

## The Effect of Capital Structure, Profitability, and Liquidity on Company Value with Company Size as A Moderation Variable

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### KEYWORDS

Capital Structure,  
Profitability, Liquidity,  
Company Size, Company  
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### ABSTRACT

This research aims to test whether the structure of capital, profitability, and liquidity affects the value of the company and whether by adding moderation variables the size of the company can strengthen or weaken independent variables against dependent variables. It is known that the impact of the COVID-19 virus made some banks suffer losses, and others experienced a decrease in profits that lowered the value of the company, one of which is the banking sector. The population used in this study is financial industry companies, namely banking and components which amounted to 34 companies in the period 2020. The analysis method used in this study uses a multiple linear regression method consisting of independent variables of capital structure, profitability, company size, and moderation variables namely company size, as well as dependent variables i.e. company values. Based on the results of the F test it was obtained that all independent variables significantly affect dependent variables. Partially, the results that profitability variables have a significant effect on the value of the company, the size of the company strengthens the influence of profitability on the value of the company, and partially also obtained the result that the variables of capital structure, and liquidity do not significantly affect the value of the company, the size of the company weakens the influence of the capital structure, and liquidity on the value of the company. The purpose of the study is to identify and analyze the effect of three main factors, namely capital structure, profitability, and liquidity, on the value of the company.

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### 1. Introduction

On the second of March 2020, COVID-19 broke out in Indonesia, and the statement was announced by President Jokowi Widodo (Timdetikcom, 2020). With the Covid-19 pandemic in Indonesia, there are various impacts, not only on public health but also on economic conditions in Indonesia (Isdijoso, 2020). The Central Statistics Agency (BPS) reported that Indonesia's Gross Domestic Product in the third quarter of 2020 was -3.49% *year on year* (yoy), therefore Indonesia

experienced an economic recession (Mutia, 2020). One of the industries affected by Covid-19 is financial services, one of which is the banking sector. OJK Chairman Wimboh Santoso stated that as of July 2020, the banking industry's credit growth was only 1.53% yoy. The COVID-19 pandemic that hit the business world and the national economy had an impact on the performance of the banking industry in lending. This condition is in line with the stock performance of several top banks in the country. All banks with capital above Rp. 20 trillion experienced a significant decline in shares (Adhitya, 2020). Citing Ipotnews data at the end of July 2020, Bank BRI's shares were at the level of 3,160, down 28.18% *Year to Date* (YTD). Bank Mandiri's shares were at 5,800, down 24.43%. Bank BCA's shares were at 31,200, down 6.66%. Bank BNI shares were at 4,600, down 41.4%. CIMB Bank shares were at 770, down 20.21%. Bank Panin's shares were at level 805, down 39.70%. Bank Danamon's shares were at 2,740, down 30.63%. Ipotnews data does show that after experiencing a low point in mid-May 2020, the stock price of the big bank began to show a graph of increasing slowly until the end of July 2020 (Adhitya, 2020). OJK Chairman Wimboh Santoso believes that the bank's net profit in 2020 was -33.08% (Fuad, 2021). Because of the decline in stocks in the banking sector, can affect the value of the company, this is due to stocks seen in the capital market (Yanti & Darmayanti, 2019). Based on the news above, the author is interested in raising the phenomenon of falling stock prices in the banking sector at the beginning of the COVID-19 pandemic in 2020 as research. The regulation from Bank Indonesia related to regulation number 22/23/PB/2020 concerning the payment system aims to restructure the SP industry, as well as to protect the implementation of SP evenly in line with the development of the digital economy and finance.

In addition, the pandemic has also accelerated digital transformation in Indonesia, with more and more businesses and organizations turning to online business models to survive. Innovation and collaboration between the public and private sectors are also key in responding to the challenges faced.

In this context, it is important to understand the impact of the COVID-19 pandemic on the Indonesian economy as a whole. This in-depth analysis of the economic impact will provide the insights needed for policymakers, businesses, and the wider community to develop effective and sustainable recovery strategies. With a strong understanding of the challenges it faces, Indonesia can strengthen its resilience and build a future that is more resilient to similar crises in the future.

The value of a company reflects the level of success that the company has lived from its establishment the company to the present and also provides an overview of the achievement of the company's financial performance at a certain point that can affect the perception of potential investors and investors towards the company (Jaya, 2020). Capital structure has a source of funds, one of which is from debt, so debt is one of the elements of capital structure (Astari, Rinofah, & Mujino, 2019). Profitability describes the company's ability to form a level of profit using assets, capital, and sales to make investors assume that the company continues to grow now and in the future. (Jaya, 2020). If a company experiences an increase in stock price, it correlates with an increase in company value (Komarudin & Affandi, 2019). Companies that have low liquidity will have an impact on declining stocks, on the other hand, if liquidity is valued too high, it can reduce profitability because there are idle funds in the company (Fahmi, 2020). In general, if increased liquidity causes the company's value to increase, it is parallel that if liquidity decreases as a result, the company's value also tends to decrease (Tahu & Susilo, 2017). The size of the company needs to be considered

by investors to see the value of the company (Husna & Satria, 2019). However, there are differences in research (Dhani & Utama, 2017) as the author's main journal, namely that they have not used moderation variables, in measuring company value variables (Dhani & Utama, 2017) use price to book value proxy), the reason the author chooses PBV proxies is that from the investor side, investors generally analyze a company's value to be purchased with fundamental analysis in which there is one element, namely the PBV element. Therefore, the author adds company size as a moderation variable, company size as a moderation variable has been studied (Apriliyanti, Hermi, & Herawaty, 2019; Astuti, 2019; Karundeng, Nangoi, & Karamoy, 2017).

This study aims to examine the extent to which capital structure (DER), profitability (ROE), and liquidity (LDR) have an impact on company value (PBV), and whether the addition of company size variables as moderation can strengthen or weaken capital structure (DER), profitability (ROE), and liquidity (LDR) affect company value (PBV). As is known that the impact of the COVID-19 virus has made some banks experience losses, and some others have decreased profits, reducing the value of companies, one of which is the banking sector. Therefore, researchers make the reason to determine the banking sector as the object of research (Adhitya, 2020; Fuad, 2021).

## **LIBRARY SURVEY**

### **Signal Theory**

According to Spence (1973), the sender of information seeks to provide continuous information where the information can be utilized by the party receiving the information. The information submitted can also be considered and managed, after which the affected party will make a decision based on the information obtained from the sender of the information. Furthermore, the signal theory was discovered by Ross (Ross, 1977) which states that the executive board of the company has better information about the company than outsiders, therefore making the executive board convey company information to investors so that shares in a company can increase, otherwise if the information conveyed by executives is bad, the signals received by potential investors will be bad too so that resulting in potential investors turning away. According to Houston (2011), signal theory is information owned by investors and managers. This is interpreted as symmetrical information, but in reality, managers have better information than investors. Companies that have good prospects tend not to fund through outside equity, on the contrary, companies that have bad prospects tend to choose to invest with outside equity. It can be concluded that generally companies that make funding through outside equity are considered by investors as a signal that indicates that the company tends to be bad based on the assessment in terms of management. In essence, the signal theory is a theory that has an impact on company value, the reason is that this theory explains the state of a company by publishing financial statements.

### **Teori Pecking Order**

Stewart C. Myers (1984) proposed the theory of pecking order where in the use of capital there is an order for a company. This theory explains that companies tend to choose retained earnings over the issuance of new shares. In addition, the basis for thinking is that there is no target regarding DER but there is only a hierarchy regarding funding activities that are highly favored by companies. In the *pecking order theory*, there are two types of capital, namely external financing and *internal* financing. Companies that have large profits generally have little debt. This statement is not caused by a low loan ratio, but because the company requires little external funding, this is related to the statement by (Apriliyanti *et al.*, 2019) that issuing new shares can be a last resort

because the issuance of new shares can create negative information for investors which can explain that the company's condition is not good now or in the future. Furthermore (Eugene F. Brigham, 2016) argues that one of the reasons for companies to follow the *pecking order* theory is that the cost tends to be lower when collecting new debt. Nevertheless, the cost of other securities for the issuance of new shares is relatively high, and the fact that asymmetric information can make new investment activity undesirable.

### **Company Value**

According to Brigham (2015), the lack of investment generated reduces the value of the company, resulting in increased debt which can make the company's value increase by reducing waste of expenses. Investor welfare is reflected in the high value of the company, therefore many companies have a goal to maximize the value of shares. In general, investors believe more in companies that have great value, this is because the *performance* of a company has good prospects now and in the future.

### **Capital Structure**

Subramanyam (2017a) stated that the capital structure is capital funding and loans owned by companies based on the size of various funding sources. Companies whose finances are stable usually depend on investment activities or the amount of various assets owned by the company. Furthermore, Houston (Houston, 2011) states that optimal capital structure is one form of crucial determinant risk, and companies in various industries have different levels of risk, so it can be concluded that capital structure will vary greatly in various industries.

### **Profitability**

Subramanyam (Subramanyam, 2017a) states that profitability is the result of investment capital which is an important indicator of the company's financial condition in the long run. To see the profitability of investors, it is recommended to look at the income statement as well as the statement of the company's financial position.

### **Liquidity**

According to Brigham (Ehrhardt, Michael C.; Brigham, 2015), liquidity is a form of whether or not the company can complete obligations that will or have deadlines, and race on the company's cash and securities position. A liquid asset is any asset owned by a company where it can be sold quickly and then converted to cash at fair value. Liquidity is a ratio that shows a company's cash as well as current assets and liabilities. Subramanyam (2017b) liquidity is the company's ability to convert assets into cash or with other assumptions to get cash to pay off the company's short-term debt.

### **Company Size**

According to Horne & Jr. (2005), companies that experience growth are correlated with the size of the company, because companies that are experiencing growth show that the company is in good prospects as a result investors will give a good response to the company, and make the company's value will also be high. Because of the large value of the number of assets owned and total sales, the size of the company will also increase. If the size of the company is large, it will make it easier for the company to find capital both internally and externally. It can be estimated that companies with relatively large scales have sensitive reactions and wealth that tend to be greater than companies that have smaller sizes. If sales increase, the company will also quickly earn money so that the size of the company is reflected in the size or number of assets owned by the company and this affects the value of the company.

## RELATIONSHIPS BETWEEN VARIABLES

### Relationship between Capital Structure, Profitability, Liquidity, Company Size, and Company Value

Indicators that can have an impact on the value of the company can be reflected in the capital structure, profitability, and liquidity of the company. The results of research by Untu (2021), Oktrima (2017), Hertina et al (2019), and Hirdinis (2019) explain that capital structure, profitability, liquidity, and company size simultaneously have a significant impact on the company. (2019)

Investors will make capital structure or debt as one of the reasons for choosing a company to invest in, in general, capital structure is closely related to the value of the company, this is supported by the increase in company debt (Dhani & Utama, 2017). Profitability is synonymous with the stock price because if the company gets a large profit, it can affect the stock price and this will have an impact on the company's value (Apriliyanti *et al.*, 2019). The correlation between *company performance* is reflected in good liquidity, this is an added value in the eyes of investors, and therefore the company's value will also increase (Mulyani, Amboningtyas, & Fathoni, 2017). The size of the company is identical to the number of assets and the number of sales, in general, companies that have large assets can be categorized as companies with a large scale, therefore, it will affect the value of the company so that it will increase.

H1: Capital structure, profitability, liquidity, and company size simultaneously impact the value of the company.

### Relationship between Capital Structure and Company Value

If a company increases its debt, it can be a good signal for investors because they think the company's value is increasing (Dhani & Utama, 2017). On the other hand, if the company chooses to issue shares because it requires large funds to develop the company over a long period, investors will also benefit if the company experiences significant growth in the long term. This can have an impact on company value because it can make company value increase (Apriliyanti *et al.*, 2019). The results of research by Dhani & Utama (Dhani & Utama, 2017), Lubis et al (2017), and Astari et al (Astari *et al.*, 2019) *explain that capital structure hurts company value.*(Astari et al., 2019)

H2: Capital structure negatively impacts the value of the company.

### The Relationship between Profitability and Company Value

Based on the general view, if the company gets a large profit where it correlates with the increase in stock price. (Apriliyanti *et al.*, 2019). The value of the company can be seen from the large stock price, thus it is likely that investors will invest in companies that have increased profits. (Dhani & Utama, 2017). However, when viewed from a general perspective, the value of the company is usually seen from the financial statements (Yuniarsa & Annis, 2020). The results of research by Jaya (Jaya, 2020), Markonah et al (Markonah, Salim, & Franciska, 2020), and Pratiwi (2020) explain that profitability has a positive effect on company value. (2020)

H3: Profitability has a positive effect on the value of the company.

### Relationship between Liquidity and Company Value

The correlation between *company performance* is reflected in good liquidity, this is an added value in the eyes of investors, if the information is spread to the public, of course, it will make investors make decisions to invest (Mulyani *et al.*, 2017). In general, if liquidity is low, it indicates a problem in terms of liquidation, but if liquidity is too high it is also not a good sign, because this shows



that there are many idle funds in the company so that it can reduce company profits (Dewantoro, 2019). However, in general, this is not a necessity regarding how good the level of liquidity is assumed because it depends on the type of company business (Untu, 2021). The results of research by *Lubis et al* (*Lubis et al.*, 2017), Yanti & Darmayanti (Yanti & Darmayanti, 2019), and Chasanah (2019) explain that liquidity has a positive effect on company value. (2019)

H4: Liquidity has a positive impact on company value.

#### **Relationship between Company Size and Company Value**

The scale of the company is usually reflected in the amount of assets of a company to run its operations. The scale of the company is an indicator that can affect the perception of the company. If a company has large assets, it can affect the capital invested to be more and more, therefore it will result in increased sales so that money in the company can be well distributed and the company's capital in the market increases, therefore causing the company opportunities that are known to the public which makes the company's value increase. If the company experiences growth that results in the company getting bigger, it will therefore make it easier for the company to obtain funds from the external side, namely the capital market (Apriliyanti *et al.*, 2019), (Fenty & Sri, 2020)(Pratiwi, 2020)(Putri & Ramadhan, 2020)(Wahyudi & Fitriah(Fenty & Sri, 2020), 2021 )(Wahyudi & Fitriah, 2021). The results of research conducted by Hirdinis (2019), Husna & Satria (2019), & Agustina & Sha (2020) show that company size has a positive impact on company value.

H5: The size of the company has a positive impact on the value of the company.

#### **Company Size Relationship Moderates Capital Structure regarding Company Value**

The company's financial condition in the form of debt reflects the quality of the company's value. This parallels the stock price as well as the value of the company. In general, this is related to the size of the company, because if the company's value increases, the company's scale will also increase where the company's scale is usually seen in terms of the number of company assets (Pratiwi, 2020). The results of research by Dhani & Utama (Dhani & Utama, 2017), Lubis et al (*Lubis et al.*, 2017), and Astari et al (Astari et al., 2019) (Astari et al., 2019) explain that capital structure (DER) negatively affects company value. Reinforced by research by Astari et al (*Astari et al.*, 2019) which explains that company size cannot moderate the capital structure regarding company value.

H6: The size of the company weakens the ability of the capital structure regarding the value of the company.

#### **The Relationship of Company Size Moderates Profitability to Company Value**

Profitability reflects the performance and performance of the company in managing management. If the company generates a large amount of profit, it will affect the company's stock to increase. Due to the soaring shares outstanding, investors will invest their money in the company, this can affect the value of the company that has increased (Apriliyanti *et al.*, 2019). One indicator that influences investors to make decisions to invest is the size of the company because the large size of the company is seen by investors as a positive thing that the company has in obtaining large profits (Karundeng *et al.*, 2017). Research conducted by Apriliyanti et al (Apriliyanti et al., 2019), Karundeng et al (*Karundeng et al.*, 2017), and Bhakti (2019) explain that company size moderates profitability to company value.

H7: The size of the company reinforces the effect of profitability on the value of the company.

#### **The Relationship of Company Size Moderating Liquidity to Company Value**

An indication of a company that has a higher growth opportunity is to have high liquidity because creditors put great trust in a liquid company which makes it easier for companies to get funds from creditors if the company has large liquidity. This relates to the value of the company, as it is seen as a positive thing for creditors and investors. Company value is one of the indicators that affect the scale of the company, the reason is that the larger the scale of the company, it will make it easier is for companies to get investment internally and *externally* (Chasanah, 2019). Based on research by Lubis et al (Lubis *et al.*, 2017), Yanti & Darmayanti (Yanti & Darmayanti, 2019), and Chasanah (Chasanah, 2019) explained that liquidity has a positive impact on company value, and also based on research by Hirdinis (Hirdinis, 2019), Husna & Satria (Husna & Satria, 2019), and Agustina & Sha (Hirdinis, 2019)((Husna & Satria, 2019)2020)(2020) Explaining that the scale of the company has a positive impact on the value of the company, thus there are two positive influences, it can be taken that the hypothesis of the scale of the company will strengthen the relationship between liquidity and company value. If the scale of the company is getting bigger, the greater the level of liquidity of the company so that it provides added value for the company. So that the scale of the company is considered capable of moderating liquidity regarding company value.

H8: Company size amplifies the impact of liquidity on company value.

## 2. Materials and Methods

The research model is said to be good if it provides an explanation through an overview between the independent variable and the dependent variable, it aims to make it easier for the author to gain an understanding of the direction of the research.

This study uses 3 independent variables including capital structure, profitability, and liquidity, as well as one moderation variable, namely company size, and 1 dependent variable, namely company value. The reason the author chooses capital structure, profitability, and liquidity as independent variables is because these three variables are indicators that underlie the value of the company.

The population of this study is all banking companies listed on the IDX in 2020. This research uses a purposive sampling method: (1) Banking companies listed on the Indonesia Stock Exchange (IDX) in 2020 and are still active on the IDX today. (2) Banking companies that publish annual financial statements in 2020. (3) Banking companies that present financial statements denominated in rupiah in 2020. (4) Conventional general banking companies. (5) Companies that suffered losses in 2020.

This type of research is quantitative, using descriptive statistics and also using multiple linear regression analysis. The data analysis technique used by the author is from the classical assumption test consisting of the Normality Test, Multicollinearity Test, and Heteroscedasticity Test, and the last Hypothesis Test, namely the Simultaneous Test (Statistical Test F), and Partial Test (Statistical Test T).

$$\gamma = \alpha + \beta_1 \text{DER} + \beta_2 \text{ROE} + \beta_3 \text{LDR} + \beta_4 \text{FS} + e$$

$$\gamma = \alpha + \beta_1 \text{DER} + \beta_2 \text{ROE} + \beta_3 \text{LDR} + \beta_4 \text{FS} + \beta_5 \text{DER} * \text{FS} + \beta_6 \text{ROE} * \text{FS} + \beta_7 \text{LDR} * \text{FS} + e$$

Y = Company Value

a = Constanta

$\beta_1$  = Structure Modal (DER)

$\beta_2$  = Profitability (ROE)

$\beta_3$  = Liquidity (LDR)

- $\beta_4$  = Company Size (FS)  
 $\beta_5$  = Capital Structure\*Company Size (DER\*FS)  
 $\beta_6$  = Profitability\*Company Size (ROE\*FS)  
 $\beta_7$  = Liquidity\*Company Size (LDR\*FS)  
 $e$  = Residual Error

### 3. Result and Discussion

<b>Descriptive Statistic</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
DER	34	.43	16.08	5.6388	2.86567
ROE	34	.00	.17	.0524	.04761
LDR	34	.15	2.19	.8862	.41467
FS	34	28.00	34.95	31.5347	1.90349
PBV	34	.48	16.40	2.5015	3.21910
Valid N (listwise)	34				

In Table 1 there is a descriptive test, it is illustrated that there were a total of 34 samples of banking companies in 2020. DER has a value with a minimum of 0.43 a value with a maximum of 16.08 and an average of 5.6388 greater than its standard deviation of 2.86567. ROE has a value with a minimum of 0.00 a value with a maximum of 0.17 and an average of 0.0524 greater than the standard deviation of 0.04761. LDR has a value with a minimum of 0.15 a value with a maximum of 2.19 and an average of 0.8862 greater than the standard deviation of 0.41467. FS has a value with a minimum of 28.00 a value with a maximum of 34.95 and an average of 31.5347 greater than its standard deviation of 1.90349, and the last is PBV with a minimum value of 0.48 and a maximum of 16.40 with an average of 2.5015 less than its standard deviation of 3.21910. For independent variables, namely DER, ROE, LDR, and FS because they have a standard deviation smaller than the average value, the data processed in the variables DER, ROE, LDR, and FS have a small spread. As for the dependent variable, because it has a standard deviation greater than the average value, it is concluded that the value of deviations that have occurred exceeds the average value.

The author uses Kolmogorov-Smirnov (K-S) as a normality test, and the author performs *an exact* because the sample tested is only 34, therefore the data can be considered normal if the *Exact Sig. (2-tailed)* is greater than 0.05. In the table contained in the appendix, a value with a specification of 0.369 is generated, so it is concluded that the data tested is normally distributed.

The attached multicollinearity test results in a *tolerance* value of  $0.871 \geq 0.100$  and VIF of  $1.148 \leq 10.00$ . ROE has a *tolerance* value of  $0.788 \geq 0.100$  and a VIF of  $1.269 \leq 10.00$ . LDR has a *tolerance* value of  $0.995 \geq 0.100$  and VIF of  $1.005 \leq 10.00$ . The FS variable has a *tolerance value of*  $0.769 \geq 0.100$  and a VIF of  $1.301 \leq 10.00$ . So it is concluded that the sample data that has been processed does not have multicollinearity.

Attached are heteroscedasticity test results using Scatter Plot. Based on the attached graph, there is no heteroscedasticity because no pattern is found, and the points on the graph also widen below and above the zero number and also the Y axis, thus the regression model is feasible for further testing.



Based on the results of the regression test table, the equation can be arranged as follows:

$$\gamma = 38,563 + 0,060\text{DER} + 23,735\text{ROE} - 0,602\text{LDR} - 1,177\text{FS} + 8,546$$

Based on the results of the multiple linear regression equation, there is a constant coefficient ( $\alpha_0$ ) of 38.563. This means that the variable value of the company value (PBV) is 38,563. The value  $\alpha_1$  of 0.060 means that if the DER variable increases and the other variables remain, the PBV variable will obey by 0.060. A value of 23.735 means that if the ROE variable increases and other variables remain, the PBV variable will obey 23.735. The value is -0.602, meaning that if the LDR variable increases and the other variables remain, the PBV variable will obey by -0.602. A value of -1.177 means that if the FS variable increases and the other variables remain, the PBV variable will obey by -1.177.

From the test results, the coefficient of determination contained in the attachment shows an *adjusted R Square* number, which is 0.303 (30.3%). This explains that PBV is influenced by the three independent variables and one moderation variable used in this study by 30.3% and there is still an influence from other indicators of 69.7%.

The results of the F test contained in the appendix explain the value of sig. i.e. 0.005 is smaller than 0.05, it can be concluded that the variables DER, ROE, LDR, and FS simultaneously have a significant effect on PBV.

The results of the t-test contained in the appendix show that the value of sig. DER is  $0.733 \geq 0.05$ , so it is concluded that DER has a positive influence but does not have a significant effect on PBV. Sig value. ROE is  $0.40 \leq 0.05$ , so it is concluded that ROE has a positive influence and a significant effect on PBV. Sig value. LDR is  $0.599 \geq 0.05$ , so it is concluded that LDR has a negative influence but does not have a significant effect on PBV. Sig value. FS is  $0.00 \leq 0.05$ , so it is concluded that FS has a positive influence and significant effect on PBV.

Based on the results of the *moderated regression analysis (MRA) test table*, the equation is compiled:

$$\gamma = 4,558 + 2,485\text{DER} + 487,319\text{ROE} + 21,840\text{LDR} + 0,067\text{FS} + 0,082\text{DER\_FS} - 14,558\text{ROE\_FS} - 0,749\text{LDR\_FS} + 31,789$$

The test results (MRA) explain that the value of sig. DER\_FS  $0.527 \geq 0.05$  so it is concluded that it is not significant, therefore indicating that FS is unable to significantly moderate the effect of DER on PBV. Sig value. ROE\_FS of  $0.035 \leq 0.05$  can be said to be significant, thus showing that FS can significantly moderate the effect of ROE on PBV. Sig value. LDR\_FS is  $0.269 \geq 0.05$  so it is concluded that it is not significant, which indicates that FS is unable to significantly moderate the influence of LDR on PBV.

Hypothesis	Calculated value	Significance Value	Information
There is an effect between positive but not significant DER on PBV	0,344	0,733	Rejected
There is an influence between positive and significant ROE on PBV	2,145	0,040	Accepted
There is an effect between negative but not significant LDR on PBV	-0,532	0,599	Rejected
There is an effect between positive and significant FS on PBV	-4,199	0,000	Accepted
FS is unable to significantly moderate the effect of DER on PBV	0,642	0,527	Rejected

FS can significantly moderate the effect of ROE on PBV	-2,231	0,035	Accepted
FS is unable to significantly moderate the effect of LDR on PBV	-1,130	0,269	Ditolak

### **Influence Between Capital Structure, Profitability, Liquidity, Company Size, and Company Value**

The results of simultaneous tests using F tests regarding capital structure, profitability, liquidity, and company size against company value in the banking industry in 2020 when the COVID-19 pandemic occurred showed that the value of sig. is smaller than the probability value thus the conclusion H1 is accepted. This result is relevant to the research of Untu (Untu, 2021), Oktrima (Oktrima, 2017), Hertina et al (Hertina et al., 2019), and Hirdinis (2019) which explains that capital structure (DER), profitability (ROE), liquidity (LDR), and company size (FS) simultaneously affect company value. This shows that as many as 34 banking companies that have been tested can manage debt well, and can continue to generate profits amid the Covid-19 pandemic situation besides that the company is also able to pay short-term debt smoothly, this correlates with the scale of companies that have large total assets, thus it is concluded that the company has *performance* which is good where it makes the company able to increase company *value*.

#### **Effect between Capital Structure and Company Value**

Based on a partial test of capital structure with company value in the banking industry in 2020, it shows that the value of the coefficient in the T-test is positive with a big value. greater than the probability value so that the conclusion H2 is rejected. This result is not in line with research conducted by Hidayat *et al* (2020) which explains that capital structure has a significant impact on company value. Banks in 2020 experienced a drastic increase in debt compared to 2019, due to Covid-19 which required companies to increase their debt for costs incurred as investment activities. This makes investors who generally buy a stock assess DER as one indicator of investors deciding to discontinue their intentions because companies that have large debts have a big responsibility to quickly return debt from *creditors*. But that does not mean having debt is a bad sign, for banking companies having large debt is a good signal for investors because debt that is effectively maximized by the company will provide benefits to the company in the long term beyond the interest expense received by the company, because the way investors view the capital structure is different it will affect in predicting *value* company.

#### **The Effect Between Profitability and Company Value**

Based on a partial test of profitability regarding the value of companies in the banking industry in 2020, it shows that the value of the coefficient on the T-test is positive with a big value. is smaller than the probability value, so the conclusion H3 is accepted. The results of this study are not in line with Dewantoro (Dewantoro, 2019) which explains that profitability has a negative and insignificant impact on company value. With the occurrence of COVID-19 in 2020, some banks experienced losses, this author obtained from the 2020 financial report data where 8 banks suffered losses, but overall, banks still made profits, although several companies experienced a decrease in profits. Because H3 is accepted, thus it can be concluded that the company can manage assets effectively so that it can generate profits which will increase the value of the company.

#### **The Effect Between Liquidity and Company Value**

Based on a partial test of liquidity to company value (PBV) in the banking industry in 2020, it shows that the value of the coefficient in the T-test is positive with a big value. which is greater than the probability value, the conclusion H4 can be rejected. This result is relevant to the research of Dewantoro (2019), Lubis et al., (2017), *Yanti & Darmayanti*, (2019), and Chasanah, (2019)(Chasanah, 2019) which explains that liquidity has a negative insignificant impact on company value. Due to the occurrence of Covid-19 in 2020, some banks were unable to pay off their short-term debts, resulting in low liquidity, this made the company's value decrease because investors were reluctant to invest their money in the company.

#### **The Effect between Company Size and Company Value**

Based on a partial test of the company's scale against the value of companies in the banking industry in 2020, it shows that the value of the coefficient on the T-test is positive with a big value. is smaller than the probability value, so the conclusion H5 is accepted. This result is relevant to the research of Lubis et al (*Lubis et al., 2017*), *Hirdinis* (2019), Husna & Satria (2019), & Agustina & Sha (2020) which explains the size of the company has a positive and significant impact on company value. Because the occurrence of Covid-19 still makes the size of the company a factor that can affect the views of investors. Companies that have a large amount of assets can use their assets effectively so that the company can manage the turnover of its assets. This will attract many investors to invest their money in companies that have a large company size because the company is considered able to optimize company assets in generating profits and company *performance* which is considered very effective. International banking with national banking in this study is relevant to combine considering the results of data tabulation on company size which shows there is no significant difference between international banking and national banking.

#### **The Effect of Company Size Moderating Capital Structure on Company Value**

Based on a partial test of the scale of companies moderating capital structures with company *values* in the banking industry in 2020, it shows that the value of the coefficient on the T-test is positive with a big value. which is greater than the probability value, the conclusion H6 can be rejected. This result is relevant to the research of Dhani & Utama (Dhani & Utama, 2017), Lubis et al (Lubis et al., 2017), and Astari et al (Astari et al., 2019) is not able to moderate the capital structure regarding company value. The scale of the company weakens the influence of capital structure and company value because the scale of the company significantly results in a weaker relationship between capital structure and company value.

#### **The Effect of Company Size Moderating Profitability on Company Value**

Based on a partial test of the scale of the company moderating profitability with company value in the banking industry in 2020, it shows that the value of the coefficient on the T-test is negative with the value of sig. is smaller than the probability value so that it can be concluded that H7 is accepted. This result is relevant to the research et al., (2019), *Karundeng et al.*, (2017), and *Bhakti* (2019) which explains the scale of the company moderating profitability with company value. The scale of the company strengthens the influence of profitability with company *value*, this is because the large scale of a company results in the company being able to achieve a high level of profitability which is a consideration for investors.

#### **The Effect of Company Size Moderating Liquidity on Company Value**

The partial test results regarding the scale of companies unable to moderate liquidity regarding *the value of companies in the banking industry in 2020* showed that the value of the coefficient in the

T-test was negative with a big value. which was greater than the probability value, the H8 hypothesis was rejected. The scale of the company weakens the effect of liquidity on the value of the company because the scale of the company significantly makes the relationship between liquidity and the value of the company weaker.

#### **4. Conclusion**

A total of 34 samples tested in this study can be concluded that capital structure (DER), profitability (ROE), liquidity (LDR), and company size (FS) have a significant effect on company value (PBV). The size of the company strengthens the effect of profitability on the value of the company and the size of the company weakens the influence of capital structure and liquidity on the value of the company.

There are various factors both internal and external from the company in influencing the value of the company, namely capital structure, profitability, liquidity, and company size. there are limitations in the study where the author only focuses on the first year of COVID-19, while the COVID-19 pandemic is still ongoing until 2022 and no bright spots have been found, besides that, the author suggests that further research first analyzes whether the stock market in Indonesia is strong or weak so that further research can take stock prices more concretely because it has tested the stock market in Indonesia first, and there are various objects that can be researched besides banking because all business sectors are affected by the effects of Covid-19, so the author suggests that further research increase the research period during Covid-19, namely 2020-2022, and expand objects affected by the Covid-19 pandemic.

For managerial implications from the company's management, every company needs funds in the form of loans for the company's operational needs and investment activities. However, if the company has too much debt, this will have an impact on the interest expense that must be paid by the company in paying off its debts, thereby increasing the risk of bankruptcy indirectly, for profitability, the company has succeeded in proving that the company can manage company management very efficiently and effectively so that it can generate profits for the company. For implications in terms of investors, investors should not only pay attention to profitability, but from other sides such as dividend payout ratios, company earnings, and changes in interest rates. This is so that investors can make the right decisions in investing. In addition, investors are also expected not to look at the company's track record when they want to buy, but to look at the track record of its financial statements in the previous year so that investors can predict the sustainability of the company in the future.

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