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The Role of Profitability in Mediating the Effect of Capital Structure and Liquidity on Firm Value in Food and Beverage Sub-Sector in Indonesian Stock Exchange

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Abstract- This study aims to analyze the significance of the capital structure and liquidity effect on the profitability value, to analyze the significance of the capital structure, liquidity and profitability effect on firm value, and to analyze the role of profitability in mediating the capital structure and liquidity effect on firm value. The population in this study is food and beverage companies in Indonesia Stock Exchange. The sample was conducted by purposive sampling method and then the number of samples is 12 companies. The research data is secondary data obtained from the website of the Indonesia Stock Exchange and the Indonesia Capital Market Directory from 2013 until 2016. Data analysis is by path analysis technique with IBM SPSS Statistic Version 22. The results of this study showed that: (1) the capital structure negative, not significant impact on profitability. (2) the liquidity had negative significant impact on profitability. (3) the capital structure had negative significant impact on firm value. (4) the liquidity had a negative not significant impact on firm value. (5) the profitability had a positive and significant impact on firm value. (6) profitability is able to mediate the effect of capital structure on firm value significantly. (7) profitability is able to mediate the effect of liquidity on firm value significantly.

Keywords: Capital structure, Liquidity, Profitability, and Firm value

INTRODUCTION

The establishment of a firm generally has two objectives; they are economic goals and social goals. The firm efforts to get profits and customers are examples of the firm economic goals. The social goals are related to the firm attention to investors' desires, employees, suppliers and communities. The firm that has goals of making a profit will focus on activities to increase the firm value. For the firm that has go public, their main goals are to increase the prosperity of the owners or stockholders through increasing the firm value Salvatore (2011:8).

The firm value is the selling price of the firm that is willing to be paid by nominee investors when the firm is to be sold (Wiagustini, 2014:9), but different from the firm that go public; the firm value can be reflected through the stock price. The firm value with the stock price has a positive relationship. The higher of the stock price, the higher the value of the firm. The higher stock price will make the higher profits obtained by investors as well. This is based on the idea that the higher the prices of stock purchased by investors, the investors will not only get dividends from the firm but investors will also get capital gains if they sell the stock they have. The increased demand for stocks is an attraction for investors because it indicates the firm value will also increase. The market trust in the firm will increase if the firm value is high. The market will also trust in firm prospects in the next year.

Many measuring tools can be used to measure firm value. One of them that is often used is the price to book value (PBV) which is a comparison of the stock price with the book value per stock. The price to book value (PBV) can indicate how far the efforts done by the firm in creating firm value relative to the number of funds invested. Price to book value (PBV) measures the value given by the market to management and organizational change as a firm that keeps growing (Brigham & Houston, 2011:11). The increase of price to book value (PBV) shows the increase of stockholder prosperity which is the main goal of the go public firm.

The price to book (PBV) value can help investors to estimate the firm stock in under value over value conditions so that investors can take the appropriate decision. Under value is a condition where the stock market value is lower than the fair value. In under value condition, investors are encouraged to buy stocks and not sell their stock because the current stock price is low. When over value condition means the stock market value is higher than the fair value. In this condition, investors can decide to sell their stocks because the current stock price is relatively expensive. Many factors affect the ups and downs of the firm value such as profitability, capital structure, firm growth and liquidity.

Based on the capital structure theory, if the capital structure position is above the optimal capital structure target, then any additional debt will decrease the firm value. The essence of trade-off theory in capital structure is to balance the benefits and sacrifices that arise as a result of the debt use. As far as the greater benefits arise, additional debt is still allowed. If the sacrifice arises is greater, then the additional debt is not permitted. The trade-off theory predicts a positive relationship between capital structure and firm value by assuming that the tax benefits are still greater than the costs of financial pressures and agency costs. Thus it can be seen that the use of debt will increase the firm value, but only up to a certain point. After that point, the use of debt decreases the firm value (Dewi et al., 2014). The capital structure indicator used in this study is the debt to equity ratio (DER).

The phenomenon related to debt to equity ratio (DER) is that the greater this ratio shows the portion of the debt used in financing investment in assets is getting bigger, which also means the firm financial risk increases and vice versa. Creditors generally prefer that the debt ratio owned by the firm is lower because the lower the debt ratio, the higher the level of firm funding provided by stockholders and the greater the protection for creditors from the risk of debt not being paid. The DER ratio shows the composition or capital structure of total loans (debt) to the total capital owned by the firm, the higher the DER shows the total debt composition (short- term and long-term) is greater than the total own capital so that it impacts the greater the firm burden on outside parties (the creditor) (Robert, 2007).

Liquidity is the level of a firm ability to pay short-term obligations and on time. If the firm liquidity ratio is getting higher, it indicates the firm ability to pay its obligations is also getting higher and vice versa. The firm that has the high liquidity ratio certainly has good prospects going forward because investors have the perception that the firm has good performance so that it can increase stock price, which means increasing the firm value as well. The liquidity indicator that will be used in this study is the current ratio. The current ratio shows how far the current assets cover current obligations.

The phenomenon related to the current ratio is that if the increase of current ratio does not increase the dividend, but instead increases the free cash flow in the firm, then the possibility of agency costs will increase. The liquidity simply indicates the firm ability to pay the short-term debt and ignore other factors so that the investors pay less attention to the variable current ratio in investing. Many researchers have been done related to the effect of liquidity on firm value and there is still a research gap that is worthy to do research. Rompas (2014) states that liquidity had a significant effect on firm value. A similar study was also found by Putra & Lestari (2016), the similar is conducted by Fadli (2017) stated liquidity had a positive effect on firm value. In contrast to Mahendra Dj et al (2012) states that liquidity had no significant positive effect on firm value. Nurhayati (2013) states that liquidity with the current ratio indicator had no significant effect on firm value. Sudiani & Darmayanti (2016) in their research also stated that liquidity had a negative effect on firm value.

Profitability is the net income of policies and decisions that have been chosen by the management of a firm. Profitability ratio can be measured by indicators of profit margin, basic earning power, return on assets (ROA) and return on equity (ROE). The indicator that will be used in this research is the return on equity (ROE). Return on equity (ROE) is a ratio that shows a firm ability to generate net income for stakeholders' equity returns. ROE is a financial ratio that is used to measure the profitability of equity. The greater the ROE results, the better the firm performance (Dewi et al., 2014).

When the capital structure and liquidity have a positive effect on firm value, profitability is thought to be a mediator for the effect of capital structure and liquidity on the initially positive firm value becoming more positive after profitability as a mediating variable. Hamidy, Wiksuana, & Artini, (2015) and Andrian (2012) found that profitability was able to mediate the effect of capital structure on firm value. Putra & Wiagustini (2013) in their research also found that profitability was able to mediate the effect of liquidity on firm value. The high profitability shows higher firm performance so that it can be a positive signal for investors to buy firm stock. When the demand for the stock is more increases, while the availability of fixed stock will indirectly increase the firm value.

The development of the food and beverage sector always experiences an increase throughout the year. The food and beverage is a stable industry and not affected by changes in economic conditions because of food and beverage is a primary need that keeps being needed by a human. The food and beverage firm have a high level of competition, so that demands the firm performance that is always excellent in order to be superior in competition. This condition also affected investors' interest in the firm.

Based on data contained in Indonesia Stock Exchange until 2016, it was listed 14 issuers that were included in food and beverage as shown in Table 1. 1 below:

Table 1. Food and Beverage Firm that Listing in 2013-2016 Indonesia Stock Exchange

No	Issuer Code	Firm name	Date of First Listing
1	AISA	Tiga Pilar Sejahtera Food Tbk.	11-06-1997
2	ALTO	Tri Banyan Tirta Tbk.	10-07-2012
3	DLTA	Delta Djakarta Tbk.	27-02-1984
4	ICBP	Indofood CBP Sukses Makmur Tbk.	07-10-2010
5	INDF	Indofood Sukses Makmur Tbk.	14-07-1994
6	MLBI	Multi Bintang Indonesia Tbk.	15-12-1981
7	MYOR	Mayora Indah Tbk.	04-07-1990
8	ROTI	Nippon Indosari Corpindo Tbk.	28-06-2010
9	SKBM	Sekar Bumi Tbk.	28-09-2012
10	SKLT	Sekar Laut Tbk.	08-09-1993
11	STTP	Siantar Top Tbk.	16-12-1996
12	ULJT	Ultrajaya Milk Industry & Trading Co.Tbk	02-07-1990
13	SMART	Sinar Mas Agro Resources Technology Tbk	10-11-1992
14	ADES	Ades Water Indonesia Tbk	13-06-1994

Source: www.idx.co.id

Based on 14 food and beverage sector firm listed in Indonesia Stock Exchange in Table 1.1, the number of firms that will be examined in this study is 12 firms, because 12 firms have financial statement data from 2013 to 2016. While 9 other firm was not used in this study sample because of incomplete financial statement data.

Some researchers as described above have successful to find an effect between capital structure and liquidity on profitability, as well as the effect between capital structure and liquidity on the profitability of firm value, as well as the role of profitability in mediating the effect of capital structure and liquidity on firm value.

Based on the previous results that there are still a variety of different conclusions, namely some researchers conclude that the capital structure, liquidity and profitability has a positive and significant effect on firm value. Other research states that capital structure, liquidity and profitability have a negative effect or not significant on the firm value, thus this study aims to analyze the significance of the capital structure and liquidity effect on the profitability value, to analyze the significance of the capital structure, liquidity and profitability effect on firm value, and to analyze the role of profitability in mediating the capital structure and liquidity effect on firm value.

CONCEPT AND HYPOTHESIS

1. Firm Value

The higher the value of the firm, the greater the prosperity that will be received by the firm owner (Wiagustini, 2014:9). The firm value can reflect the present value of expected income in the future and reflect that the firm value is the effect of decisions made by financial managers on the firm stock price Prasetyo et al (2013). Simply the price to book value (PBV) is a market ratio that is used to measure the performance of the stock market price to the book value (Kusumajaya, 2011).

2. Capital Structure

The capital structure is an illustration of firm financial proportion form, which is between owned capital sourced from long-term debt and own capital which is a source of financing for a firm (Fahmi, 2016:184). Therefore, to minimize the cost of information from the stock release, then a firm prefers to use debt rather than equity if the firm appears undervalued, and uses equity rather than debt if the firm appears overvalued (Meythi, En, & Rusli, 2011).

3. Liquidity

Sartono (2014:114) states that liquidity is the firm ability to meet short-term financial obligations on time. Gitman & Zutter (2012) states that firm liquidity is measured based on its ability to meet its short-term obligations when the due date.

4. Profitability

The profitability ratio measures overall management effectiveness aimed at the size of the level of profits obtained in relation to sales and investment (Fahmi, 2016:80). If the firm ability to generate profits increases, the stock price will also increase, so the value of the firm will also be higher (Husnan & Pudjiastuti, 2012:317). The profitability is the net outcome of various policy and decision implemented by a firm (Husnan & Pudjiastuti, 2012:50). Considering the profitability is the firm ability to measure the effectiveness of management performance calculated by the profits generated from sales and investment firm to make returns to investors (Horne & Wachowicz, 2012:222).

Based on the concepts above, the hypotheses of this study are:

H_1 : The capital structure had a positive effect and significant on profitability

H_2 : The liquidity has a positive and significant effect on profitability

H_3 : The Capital structure has a positive and significant effect on firm value

H_4 : The liquidity has a positive and significant effect on firm value

H_5 : The profitability has a positive and significant effect on firm value

H_6 : The profitability is able to mediate the effect of capital structure on firm value

H_7 : The profitability is able to mediate the effect of liquidity on firm value

METHODS

This research was conducted in the telecommunications sub-sector firm on Stock Exchange Indonesia period 2013-2016 to access the data on the official website of Indonesia Stock Exchange in www.idx.co.id. The samples from the food and beverage sector firm in this study that met the criteria were 12 firms. This research uses data collection methods in the form of non-participant observation methods. In this method can obtain data by observing and recording as well as learn the description of books, journals, theses and access in Indonesia Stock Exchange (IDX) through the site www.idx.co.id. This study used descriptive statistical research to describe the average value (mean), standard deviation, maximum and minimum variables of capital structure, liquidity, profitability and firm value of Food and Beverage sector in Indonesia Stock Exchange 2013 -2016.

RESULTS AND DISCUSSION

Model 1: The Effect of Capital Structure (X1) and Liquidity (X2) on Profitability (Y1).

For model 1, the suitable assessment model is Log Y1 = log bo + bi Log X1 + b2 Log X2+ei.

1) The Regression Analysis

This analysis is used to determine the effect of individual independent variables on the dependent variable (the amount of credit channelled). The results of calculations using the SPSS program obtain an estimated value as shown in the following table.

Table 2. Regression

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95,0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
	(Constant)	2,904	,739		3,928	,000	1,413	4,396		
1	LX1	-,500	,295	-,400	-1,695	,097	-1,094	,095	,375	2,670
	LX2	-,744	,334	-,526	-2,229	,031	-1,417	-,071	,375	2,670

Source: Appendix 2.

Based on the above table, an estimation model can be made as follows.

ROE = 2,904 -0,500 DER - 0,744 XCR.

Based on equation 1) further interpretation can be made as follows.

1. The constant value is 2,904 means that if DER and CR are very low (close to zero), then the total PBV is 2,904.
2. Regression coefficient value (b1) is -0,500, meaning that DER has a negative effect on PBV. If DER increases by 1 unit, the PBV decrease by 0.500, assuming CR is constant.
3. Regression coefficient value (b2) is -0.744, meaning that CR has a negative effect on PBV. If CR increases by 1 unit, the PBV decrease by 0.744, assuming DER is constant.
4. From the table, it is also seen that the value of standardized coefficient beta shows, from two independent variables, turned out to be the variable that has the most effect is the CR amounted to 0,526, and DER only amounted to 0,400.

2) Regression Analysis

This analysis is used to determine the effect of individual independent variables on the dependent variable (the amount of credit channeled). The results of calculations using the SPSS program obtain an estimated value as shown in the following table.

Table 3. Regression Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95,0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	8,088	3,779		2,140	,038	,471	15,705		
	DER	-4,738	2,245	-,263	-2,111	,040	-9,262	-,215	,481	2,080
	CR	-,018	,009	-,219	-1,932	,060	-,037	,001	,584	1,713
	ROE	,284	,032	,874	8,905	,000	,220	,348	,777	1,286

Source: Appendix 2.

Based on the table above an estimation model can be made as follows. PBV = 8,088 - 4,738 DER - 0,018 CR + 0,284 ROE …………………….2).

Based on equation 1) further interpretation can be made as follows.

a. The constant value is 8,088 meaning that if DER, CR and ROE are very low (close to zero), then the PBV is 8,088.
b. Regression coefficient value (b1) is -4,738, meaning that DER has a negative effect on PBV. If DER increases by 1 unit, the PBV decreases by 4, 738, assuming CR and ROE are constant.
c. Regression coefficient value (b2) is -0.018, meaning that CR has a negative effect on PBV. If CR increases by 1 unit, then PBV decreases by 0.018 assuming DER and ROE are constant.
d. Regression coefficient value (b3) is 0.284, meaning that ROE has a positive effect on PBV. If ROE increases by 1 unit, the PBV increases by 0.284 assuming DER and CR are constant.
e. From the table, it is also seen that the value of standardized coefficient beta shows, DER = -0.263; CR = -0.219 and ROE = 0.874

2) Sobel Mediation Test

Based on the results of data analysis, it was obtained the path coefficient of capital structure and liquidity to profitability (or called path a) along with the standard error of path a (or called Sa) and obtained the path coefficient of profitability to firm value (or called path b) along with the standard error of path b (or called Sb).

1. The Mediation Test (Sobel) of Capital Structure Effect on Firm Value Through Profitability Mediation

Based on the analysis results obtained by the following data

Table 4. Regression

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.732	1.909		.907	.369
	X1	-2.104	1.799	-.117	-1.170	.248
	Y1	.277	.033	.850	8.495	.000

a. Dependent Variable: Y2
Source: processed data

The Sobel test will produce a standard error of the indirect effect of capital structure on firm value through profitability (or called Sab) is 0, 277 and Z value is 8,495. The calculated Z value is 8,495 indicates that the capital structure has a positive and significant effect on firm value through profitability mediation ; this is caused by the calculated Z value is 8.495 is greater (>) than Z value of the table is 1.96.

2. The Mediation Test (Sobel) of Liquidity Effect on Firm Value Through Profitability Mediation.

Based on the analysis results obtained by the following data.

Table 5. Regression

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,185	2,035		582	.563
	X2	-.006	.008	-.068	-741	.462
	Y1	.256	.030	.783	8,571	.000

a. Dependent Variable: Y 2
Source: processed data

The Sobel test will produce the standard error of the indirect effect of liquidity on the firm value through profitability (or called Sab) is 0,256 and Z value is 8,571. The calculated Z value is 8,571 indicates that liquidity has a positive and significant effect on firm value through profitability mediation, this is caused by the calculated Z value is 8.571 is greater (>) than the table's Z value is 1.96.

Based on the results of data analysis above, thus it can be explained as follows:

1. The Effect of Capital Structure on Profitability

The capital structure has a negative effect and not significant on profitability. This means that the increase of debt use can reduce profitability in food and beverage sub-sector firm in Indonesia Stock Exchange. This is caused by the firm uses too much debt in its operational activity, so the profits obtained are used to cover debt and interest. The results of this study are supported by research from (Rosyadah, 2013) showing that capital structure (DER) has a negative and significant effect on profitability (ROA).

This significant negative result is caused by the firm with high debt levels tend to bear the costs of financial distress and large agency costs of debt, so they have a high risk of bankruptcy. The obligation that must be borne by the firm is the bankruptcy cost that will have a negative impact if not controlled properly. Debt will indeed reduce the tax costs that must be borne by the government. However, with high debt, debt interest increases are greater than tax savings so that it can increase the probability of bankruptcy which will later lead to negative investors' perceptions. The firm management will reconsider if the business risks to be borne by the firm increases so that the firm management will try to reduce its debt. As far as greater benefits, additional debt is still permitted. If the sacrifice due to the use of debt has exceeded the maximum limit of tax benefits, then the additional debt is not allowed. Besides, another cause is the possibility that the firm prefers internal funding. The internal source is cash flows from the overall firm operations plus sales of assets or sales of firm assets. The other internal source also comes from retained earnings and depreciation of firm assets. The managers as drivers of firm activity will prefer internal funding previous than the external sources.

2. The Effect of Liquidity on Profitability

The liquidity has a significant negative effect on profitability. Based on this, it means that the liquidity variable has a negative effect and not significant on profitability. This means that increasing the current ratio does not necessarily increase profitability in food and beverage sub-sector firm in Indonesia Stock Exchange.

The high liquidity value reflects the firm high ability to meet its short-term obligations. The firm that has good liquidity value will be considered to have good performance by investors. According to Sartono (2014:114), liquidity is the firm ability to meet short-term financial obligations on time. The measure of firm liquidity that is proxied by the current ratio (CR) which is the ratio between current assets and current liabilities. High liquidity shows the strength of the firm in terms of ability to meet the current debt of current assets owned so that this increases the confidence of outsiders to the firm.

The research results that support the results of this study are Mahendra Dj et al (2012) states that liquidity has no significant effect on firm value. Nurhayati (2013) states that liquidity with the current ratio indicator had no significant effect on firm value. Sudiani & Darmayanti (2016) in their research also stated that liquidity had a negative effect on firm value.

3. The Effect of Capital Structure on Firm Value

The capital structure has on significant effect on firm value. This means that the variable capital structure has a positive effect but not significant on firm value, where the increase of debt use is able to increase profitability, but the increase is not significant to the firm of food and beverage sub-sector in Indonesia Stock Exchange. The capital structure funded by debt can cause the firm to work as much as possible to meet its debt contract. This can direct the firm to the level of expected performance. Thus, there will be a signal received by the market for this matter, where the capital structure that affects the firm performance, or in this case profitability, can be used to get a better firm value.

The results of this study are supported by research from Kodongo, Mokoaleli-Mokoteli, & Maina (2014) states that capital structure had no effect on firm value. Mandalika (2016) states that capital structure does not have a significant relationship to firm value. Anzlina & Rustam (2013) state that the capital structure with debt to equity ratio (DER) indicator had no significant effect on firm value.

4. The Effect of Liquidity on Firm Values

The liquidity has a negative effect and not significant on firm value. This means that the variable liquidity has a negative effect and not significant on firm value, which the increase of the current ratio cannot increase the firm value on the firm of food and beverage sub-sector in Indonesia Stock Exchange.

This condition can be interpreted that, the value of current assets (which soon can be used as money) with a ratio of short-term debt does not have a positive effect in increasing the firm value, although the current ratio also shows the level of safety (margin of safety) of short-term creditors, or the firm ability to pay short-term debts (Kretarto, 2005).

The current ratio indicator in this study is proxies of liquidity variable and show that there is a negative effect but not significant on firm value. This negative effect is due to the current ratio which is the ratio between current assets and current debt. If current assets consisting of cash, accounts receivable, the higher the inventory means there are funds that are unemployed in the firm, which results in the firm not being able to optimally utilize its current assets so that it cannot prosper stockholders. Yet to increase the value of the firm, the firm must be able to prosper the stockholders.

The results of this study are supported by research results from Mahendra Dj et al (2012) states that liquidity had no significant effect on firm value. Nurhayati (2013) states that liquidity with the current ratio indicator had no significant effect on firm value.

5. The Effect of Profitability on Firm Value

Profitability affects firm value. This means that the profitability variable has a positive and significant effect on firm value. This means that the increase in return on equity can increase the firm value in food and beverage sub-sector companies in Indonesia Stock Exchange. The profitability is the firm ability to generate profits. The firm with good performance or profitability will be considered good in investors' point. In signal theory, every good news can give a good signal too, and responded positively by the market. Therefore, when the level of profitability reaches satisfactory results, then the good firm value can also be met.

The results of this study are in line with research conducted by Dewi & Wirajaya (2013) stating that profitability had a positive effect on firm value. Hermuningsih (2014) states that profitability had a significant effect on firm value. Riaz & Qasim (2016) and Winarto (2015) state that profitability had a positive effect on firm value. Likewise, according to Sudiani & Darmayanti (2016) and Paminto, Setyadi, & Sinaga (2016) stated that profitability had a significant positive effect on firm value.

6. The Effect of Capital Structure on Firm Value Through Profitability Mediation

The effect of capital structure through profitability mediation has a positive effect on firm value. These results indicate that the profitability variable significantly mediates the effect of capital structure on firm value. This means that the use of debt accompanied by the increased return on equity can increase the firm value in food and beverage sub-sector firm in Indonesia Stock Exchange. The capital structure that its composition is funding from debt can indicate the existence of firm management efforts to work as much as possible in order to achieve good performance that is able to meet its debt contract. This certainly can direct the firm to the level of expected performance. A good performance which one of them is measured through the firm ability to generate profits can be a signal that can be viewed and responded properly by capital market investors. Thus, any capital structure that can affect profitability can be used to obtain a better firm value.

The results of this study are consistent with research conducted by Hamidy et al (2015) and Andrian (2012) found that profitability was able to mediate the effect of capital structure on firm value.

7. The Effect of Liquidity on Firm Value Through Profitability Mediation

The effect of liquidity through profitability mediation has a positive effect on firm value. This result indicates that the profitability variable significantly mediates the effect of liquidity on firm value. This means that the increase in current ratio accompanied by the increase in return on equity can increase the firm value in food and beverage sub-sector firm in Indonesia Stock Exchange. The amount of firm liquidity means that the firm has enough funds to finance the firm operation without having to add debt. This means reducing the loan interest expense and reducing the expenditure of profits to pay the interest expense. A large profit rate is a sign that the firm is in a steady state which will have an impact on the high value of the firm (Aprillianto, Wulandari, & Kurrohman, 2014).

The results of this study are in line with research conducted by Putra & Wiagustini, (2013) found that profitability is able to mediate the effect of liquidity on firm value.

CONCLUSIONS

Based on the results of the discussion above, it can be concluded that 1) the capital structure has no significant negative effect on profitability. This means that the increased debt use cannot increase profitability in food and beverage sub-sector firm in Indonesia Stock Exchange. 2) the liquidity has a significant negative effect on profitability. This means that the increase of current ratio does not necessarily increase profitability in food and beverage sub-sector firm in Indonesia Stock Exchange. 3) the capital structure has no significant effect on firm value. This means that the increase of debt use cannot increase profitability, but the increase is not significant in food and beverage sub-sector firm in Indonesia Stock Exchange. 4) the liquidity has a negative and not significant effect on firm value. This means that the increase of current ratio cannot increase the firm value in food and beverage sub-sector firm in Indonesia Stock Exchange. 5) the profitability has a positive and partially significant effect on firm value. This means that the increase in return on equity can increase the firm value in food and beverage sub-sector firm in Indonesia Stock Exchange. 6) the profitability significantly mediates the effect of capital structure on firm value. This means that the use of debt accompanied by the increase in return on equity can increase the firm value in food and beverage sub-sector firm in Indonesia Stock Exchange. 7) The profitability significantly mediates the effect of liquidity on firm value. This means that the increase in current ratio accompanied by the increase in return on equity can increase the firm value in food and beverage sub-sector firm in Indonesia Stock Exchange.

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