

N. The Relationship between Firm Size and Firm Value with Profitability as a Mediating Variable

The maximum size of the company results in the maximum total assets obtained so that the resources used are also large. The abundance of available resources is used in investment activities optimally, resulting in increased profits for the company. In accordance with signal theory, investors will be interested in investing in large companies due to the profits generated by the company for high returns, so that the stock price of the company has increased. An increase in the company's stock price indicates an increase in the value of the company itself.

In accordance with research (Atiningsih & Izzaty, 2021; Chabachib et al., 2019; Hirdinis, 2019), if profitability can mediate the effect of company size on firm value. According to the explanation above, the appropriate hypothesis can be drawn:

H7: Profitability can mediate the effect of firm size on firm value

The research model framework that can be concluded from the hypothesis above:

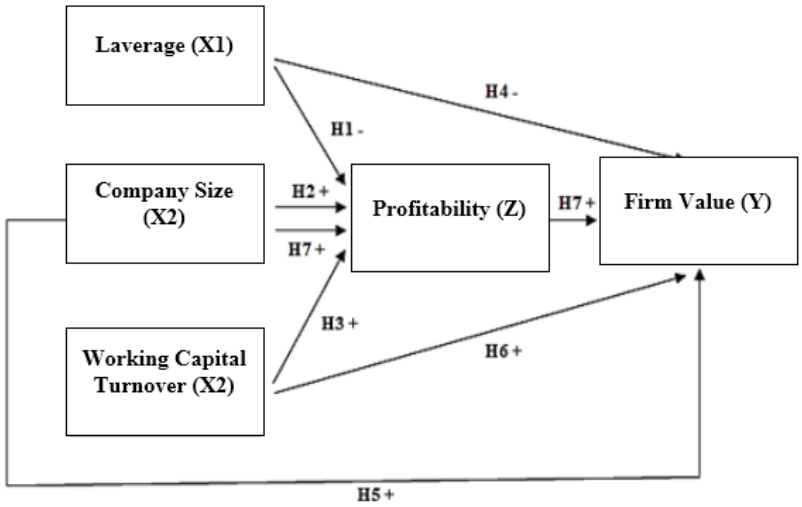

Figure 1. Research Model

3. METHOD

The operational variables of this study include independent variables such as the leverage ratio proxied by DER. To find out how capable a company's capital is in paying off its debts, the DER value is calculated from comparing total debt to total capital (Wijayaningsih & Yulianto, 2021). The company size ratio is proxied by the natural logarithm (Ln), used for the relationship between ln and e exactly as the relationship between log and rank (Atiningsih & Izzaty, 2021). Working capital turnover ratio proxied by WCTO, to see the effectiveness of the company's working capital (lancer assets) in obtaining sales, the WCTO value is obtained by comparing net sales to current assets minus current liabilities (Hidayat & Dewi, 2022). Profitability ratios that use ROE proxies, to determine the ability of capital to obtain net profit, calculate the value of ROE by comparing net sales to total capital (Atiningsih & Izzaty, 2021). The company value ratio is the dependent variable, which is proxied by PBV, used to assess the price of a share being sold at this time whether it is being sold cheaply or expensively. The PBV value is obtained from the share price compared to the book value of the company (Atiningsih & Izzaty, 2021).

The population of this study utilizes secondary data from the annual financial reports of non-financial sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2019 to 2021 with a total population of 719 companies. The Purposive Sampling method was applied for sampling for this data research, using the provisions of non-financial sector companies that did not experience losses and submitting financial reports sequentially and in rupiah during the period 2019 to 2021. A total of 153 companies in the non-financial industrial sector were selected on the Exchange Indonesian Securities (IDX). And the total sample data for this research is 459 data.

This observation was selected using a quantitative approach using data analysis using panel data regression analysis techniques (cross section and time series data) with more than 1 independent variable using the Eviews 12 statistical program (Economic Views 12). Data analysis in this study included descriptive statistical tests (mean, median, maximum, minimum, and standard deviation) as well as determining panel data regression through the Chow test, Hausman test and Lagrange Multiplier test. (Gujarati & Porter, 2009). Then carry out tests of the classical assumptions which include multicollinearity tests and heteroscedasticity tests, then carry out the final stage, namely hypothesis testing which includes simultaneous significance tests (F test), partial significance tests (T test), and the coefficient of determination (adjusted R-squared) according to the level substantial amount of 0.05 (5%).

4. RESULT AND DISCUSSION

A. Descriptive Statistics Test

This study produced descriptive statistical tests in the form of minimum, maximum, average and standard deviation values to see the exposure of the large population of sample data for the research being tested. The four independent variables used for this study include leverage, company size, working capital turnover, profitability and the dependent variable firm value in non-financial sub-sector companies listed on the Indonesia Stock Exchange (IDX) during 2019 to 2021. Sample data or N that have been valid in this observation as many as 459 data.

Table 1. Descriptive Analysis

Variable	N	Min	Max	Mean	Median	Std. Deviation
DER	459	0.0071	6.0524	0.8000	0.5231	0.8426
SIZE	459	25.0488	33.5372	28.6891	28.6311	1.6594
WCTO	459	0.0468	410.1267	8.1036	3.3803	23.1589
PBV	459	0.1073	55.6130	2.3624	1.2716	4.5958
ROE	459	0.0009	0.5895	0.1089	0.0932	0.0864
Valid N	459					

Research on sample data explains that the results of the leverage variable using the DER proxy have a minimum value of 0.0071 at Repower Asia Indonesia Ltd in 2021 which shows that Repower Asia Indonesia Ltd in 2021 is able to properly pay debts with its capital, the maximum value is 6 .0524 for Adhi Karya (Persero) Ltd in 2021 which explains that if Adhi Karya (Persero) Ltd 2021 will find it difficult to pay debts with its capital, the mean value is 0.8000 which indicates that in 2019-2021 the company is sub-sector non-financial well able to pay debts with owned capital, the median value is 0.5231 and the standard deviation value is 0.8426, the mean value is 0.8000.

The company size variable that uses the SIZE proxy gets a minimum value of 25.0488 at Sinergi Inti Plastindo Ltd in 2019 which shows that Sinergi Inti Plastindo Ltd in 2019 is a company with small total assets compared to other sub-sector companies, the maximum value a number of 33.5372 in Astra International Ltd in 2021 which shows that Astra International Ltd in 2021 is a company with large total assets compared to other sub-sector companies, the mean value is 28.6891 which indicates that non-financial sub-sector companies have a total many assets, the median value is 28.6311 and the standard deviation value is 1.6594.

The working capital turnover variable that uses the WCTO proxy gets a minimum value of 0.0468 at Urban Jakarta Propertindo Ltd in 2019 which indicates that Urban Jakarta Propertindo Ltd in 2019 experienced low capital turnover, the maximum value being 410.1267 at Budi Starch & Sweetener Ltd in 2019 which explains that if Budi Starch & Sweetener Ltd experienced high working capital turnover in 2019, the mean value was 8.1036 indicating that in 2019-2021 non-financial sub-sector companies experienced low working capital turnover, the median value of 3.3803 and a standard deviation value of 23.1589.

The profitability variable with a proxy, namely ROE, explains a minimum value of 0.0009 at Sekar Bumi Ltd in 2019 which means that Sekar Bumi Ltd in 2019 has a low company performance so that it earns low profits, the maximum value is 0.5895 at Distribution Vouchers Nusantara T in 2021 which shows that Distribution Voucher Nusantara T in 2021 has the company's performance in getting high profits, the mean value is 0.1089 which shows if the company's performance in getting profits is very good, the median value is 0.0932 and the standard deviation value a number of 0.0864.

The last variable is the value of the company that proxies using PBV has a minimum value of 0.1073 at Organon Pharma Indonesia Ltd in 2021 which means that Organon Pharma Indonesia Ltd in 2021 has good company performance, the maximum value is 55.6130 at Gaya Abadi Perfect Ltd in 2019 shows that Gaya Abadi Perfect Ltd in 2019 has very good company performance, the mean value is 2.3624 which shows that in 2019-2021 the non-financial sub-sector companies describe good company performance, the median value is 1 .2716 and a standard deviation value of 4.5958.

B. Panel Data Regression Model Selection

This selection includes 3 panel data approach models that use the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). One of the three panel data estimation techniques can be determined through the following stages:

C. Chow Test

The Chow test is used to determine the most suitable model between CEM or FEM with the rule that the Prob. Cross-section Chi-Square < 0.05, then FEM is the most suitable.

Model 1 test results explain the results of Chi-Square 0.0000 <0.05 which means that the Fixed Effect Model (FEM) is correct. Model 2 test results show Chi-Square results of 0.0000 <0.05 which means that the Fixed Effect Model (FEM) is correct. And the results of the model 3 test show Chi-Square results of 0.0000 <0.05 which means that the correct Fixed Effect Model (FEM).

D. Hausman Test

Because FEM is appropriate, the test is continued to the Hasuman test stage to analyze which model is the best between FEM or REM with the provisions if the Prob. Cross-section Random < 0.05, then FEM is the most suitable.

Model 1 test results explain the results of Prob. Cross-section Random 0.0000 <0.05 which means that the Fixed Effect Model (FEM) is the most appropriate. Model 2 test results show the results of Prob. Cross-section Random 0.2511 <0.05 which means that the Random Effect Model (REM) was selected. And the results of the model 3 test show the results of Prob. Cross-section Random 0.1581 < 0.05 which means if the Random Effect Model (REM) is selected.

E. Lagrange Multiplier Test

Because REM was selected, the test continued to the Lagrange Multiplier test stage to compare which model was the best between CEM or REM with the provisions of the rule if the Prob. Cross-section < 0.05, then CEM is the most suitable.

Model 1 test results show the results of Prob. Cross-section 0.0000 <0.05 which means that the Random Effect Model (REM) was selected. Model 2 test results show the results of Prob. Cross-section Random 0.000 < 0.05 which means that the Random Effect Model (REM) is selected. And the results of the model 3 test show the results of Prob. Cross-section Random 0.000 < 0.05 which means that the Random Effect Model (REM) is selected.

The conclusion of the three tests above using the Random Effect Model (REM) is the best and most appropriate model for this study.

F. Classic Assumption Test

a. Multicollinearity Test

Provisions on the multicollinearity test if the correlation value is < 0.80, then it is not found in the multicollinearity problem. The results of the multicollinearity test in this observation resulted in a correlation value obtained below 0.80. It can be said that all independent variables do not indicate multicollinearity problems.

b. Heteroscedasticity Test

This test has provisions if the Prob. Chi-Square (Obs*R-squared) > 0.05, then there is no heteroscedasticity problem. Based on the results of the heteroscedasticity test using the white test, it has produced a Prob value. Chi-Square (Obs*R-squared) above the value of 0.05. It can be concluded that all independent variables do not have heteroscedasticity problems.

G. Panel Data Regression Equation

The panel data model research test shows a significance level of 0.05 or 5%. The following is a panel data regression analysis using the Random Effect Model.

$$\mathbf{ROE = -0.133088 - 0.020396DER + 0.009048Ln - 0.000158WCTO}$$
$$\mathbf{PBV = 13.49746 + 0.208956DER - 0.392777Ln - 0.004172WCTO}$$
$$\mathbf{PBV = 14.57842 + 0.386781DER - 0.476094Ln - 0.002482WCTO + 10.59221ROE}$$

The constant value -0.133088 explains that if the value of the independent variables in the form of Leverage (DER), Firm Size (Ln) and Working Capital Turnover (WCTO) are considered stable then Profitability (ROE) is -0.133088. Meanwhile, a constant of 13.49746 indicates that the value of the independent variable with Leverage (DER), Firm Size (Ln) and Working Capital Turnover (WCTO) is stable, so Firm Value (PBV) is 13.49746.

Leverage coefficient (DER) –0.020396 indicates leverage has a negative impact on profitability (ROE). In circumstances where other variables remain the same or have the same value in the leverage variable, it is estimated that profitability will decrease by -0.020396. Firm size coefficient (Ln) 0.009048 indicates firm size has a positive impact on profitability (ROE). In a situation where the other variables are the same or have the same value as the company size variable, it is estimated that profitability has increased by 0.009048. Working capital turnover coefficient (WCTO) -0.000158 which means working capital turnover has no effect on the negative coefficient on profitability (ROE). In conditions when other variables are constant, increasing by one unit in the working capital turnover variable, it is estimated that profitability will decrease by -0.000158.

Leverage coefficient (DER) 0.208956 shows leverage does not affect the positive coefficient on firm value (PBV). In conditions where other variables are constant or have the same value in the leverage variable, it is estimated that the company's value decreases by 0.208956. Firm size coefficient (Ln) -0.392777 indicates firm size has a negative impact on firm value (PBV). With the condition of the other variables being constant or having the same value on the company size variable, it is estimated that the company's value has increased by -0.392777. The coefficient of working capital turnover (WCTO) -0.004172 explains that working capital turnover has no effect on the negative coefficient on firm value (PBV). The conditions in other variables are constant or have the same value in the working capital turnover variable, so it is estimated that the company's value will decrease by -0.004172.

H. Determination Coefficient Test

The coefficient of determination test in model 1 obtained an Adjusted R-Squared value of 0.027410 which means that the dependent variable, namely profitability, can be described as a whole for the independent variables in the form of leverage, company size and working capital turnover of 3%. While the other 97% is clarified by variables other than this research model. And test the coefficient of determination in model 2 to obtain an Adjusted R-Squared value of 0.040275 which means that the dependent variable in the form of firm value can be explained as a whole to the independent variables, namely leverage, company size and working capital turnover and profitability of 2%. While the other 98% is clarified through variables other than this research model.

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I. Simultaneous Significance Test (F Test)

The F test in model 1 produces a substantial level of 0.05. This explains that the probability value (F-statistic) is 0.001336, which means it is below 0.05. So overall these results explain if the independent variables in the form of leverage, company size and working capital turnover simultaneously (simultaneously) influence the dependent variable, namely profitability. And the results of the F model 2 test with a substantial level of 0.05 show a probability value (F-Statistic) of 0.015013 <0.05. So overall these results explain if the independent variables in the form of leverage, firm size, working capital turnover and profitability simultaneously (simultaneously) influence the dependent variable, namely firm value.

J. Testing Sobel Test for Indirect Relations

The results of the Sobel test yielded a t-count value of 2.21468766 > from a t-table of 1.965202973 with a p-value of 0.02678151 > from the prob value. By 0.05. So according to the results of the data processing above if profitability can mediate the effect of company size on firm value.

K. Partial Significance Test (T Test)

The results of the T test with a significant level of 0.05 show the results of the leverage value with Prob. DER of 0.0007 <0.05 with T count (-3.4106) > T table (1.9652) so that H1 is accepted and H0 is rejected, namely leverage has a significant effect on profitability. On the value of firm size with Prob. SIZE is 0.0098 <0.05 with T count (2.5933) > T table (1.9652) so that H2 is accepted and H0 is rejected, namely company size has a significant effect on profitability. Then on the value of firm size with Prob. WCTO is 0.2551 > 0.05 with T count (-1.1394) < T table (1.9652) so that H3 is rejected and H0 is accepted, namely working capital turnover has no significant effect on profitability. The results of the leverage value of Prob. DER of 0.5239 > 0.05 with T count (0.6377) < T table (1.9652) so that H4 is rejected and H0 is accepted, ie leverage has no significant effect on firm value. On the value of firm size with Prob. SIZE is 0.0330 <0.05 with T count (-2.1384) > T table (1.9652) so that H5 is accepted and H0 is rejected, namely company size has a significant effect on firm value. Then on the value of working capital turnover with

Prob. WCTO is 0.6102 > 0.05 with T count (-0.5101) < T table (1.9652) so that H6 is rejected and H0 is accepted, namely working capital turnover has no significant effect on firm value.

Table 2. Research Model Hypothesis Test Results

hypothesis	Statement	Result	Positive/Negative	Decision
H1	*Leverage has a positive effect on profitability*	T Compute > T Table -3.4106 > 19652 Prob Value < 0.05 0.0007 < 0.05	**Negative**	**Hypothesis Accepted**
H2	Firm size has a positive effect on profitability	T Compute > T Table 2.5933 > 1.9652 Prob Value < 0.05 0.0098 < 0.05	**Positive**	**Hypothesis Accepted**
H3	Working capital turnover has no significant effect on profitability	T Compute > T Table -1.1394 < 1.9652 Prob Value < 0.05 0.2551 > 0.05	**Negative**	**Hypothesis Rejected**
H4	*Leverage has a positive effect on firm value*	T Compute > T Table 0.6377 < 1.9652 Prob Value < 0.05 0.5239 > 0.05	**Positive**	**Hypothesis Rejected**
H5	Firm size has a positive effect on firm value	T Compute > T Table -2.1384 > 1.9652 Prob Value < 0.05 0.0330 < 0.05	**Negative**	**Hypothesis Accepted**
H5	Working capital turnover has no significant effect on firm value	T Compute > T Table -0.5101 < 1.9652 Prob Value < 0.05 0.6102 > 0.05	**Negative**	**Hypothesis Rejected**

Discussion

a. Effect of Leverage on Profitability

The results show that if leverage using the DER proxy has a negative effect on profitability using the ROE proxy for non-financial sub-sector companies on the Indonesia Stock Exchange (IDX) for the period 2019 to 2021, then H1 is acceptable. These results agree with research (Alarussi & Alhaderi, 2018; Pardanawati, 2021; Widhiastuti et al., 2020) which explains that leverage has a negative effect on the profitability of a company.

The level of debt has an influence on profits because the debt that the company has used is the obligation to pay off loan interest. The greater the debt, the greater the loan interest that must be repaid. High interest payments will have an impact on low profits. The negative effect on large debt management does not benefit the company, because the company's ability is still doubtful in managing debt properly to maximize profitability. The conclusion of this study is in accordance with empirical studies that have been conducted by (Putri, 2020).

b. Effect of Company Size on Profitability

From the above observations it proves that if company size by proxy SIZE has a positive effect on profitability by proxy for ROE in non-financial sub-sector companies on the Indonesia Stock Exchange (IDX) for the period 2019 to 2021, then H2 can be accepted. The results of this test are in line with the presentation of (Chabachib et al., 2019; Hirdinis, 2019; Khajar et al., 2020) which states that company size has a positive effect on the profitability of a company.

In general, a large company size can attract more investor attention because it is traded in greater frequency and amount in the capital market. An illustration if large companies are relatively more constant and have the ability to generate profits compared to small companies. The higher the assets, the greater the capital invested, the greater the velocity of money and the larger the market capitalization, the higher the profitability of the company. Other empirical research studies that support the results of this study (Atiningsih & Izzaty, 2021).

c. Effect of Working Capital Turnover on Profitability

The results of the data analysis above, if working capital turnover using WCTO proxies does not affect profitability using ROE proxies in non-financial sub-sector companies on the Indonesia Stock Exchange (IDX) during the period 2019 to 2021, then H3 can be rejected. The results of this test do not agree with research (Hidayat & Dewi, 2022; Khajar et al., 2020; Widagdo & Sa'diyah, 2021) which states that working capital turnover has a positive effect on the profitability of a company.

In line with previous research by (Puspita et al., 2021). There is no impact of working capital turnover on profitability, proving that working capital with a relatively low turnover and its use is ineffective which results in reduced sales so that the company's profitability decreases. This can be seen from the data that has been developed which means that if information related to the rise or fall of working capital turnover does not always coincide with the rise and fall of profitability in the sample companies. And also in this research year, there is a pandemic going on almost all over the world, where companies will compete in producing lots of goods and making new innovations. Because of this large working capital turnover, it is not matched by a balanced profit.

d. Effect of Leverage on Firm Value

The test above shows that if leverage by proxy DER has no effect on firm value by proxy PBV in non-financial sub-sector companies on the Indonesia Stock Exchange (IDX) for the period 2019 to 2021, then H4 can be rejected. The results of this test are not in line with (Saragih, 2021; Sihombing et al., 2021; Zuhroh, 2019) which states that leverage has a negative effect on firm value.

A large DER ratio means that the debt the company has is greater than its own capital and this is in accordance with the signal theory which explains that a high level of leverage will give a negative signal to investors because high levels of debt will increase company risk. The use of large debt has an impact on the greater the risk that will have a negative effect on company value. The results of the data above, investors do not see the level of debt that the company has because investors are more concerned with how the company generates profits by using the funds the company has effectively. The company's management must take advantage of the debt it has. If the higher the debt, the lower the value of the company and it is better for the company not to be fully financed by debt in order to reduce the risk of company bankruptcy. In line with empirical studies researched by (Ispriyahadi & Abdullah, 2021).

e. Effect of Firm Size on Firm Value

From the above observations, it shows that if company size using the SIZE proxy has a negative effect on firm value with PBV proxies for non-financial sub-sector companies on the Indonesia Stock Exchange (IDX) for the period 2019 to 2021, then H5 is acceptable. The results of this test are not in line with (Chabachib et al., 2019; Hirdinis, 2019; Saragih, 2021) which states that company size has a positive effect on firm value.

Thus, a company with a large number of assets may not necessarily be able to manage it as effectively as possible, giving rise to asset hoarding, ineffective company performance also results in reduced company value. Investors do not judge a company as good or bad based on the value of the company's assets, but will look at the company's overall good information such as sales levels, financial statements, goodwill, and others before making an investment. Thus, if the company's total assets are high but have poor formation, it does not guarantee investors to invest. Thus, according to research (Wijayaningsih & Yulianto, 2021).

f. Effect of Working Capital Turnover on Firm Value

The results of the processing above explain that if the working capital turnover by WCTO proxy does not affect company value by PBV proxy for non-financial sub-sector companies on the Indonesia Stock Exchange (IDX) during the 2019-2021 period, then H6 can be rejected. This research does not support the results of research conducted (Saluy et al., 2020; Widagdo & Sa'diyah, 2021) which states that working capital turnover has a positive effect on firm value.

During the period this research was carried out when the Covid-19 pandemic was attacking almost the whole world and not a few companies were competing with each other to survive by producing a lot and innovating their products. Turnover of working capital if it runs very aggressively can weaken the value of the company, because working capital that is managed very aggressively will weaken investment and working capital in the company and cause sales to decrease and result in the company's value going down. In line with previous research (Widhiastuti et al., 2020).

g. The Effect of Firm Size on Firm Value with Profitability as a Mediating Variable

According to the research above, it shows that if profitability proxied by ROE can mediate company size by proxy SIZE on firm value by proxy PBV in non-financial sub-sector companies on the Indonesia Stock Exchange (IDX) for the period 2019 to 2021, then H7 can be accepted. The results of this test agree with research (Chabachib et al., 2019; Hirdinis, 2019) which states that profitability can mediate company size to firm value.

The size of the company's wealth can increase the profit earned because the resources owned are very abundant. Maximum profitability can increase investor confidence so that it can maximize the company's stock price. Therefore, indirectly company size can increase company value through profitability (Atiningsih & Izzaty, 2021).

5. CONCLUSION

The results of the research above aim to see how much influence leverage, company size and working capital turnover have on company value with profitability as a mediating variable in non-financial sub-sector companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2021 period. The use of data analysis techniques in the form of panel data regression analysis with the help of Eviews 12 software. Overall, based on simultaneous research it can be concluded that leverage, firm size and working capital turnover simultaneously influence profitability and leverage, firm size and working capital turnover have a simultaneous effect on the value of the company. Based on the partial research, it can be concluded that leverage has a negative effect on profitability. The size of the company has a positive effect on profitability. The working capital turnover has no effect on profitability. The leverage has no effect on firm value. The company size has a negative effect on firm value. The working capital turnover has no effect on firm value. And on profitability can mediate company size to firm value.

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