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THE EFFECT OF PROFITABILITY AND CAPITAL STRUCTURE TO FINANCIAL PERFORMANCE : FIRM VALUE AS MEDIATIANG VARIABEL

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ARTICLE INFO | ABSTRACT

This research examines the impact of profitability and capital structure on financial performance through company value, which is proxied using market prices and share prices. This research was conducted on 68 companies in the manufacturing sector for the period 2016-2022, using a purposive sampling method. Panel regression data is used for the analysis technique, using eviews. The findings in this research resulted, first, that ROE and DER have a significant effect on Tobins Q through Market Book Value Equity. These findings indicate that looking at book value can be a good option for investors in analyzing financial information which is directly proportional to the company's financial performance; second, while through the Price Earnings Ratio; Share prices are one of several market sentiment factors on financial performance. This research provides recommendations to potential investors regarding investment decisions, that when analyzing financial information about a company it is better to use Market Book Value Equity rather than Price Earnings Ratio as a mediator. This research is different from (Neukirchen et al., 2023) which is the main reference; In this research, the firm value variable was added as a mediating variable using the Price Earnings Ratio as a mediator.

Keywords:
Firm Value, Capital Structure, Financial Performance, and Tobins Q

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1. INTRODUCTION

This research investigates the global economic conditions which are currently weakening and causing economic growth in Indonesia to decline. Starting from decreasing supply chains to decreasing investment in Indonesia. This decline can be seen in the share prices of manufacturing sector companies in Jakarta composite stock price. Therefore, a company must pay attention to increasing company value through shareholders. According to (Suzuki & Chida, 2017) company value can be represented by the Tobins q variable as an investment-based model in the manufacturing sector industry.

Expanding studies on the value of manufacturing sector companies, this research looks at the contribution of the manufacturing sector. As stated in research (Walmsley et al., 2023), one of the largest contributions to a country's GDP comes from manufacturing sector companies. Furthermore, this research raises the topic of the COVID-19 pandemic crisis which is quite strong in countries that implement very strict restriction policies, such as countries in Europe and Asia. Not many countries are able to achieve positive economic growth, one of which is Indonesia (Malahayati et al., 2021). The level of uncertainty due to the crisis is very high, one of which can be seen from the equity market which caused a decline of 36% in the American stock market (Zhang et al., 2023).

The volume of stock market transactions in Indonesia also decreased by 25% from 2019 to 2020. This reflects the behavior of investors to wait and see for certainty regarding this crisis. In this crisis there is a difference between growth projections made by financial analysis and actual realization (Azqueta-Gavaldón et al., 2023). The volatility in stock market price performance intensified as the escalation of COVID-19 occurred in all countries.

In 2022, according to (Gagnon et al., 2023), one of the other effects of the war between Russia and Ukraine which took place from February 2022 was to eliminate global GDP of up to US$ 2.8 trillion. This war disrupted global supply chains (El Baz et al., 2023). This gave rise to a crisis in the most important sectors of food and energy (manufacturing sector) which ultimately accelerated the rate of inflation (Bouri et al., 2023). The subsequent impact has been on energy prices which have continued to increase since 2021 due to delayed demand due to post-pandemic recovery which has triggered competition in the energy market (Ferriani & Gazzani, 2023). This of course has an impact on the financial difficulties of manufacturing companies whose main fuel is energy, as well as efforts to maintain the company's survival during times of crisis (Ding et al., 2023).

A company's reported annual financial statements can provide useful insight into a company's financial difficulties. Includes profitability and allows investors to assess a company's past performance and estimate future performance. For example, Investors make decisions to predict future stock prices and profits (Mushtaq et al., 2022). However, the predictive power of financial reports on future performance depends on the company's integrity in reporting its performance (Wasan et al., 2022). Therefore, indicators are needed that are strong and not too susceptible to accounting manipulation. The following are several strong indicators to be used as benchmarks for making investment decisions, such as cash flow, capital structure, liquidity, debt policy, profitability and so on. For example, research conducted on United States companies analyzed data sets for financial indicators such as future earnings, profitability, predicting company bankruptcy and helping investors increase their portfolio returns (Cohen et al., 2020).

This research expands research by (Abel, 2018) and (Mushtaq et al., 2022) which investigated the benefits of financial information indicators on company performance. First, Investors analyze financial data to predict stock prices and returns. Second, creditors analyze annual financial reports to determine the company's debt repayment capacity. Third, suppliers and competitors evaluate financial performance to expand the reach and reduce the company's partners. (Abel, 2018) and (Mushtaq et al., 2022) confirmed that company financial performance indicators help reduce negative management conditions in terms of issuing company annual financial information reports.

On this basis, a comprehensive analysis of company financial information from market prices and share prices will be studied which plays a role in shaping the investor decision-making process in the manufacturing company sector on the Indonesia Stock Exchange in 2016-2022, which includes the financial crisis of the COVID-19 pandemic and the war. Russia-Ukraine.

Based on the investment theoretical framework, a dynamic investment model was built based on investment theory, this refers to research (Neukirchen et al., 2023) which states that profitability and capital structure have a positive effect on financial performance. Specifically, this research creates two model structures as follows: First, profitability and capital structure on financial performance with market book value equity as a mediator. Second, profitability and capital structure on financial performance with price earnings ratio as a mediator.

The literature relevant to this research is Tobins Q theory, agency theory, capital structure and economic growth theory. First, the Tobins q theory which adopts the share market value of the company's equity in investment returns (Tobin, 1969). This investment theory will be optimal in helping companies to maximize net cash flow (Hayashi, 1982). Optimal conditions will be achieved if a company can freely change its capital structure, then the company will increase or decrease its capital stock until Tobins q is equal to one. Other relevant research finds that cash flow has a positive impact on investment. This is supported by findings which state that the cash flow coefficient will be greater than the company's growth rate, conditions will become a financial constraint (Abel, 2018). Subsequent research developments show that Tobins q investment shows sensitivity in helping investors and analysts in evaluating financial information (Sakawa et al., 2023).

Second, transparency between agents and principals is very important in avoiding agency problems. The directors of a company in generating profits reveal more positive information that is susceptible to manipulation to strengthen their success and in terms of gaining shareholder trust. In other cases, directors can hide negative performance to avoid the risk of being demoted or reducing compensation (Mushtaq et al., 2022). On this basis, company financial reports that are prepared well and honestly will increase positive sentiment towards the company's performance.

Third, the theory suggests that a company chooses a capital structure depending on future prospects which determine the various costs and benefits associated with debt financing in carrying out its operations. For example, companies with unique or specialized products have relatively low debt ratios. On the other hand, small companies tend to use more short-term debt than large companies. This found evidence that companies that have little debt are able to have good company performance (Titman & Wessels, 1988). Subsequent research developments showed that there was a significant positive correlation between capital structure and the financial performance of companies in Malaysia and Indonesia during the 1990-2010 period. Companies will use less debt in company funding when there are opportunities for company growth to reduce conflicts between debt borrowers and shareholders (Ramli et al., 2019).

Fourth, that the level of investment is proportional to the growth of a country's income. When a country receives investment from another country. This means that investment in a country can enter through companies to produce goods or services based on demand (Harrod, 1939). Of course, countries that receive investment will experience growth in production, technology, knowledge, labor and taxes. Furthermore, the level of investment will increase the company's long-term capital stock. Determining the level of investment greatly influences company factors (Blume & Sargent, 2015).

2. METHOD

The population in this study are manufacturing sector companies listed on the Indonesia Stock Exchange (BEI). Sampling in this study used secondary data from sampling using the purposive sampling method. Data processing and descriptive statistical analysis use panel data regression as the analysis technique. The sample criteria in this study are:

Table 1. Purposive sampling of manufacturing companies

Description	No. Of companies
Listed on IDX manufacturing companies as of December 31, 2022	206
IPO between December 31, 2016, and December 31, 2022	(29)
Companies with a negative net income and negative equity	(138)
Final sample	68
Duration study	7 years
Total observation	476

Source : IDX and corporate official website (data processed 2023)

From the companies analyzed, researchers obtained annual reports from 206 manufacturing sector companies selected from a total of 476 years of observation. The starting point for this research was chosen in 2016 because it had an upward trend in share prices on the Indonesian Stock Exchange. This is a sign that the number of investments in companies is increasing. However, in 2020 there was a decline in share prices and many investors withdrew their funds in significant amounts (Budiono & Purba, 2023) . Based on this situation, it is deemed necessary to conduct a study to increase investment interest and increase share price sentiment.

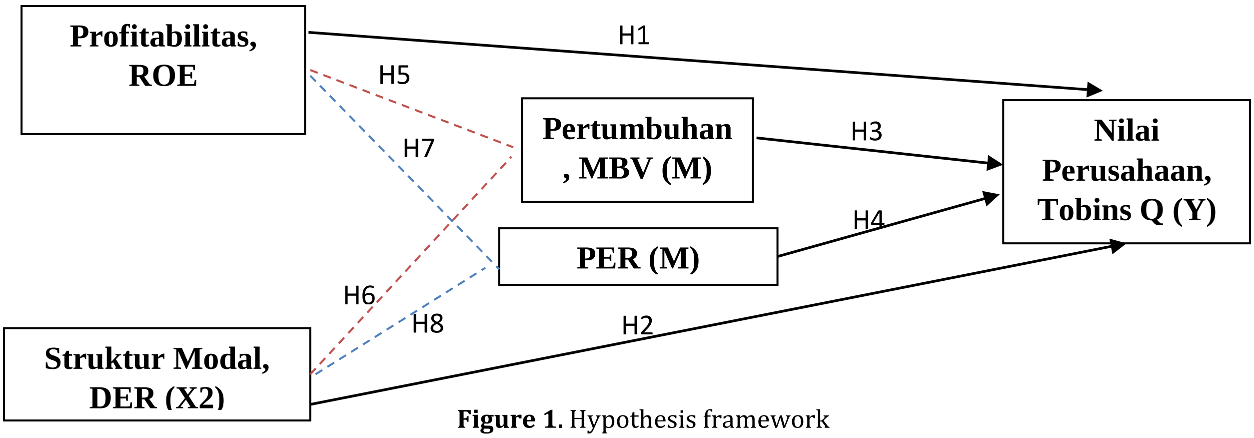

Figure 1. Hypothesis framework

This research contributes to the investment model debate regarding manufacturing sector companies listed on the Indonesian Stock Exchange. Projected investment model with company value measured using Tobins q. The greater the Tobins q value, the better the investment opportunities of a company and the better the growth prospects in the future. The development of hypotheses 1 and 2 refers to research (Pan & Long, 2021) , for investment in shares the assessment can be done by measuring income from returns projected with the ROE variable and debt loans projected with the DER variable to carry out operations in the company's development as well as investment accuracy side by side with company performance Tobins q. Hypothesis 3 regarding market book value equity on financial performance. . According to research (Leonardo et al., 2022) , book value is the accumulation of retained earnings and retained earnings in the past. The market book value ratio describes market confidence in the company's prospects and indicates good company value. . Next is hypothesis 4. The impact of the stock price to earnings ratio should reflect the company's performance. According to research (Rahman &

Shamsuddin, 2019) , the more the price per share rises, it shows how strongly the company manages its operations to earn income. This means that the return on equity will increase as the share price increases. Next are hypotheses 5 and 7 regarding investor sentiment in terms of increasing company profitability on company value. According to research conducted (Vuong, 2022) , share prices and market prices have increased. If the company's income returns also increase. Next, hypotheses 6 and 8 regarding investment theory show influence as a trigger in increasing and decreasing company value through the loan capital structure. According to research (Wu et al., 2021) , the higher the capital generated from loans, the less capital provided by shareholders to run the company's operations.

According to research conducted by (Jinji et al., 2019) , a higher Tobins q investment ratio indicates relatively good long-term performance of manufacturing companies. On the basis of this research, the hypothesis used in this research is:

Table 2. Variables Measurement

Variable	Definitions	Indicators	Source
Financial performance	The relationship between financial performance and investment	Tobins q	(Andrei et al., 2019)
Profitability	Measure of a company's net income with total shareholders' equity	Return on equity	(Olszak & Kowalska, 2023)
Capital Structure	how much debt a company has to business activities	Debt to equity	(Iioka & Yamada, 2023)
Firm Value from market price	Stock market price with book value	Market book value equity	(Ball et al., 2020)
Firm Value from share price	Description share price and profit	Price to earnings	(Rahman & Shamsuddin, 2019)

H1: Return on Equity has a positive effect on Tobins Q

The effect of equity holders receiving remaining profits from company revenues is a consideration in investing, in this case the dynamic investment level is determined by shareholders. When the company's shareholders fall to a certain point. So, shareholders will make a decision about whether the company is in bankruptcy. On this basis, the company's expected return on investment in equity can be seen from return on equity (Dempsey & Sheng, 2023) . The higher the return ratio, the stronger the company will be in managing their assets well. The better the return to yield ratio will increase the value of the company. This certainly attracts investors' interest in investing their capital. More investors will push up share prices. On this basis, this research is interesting to examine the relationship between return on equity and Tobin's q. This statement is increasingly relevant to research (Nafisah et al., 2020) which states that return on equity has a significant positive effect on company value. However, this is contrary to research (Otero González et al., 2020) which argues that return on equity does not guarantee the danger of bankruptcy for companies that have good corporate value. This certainly contradicts this research. Because of management's success in managing the operations of a company. So, returns will increase and further increase the value of the company.

H2: Debt to Equity has a positive effect on Tobins Q

The previous hypothesis discussed the value of profit returns to shareholders. This hypothesis discusses how to consider the company's capital structure with loans. According to research (Yang & Gan, 2021) states that loans are a source of funds used by companies to finance their operational assets. This is because the greater the company's operational activities, the less the company will be able to manage operational expenses from its own capital. Every debt financing, of course, will have positives and negatives. On the positive side, debt financing is used to maximize a company's financial performance. Negatively, the policy in terms of managing debt is the extent to which debt financing becomes a company signal to investors. The level of debt loans can have an impact on the company. When a company has a capital structure from loans = 1. Then, it can be said that the company is able to pay off the capital structure financing from debt. On this basis, investors still have the opportunity to get a return on investment from a company. If the debt is greater, it will have an impact on returns to equity that are not appropriate. This statement is increasingly relevant to research (Wiratno & Yustrianthe, 2022) which states that debt to equity has a significant positive effect on company value. Meanwhile, according to (Jackson et al., 2013) , they argue that when making capital investment decisions for projects there is no need to increase the value of the company. However, this research states the opposite. As the debt to equity ratio increases, the company value will increase.

H3: Market to Book Value Equity has a positive effect on Tobins Q

The next hypothesis regarding the market book value ratio is the ratio between market price and book value. Book value estimates the accumulated earnings of current period retained earnings and past retained earnings. A good market book value is above one. This states that the company can carry out its operations well. The higher the market book value ratio, the higher the investment returns for investors (Ball et al., 2020) . This means that an increase in the market book value ratio causes the level of company value to increase. On this basis, it confirms the notion that investors can use market value as an indication of financial performance. The market book value ratio describes market confidence in the company's prospects and indicates good company value. This research is reinforced by an article (Gunawan & Mayangsari, 2015) , stating that market book value projected as an investment opportunity set has a positive effect on Tobins.

H4: Price to Earnings has a positive effect on Tobins Q

The next hypothesis about price to earnings describes the company's share price. An increase in share prices will increase the number of investors. Investors tend to look at the future and are efficient in taking into account all available information, including company performance, and do not make systematic errors. So, the company's share price can be assessed correctly (Thoma, 2021) . The higher the profit per share will show how strong the company is in managing its operations. This will certainly increase the value of the company. The price earnings ratio can be used to assess a company to filter and select the right shares to be an investment choice. The size of this ratio shows how much capital shareholders must pay to obtain returns. If the value of the price earnings ratio variable increases by one percent, then the company value will increase by the same amount (Nafisah et al., 2020) . This means that the price earnings ratio has a significant effect on Tobins q.

H5: Return on Equity has a positive effect on Market to Book Value Equity

The next hypothesis refers to the extent to which market prices reflect information relevant to returns on equity. This means that reducing uncertainty for investors regarding their investments requires analysis of financial information with returns on equity returns (Frijns et al., 2023) . The company's current and future survival affects the level of return. Low revenue will impact the company's inability to attract investors. This ratio is important for shareholders in knowing the effectiveness and efficiency of managing their own capital. The more efficient the company management uses its own capital, the better the book value for the company will be. According to (Setiawati et al., 2020) there is a negative relationship between return on equity and the market book value ratio of manufacturing companies. Company value can describe the share price for the company. The higher the share price, the higher the rate of return for investors. The ratio of the share price to the company's book value shows how much the company's ability to create efficiency is related to the amount of shareholder capital.

H6: Debt to Equity has a positive effect on Market to Book Value Equity

The next hypothesis is about the debt to equity ratio, which is a ratio to measure the value of debt versus equity. The higher this ratio, the less capital provided by shareholders to run the company's operations. The impact of debt to equity can cause a burden on the company's operational management on creditors. Companies that have large amounts of debt can experience a financial crisis which may be caused by the company's funding decisions (Detthamrong et al., 2017) . Capital structure is the accumulation of short-term and long-term debt. According to (Amanah et al., 2015) it is stated that the debt to equity ratio variable has a positive effect on the company's market book value. This happens when the debt to equity ratio increases. So, the market book value ratio will increase.

H7: Return on Equity has a positive effect on Price to Earnings

The next hypothesis finds that companies with higher returns can maintain or increase stock prices during periods of crisis. It becomes very important for investors during a crisis because it is a major challenge facing companies (Neukirchen et al., 2023) . In a company's financial report, investors will compare income with the share price. High share prices affect investors' perceptions of the company's level of success in managing its operations. This is of course the basis for investors to expect quite high returns. This condition forces every company to be able to operate efficiently. The level of efficiency becomes the company's standard so that it has excellence and competitiveness to produce optimal returns. Meanwhile, according to research (Melliana et al., 2022) , return on equity has a negative effect on the price earnings ratio. If investors choose to invest safely in a company, they must act carefully and appropriately. The comparison of share price and net profit to equity is a factor in investors' profits.

H8: Debt to Equity has a positive effect on Price to Earnings

The next hypothesis regarding disclosure of debt transparency in the company's annual financial information can increase the company's share price. On this basis, the quality of share prices can increase investor demand for company shares. According to research (Boubaker et al., 2019) states that the ratio of debt to equity loans is used to measure short-term and long-term company liabilities. If this ratio is very high, it means investors do not want to invest in a company. This causes the share price to decrease. As well as the opinion of (Azzahra & Ramadhan, 2021) , which states that the debt to equity ratio has little effect on the share price of telecommunications companies. Another thing that contradicts this research according to (Priliyastuti & Stella, 2017) states that the debt to equity ratio does not have a significant influence on stock prices. Investors can make considerations when investing in companies. Due to the higher debt, the company's risk of facing a crisis is much higher.

The following model structure equation explains the impact of profitability and capital structure of loans on financial performance through market prices and share prices:

$$MBVE = \beta(0) + \beta\,(1)*ROE + \beta\,(2)*DER + \mathcal{E} \quad (1)$$
$$PER = \beta\,(0) + \beta\,(1)*ROE + \beta\,(2)*DER + \mathcal{E} \quad (2)$$
$$TOBINS\ Q = \beta\,(0) + \beta\,(1)*ROE + \beta\,(2)*DER + (M)1MBVE + \mathcal{E} \quad (3)$$
$$TOBINS\ Q = \beta\,(0) + \beta\,(1)*ROE + \beta\,(2)*DER + (M)2PER + \mathcal{E} \quad (4)$$
$$TOBINS\ Q = \beta\,(0) + \beta\,(1)*ROE + \beta\,(2)*DER + (M)1MBVE + (M)2PER + \mathcal{E} \quad (5)$$

3. RESULTS AND DISCUSSION

The following is an explanation of an overview of statistical calculations. First, table 2 shows descriptive statistics that the average sample company has a financial performance Tobins q of 2.66. According to research conducted (Li & You, 2023) , if the Tobins q value is more than 1, it indicates that the company tends to be relatively stable in facing a financial crisis. For example, the sample in this research is PT Indofood Cbp, which is successful and prosperous. In the period before the COVID-19 pandemic, the Tobins q value was above the average of 3.8. However, during the COVID-19 pandemic, the Tobins Q value decreased to 1. After COVID-19 in 2022, share prices began to increase and the Tobins Q value was 1.59. This is a sign that investors see good future prospects for the successful and prosperous Indofood CBP company. Because this subsector is an industry that provides basic needs. The companies that experienced an increase in investment value during COVID-19 were; PT Sidomuncul Herbal Medicine and Pharmacy Industry has a Tobins Q value above the average of 3. It can be said that investment is greatly influenced by profitability during COVID-19. The manufacturing industry in this sub-sector is in great demand because of the need for medicines and herbal medicine. So the impact is an increase in share prices in similar industrial sub-sectors.

Table 3. Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
Tobins Q	476	2.67	3.26	0.25	24.52
ROE	476	0.15	0.22	0.00	2.24
DER	476	0.80	0.70	0.00	5.44
MBVE	476	4.30	7.21	0.05	56.79
PER	476	69.01	221.57	0.90	2393.76

Table 4. Correlation Matrix and VIF Coefficient

Variables	Tobins Q	ROE	DER	MBVE	PER	VIF
Tobins Q	1.00					
ROE	0.33	1.00				1.40
DER	0.12	0.29	1.00			1.14
MBVE	0.80	0.45	0.31	1.00		1.47
PER	0.22	-0.12	0.03	0.23	1.00	1.14

Table 5. Regression Analysis Results

Variables		Regression Model Test				
		1	2	3	4	5
Independent						
ROE	Coefficient	3.66	(154.17)	0.85	2.45	(3.8)
	Sig.	0.04	0.00	0.01	0.00	0.00
DER	Coefficient	2.24	25.57	(0.88)	(0.07)	(0.79)

	Sig.	0.00	0.31	0.00	0.75	0.00
Moderating Variables						
MBVE	Coefficient			0.37		0.45
	Sig.			0.00		0.00
PER	Coefficient				0.00	(0.00)
	Sig.				0.00	0.41
Redundant Fixed Effects Test		0.00	0.00	0.00	0.00	0.00
Hausman Test		0.00	0.99	0.00	0.00	0.00
Breusch and Pagan Lagrangian multiplier test (P-Value)		0.00	0.00			
Selected Model		FEM	BRAKE	FEM	FEM	FEM
R-Square		0.67	0.34	0.94	0.72	0.85
Adj. R-square		0.61	0.23	0.93	0.67	0.85
Prob(F-statistic)		0.00	0.00	0.00	0.00	0.00
Sobel Test						
P-value				0.04	0.10	
				0.00	0.34	
T-statistic				1.98	1.60	
				3.80	0.94	
Observations		476	476	476	476	476

Source : Secondary data processed data 2023

Table 6. Hypothesis Results

No	Hypothesis	β	Sig.	Results
1	Return on Equity gives a positive influence to Tobins Q	0.88	0.00	Accepted
2	Debt to Equity gives a positive influence to Tobins Q	-0.88	0.00	Accepted
3	Market to Book Value Equity gives a positive influence to Tobins Q	0.37	0.00	Accepted
4	Price to Earnings gives a positive influence to Tobins Q	0.00	0.41	Rejected
5	Return on Equity gives a positive influence to Market to Book Value Equity	6.98	0.04	Accepted
6	Debt to Equity gives a positive influence to Market to Book Value Equity	2,3	0.00	Accepted
7	Return on Equity gives a positive influence to Price to Earnings	-155.71	0.00	Accepted
8	Debt to Equity gives a positive influence to Price to Earnings	25.84	0.31	Rejected

Table 4 shows descriptive statistics that the market book value of equity is 0.80, but is still below 0.85, which shows that there are no multicollinearity problems between the variables in this study. The highest Variance Inflation Factor (VIF) of 1.47 is smaller than ten so there is no multicollinearity problem in this research. Furthermore, table 5 shows the results of the regression analysis of several models which show whether the hypothesis questions in this research are accepted or rejected. Based on the regression results of model 1 equation in table 5, it can be seen that the probability value of 0.00 < 0.05 shows that the results of return on equity and capital structure have a significant positive influence on market book value. The R-squared result in model 1 equation is 0.67. Shows that the overall value of the independent variables has an influence of market prices on the company's book value by 67%. This statement is strengthened according to research (Jankensgård & Moursli, 2020) which argues that company value supports investment through calculating the company's cash flow from profitability and capital structure. In the sample companies, only a small number of companies have more debt than their capital. The results of model 1 equation are relevant to research (De Maeseneire & Brinkhuis, 2012) that the better the company value, the better the company is able to utilize the level of debt loans. However, the significance of capital structure in model 2 is not significant to price earnings. Where sample companies with large business scales are able to maintain share prices and control capital structure before carrying out operations. Next are the regression results of model 3, if you look at the return on equity and capital structure through market prices (MBVE) on financial performance, you get an R-squared value of 94%. One empirical evidence regarding the positive relationship between the book value ratio influences the return on good company performance between the past and future of a company (Iqbal et al., 2023) . This answers hypotheses 1, 5 and 7 which have a significant positive effect and are accepted. Book value can project sample companies that suffered losses during the COVID-19 pandemic, thereby impacting the company's performance in generating revenue. This is relevant to research (Jiang & Stark, 2013) which states that book value can act as an indicator of normal income and loss-making companies. There are variables that include the role of book value assessment such as income and capital structure. Next, the regression results of model 4, if you look at the return on equity through share prices (PER) on financial performance, get an R-squared result of 72%. Price earnings estimate the cash flow of a company which will cause volatility in returns to investors related to company earnings announcements (D'Augusta & Grossetti, 2023) .

This is different from research (Miller, 1977) which states that debt financing will produce an optimal capital structure. The higher the company's income from the share price, the more balance there is in its capital structure. However, there is a note regarding the capital structure variable for debt loans on share prices, which breaks hypothesis 8. It states that the higher the debt to equity ratio has a less favorable impact on the company's share price. Investors will need a greater rate of return because using debt is riskier than using their own capital. The use of debt results in greater operational costs for the company. These operational costs will of course reduce the company's returns and reduce the company value. A negative company value will have a negative impact on investors. The research is in accordance with signaling theory that companies that have large amounts of debt have the trust of creditors. Creditors assume that the company can pay short-term and long-term obligations. This can certainly increase investor confidence, so that the company value will increase. Next, the results of model 5 equations regarding return on equity, debt to equity, market book value have a significant positive effect on Tobins q. However, the price earnings ratio is not able to mediate return on equity and capital structure on company value by 23%. The influence of investor confidence during the financial crisis of the COVID-19 pandemic and the Russian-Ukrainian war was the cause for the sample manufacturing companies. This financial crisis was reinforced by the large number of companies in this study buying shares back to restore investor confidence. This is relevant to research (Rahman & Shamsuddin, 2019) which states that the impact of the financial crisis has a detrimental impact on share prices and company earnings.

As research conducted by (Smith, 2022) , explains the role of company characteristics, there are several things regarding capital decisions by expanding the basic factors between debt and equity to estimate the return on an investment. So, the assumption is that the basic factors of the capital structure of loans cannot predict stock price sentiment to achieve financial performance. If, we compare models 3 and 4 of the regression results in this study. Volatility of Tobins' q financial performance through stock prices and market prices both as a mediator on the basis of efficient investment decision making is very important for companies to remain competitive and encourage long-term growth (Xie et al., 2022) . Another thing that strengthens the results of this research is Tobins' financial performance as an influential variable in a company's investment (Pollock et al., 2023) . And companies with good financial performance can increase public confidence as investors and avoid the uncertainty of future economic crises (Karolyi et al., 2020) .

4. CONCLUSION

This research develops a model structure from research conducted (Abel, 2018) regarding the influence of cash flow on investment. The research results found that market book value equity was able to mediate the relationship between profitability ratio (return on equity), capital structure through loans (debt equity ratio) and Tobins q financial performance; This research is relevant to (Modigliani & Miller, 1963) which revealed that the greater the amount of debt a company has, the greater the company value. Factors that can significantly determine the value of a company are the level of profitability, capital structure, market price and book value which are characterized by probability values. Likewise, the price earnings ratio is unable to mediate the relationship between profitability ratios (return on equity), capital structure through loans (debt equity ratio) and Tobins q's financial performance. This explains the sentiment that share prices were greatly influenced by the financial crisis, namely during the COVID-19 pandemic and the Russian-Ukrainian war. It can be seen from the sample of companies that a lot of their company shares are repurchased and this is confirmed by the results of the regression analysis of model equation 5. Of course, this reduces investors' confidence in investing their capital. However, market book value equity has a stronger role than the price earnings ratio, this is supported by the value of the coefficient of determination in the model mediated by market book value equity compared to the coefficient of determination in the model mediated by the price earnings ratio. And research carried out for further research can add other financial indicator variables to mediate the price earnings ratio. This allows investors to consider financial indicators more so that they invest their investment capital according to expectations in manufacturing companies .

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