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Growth and Liquidity on Firm Value : The Role of Mediating Profitability

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Abstract

This study aims to determine the effect of Growth and liquidity on firm value with the role of profitability as a mediating variable in food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the period 2014 - 2023. The data collection method used in this study is purposive sampling of food and beverage sub-sector companies listed on the Indonesia Stock Exchange for 2014 - 2023, with a selected sample of 11 companies. Data processing was done using the SPSS application, which used descriptive statistical data analysis techniques and inferential statistics. The results of this study indicate that: (1) Growth as proxied by asset growth has no significant effect on firm value. (2) Liquidity proxied by the current ratio has a significant negative effect on firm value. (3) Profitability proxied by return on assets can mediate the effect of Growth and liquidity on firm value.
Keywords: Growth, Liquidity, Profitability, and Firm Value.

INTRODUCTION

The business world is currently in a global phase that is very open to rapid change and fierce competition. With the implementation of the AEC in Indonesia, companies are faced with the challenge of reaching markets in an increasingly competitive region. Competitive competition requires small and large-scale companies to show their best performance to create a sustainable competitive advantage and maintain the firm existence. (Wiwin et al., 2018).

In general, companies have long-term and short-term goals. Managing firm resources optimally to increase maximum profits is the firm's short-term goal. On the other hand, public firms prioritize long-term objectives, such as maximizing firm value to maximize shareholder welfare. Firm value attracts investors to buy the firm's shares in the hope of earning dividends or capital gains because it provides an overview of the firm's capacity to manage its assets. The firm value can be measured by comparing the share price with the book value per share or called price book value.

Companies in the food and beverage subsector are one of the industries that attract investors and play a significant role in driving Indonesia's economic growth. Currently, the food and beverage business in Indonesia is growing rapidly. Information gathered shows that one of the main drivers of Indonesia's economic growth is the food and beverage sector. According to statistics from the Central Bureau of Statistics, the food and beverage business grew higher in 2022 (4.90%) than in 2021 (2.54%), (https://www.bps.go.id).

Price book value (PBV) to calculate firm value can be used to illustrate food-related business phenomena and the average company listed on the Indonesia Stock Exchange period 2014 - 2023. The PBV graph is presented as below :

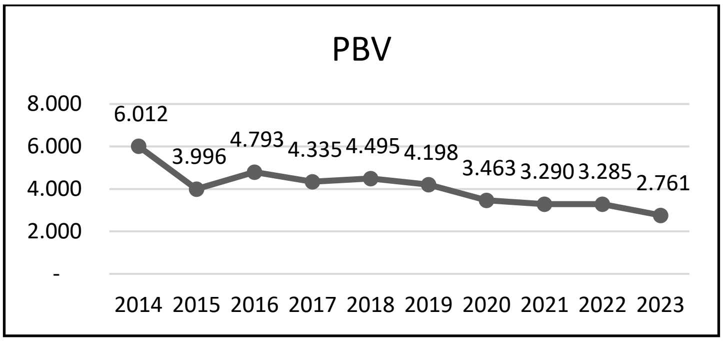

Figure 1. Price Book Value

In Figure 1, the average of PBV in food and beverage sub-sector companies in 2014 - 2023 has decreased. During the 10-year observation period, the average PBV showed fluctuating growth. The largest average PBV is 6.012, which is in 2014. Then a very significant decrease in the average PBV value to 3,996 in 2015.

A decrease in PBV indicates a decrease in firm value. This is information that can be considered by investors against the firm because it shows poor performance in maximizing firm value. Low firm value can also mean that the firm is experiencing financial problems. Thus, investor trust in the prospects of the firm decreases and views the firm as not worthy of being an investment alternative. Reduced investment interest and investor confidence in the firm is a serious problem because it has the potential to reduce the share price. This has an impact on reducing shareholder prosperity which is contrary to the main objective of the firm. Therefore, firm value must be a concern of firm management to achieve the firm's long-term goals, namely providing prosperity for shareholders.

Firm value describes the state of a firm. A decline in firm value occurs when the firm experiences low growth, and vice versa (Suryandani, 2018). Firm growth is seen as an investment opportunity for companies in the future that is of value to the firm. Companies that have a lot of ability to develop typically have high market capitalization and future cash flows that will draw in investors.

With the signaling theory approach, according to (Wiwin et al., 2018) growth can affect firm value. The firm provides a signal shown to financial statement users that there is an increase in growth. Signals issued by the firm receive a positive response by investors causing the stock price to increase, thereby increasing the firm's value. However, some data are not in accordance with signaling theory on average PBV with average growth proxied by Asset Growth (AG). The difference in direction between asset growth and PBV indicates a mismatch between signaling theory and existing practices so it becomes a business phenomenon in this study.

Empirical studies conducted by several researchers regarding the effect of firm value growth have been conducted previously, including research (Suryandani, 2018) stated a growth has an effect on firm value, this occurs because the amount of change in the firm’s total assets is greater than the change in total assets in the previous year, the high growth is of interest to investors so that it increases firm value. This research is in line with that of (Djakasaputra et al., 2023), and (Mawardhi & Maharani, 2022) stated that growth affects firm value. However, incontrast to research, (Akhmadi & Ariandini, 2018), which states that the level of firm growth cannot be linked to firm value because companies that pursue high growth prioritize their funds to increase assets, expansion, and others rather than to make shareholders prosperous. The research is in line with that conducted (Latief & Fauziah, 2023), and (Irawati et al., 2021) which stated that growth has no effect on firm value.

Firm value changes can also be affected by liquidity. Increasing liquidity will have an effect on increasing firm value because companies with high liquidity have a small risk of failure in fulfilling their obligations (Dotulong et al., 2023). With the signaling theory approach according to (sari et al., 2023) explains that an increase in liquidity can provide a signal positive to investors to invest, thereby increasing firm value. However, some data are not in line with signaling theory on the average PBV graph with average liquidity proxied by Current Ratio (CR). In actual terms, it is clear that even though CR development increases, PBV does not increase simultaneously. This highlights the problem that it is impossible to determine how liquidity can affect firm value.

Many researchers conducted empirical research on the effect of liquidity on firm value, but the findings of these studies on the relation of liquidity to firm value still have differences of opinion. The results of previous research (Dotulong et al., 2023) prove a significant effect of liquidity on firm value, it happens because the greater the values of liquidity ratios, the firm is considered efficient in managing its current assets to attract investors to invest in the firm. This result is in line with researchers (Sari et al., 2023) and (Uli et al., 2020) which states that liquidity influences firm value. However, in contrast to research (Hidayat, 2022) which states that liquidity has no effect on firm value due to the firm's liquidity only shows the firm's ability to fulfill short-term liabilities so that the liquidity has no effect on the firm value. Research statements are reinforced by the research (Nopianti et al., 2023), and (Ambarwati & Vitaningrum, 2021) stated the liquidity is not a determinant of firm value.

Based on the business phenomenon and the research gap above, this research tries to add other variables to overcome the gap in the effect of growth and liquidity on firm value. In this study, researchers added profitability proxied by Return On Assets (ROA) a mediating variable. Profitability is considered capable of mediating the relationship between growth and liquidity on firm value because profitability is an attraction for investors who are considered to be able to increase firm value.

Based on these problems, a research model was created that aims to create an increase in firm value through growth and liquidity that increases along with an increase in profitability in food and beverage companies. In this model, researchers try to provide a new explanation of how growth and liquidity affect firm value through profitability. So it is expected to give a conclusion to overcome the gap in research results.

THEORETICAL FRAMEWORK AND HYPOTHESIS

Signaling Theory

According to Brigham and Houston, in (Tandanu & Suryadi, 2020) signaling theory is an act by a firm to guide investors regarding the appearance of management on the firm's prospects. Signaling theory explains a firm should provide signals to financial statement users, especially investors who will make these investments. his signal can be in the form of communication about what the management did to actualize the expectations investors. If a firm can realize what investors want, it can affect firm value.

Firm Value

Firm value is the investor's perception of the firm's performance which is reflected in the form of stock market value. A higher firm value gives investors trust in the firm's performance in managing the firm so that the firm has a high selling value. An increase in firm value not only illustrates the firm's good performance but also illustrates the firm's prospects for the long term (Latief & fauziah, 2023). The PBV ratio is used in this study to determine the firm value. Because PBV focuses on book value and may show how well the market values the firm's assets and success in creating book value, it offers a more reliable description.

Growth

The growth ratio is a ratio illustrating the firm's capability to sustain their position amid economic growth and the business sector (Kasmir, 2018). To sustain their economic position, companies must continue to grow, innovate, and expand their business. Asset Growth (AG) is used in this study to quantify growth and compare changes in the firm's overall asset holdings. The reason researchers use asset indicators is because assets are economic resources controlled by an entity and are expected to generate future economic benefits for the entity. Increased asset growth reflects long-term financial stability, this shows that the firm has enough assets to support the firm's operations and future growth.

Liquidity

Liquidity shows how effectively a firm can pay its short-term liabilities. By comparing current assets with their current debt, management can find out how liquid the firm is (Kasmir, 2018). Companies with high liquidity have a good opportunity to expand the firm. From the perspective of creditors and prospective investors, the more liquid a firm is, the greater the creditor's confidence to provide funds to increase the firm's value. In this study, the current ratio (CR) will be used to gauge the liquidity of a firm. As it takes into account all current assets, CR is employed as a measure of liquidity since it can give a more complete view of the firm's capacity to satisfy its short-term liability.

Profitability

Profitability is a measure to determine the earnings generated from sales and investment proceeds (Kasmir, 2018). The higher profitability of a firm indicates the firm's ability to make gains in the future. Profitability is a fundamental aspect of the firm because, in addition to providing attractiveness for investors, profitability is also a measuring instrument for the effectiveness and efficiency of the use of all resources in the firm's operational processes. The independent variable chosen to measure profitability is Return On Assets (ROA), which is calculated by dividing net profit after tax by total assets.

Hypothesis Formulation

The Effect of Growth on Firm Value.

Firm growth is a change in total assets that increases or decreases in a period. Growth as seen from total assets can be said to be good if the firm can generate profits from existing resources to increase its assets. An increase in firm asset growth indicates good firm performance and provides information that the firm is developing. Based on signaling theory, good growth can raise a firm value by sending a positive signal for investors. High growth has the potential to boost the firm's cash flow in the future, which will boost confidence and draw in investors because the firm is thought to be able to generate a high rate of return. This will ultimately improve the firm's value. This is supported by several previous researchers (Djakasaputra et al., 2023), (Mawardhi & Maharani, 2022), and (Suryandani, 2018) It argues that the value of a firm is positively and significantly affected by firm growth.

H1: Growth has a positive and significant effect on firm value.

The Effect of Liquidity on Firm Value.

The ability of the firm to use its existing assets to pay off its short-term debt when it becomes due is referred to as liquidity. The firm's liquidity suggests that it has enough cash on available to cover its operational activities and distribute dividends. The high liquidity of the firm provides a positive perception for investors that the firm can reduce failure to fulfill its obligations without disrupting the firm's operational activities, thus attracting investors to invest. Theoretically, signaling theory explains the correlation of liquidity and firm value. The capital market will respond favorably to a firm's ability to fulfill short-term liability because it believes the firm can continue to perform, which will raise the firm's value. Empirically, this argument is in line with research (Dotulong et al., 2023), (Sari et al., 2023), and (Uli et al., 2020) it argue that liquidity has a positive and significant effect on firm value.

H2: Liquidity has a positive and significant effect on firm value.

Effect of Growth on Profitability

Growth of firm is a supporting factor in the growth of profitability. Growth of the firm impacts profitability through the assets owned, which in turn impacts the firm's productivity and efficiency, which in turn impacts profitability. Since a firm's capacity to make profits increases with growth, it follows that the profitability ratio evaluation would also rise. Signals that explain the firm's financial success make this a favorable signal for investors, according to signaling theory. Empirically, this argument is supported by (Syaban et al., 2024), (Melinia, 2021), and (Wiwin et al., 2018) stated that growth has a positive and significant effect on profitability.

H3: Growth has a positive and significant effect on profitability.

Effect of Liquidity on Profitability.

Liquidity ratio is a metric that shows the firm's capability to finance its operations and cover the short-term liability. The large percentage of current assets is the reason of the high liquidity ratio, which is seen favorably since it may cover the short-term liabilities. According to signaling theory, a firm with strong liquidity can fulfill its short-term liabilities by having its present assets available. A firm that exhibits strong liquidity has a greater amount of current assets than current liability. This requirement can lower the amount of debt and interest that the firm must pay, which will help with operations and profit generation, both of which have an impact on profitability. Empirically, this argument is supported by (Hiba & Prasetyo, 2024), (Fatma Sari et al., 2023), and (Goso, 2022) which shows the results that liquidity has a positive and significant effect on profitability.

H4: Liquidity has a positive and significant effect on profitability.

Effect of Profitability on Firm Value.

Profitability is crucial to all aspects of business because profitability describes how the firm performs in generating and managing profits efficiently. In addition to reflecting firm performance, profitability also shows the return on investment value that investors will receive. According to theory, signaling theory supports the relation of profitability and firm value. As a firm performs well in generating profits, investors view a rise in profitability as a positive signal, indicating that they will benefit from a high rate of return on their firm's shares. Investors will therefore boost stock demand transactions, which will raise the firm's value and have a beneficial impact on the share price. Empirically, this argument is supported by research conducted by (Novia Ningsih & Akhmadi, 2022), (Ambarwati & Vitaningrum, 2021), and (Olivia Dwi Putri & Gst Bgs Wiksuana, 2021) stated that profitability has a positive and significant effect on firm value.

H5: Profitability has a positive and significant effect on firm value.

The effect of Profitability in mediating the relationship between Growth and Firm Value.

The firm's impressive growth rate reflects the increase in the firm's total assets each year. Based on signaling theory, firm growth seen from increasing assets results in an increase in profit on maximum asset management which can have implications for increasing profitability. The increase in the profitability ratio is a positive signal for investors that there is good firm performance and attracts investors to invest. The more investment interest the higher the share price, then the impact on the increase in firm value. Empirically, this argument is supported by research conducted by (Melinia, 2021), (Wiwin et al., 2018), and (Fatiyah et al., 2018) stated that profitability mediates the effect of growth in increasing firm value.

H6: Profitability can mediate the relationship between growth and firm value.

The effect of Profitability in mediating the relationship between Liquidity and Firm Value.

Signaling theory explains how liquidity and firm value are related through profitability. Liquidity is a positive signal if it can encourage profitability. High liquidity indicates that the firm is in a safe state and far from bankruptcy due to the firm being unable to pay its current debt. This contributes to the smooth running of the firm to generate profits, thereby increasing the firm's profitability. In the eyes of investors, one indication of strength that will increase demand for a company's shares is strong company profitability. high demand for shares will increase the firm value. Empirically, this argument is supported by (Fitriani & Khaerunnisa, 2024) and (Surya Pratama, 2020) which states that profitability is a variable that can mediate the relationship between liquidity and firm value.

H7: Profitability can mediate the relationship between liquidity and firm value.

RESEARCH METHOD

Population and Sample

The population in this study is the food and beverage sub-sector companies in 2014-2023 which are members of the Indonesian Stock Exchange. Purposive sampling or a series of criteria selected by the researcher was used to select the sample for this study. Companies that meet the required criteria are companies that have all the data needed for the research variables and companies that did not experience a decline in profits during the study In a period of 10 years, there were 11 companies that met the criteria for the research sample. So, the data used were 110 observation data.

Data Analysis Technique

Determining each independent variable's impact on the dependent variable is the aim of this research. Using IBM SPSS 26, this research was analyzed using statistical analysis techniques, classical assumption tests, path analysis, and t-tests.

Type and Source of Data

The data source of this research is secondary data, information taken from the Firm's financial statements and annual reports accessed from the official website of the Indonesia Stock Exchange (www.idx.co.di) and the official website of each Firm.

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Table 1.
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
AG	110	-,1606	1,6761	,117077	,2037677
CR	110	,5139	9,9542	2,775128	1,9461772
ROA	110	,0005	,5267	,118001	,0932775
PBV	110	,1643	45,4655	4,734186	7,0010233
Valid N (listwise)	110				

Source: Processed data SPSS 26

From the table above, it can be seen that the amount of data used in this study is 110. In describing each variable, the researcher explains it as below:

The growth variable, the lowest value of -0.1606 in 2018 was owned by PT Wilmar Cahaya Indonesia (CEKA).. In 2020, Indofood CBP Sukses Makmur (ICBP) is expected to have the highest growth value at 1.6761. Then the average growth is 0.1170777, with a standard deviation of 0.2037677.

The liquidity variable, the lowest value of 0.5139 in 2014 was owned by Multi Bintang Indonesia (MLBI). In 2022, Wilmar Cahaya Indonesia (CEKA) is expected to have the highest liquidity at 9.9542. Then the average liquidity is at 2.775128 with a standard deviation of 1.9461772.

The profitability variable, the lowest value of 0,0005 in 2019 was owned by Sekar Bumi (SKBM). Multi Bintang Indonesia (MLBI) is expected to have the highest profitability which is 0.5267 . Then the average profitability is 0.118001 with a standard deviation of 0.0932775.

The firm value variable, the lowest value of 0.1643 in 2014 was owned by Delta Djakarta (DLTA). In 2014, Multi Bintang Indonesia (MLBI) is expected to have the highest firm value at 45.4655. Then the average Firm value is at 4.734186 with a standard deviation of 7.0010233.

Normality Test

To find the residual or mixed variables in the regression model have a normal distribution, the normality test is used.The Kolmogorov-Smirnov statistical test was used in this study's normalcy test. The first normality distribution results proved to be not normally distributed, for this reason, data elimination (outliers) was carried out to detect detect whether there were extreme data in the samples taken. After the outlier data is eliminated, the final amount of data used as a sample is 86 data. Following are the results of the Kolmogorov-Smirnov statistical test after outliers:

Table 2.
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual	Unstandardized Residual
N		86	86
Normal Parameters[a,b]	Mean	,0000000	,0000000
	Std. Deviation	,03453732	1,53030736

Most Extreme Differences	Absolute	,075	,089
	Positive	,075	,089
	Negative	-,068	-,055
Test Statistic		,075	,089
Asymp. Sig. (2-tailed)		,200c,d	,087c

Source: Processed data SPSS 26

The preceding table indicates that the asymptotic sig value (2-tailed) > 0.05 for the normality test results for Structural Sub 1 and 2. Thus, the regression model is appropriate for use in research and the study's data have a normal distribution.

Multicollinearity Test.

Table 3.
Multicollinearity Test 1

Model		Collinearity Statistics Tolerance	VIF
1	(Constant)		
	AG	,967	1,034
	CR	,967	1,034

Source: Processed data SPSS 26

Table 4.
Multicollinearity Test 2

Model		Collinearity Statistics Tolerance	VIF
1	(Constant)		
	AG	,910	1,099
	CR	,520	1,922
	ROA	,536	1,865

Source: Processed data SPSS 26

As can be observed from the above table, each variable's tolerance value has a value greater than 0.10 and a VIF value less than 10. Sub-structural regression models 1 and 2 therefore do not exhibit multicollinearity amongst independent variables.

Heteroscedasticity Test

Table 5.
White Test for Heteroscedasticity Test 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,428a	,184	,132	,00179

a. Predictors: (Constant), AGCR, AG_KUADRAT, CR_KUADRAT, AG, CR

Source: Processed data SPSS 26

From the table above , it can see that the R2 squared value is 0.184. Using this data, it can calculate the C2 value using the formula n x R2, so the calculated C2 value is 86 x 0.184 = 15.824. Whereas, the C2 table at 0.05 significance level obtained from Df = (n k) = 86-2 =

84 is 106.395. Since the calculated C2 value is less than the table value (15.824 < 106.395), it can conclude that substructure 1 does not have heteroscedasticity.

Table 6
White Test for Heteroscedasticity Test 2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,287a	,083	-,026	3,21810

a. Predictors: (Constant), ROA2, AG, CR_KUADRAT, AG_KUADRAT, AGROA, AGCR, ROA, CR, CRROA

Source: Processed data SPSS 26

From the table above, it can see that the value of R2 is 0.083. Using this data, can calculate the C2 value using the formula n x R2, so the calculated C2 value is 86 x 0.083 = 7.138. Whereas, the C2 table at the significance level of 0.05 obtained from Df = (n-k) = 86 3 = 83 is 105.267. Since the calculated C2 value is less than the value in the C2 table (7.138 < 105.267), it can conclude that substructure 2 does not have heteroscedasticity.

Hypothesis Test (t-test)

Table 7
T-Test Result 1

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	1,934	,434		4,454	,000
	AG	1,008	1,477	,071	,682	,497
	CR	-,386	,181	-,295	-2,137	,036
	ROA	19,335	4,893	,538	3,952	,000

a. Dependent Variable: PBV

Source: Processed data SPSS 26

Table 8
T-Test Result 2

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	,020	,009		2,064	,042
	AG	,073	,032	,187	2,285	,025
	CR	,025	,003	,690	8,441	,000

a. Dependent Variable: ROA

Source: Processed data SPSS 26

The effect of growth on firm value

Based on the table above, the significance value of Growth is 0.497> 0.05 and the results show that t count < t table (0.682 < 1.6634). It can be concluded that growth has no effect and is not significant to firm value. So H1 is **rejected**.

The effect of liquidity on firm value

Based on the table above, the significance value of liquidity is 0.036 < 0.05 and the results show that t count < t table (-2.137 < -1.6634). Then the CR coefficient value shows a negative relationship direction, namely -0.386. It can be concluded that liquidity has a negative and significant effect on firm value. So H2 is **rejected.**

The effect of growth on profitability

Based on the table above, the significance value of Growth is 0.025 t table (2.285> 1.6631). Then the AG coefficient value shows a positive relationship direction, namely 0.073. It can be concluded that growth has a positive and significant effect on firm value. So H3 is **accepted.**

The effect of liquidity on profitability

Based on the table above, the significance value of liquidity is 0.000 t table (8.441> 1.6631). Then the CR coefficient value shows a positive relationship direction of 0.025. It can be concluded that liquidity has a positive and significant effect on firm value. So H4 **is accepted.**

The effect of profitability on firm value

Based on the table above, the significance value of profitability is 0.000 t table (3.952> 1.6634). Then the ROA coefficient value shows a positive relationship direction, namely 19.335. It can be concluded that profitability has a positive and significant effect on firm value. So H5 is **accepted.**

Path Analysis

Path analysis is used to see how much influence the direct and indirect relationships have in this study. The results of the path analysis test for this study is below:

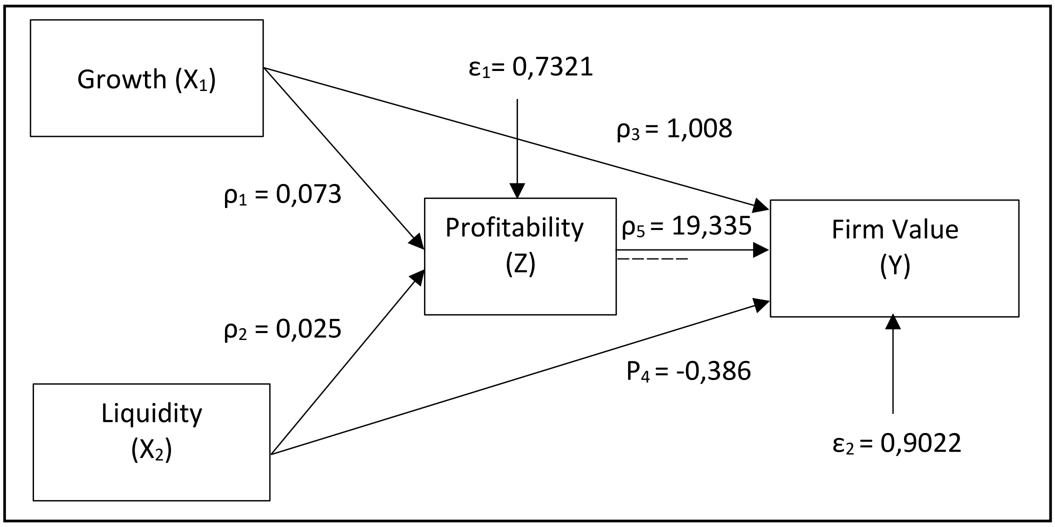

Figure 2. Path Analysis Diagram

The effect of Growth on firm value through profitability

Based on the figure above, the effect of growth on firm value through profitability can be tested with direct and indirect effects. Direct effect = 1.008, indirect effect = 0.073 x 19.335 = 1.411, total effect = 1.008 + (0.73 x 19.335) = 2.419. Then it can be concluded that the profitability variable proxied by ROA can mediate the relationship between growth and firm value because the multiplication result of the indirect effect is greater than the direct effect (1.411> 1.008). So H6 is **accepted**.

Liquidity to firm value through profitability

Based on the figure above, the effect of liquidity on firm value through profitability can be tested with direct and indirect effects. Direct effect = -0.386, indirect effect = 0.025 x 19.335 = 0.483, total effect = -0.386 + (0.025 x 19.335) = 0.097. Then it can be concluded that the profitability variable proxied by ROA can mediate the relationship between liquidity and firm value because the multiplication result of the indirect effect is greater than the direct effect (0.483> -0.386). So H7 is **accepted.**

Discussion

Effect of Growth on Firm Value

The results of the hypothesis test show that growth has no effect on firm value and is not significant. This result is contrary to the signal theory which states that increased growth will increase the firm's cash flow and profitability in the future, which will increase confidence and potentially motivate investors to invest, which will affect the increase in firm value.

The firm's growth rate cannot be associated with firm value, because companies with higher growth rates also have increased funding needs. The higher the firm's growth rate, the higher the cost of profit required for expansion, so the firm uses the funds for business activities rather than for shareholders. Companies tend to retain the profits they earn for growth. This causes a decrease in dividends to investors. This makes investors reconsider their decisions. When investing in a firm, investors are more interested in the amount of profit generated by the firm than the firm's growth rate.

The results of this study are not in line with research conducted by (Djakasaputra et al., 2023), (Mawardhi & Maharani, 2022), and (Suryandani, 2018) which states that growth has a positive and significant impact on firm value. However, the results of this study are relevant to research conducted (Akhmadi & Ariandini, 2018), (Latief & Fauziah, 2023), and (Irawati et al., 2021)

The Effect of Liquidity on Firm Value

The results of the hypothesis test show that liquidity has a negative and significant effect on firm value. This result is contrary to the signal theory which is a reference that high liquidity can be a positive signal for investors so that it can increase firm value.

A firm value is negatively impacted by liquidity. This is a situation where too much liquidity can reduce a firm's value. It happens because information about high liquidity will be accepted and reconsidered by investors and external parties in assessing the firm financial performance. Companies that have too high liquidity or over liquid can show current assets that are not used productively, this reflects inefficient asset management. In addition, high liquidity due to uncollected receivables and unsold inventories that dominate the current asset component will make it seem as if the firm is in a liquid condition. A low level of liquidity has an impact on reducing the firm share price, but if it is too high it can reduce the firm ability to generate profits because the reserves available in the firm are not used appropriately in operational activities. When operational activities are not employed to their full potential, a firm's profit is too minimal and may indicate a low rate of return. This might send the wrong message to investors and lower the firm's value.

The results of this study are not in line with research conducted (Dotulong et al., 2023), (Sari et al., 2023), and (Uli et al., 2020) state that liquidity has a positive and significant effect on firm value. However, it is relevant to the research conducted (Febriani, 2020), (Andriyanti, 2023), and (Dewi et al., 2021), which states that liquidity has a negative effect on firm value.

Effect of Growth on Profitability

The results of hypothesis test show that growth has a positive and significant effect on profitability, or the hypothesis is accepted. The results is consistent with signaling theory which is a reference that high Growth affects the Firm's ability to generate profits or profitability.

Growth affects profitability, through assets owned. Firm growth seen from assets such as investment in equipment and new technology can increase the Firm's production capacity increases, thereby affecting the firm's productivity and efficiency, and ultimately affecting the increase in profitability. The higher the growth rate, the better the ability to generate profits and the greater the profitability assessment. The results is relevant to research by (Syaban et al., 2024), (Melinia, 2021), and (Wiwin et al., 2018) stated that growth has a positive and significant effect on profitability.

Effect of Liquidity on Profitability

The result of hypothesis show that liquidity has a positive and significant effect on profitability or the hypothesis is accepted. The results are in accordance with signaling theory that high liquidity indicates the firm ability to fill the short-term lability with the availability of current assets.

When a firm is in liquid state, it shows there are more current assets than current liabilities. This condition can minimize the amount of debt and interest that the firm must pay. In addition, high liquidity reflects the availability of internal funds that the firm can use as working capital so that it will facilitate business operations in generating profits which have implications for increasing profitability. Conversely, a low liquidity indicates the firm inability to pay off its short-term liability on time due to limited cash funds owned so it can hinder the firm in meeting the needs to carry out operational activities smoothly and ultimately reduce the profitability.

The results is relevant to research by (Hiba & Prasetyo, 2024), (Fatma sari et al., 2023), and (Goso, 2022) which shows the results that liquidity has a positive and significant effect on profitability.

Effect of Profitability on Firm Value

The result of hypothesis show that profitability affects firm value, or the hypothesis is accepted. The results are in accordance with signaling theory which is a reference that high profitability will increase firm value. Investors view an increase in a firm's profitability as an indication that it is performing well in turning a profit, which will provide investors with a high rate of return on their investment in the firm’s shares. Investors will consequently boost stock demand transactions, which will raise the value of the firm and have a beneficial impact on the stock price.

The results of this study are relevant to research by (Haerdiansyah Syahnur, 2023), (Novia Ningsih & Akhmadi, 2022), (Ambarwati & Vitaningrum, 2021), and (Olivia Dwi Putri & Gst Bgs Wiksuana, 2021) stated that profitability has a positive and significant effect on firm value.

The Effect of Growth on Firm Value through Profitability

Based on the results of path analysis to test the hypothesis of the indirect effect of profitability variables as intervening variables between growth and firm value, the results show that the hypothesis is accepted. The results are in accordance with signaling theory which is a reference that the high growth of the Firm shows the firm prospects are getting better because of the potential increase in profits obtained by the firm. This condition will attract investor interest so that the Firm's value increases.

Companies that are experiencing growth generally need large funds so they have to increase their assets. Assets managed by the firm in its operational activities will maximally increase firm profits. so that the increase in assets will have implications for increasing profitability. Increasing asset growth, which leads to improved profitability, will be perceived positively by investors. Potential investors consider this as evidence of optimal performance and allow the firm not to rely on external funding thereby reducing financial risk. This condition is more attractive to investors and can increase firm value.

The results of the study are supported by (Melinia, 2021), (Wiwin et al., 2018), and (Fatiyah et al., 2018) stated that profitability mediates the effect of growth in increasing firm value.

Effect of Liquidity on Firm Value through Profitability

Based on the results of path analysis to test the hypothesis of the indirect effect of profitability variables as intervening variables between liquidity and firm value, the results show that the hypothesis is accepted. The findings are consistent with the signaling theory, which holds that a high liquidity value influences a firm's capacity to turn a profit and, thus, raises profitability. Investors view high corporate profitability as a sign of strength, which increases demand for the company's stock. Demand for shares has an impact on increases in stock prices and firm value.

The firm is in a liquid state, it shows there are more current assets than current liabilities. Companies need to set strategies to maintain liquidity proportions but still pay attention to current assets so that firm funds do not seem idle. this can be done by increasing the effectiveness of accounts receivable collection, regulating the use of cash, and keeping inventory that is not too much. Thus operational activities will be optimized. In addition, a good level of liquidity can minimize the amount of debt and interest that must be borne by the firm, so that it will facilitate business operations in generating profits which have implications for increasing profitability. Increasing profitability will draw in investors to contribute their capital in the business because the business is considered to have promising prospects. As a result, the stock price will rise and the firm's value will increment.

The results of the study are supported by (Fitriani & Khaerunnisa, 2024), and (Surya Pratama, 2020), which states that profitability is a variable that can mediate the relationship between liquidity and firm value.

CONCLUSIONS

The conclusion of this study can be obtained from the results of data analysis and discussion that have been described, namely as follows: (1) Growth does not affect firm value. (2) Firm value is negatively affected by liquidity. (3) Profitability is positively and significantly affected by growth. (4) Profitability is positively and significantly affected by liquidity. (5) Firm value is positively and significantly affected by profitability. (6) There is a relationship between growth and firm value that can be moderated by profitability. (7) The relationship between liquidity and firm value can be mediated by profitability.

The researcher provides several recommendations based on the findings and limitations of this study, including the following: (1) further research is expected to broaden the focus of the research and extend the duration of the research in order to obtain a more complete picture; (2) research should also be conducted with a wider scope, not only in food and beverage sub-sector companies. (2) Based on this study, there are several ways to increase firm value, especially through increasing profitability. Companies should pay more attention to how companies generate profits. (3) Utilization of firm assets is something that needs to be considered by investors and potential investors. The profit obtained by the firm comes from effective and efficient asset management. This shows the expected rate of return.

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