FINANCIAL PERFORMANCE AND FIRM VALUE: ON INDUSTRY BANKING

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ABSTRACT

Purpose: This research aims to find out The Influence of Leverage, Liquidity, and Company Size on Company Value with Financial Performance as an Intervening Variable

Methodology/approach: This research uses methods quantitative with secondary data as a data source. In this research, the population data used are all companies banking conventional listed on the Indonesian Stock Exchange. Period observations made from 2018-2021 period. In this research, the non-probability sampling technique used in this research is Purposive Sampling. There are 11 companies banking conventional yeah used sample in this study. The data analysis technique used in this research is Structural Equation Modeling Partial Least Square (SEM-PLS).


Practical implications: The results of this research can be used as consideration for management, investors and interested parties in making investment decisions and policies so that they can produce optimal investment.

Originality/value: this research connects between financial ratios with mark company through financial performance in banking industry companies. Previous research has not found connection in the banking industry in Indonesia.
INTRODUCTION

The more the fast pace of the business world today companies are competing to achieve nor maintain its existence. A company is an organization that manages all over source the power it has to produce goods or services that can be sold (Suryaputra & Christiawan, 2014). The final goal must be achieved company that is maximizing prosperity holder share through mark company (Sartono, 2016).

In maximizing mark company so Management Must be able to analyze and read market developments so that you can determine the right strategies and ways to defend sustainability his business. All established companies Certain have clear goals, however objective company is maximizing mark company. The more tall mark companies, increasingly big prosperity that will be accepted by the owner company (Dewi & Abundanti, 2019).

Influencing factors mark company including Leverage, Liquidity, and Company Size. The first is leverage. Leverage counts by using DER. DER frequently used by investors in measuring amount debts owned and compare them with assets owned something company. The more high DER owned means company the own increasing risk, high, because funding more companies financed by debt. According to (Sembiring, 2018) use debt in the situation stable economy will give greater benefits compared to cost flowers are a must paid, but in abnormal situations of use debt will burdensome company with fixed expenses, which impact the financial position.

Second factor that is liquidity. Liquidity is the company's ability to pay obligation his finances. (Kashmere, 2019) put forward that liquidity is ability company to pay debt that has been due date. Whereas (Brigham & Houston, 2018) state that liquidity is connection between cash and asset fluent with obligation fluent something company. Liquidity something companies can influence position finances that can have an impact on capabilities A company obtain profitability. The more liquid company will followed by height level trust to creditor and investors to provide the capital to company so that it can increase mark company.

The third that is Size company is description how much big or small A company through the size of the total assets he owns. Size company is grouping companies into several groups that is company big, company medium, and company small (Prasetyo, 2015). Tending companies size big will own greater power to obtain funds from creditor than the company still size small (Hartini, 2017). Large companies tends to be easier to get funding from internal as well as external, funding the will support activity
operational company nor expansion business. Apart from that, the company big tend
towards strong to face shock economy Because own sufficient assets - big compared to
with company small.

This research adds intervening variables viz Ratio profitability. Ratio profitability
is the ratio used to measure level effectiveness and efficiency management something
management indicated company _ from amount profits generated _ from something
activity company (junaidi et al., 2017). To measure profitability something company
proxied with Return on Assets (ROA) (Nevada, 2016).

There have been many studies testing regarding mark company among them
Hasanudin, Nurwulandari, Adnyana, Loviana (2020) shows that institutional ownership,
operating leverage and liquidity have a positive effect on firm value. Mediation testing
using the Sobel test shows that company performance is able to mediate the influence of
institutional ownership, operating leverage, liquidity on the value of oil and gas
companies in Indonesia.

Wijaya & Sedana (2015) shows that Profitability has a positive and significant
effect on capital structure, Liquidity has a negative and significant effect on capital
structure, capital structure has a positive and significant effect on company value,
profitability has a positive and significant effect on company value, liquidity has a
negative and not significant effect on company value and capital structure is able to
mediate the influence of profitability and liquidity on company value.

Sondakh et al., (2019) shows that dividend policy has a negative and significant
effect on company value, liquidity and company size partially have a positive and
significant effect on company value, while profitability does not match and is not
significant on company value.

Octaviany et al., (2020) found that result Company size matters significant to
Profitability but it has no effect on Company Value. Leverage does not have a significant
effect on Company Value however significant effect on Company Value. Profitability
capable mediate influence size company to mark company. However profitability is not
capable mediate the effect of leverage on company value.

Selfiyan (2021) prove that Profitability own significant influence on management
profit, Leverage does not have influence to management profit, size company own
significant influence on management profit, profitability does not have influence to mark
company, leverage has no effect to mark company, size the company does not have
influence to mark company, management profit is not possible mediate profitability to
mark company, management profit is not possible mediate leverage against mark
company and management profit cannot be mediate size company to mark company.

Pangesti et al., (2020) indicates (1) Size company influential negative and
significant towards mark company. (2) Size company influential positive and significant
towards capital structure. (3) Capital structure has an influence positive and significant
towards mark company. (4) Capable capital structure mediate influence size company to
mark company. Implications from this research provides confidence Where capable
capital structure mediate influence size company to mark company with a sample of
companies. The LQ-45 index listed on the IDX for the 2009 – 2018 period was able to increase its value company.

Suryanti et al., (2021) show that variable proxy profitability with return on equity having no effect to variable mark proxyed company with price to book value. Variable liquidity, policy debt, growth company and size company to mark company with profitability as intervening variables have the total influence is 11.1838%, which is large its influence including weak.

Putri et al., (2021) determine that leverage and company size have a significant effect on profitability. Leverage and profitability have a significant effect on company value, however, company size does not have a significant effect on company value. Profitability cannot mediate the effects of leverage and firm size on firm value.

Need done There is further research that would be useful to find out results findings that if applied to the conditions different environments and times, because of the above phenomena and also previous research still produce inconsistent findings. Therefore, this research will identify factors which affects Company Value using periods different times and objects from previous research, so it will give The results of research are also different from research previous.

Need done the existence of further research to complement previous research about Company Value ever carried out in Indonesia. This research uses the variables Leverage, Liquidity, Company Size, Company Value and Financial Performance.

This research is different with previous research. The difference is in the population, time and sample used namely a banking company registered on the IDX 2018-2021 period. Reasons for choosing a banking company because of the company banking that offers shares on the Indonesian Stock Exchange, the banking sector is one expected sector own prospect Enough bright future, because of current activities everyday Indonesian society cannot be separated from service banking and companies banking is the company that owns it sufficient contribution big to country income (Rahman & Isynuwardhana, 2019).

LITERATURE REVIEW

a. Signal Theory

Reports about good company performance will increase company value. In signaling theory, management motivation to present financial information is expected to provide a signal of prosperity to owners or shareholders. Therefore, management must provide satisfactory returns to company owners, because good performance has a positive effect on the compensation received, and conversely poor performance will have a negative effect (Accounting, 2015).

b. Agency Theory

The agreement is expected to maximize the owner's utility, and can satisfy and guarantee management to receive rewards for the results of company management. The benefits received by both parties are based on the company's performance. This theory is used to explain the relationship between independent variables, namely
liquidity, leverage, and company size, to the dependent variable, namely company value. The relationship between owners and management is highly dependent on the owners' assessment of management performance. For this reason, the owner demands a return on the investment entrusted to be managed by management (Sunarto, 2019).

Because the better the profitability and liquidity of a company, the higher the value of the company, so management can provide reciprocity to capital owners or investors for the company's wealth. Agency theory also supports the relationship between leverage and creditors, the better the company grows from debt financing, the more creditors' trust in the company will increase. If debt financing is good, payments to creditors will be smoother. This can increase the company's credibility in front of creditors (Stephanus, 2018).

c. Leverage

Leverage is an analysis that measures the extent to which company assets are financed with debt (Zuhroh, 2019). This analysis is used to measure how much funds are provided by the company owner in proportion to the funds obtained from the company's creditors or to measure to what extent the company has been financed with long-term debt. According to (Fatima, 2017) the higher the company's debt, the more dynamic the company.

Leverage in this research is represented by the debt to equity ratio (DER) (Bunga & Sofie, 2015). DER is a ratio that compares total debt with equity. This ratio measures the percentage of funds provided by creditors.

Debt to Equity Ratio indicator to calculate the leverage ratio is because the Debt to Equity Ratio describes the company's ability to manage its assets and how large a portion of these assets is funded by debt. Apart from that, DER is generally used in published company financial reports (Febriani, 2020).

\[
DER = \frac{Total\ Debt}{Total\ Equity}
\]

d. Liquidity

Liquidity is the company's ability to fulfill or pay its short-term financial obligations (Prasetyo, 2015). A company's inability to pay short-term obligations can be caused by several factors. First, the company doesn't have any funds at all. Second, the company has funds, but at maturity does not have sufficient funds in cash so the company must wait a certain period of time to disburse various other assets by selling securities, collecting receivables, or selling other asset inventories. Companies that have a good level of liquidity will be considered to be performing well by potential investors. This will attract potential investors to invest their capital in the company (Nevada, 2016).

In this research, liquidity is measured by the Current ratio (CR) or current ratio (Sukmayanti & Triaryati, 2018). The current ratio is a ratio used to measure a company's ability to meet its short-term obligations which are due soon using the total available current assets. In other words, this current ratio describes how far the availability of current assets owned by the company is compared to the
total current liabilities. Therefore, the current ratio is calculated as the quotient between total current assets and total current liabilities. The current ratio calculation formula is as follows (Wibowo & Wartini, 2012):

\[ CR = \frac{Aset \ Lancar}{Kewajiban \ Lancar} \]

**e. Company Size**

Company size can be interpreted as the size of the company seen from the size of the equity value, company value, or total assets of a company (Meidiyustiani, 2016). This factor explains that an established and large company has easier access to the capital market compared to a small company. Good access can help companies meet their liquidity needs. Ease of accessibility to the capital market can be interpreted as the company's flexibility and ability to obtain funds and make profits by looking at the growth of the company's assets. This research uses total assets as a company size which is proxied by the natural logarithm of total assets each year (Manoppo & Arie, 2016).

\[ Size = \text{Natural Logarithm of Total Assets} \]

**f. The value of the company**

Company value is investors' perception of the company, which is often linked to share prices. High share prices increase company value. The main goal of the company according to the theory of the firm is to maximize the wealth or value of the company (value of the firm) (Kholis et al., 2018). Company value is very important because high company value will be followed by high shareholder prosperity. The higher the share price, the higher the company value.

In this research, company value is calculated using price to book value (PBV), which is a market ratio used to measure the performance of stock market prices relative to their book value. This ratio is calculated using the following formula (Manoppo & Arie, 2016):

\[ \text{Price to Book Value} = \frac{\text{Harga Pasar Saham}}{\text{Book Value per Share}} \]

Reasons to use PBV:

1) Book value has an intuitive, relatively stable measure that can be compared with market prices. Investors who do not believe in the Edcash Flow Discount Method can use the price book value as a comparison.

2) Book value provides a consistent accounting standard for all companies. PBV can be compared between the same companies as an indication of under or over valuation.

3) Companies with negative earnings, which cannot be assessed using the price earnings ratio (PER), can be evaluated using the price book value ratio (PBV).
g. Financial performance

Profitability is an analysis to assess a company's ability to make a profit or gain in a certain period. This ratio also provides a measure of the level of effectiveness of a company's management which is shown in the profits generated from sales or from investment income (Kasmir, 2019). Profit basically shows how good a company is at making investment and financing decisions. From the several opinions above, it can be concluded that there is a common opinion regarding the meaning of profitability, namely that it can be used to measure a company's ability to earn profits.

This research uses Return on Assets (ROA) as an indicator of profitability. ROA is used as an indicator in this research, supported by several previous studies that have used ROA as an indicator of profitability, including research from (Fatima, 2017), (Wibowo & Wartini, 2012), (Pramana & Mustanda, 2016), (Pradnyanita Sukmayanti & Triaryati, 2018), and (Murni et al., 2017). And almost average ROA indicators are displayed in Indonesian banking annual reports. The following is the ROA formula (Manoppo & Arie, 2016):

\[
\text{ROA} = \frac{\text{Net Profit}}{\text{Total assets}}
\]

METHODS

A. Research Approach

This research uses quantitative research with secondary data as a data source (Hermawan & Amirullah, 2016). Secondary data used in this research are the annual financial reports of banking companies listed on the Indonesian Stock Exchange for the 2018-2021 period.

B. Operational Definitions and Variable Indicators

1) Company Value (Y). The proxy used in this research is PBV. The ratio of share price to the company's book value or price book value (PBV) (Wijaya & Sedana, 2015), shows the level of the company's ability to create value relative to the amount of capital invested. A high PBV reflects a high share price compared to the book value per share. The higher the share price, the more successful the company is in creating value for shareholders. This ratio is calculated using the following formula (Manoppo & Arie, 2016):

\[
\text{Price to Book Value} = \frac{\text{Harga Pasar Saham}}{\text{Book Value per Share}}
\]

2) Leverage (X1)

Leverage in this research is represented by the debt to equity ratio (DER). DER is a ratio that compares total debt with equity. This ratio measures the percentage of funds provided by creditors (Murni et al., 2017).
**Debt to Equity Ratio** indicator to calculate the leverage ratio is because the Debt to Equity Ratio describes the company's ability to manage its assets and how large a portion of these assets is funded by debt. Apart from that, DER is generally used in published company financial reports (Febriani, 2020).

\[
\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}
\]

3) **Liquidity (X2)**

The current ratio is calculated as the quotient between total current assets and total current liabilities. The current ratio calculation formula is as follows (Wibowo & Wartini, 2012):

\[
( CR ) = \frac{\text{Aset Lancar}}{\text{Kewajiban Lancar}}
\]

4) **Company Size (X3)**

This research uses total assets as a company size which is proxied by the natural logarithm of total assets each year (Manoppo & Arie, 2016).

\[
\text{Size} = \text{Natural Logarithm of Total Assets}
\]

5) **Intervening Variables**

In this research, the intervening variable is **Financial Performance (Z)**. This research uses Return on Assets (ROA) as an indicator of profitability. The following is the ROA formula (Manoppo & Arie, 2016):

\[
\text{ROA} = \frac{\text{Net Profit}}{\text{Total assets}}
\]

C. **Population and Sample**

a. **Population**

In this research, the population data used are all banking companies listed on the Indonesian Stock Exchange. The observation period was carried out from the 2018-2021 period.

b. **Sample**

The companies that were the sample for this research were selected using a *purposive sampling method*, where the sample was selected based on certain considerations or certain characteristics. There are 11 companies used as samples, as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Sample Criteria</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Number of Banking Companies registered on the IDX during 2018-2021</td>
<td>43</td>
</tr>
</tbody>
</table>
2. Banking Companies are not included in the conventional banking category (10)
3. Banking companies that do not publish their complete financial reports for 2018-2021 (10)
4. Banking companies that do not have positive profits in one period during 2018-2021 (10)
5. Companies that are suspended in 2018-2021 (2)

Companies selected as samples

Year of Observation 11
Total number of observations for the research period (11 x 4) 44

Data Source: www.idx.com

D. Analysis Techniques

The data analysis technique used in this research to empirically test the hypotheses that have been developed is Structural Equation Modeling Partial Least Square (SEM-PLS). The methods used in this research are the first order construct and second order construct methods. Hypothesis testing is seen with a significance level of 5%. If the P value is below 5% then the hypothesis is accepted. Likewise, if the P value is above 5% then the hypothesis is rejected. The next stage is the evaluation of the structural model by looking at the significance values to determine the influence between variables through a bootstrapping procedure. This procedure uses all original samples for resampling. The significance values used (two-tailed) t-values are 1.65 (significant level 10%), 1.96 (significant level 5%) and 2.58 (significant level 1%).

RESULTS AND DISCUSSION

A. Outer Model Evaluation (Measurement Model)

The results of data processing with SmartPLS can be seen in the table below:

<table>
<thead>
<tr>
<th>Financial performance</th>
<th>Leverage</th>
<th>Liquidity</th>
<th>The value of the company</th>
<th>Company Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>0.979</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2</td>
<td></td>
<td>0.790</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X3</td>
<td></td>
<td></td>
<td>0.907</td>
<td></td>
</tr>
<tr>
<td>Y</td>
<td></td>
<td></td>
<td>0.897</td>
<td></td>
</tr>
<tr>
<td>Z</td>
<td>0.827</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SmartPLS output
Based on the results of processing using SmartPLS, it shows that all indicators have good validity because they have factor loadings above 0.7. Therefore, validity testing with outer loadings has been fulfilled. This also shows that the measurement model has the potential to be tested further.

Table 3. Composite Reliability and Average Variance Extracted

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Cronbach's Alpha</th>
<th>rho_A</th>
<th>Reliability Composite</th>
<th>Mean Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINANCIAL PERFORMANCE</td>
<td>0.862</td>
<td>0.898</td>
<td>0.790</td>
<td>0.802</td>
</tr>
<tr>
<td>LEVERAGE</td>
<td>0.896</td>
<td>0.767</td>
<td>0.876</td>
<td>0.896</td>
</tr>
<tr>
<td>LIQUIDITY</td>
<td>0.797</td>
<td>0.898</td>
<td>0.889</td>
<td>0.762</td>
</tr>
<tr>
<td>THE VALUE OF THE COMPANY</td>
<td>0.901</td>
<td>0.973</td>
<td>0.759</td>
<td>0.796</td>
</tr>
<tr>
<td>COMPANY SIZE</td>
<td>0.785</td>
<td>0.919</td>
<td>0.987</td>
<td>0.801</td>
</tr>
</tbody>
</table>

Source: SmartPLS output

Based on this table, it shows that the composite reliability value for all constructs are greater than 0.7. Thus, all the constructs in the estimated model fulfill the internal consistency reliability requirements. Likewise, by looking at the Cronbach's alpha value, the value is greater than 0.7. Thus, Cronbach's alpha has met the requirements and is acceptable. The AVE value in the table also shows greater than 0.50, so the indicator used meets the requirements for convergent validity (Hair et al., 2014).

Table 4. Cross Loading Value

<table>
<thead>
<tr>
<th>Constructs</th>
<th>FINANCIAL PERFORMANCE</th>
<th>LEVERAGE</th>
<th>LIQUIDITY</th>
<th>THE VALUE OF THE COMPANY</th>
<th>COMPANY SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>0.120</td>
<td>1,000</td>
<td>0.036</td>
<td>-0.277</td>
<td>-0.061</td>
</tr>
<tr>
<td>X2</td>
<td>-0.072</td>
<td>0.036</td>
<td>1,000</td>
<td>-0.171</td>
<td>0.106</td>
</tr>
<tr>
<td>X3</td>
<td>-0.460</td>
<td>-0.061</td>
<td>0.106</td>
<td>-0.185</td>
<td>1,000</td>
</tr>
<tr>
<td>Y</td>
<td>-0.151</td>
<td>-0.277</td>
<td>-0.171</td>
<td>1,000</td>
<td>-0.185</td>
</tr>
<tr>
<td>Z</td>
<td>1,000</td>
<td>0.120</td>
<td>-0.072</td>
<td>-0.151</td>
<td>-0.460</td>
</tr>
</tbody>
</table>

Source: SmartPLS output

Looking at the table above shows that each indicator has the highest loading factor value when connected to other constructs. With these results, it can
be stated that the indicators used in this research are valid or have met the requirements for discriminant validity.

**Table 5. AVE Root Values Fornell-Larcker Criteria**

<table>
<thead>
<tr>
<th></th>
<th>FINANCIAL PERFORMANCE</th>
<th>LEVERAGE</th>
<th>LIQUIDITY</th>
<th>THE VALUE OF THE COMPANY</th>
<th>COMPANY SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINANCIAL PERFORMANCE</td>
<td>1,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEVERAGE</td>
<td>0.120</td>
<td>1,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LIQUIDITY</td>
<td>-0.072</td>
<td>0.036</td>
<td>1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>THE VALUE OF THE COMPANY</td>
<td>-0.151</td>
<td>-0.277</td>
<td>-0.171</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>COMPANY SIZE</td>
<td>-0.460</td>
<td>-0.061</td>
<td>0.106</td>
<td>-0.185</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Source: SmartPLS output

The table shows that the AVE root value on the diagonal is greater than the correlation value between the construct and other constructs in this model. Thus, the results of these calculations can be stated that the model with its indicators has met the requirements for discriminant validity.

**B. Evaluation of Inner model (Structural model)**

This research shows the results of $R$-square analysis ($R^2$) as in the following table;

**Table 6. R-Square Value**

<table>
<thead>
<tr>
<th></th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINANCIAL PERFORMANCE</td>
<td>0.893</td>
<td>0.623</td>
</tr>
<tr>
<td>THE VALUE OF THE COMPANY</td>
<td>0.956</td>
<td>0.886</td>
</tr>
</tbody>
</table>

Source: SmartPLS output

Based on the table above, it shows that the results show a strong model with an $R$-square value of 0.956 above 0.75.
1. **Inner Model Path Coefficient Analysis**

**Table 7. Results of Inner Path Coefficient Testing Model**

<table>
<thead>
<tr>
<th>No</th>
<th>Variable Relationships</th>
<th>Path Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Leverage</td>
<td>The value of the company</td>
</tr>
<tr>
<td>2</td>
<td>Liquidity</td>
<td>The value of the company</td>
</tr>
<tr>
<td>3</td>
<td>Company Size</td>
<td>The value of the company</td>
</tr>
<tr>
<td>4</td>
<td>Leverage</td>
<td>Financial performance</td>
</tr>
<tr>
<td>5</td>
<td>Liquidity</td>
<td>Financial performance</td>
</tr>
<tr>
<td>6</td>
<td>Company Size</td>
<td>Financial performance</td>
</tr>
<tr>
<td>7</td>
<td>Financial performance</td>
<td>The value of the company</td>
</tr>
</tbody>
</table>

Source: SmartPLS output

Leverage on Company Value has a coefficient in a positive direction. The analysis results show that the path coefficient value is 0.000. A positive coefficient means a unidirectional relationship between Leverage and Company Value.

Liquidity on company value has a coefficient in a positive direction. The analysis results show that the path coefficient value is 0.002. A positive coefficient means a unidirectional relationship between liquidity and company value.

Company size on company value has a coefficient in the positive direction. The analysis results show that the path coefficient value is 0.001. A positive coefficient means a unidirectional relationship between company size and company value.

Leverage on financial performance has a coefficient in a positive direction. The analysis results show that the path coefficient value is 0.010. A positive coefficient means a unidirectional relationship between leverage and financial performance.

Liquidity on financial performance has a coefficient in a positive direction. The analysis results show that the path coefficient value is 0.009. A positive coefficient means a unidirectional relationship between liquidity and financial performance.

Company size on financial performance has a coefficient in a positive direction. The analysis results show that the path coefficient value is 0.005. A positive coefficient means a unidirectional relationship between company size and financial performance.

Financial performance on company value has a coefficient in a positive direction. The analysis results show that the path coefficient value is 0.003. A positive coefficient means a unidirectional relationship between financial performance and company value.
2. Hypothesis test
   a) Direct Effect between Variables

   Bootstrapping results for all samples using SmartPLS 3.2 are as follows:

   **Table 8. Results for Inner Weight**

   |                                | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
   |--------------------------------|---------------------|-----------------|---------------------------|--------------------------|----------|
   | PERFORMANCE - > COMPANY VALUE  | 0.274               | 0.667           | 0.354                     | 2.775                    | 0.003    |
   | LEVERAGE - > FINANCIAL PERFORMANCE | 0.934           | 0.695           | 0.101                     | 3.925                    | 0.010    |
   | LEVERAGE - > COMPANY VALUE     | 0.257               | 0.255           | 0.060                     | 4.306                    | 0.000    |
   | LIQUIDITY - > FINANCIAL PERFORMANCE | 0.027           | 0.706           | 0.073                     | 5.375                    | 0.009    |
   | LIQUIDITY - > COMPANY VALUE    | 0.483               | 0.640           | 0.081                     | 8.842                    | 0.002    |
   | SIZE - > FINANCIAL PERFORMANCE | 0.451               | 0.783           | 0.343                     | 6.316                    | 0.005    |
   | SIZE - > COMPANY VALUE         | 0.311               | 0.404           | 0.352                     | 7.884                    | 0.001    |

   Source: SmartPLS output

   The test results can be interpreted based on the direct influence between variables as follows:

   1. **Leverage Affects Company Value**
      The results of the Leverage Influence on Company Value test show that the t-statistics is 4.306, which means that Leverage influences Company Value positively. With P Values of 0.000, it can be explained that Leverage Influences Company Value. The higher the leverage faced, the impact it will have on increasing the company value. Thus the first hypothesis of this study is supported.

   2. **Liquidity Affects Company Value**
      The results of testing that Liquidity Influences Company Value shows that the t-statistics is 8.842, which means that Liquidity influences Company Value positively. With P Values of 0.002, this can be explained that Liquidity Affects Company Value. The higher the liquidity faced, the more impact the company value will have. Thus the second hypothesis of this study is supported.

   3. **Company Size Influences Company Value**
      The results of testing how company size influences company value show that the t-statistics is 7.884, which means that company size influences company
value positively. With P Values of 0.001, this can be explained that Company Size Influences Company Value. The higher the size of the company faced, the impact it will have on increasing the value of the company. Thus the third hypothesis of this study is supported.

4. **Leverage Influences Financial Performance**
   
The results of the Leverage Influence on Financial Performance test show that the t-statistics is 3.925, which means that Leverage influences Financial Performance positively. With P Values of 0.010, it can be explained that Leverage Influences Financial Performance. The higher the leverage faced, the impact it will have on increasing financial performance. Thus, the fourth hypothesis of this study is supported.

5. **Liquidity Affects Financial Performance**
   
The results of testing that Liquidity Influences Financial Performance shows that the t-statistics is 5.375, which means that Liquidity influences Financial Performance positively. With P Values of 0.009, this can be explained that Liquidity Influences Financial Performance. The higher the liquidity faced, the greater the impact on financial performance. Thus the first hypothesis of this study is supported.

6. **Company Size Influences Financial Performance**
   
The results of testing how company size influences financial performance show that the t-statistics is 6.316, which means that company size influences financial performance positively. With P Values of 0.005, this can be explained that Company Size Influences Financial Performance. The higher the size of the company faced, the impact it will have on increasing financial performance. Thus the first hypothesis of this study is supported.

7. **Financial Performance Affects Company Value**
   
The results of testing Financial Performance Influences Company Value show that the t-statistics is 2.775, which means that Financial Performance influences Company Value positively. With P Values of 0.003, this can be explained that Financial Performance Influences Company Value. The higher the financial performance faced, the impact it will have on increasing the company value. Thus the first hypothesis of this study is supported.

b) **Indirect Effect between Variables**
   
The next test in this research is testing the indirect effect hypothesis between variables through mediating variables by carrying out the Smart PLS 3.2 bootstrapping process:
Table 9. Results for Indirect Effect

| Variable                        | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|--------------------------------|---------------------|-----------------|---------------------------|-------------------|----------|
| LEVERAGE -> FINANCIAL PERFORMANCE - > COMPANY VALUE | 0.256               | 0.624           | 0.047                     | 4.541             | 0.002    |
| LIQUIDITY -> FINANCIAL PERFORMANCE - > COMPANY VALUE | 0.751               | 0.804           | 0.020                     | 3.375             | 0.010    |
| SIZE -> FINANCIAL PERFORMANCE -> COMPANY VALUE | 0.237               | 0.624           | 0.344                     | 3.359             | 0.001    |

Source: SmartPLS output

The next analysis is to test the hypothesis of the role of mediation with the variables in this research which is carried out in accordance with the stages carried out by Hair et al (2014) and Nitzl et al (2016) which can be explained as follows:

1. **Financial Performance Mediates the Effect of Leverage on Company Value**
   
   The table of test results for Financial Performance Mediating the Effect of Leverage on Company Value shows that the t-statistics is 4.541, which means that Financial Performance Mediates the Effect of Leverage on Company Value. With P Values of 0.002, this can be explained that Financial Performance mediates a positive and significant relationship between Leverage and Company Value. The higher the financial performance faced will have an impact on increasing the relationship between Leverage and Company Value. Thus, the eighth hypothesis of this research is supported.

2. **Financial Performance Mediates the Effect of Liquidity on Company Value**
   
   The table of test results for Financial Performance Mediating the Influence of Liquidity on Company Value shows that the t-statistics is 3.375, which means that Financial Performance Mediates the Influence of Liquidity on Company Value. With P Values of 0.010, this can be explained that Financial Performance mediates a positive and significant relationship between Liquidity and Company Value. The higher the financial performance faced, the greater the relationship between liquidity and company value. Thus the ninth hypothesis of this research is supported.
3. **Financial Performance Mediates the Effect of Company Size on Company Value**

In the table of test results for Financial Performance Mediating the Effect of Company Size on Company Value, it shows that the t-statistics is 3.359, which means that Financial Performance Mediates the Effect of Company Size on Company Value. With P Values of 0.001, this can be explained that Financial Performance mediates a positive and significant relationship between Company Size and Company Value. The higher the financial performance faced will have an impact on increasing the relationship between company size and company value. Thus the tenth hypothesis of this study is supported.

4.1 **Discussion**

1. **Leverage Affects Company Value**

The results of the t test show that leverage has an influence on company value. Research shows that the company is capable of paying off its long-term debts, so it can be said that it is a Conventional Banking company has done its best performance to create good company value as well. The use of leverage can increase the value of the company because in tax calculations, the interest charged due to the use of debt is deducted first, resulting in the company getting tax relief.

The use of debt can be interpreted by investors as the company's ability to pay off the company's obligations in the future so that this gets a positive response from the market. Companies that decide to use debt can cut tax income costs because the costs incurred by the company will be used to pay loan interest. Tax reduction can increase company profits so that funds can be allocated for dividend distribution or reinvestment. Companies that are able to reinvest or increase dividend distribution to investors will receive a positive response thereby increasing market valuation which has an impact on increasing share prices on the capital market, so the use of debt can be a positive signal given by the company to investors to increase the value of the company in the eyes of investors.

The results of research conducted by (Dewi & Abundanti, 2019b), (Febriani, 2020), (Krismunita, 2021) also show that leverage has an effect on company value. Meanwhile, the results of research conducted by (Octaviany et al., 2020); (Prasetyo, 2015) show that leverage has no effect on company value.

2. **Liquidity Affects Company Value**

The results of the t test show that liquidity has an influence on company value. Liquidity is a company's ability to meet its short-term obligations. The higher the ratio, the higher the company's ability to fulfill its obligations. In addition, a high liquidity ratio illustrates the availability of company funds to carry out company operations and pay dividends. Companies that have a high level of liquidity are of course considered to be good prospects by investors, because investors perceive the company to have good performance so that it can increase share prices, which means the value of the company also increases.
High liquidity can indicate funds available to pay dividends, finance company operations and investments so that investor perceptions of company performance improve. This is because companies that have a high level of liquidity have large internal funds, so the company also uses its internal funds first to finance its investment before using external financing through debt. This can increase investor demand for company shares. An increase in demand for shares will result in the company value increasing.

The results of research conducted by (Patricia et al., 2018), (Febriani, 2020), (Maryam et al., 2020), (Prasetyo, 2015), (Krismunita, 2021) show that liquidity has an effect on company value. While research conducted by (Erwin & Widyastuti, 2021) shows that liquidity has no effect on company value.

3. Company Size Influences Company Value

The results of the t test show that company size has an influence on company value. Company size is a measure that describes the size of the company which can be assessed from the value of the company's total assets. A large company size indicates that the company is experiencing good growth. Companies with large growth will find it easier to enter the capital market because investors perceive positive signals about companies that have large growth so that the positive response reflects an increase in company value. The increasing company value can be indicated by the total assets of basic industrial and chemical companies increasing and being greater than the company's total debt.

Whether a company is large or small can be seen by how much the company has in total assets. A company that has a larger size will make an investor pay more attention to the company. This condition can occur because large companies tend to have better conditions. Good company conditions can make investors want to own company shares so that they can increase the share price offered on the market. Prospective investors will hope to get higher dividends from large companies. An increase in share offerings on the capital market will be in line with an increase in company value.

The results of research conducted by (Pangesti et al., 2020), (Dewi & Abundanti, 2019), (Patricia et al., 2018), (Maryam et al., 2020) show that company size has an influence on company value. Meanwhile, the results of research conducted by (Octaviany et al., 2020), (Yulimtinan & Atiningsih, 2021), (Erwin & Widyastuti, 2021), (Prasetyo, 2015) show that company size has no effect on company value.

4. Leverage Influences Financial Performance

The results of the t test show that leverage has an influence on financial performance. Various financial ratios can be used to measure risk in relation to companies that use leverage in their capital structure. One of them is the total debt to total asset ratio. Debt Ratio measures company assets financed by creditors. The lower the debt ratio indicates that only a small portion of the company's assets are financed with debt. Vice versa, the greater this ratio means the greater the company's leverage (Hartono, 2019).
Companies that have leverage will have a higher value than companies without leverage (Wulandari, 2019). The increase in company value occurs due to interest payments on debt which is a tax deduction. Therefore, the operating profit flowing to investors becomes greater. When there are taxes, the company will be better if it uses greater debt. So, in this research the assumption used is that the company will get better if it uses more debt. With the value of debt increasing, the value of the company's assets will increase so that it can finance all business activities with the aim of increasing the company's profitability. With a larger source of funds, it is likely that profits will increase but this will also be accompanied by an increase in risk.

This means that if a company increases the value of its long-term debt to facilitate all of the company's business activities, the company's profit value will also increase even though there is an increase in risk as well. This shows that the higher a company's debt level, the higher the company's financial performance. Vice versa, for companies with low levels of debt use, financial performance as measured by ROA will also be lower. The increase in company value occurs because interest payments on debt are a tax deduction. Therefore, the operating profit flowing to investors becomes greater. The company's tax conditions will get better if it uses more debt. So, the assumption used in this research is that the company will become worse if it uses more debt. With a larger source of funds, profits can increase but this is also accompanied by an increase in risk that is greater than the increase in profits.

The results of research conducted by (Putri et al., 2021), (Yulimitinan & Atiningsih, 2021), (Dewi & Abundanti, 2019), (Febriani, 2020), (Krismunita, 2021) show that leverage has an effect on financial performance. Meanwhile, the results of research conducted by (Prasetyo, 2015) show that leverage has no effect on financial performance.

5. Liquidity Affects Financial Performance

The results of the t test show that liquidity has an influence on financial performance. The liquidity ratio in this research is measured by the current ratio (current ratio), where the current ratio is used as an indicator in measuring the company's ability to meet short-term obligations that are due soon. According to the opinion of (Supriandi & Masela, 2023), the current ratio is a ratio that measures a company's ability to pay current debts using current assets. A company that shows a high current ratio indicates that the company is able to pay all of its short-term obligations on time. In practice, a company that is able to pay short-term obligations on time according to the predetermined maturity date, means that the company is in a liquid state, meaning it has a current assets position greater than current liabilities.

This means that the better the liquidity value, it is indicated that financial performance will increase. In this research, financial performance is assumed to be Return On Assets. This means that a large Return On Assets indicates the greater the company's ability to fulfill its short-term obligations or the better its liquidity. A higher level of liquidity can increase the company's credibility, which will give rise to a positive reaction from investors to provide capital which the company can use for investment in an effort to improve its financial performance. Liquidity and financial
performance, which are assumed to be Return On Assets, have a unidirectional relationship, meaning that if there is a decrease in the level of liquidity, the value of Return On Assets will decrease, or the company’s financial performance is said to decrease, and vice versa (Lumoly et al., 2022).

The results of research conducted by (Patricia et al., 2018), (Prasetyo, 2015) show that liquidity has an effect on financial performance. Meanwhile, the results of research conducted by (Erwin & Widyastuti, 2021), (Febriani, 2020), (Krismunita, 2021) show that liquidity has no effect on financial performance.

6. **Company Size Influences Financial Performance**

The results of the t-test show that company size has an influence on financial performance. Company size describes the size of a company which can be expressed in terms of total assets or total net sales (Handayani, 2022). Company size is an important factor in determining a company's financial performance. Large companies have several competitive advantages that can have an impact on increasing the profitability of the company, including companies having market power where large companies can set high prices for their products, and cost savings.

Company size has a positive effect on profitability as measured using Return on Assets. Company size plays an important role in determining the types of relationships a company enjoys within and outside its operating environment. The bigger a company is, the more influence it has over its stakeholders. Company size has an influence on financial performance. Increasing company size will increase the company’s financial performance (profit). An increase in the number of assets owned by a company shows that the size of the company is increasing.

Based on partial research results, it is known that the Company Size variable has a positive and significant influence on Financial Performance. Based on the results of this research, it can be concluded that company size can be an assessment of financial performance. This supports the theory which states that the company size factor, which is proxied by Total Assets, shows that the size of the company is an important factor in forming profits. A large company that is considered to have reached the maturity stage is an illustration that the company is relatively more stable and more capable of generating profits than small companies. The greater the assets, the more capital invested, the greater the turnover of money and the greater the market capitalization, the greater the company's financial performance.

Results of research conducted by (Octaviany et al., 2020), (Putri et al., 2021), (Yulimtinan & Atiningsih, 2021), (Kartika Dewi & Abundanti, 2019), (Patricia et al., 2018), (Prasetyo, 2015) shows that company size influences financial performance. Meanwhile, the results of research conducted by (Erwin & Widyastuti, 2021) show that company size has no effect on financial performance.

7. **Financial Performance Affects Company Value**

The results of the t-test show that financial performance has an influence on company value. Profitability is the profit generated by a company based on the size of the company's performance. High profitability can symbolize the company's prospects are getting better. The increasing profitability of a company reflects an
increase in company efficiency, so this shows that the company's performance is improving. Companies with good performance can be seen through their profit generation, thereby increasing the confidence of investors who want a return on their investments. Prospective investors always look for companies with good performance and then carry out investment activities in the company, so that these activities can increase market perception and the company's value will increase.

Research shows that the more a company is able to generate profits, the company value will increase, which can be seen from the increase in its share price. Companies that succeed in increasing profitability every year will attract the interest of many investors. Investors will trust companies that are able to generate large profits because the returns obtained are also large, so this is a positive signal for investors from the company. This situation will be used by company managers to obtain sources of capital in the form of shares. This increase in demand for shares will increase the value of the company and the price of those shares on the capital market.

The better the ROA value, theoretically the company's financial performance is said to be good, which also results in an increase in the company's share price. Results of research conducted by (Patricia et al., 2018), (Erwin & Widyastuti, 2021), (Febriani, 2020), (Maryam et al., 2020), (Prasetyo, 2015), (Krismunita, 2021) shows that financial performance has an effect on company value. Meanwhile, the results of research conducted by (Selfiyan, 2021) show that financial performance has no effect on company value.

8. Financial Performance Mediates the Effect of Leverage on Company Value

The results of the Indirect Effect test show that Financial Performance Mediates the Effect of Leverage on Company Value. Profitability is able to mediate the influence of leverage on the company. This means that the additional variable profitability or ability to earn profits affects leverage in increasing company value. a very convincing effort and made the company's share price rise.

These results can indicate that the leverage variable can influence company value through financial performance. This is because companies with very bright prospects prefer to finance through debt. Rather than preferring to fund using shares, which means it is better to use debt rather than bringing in new investors to share losses if the company's condition is with unprofitable prospects.

The results of research conducted by (Yulimtinan & Atiningsih, 2021), (Dewi & Abundanti, 2019a) also show that profitability is able to mediate the influence of leverage on company value. Meanwhile, the results of research conducted by (Putri et al., 2021), (Febriani, 2020) show that Profitability is unable to mediate the effect of Leverage on company value.

9. Financial Performance Mediates the Effect of Liquidity on Company Value

The results of the Indirect Effect test show that Financial Performance Mediates the Effect of Liquidity on Company Value. The results of this research show that there is an influence of liquidity on profitability which is proxied by the Return On Assets (ROA) variable, and there is an influence of profitability on firm value which is proxied by the price to book value (PBV) variable, so that all paths link the influence
of liquidity on firm value through profitability is significant. Thus, profitability can mediate the effect of liquidity on company value.

The higher liquidity a company has will not have a positive impact if company management does not utilize it, the funds will become idle cash (Suryanti et al., 2021) . On the other hand, if company management is able to manage its sources of funds in order to generate higher profits, this can result in high company profitability. The high profits obtained can attract investors to invest their wealth in the company, the high demand for shares will increase the value of the company. Thus, profitability can mediate the effect of liquidity on company value (Prasetyo, 2015).

Referring to signaling theory, a company that has a high level of liquidity means that it is increasingly able to fulfill its short-term obligations, this will be considered a positive signal by investors so that it can increase the value of the company.

The results of research conducted by (Patricia et al., 2018) show that financial performance is able to mediate the effect of liquidity on company value. Meanwhile, the results of research conducted by Febriani (2020) show that financial performance is unable to mediate the effect of liquidity on company value.

10. Financial Performance Mediates the Effect of Company Size on Company Value

The results of the Indirect Effect test show that Financial Performance Mediates the Effect of Company Size on Company Value.

This research shows that ROA is able to mediate the influence of company size on PBV. The size of the company's assets can increase the profits generated because of the abundance of resources it has. High profitability will increase investor confidence so that it can increase the company's share price. Thus, company size can indirectly increase company value through profitability.

The results of research conducted by (Octaviany et al., 2020), (Yulimtinan & Atiningsih, 2021), (Kartika Dewi & Abundanti, 2019), (Patricia et al., 2018) show that profitability is able to mediate the influence of company size on company value. While the results of research conducted by (Putri et al., 2021) show that profitability is unable to mediate the effect of company size on company value.

CONCLUSION

Based on the results of the research and discussion explained above, several things can be concluded: Leverage has an influence on company value, liquidity has an influence on company value, company size has an influence on company value, leverage has an influence on financial performance, liquidity has an influence on financial performance, Company Size Influences Financial Performance, Financial Performance Influences Company Value, Financial Performance Mediates the Effect of Leverage on Company Value, Financial Performance Mediates the Effect of Liquidity on Company Value, and Financial Performance Mediates the Effect of Company Size on Company Value.
The limitations in this research are: only use 3 variable Independent, 1 intervening variable and 1 variable dependent, Study only take 4 periods just from year 2018-2021, Research only use object 1 country, namely Indonesia and research sample only use company banking conventional so that amount it's very limited.

There are suggestions that can be given by researchers namely: Research furthermore can consider use variable other possible independents influence Company Value. For example: Profit Management, Capital Structure, Company Growth, Sales Growth, Free Cash Flow, Dividend Policy, and Managerial Ownership. Extend period study so that can see trend that happened in period long so that describe actual conditions happen. Study furthermore can consider object more from 1 country. Add company for example LQ45 company.

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