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The Effect of Current Ratio, Return on Asset, and Degree of Operating Leverage on Company Value through Capital Structure in the Listed Companies of the Agricultural Food Product Industry over the Period 2016-2020

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Abstract

Company value that can be reflected in financial ratios has a strategic role in investment decisions.The purpose of this study is to produce the latest empirical evidence regarding the effect of Current Ratio, Return on Assets, Degree of Operating Leverage on Firm Value through Capital Structure in Agricultural Food Products Industry Companies on the Indonesia Stock Exchange. The study was conducted on 14 samples of companies using purposive sampling in the 2016-2020 period. The data analysis method uses panel data regression method with Structural Equation Model (SEM) which is processed using statistical software STATA 16. The results of the study show empirical evidence that Current Ratio and Degree of Operating Leverage have a direct positive but not significant effect on Firm Value. Return on Assets and Debt to Equity Ratio have a positive and significant direct effect on Firm Value. Current Ratio, Return on Assets and Degree of Operating Leverage have a direct and significant negative effect on Capital Structure. In contrast, the effect of Current Ratio, Return on Assets, and Degree of Operating Leverage on Firm Value cannot be mediated through Capital Structure.

Keywords
current ratio; return on assets; degree of operating leverage; the value of the company; capital structure

I. Introduction

As a strategy for implementing Nawacita and achieving Indonesia's 2015 vision goals, President Joko Widodo has established five (five) main directions: human resource development, infrastructure development, simplification of regulations, simplification of bureaucracy, and economic transformation. The bureaucratic simplification strategy is prioritized for ease of investment in order to create jobs, reduce lengthy procedures and bureaucracy, and simplify echelonization in order to realize economic transformation from reliance on natural resources to competitiveness in modern manufacturing and services that will create high value added, so that it has an effect on the nation's prosperity for the sake of social justice for all Indonesians.

In order to realize the five strategic directions, one of the President's initiatives is to strengthen economic resilience for quality and equitable growth by increasing innovation and investment quality, which are the primary capital for promoting higher, sustainable, and prosperous economic growth in a fair and equitable manner.

In the meantime, economic development will be encouraged to grow taller, more inclusive, and more competitive through the management of economic resources, including the fulfillment of food and agriculture, management of marine and fishery, and acceleration of the increase in added value of agriculture and fisheries. Thus, it can be said that the agricultural sector, which includes agriculture, plantations, and marine and fisheries, plays a strategic role in promoting economic growth and development in Indonesia. In fact, the agricultural industry has made significant contributions over the past two years, allowing this sector to survive the Covid-19 pandemic. Sihombing (2020) state that Covid-19 pandemic caused everyone to behave beyond normal limits as usual. The outbreak of this virus has an impact especially on the economy of a nation and Globally (Ningrum, 2020). The problems posed by the Covid-19 pandemic which have become a global problem have the potential to trigger a new social order or reconstruction (Bara, 2021).

According to data published by the Central Statistics Agency, the agricultural sector's Gross Domestic Product (GDP) increased by 2.59 percent year over year in the fourth quarter of 2020. (yoy). As of February 2021, agricultural sector labor utilization is stable and maintained at 29.5%, up 0.36 percentage points from the previous year. Indeed, the agricultural industry has made a substantial contribution over the past two years, allowing this sector to survive the Covid-19 pandemic. According to data published by the Central Statistics Agency, the agricultural sector's Gross Domestic Product (GDP) increased by 2.59 percent year over year in the fourth quarter of 2020 (yoy).

The potential to dominate the global market given that Indonesia's agricultural, plantation, marine, and fishery natural resources are not yet optimally utilized and the strategic role of the agricultural industry in supporting food security efforts, economic recovery, and the main pillars of the nation's economy are examined. The agricultural industry's high potential for product diversification can make it one of the keys to increasing investment, including investment in financial assets on the Indonesian Capital Market.

The Indonesian Capital Market is growing rapidly and is characterized by an increase in trading indicators on the stock exchange, as well as a rise in the number of newly-listed companies from a variety of industries. In addition, the development of new business fields and the beginning of the fourth industrial revolution have necessitated the development of an industrial classification of publicly traded companies so that it can serve as a reference and standard for all market participants. Industry classification is useful as a guide for conducting sectoral analysis, and it can also be used to create a stock index based on the industrial sector, which can be used as a reference for investment products.

As for the agricultural sector, it is categorized as the Agricultural Food Product Industry (D23), which is comprised of Fish, Meat & Poultry Products/Fish, Meat & Poultry (D231) and Plantations & Crops (D232) Plantations & Food Crops Sub-Industry. The Agricultural Food Product Industry is a part of the Primary Consumer Goods Sector, which includes companies that produce or distribute products and services that are generally sold to consumers but for anti-cyclical goods or primary/basic goods so that demand for these goods and services is not affected by economic growth, such as primary goods retailers (food stores, drug stores, supermarkets), beverage manufacturers, packaged foods, agricultural product sellers, ci.

The primary objective of a company that has gone public or been listed on the IDX is to generate profits in order to increase the wealth of its owners or shareholders by increasing the company's value (Gultom, et.al, 2013). Potential investors will view a business as more valuable as its value increases. If the increase in company value is accompanied by a high rate of return on investment for shareholders, it will have an effect

on shareholder value. The Price to Book Value (PBV) Ratio can be used to measure the value of a company which can measure the performance of a stock's market price relative to its book value (Ang, 1997). In the meantime, according to Brigham and Houston (2011), Price to Book Value (PBV) is determined by comparing the stock price to its book value. In general, a Price to Book Value Ratio greater than one is indicative of a well-managed company. This demonstrates that the value of the company's shares exceeds the company's book value. A high Price to Book Value ratio is indicative of shareholder prosperity.

Table 1 presents 2016-2020 Price to Book Value data for Agricultural Food Product Industry companies listed on the Indonesia Stock Exchange. Based on this information, it can be seen that the Price to Book Value ratio for companies in the Agricultural Food Product Industry that were listed on the Indonesia Stock Exchange between 2016 and 2020 varied significantly.

Table 1. Price to Book Value of Companies in the Agricultural Food Product Industry listed on the Indonesia Stock Exchange 2016-2020

Company Code	YEAR				
	2016	**2017**	**2018**	**2019**	**2020**
CPRO	11.19	3.53	4.42	9.04	4.21
DPUM	2.12	0.83	0.38	0.43	0.31
JPFA	1.77	1.51	2.47	1.57	1.51
PLAY	2.21	1.54	1.65	1.54	0.84
SIPD	0.80	1.57	1.63	1.24	1.82
BPWT	1.38	0.95	0.89	1.07	1.30
DSNG	2.16	1.42	1.19	1.31	1.04
JAVA	0.46	1.11	0.76	0.89	1.52
SIMP	0.43	0.40	0.39	0.38	0.35
WAPO	4.96	0.54	0.57	1.14	1.09

Firm value is crucial because a high firm value is followed by a prosperous shareholder base (Brigham and Gapensi, 2006). It is important to know the value of the company in the eyes of investors and creditors because this information can encourage investors to invest in a company, while for creditors, the value of the company reflects the company's ability to pay its debts so that creditors are not concerned about providing loans to the company. the business.

Numerous factors, including funding decisions, dividend policy, investment decisions, capital structure, firm growth, firm size, leverage, and profitability, can affect the value of a company (Atmaja, 2008). Numerous studies on the impact of financial ratios on the value of a company have been conducted, with divergent findings. Referring to these factors, the researcher wishes to learn more about the variables that influence the Capital Structure and have an effect on Firm Value. The title of the research to be conducted is "The Influence of Current Ratio, Return on Assets, and Degree of Operating Leverage on Firm Value via Capital Structure in Companies in the Agricultural Food Product Industry on the Indonesia Stock Exchange, 2016-2020."

II. Research Methods

2.1 Data Types and Sources

This study uses quantitative data types, in the form of panel data, namely data which is a combination of time series and cross section data (Ghozali, 2011).

The main data sources for analysis needs in the form of financial statements and company annual reports are obtained from the website of the Indonesia Stock Exchange and 35 (thirty five) issuers of companies in the agricultural food product industry. While other supporting data are obtained from the Central Statistics Agency, and also yahoo finance.

2.2 Population and Sample

In this study, the population used are companies in the Agricultural Food Product Industry listed on the Indonesia Stock Exchange based on the new industry classification "Indonesia Stock Exchange Industrial Classification (IDX IC)" which was launched on January 25, 2021 with a total of 35 (thirty) companies. five), which consists of 2 (two) Sub-Industry, namely Fish, Meat and Poultry and Plantation and Crops.

The sample is part of the population studied or observed and is considered to be able to describe the state or characteristics of the population. Sampling carried out is non-probabilistic, namely purposive sampling (Digdowiseiso, 2017) as presented in Table 2.

Table 2. Sample Selection Process

No.	Kriteria Sampel	Tidak Masuk Kriteria	Masuk Kriteria
1.	Perusahaan termasuk dalam klasifikasi industri Produk Makanan Pertanian (Agricultural Products) dalam IDX-IC		35
2.	Perusahaan menerbitkan laporan keuangan secara time series untuk periode waktu 2016-2020	(15)	20
3.	Perusahaan menggunakan mata uang rupiah dalam laporan keuangan	(2)	18
4.	Perusahaan menyajikan data sesuai kebutuhan analisis	(4)	14
Jumlah Sampel yang Digunakan			**14**
Jumlah Observasi (14 Perusahaan x 5 Tahun)			**70**

2.3 Variables and Operational Research Variables

According to Sugiyono (2014), a variable can be said to be an attribute of a person or object that varies from one person to another or from one object to another. The variables used in this study are Firm Value as the dependent variable, Capital Structure as a mediating variable and Current Ratio, Return on Assets and Degree of Operating Leverage as independent variables as presented in Table 3.

Table 3. Variables and Operational Variables

No	Variabel / Proksi	Definisi Operasional	Pengukuran	Skala
1.	*Current Ratio* (X1) / Likuiditas	*Current Ratio* adalah indikator yang digunakan untuk mengukur tingkat likuiditas suatu perusahaan yang memperlihatkan kesanggupan perusahaan dalam melunasi utang jangka pendek yang akan jatuh tempo	*Current Ratio* = $\frac{\text{Current Asset}}{\text{Current Liablities}}$	Rasio
2.	*Return on Asset* (X2) / Profitabilitas	Return on Asset merupakan rasio yang menunjukkan berapa banyak laba bersih setelah pajak dapat dihasilkan dari rata-rata seluruh kekayaan yang diniliki oleh perusahaan	Return on Asset = $\frac{\text{Earning After Tax (EAT)}}{\text{Total Asset}}$	Rasio
3.	Degree of Operating Leverage (X3) / Operating Leverage	*Degree of Operating Leverage* atau pengungkit operasi merupakan suatu derajat penggunaan biaya tetap untuk menciptakan perubahan persentase laba yang lebih tinggi ketika aktivitas penjualan berubah	*ree of Operating Lever* = $\frac{\text{\% Perubahan EBIT}}{\text{\% Perubahan Penjualan}}$	Rasio
4.	Struktur Modal (Z) / *Debt to Equity Ratio*	Struktur modal (*capital structure*) merupakan perbandingan atau imbangan pendanaan hutang jangka panjang perusahaan yang ditunjukkan dengan perbandingan hutang jangka panjang terhadap modal sendiri.	*Debt to Equity Ratio* = $\frac{\text{Total Hutang}}{\text{Ekuitas}}$	Rasio
5.	Nilai Perusahaan (Y) / Tobin's Q	Tobin's Q merupakan rasio yang menggambarkan nilai pasar perusahaan dengan hutang dibandingkan dengan sejumlah aset perusahaan.	Tobin's Q = $\frac{\text{Market Value Equity + Debt}}{\text{Total Aset}}$	Rasio

2.4 Data Collection Technique

The data collection technique used in this study is documentation, namely the collection of data originating from official documents issued by Bank Indonesia, the Central Statistics Agency, data and information on the Indonesia Stock Exchange, Market Watch and also yahoo finance as well as the annual reports of issuers who are sampled. .

Data analysis method

The analytical method used in this study is Ordinary Least Square (OLS) for panel data (pooled data). And to see how big the direct or indirect influence is between the dependent variable (Tobin's Q), the independent variable (Current Ratio, Return on Assets and Degree of Operating Leverage) and the intervening variable (Debt to Equity Ratio) using panel data, the analysis model used is SEM (Structural Equation Model). Furthermore, the data will be processed using statistical software STATA 16.0 for Windows.

The stages of data analysis consist of descriptive statistical analysis, Classical Assumption test to meet the principles of Best, Linear and Unbiased (Normality Test, Multicollinearity Test, Heteroscedasticity Test, Autocorrelation Test) as well as path analysis and mediation test using Sobel test.

III. Discussion

3.1 Descriptive Statistical Analysis

Referring to Table 4, it can be seen that the average value of the variable of Current Ratio is 1.589243 with a standard deviation of 1.244529. The minimum value of the Current Ratio is 0.153 which is found in the issuer Jaya Agra Wattie Tbk. in 2017, while the maximum value is 5,209 which is found in the issuer of LSIP or PP London Sumatra Indonesia Tbk. (Lonsum) for 2017.

Table 4. Descriptive Statistics of Data

Variabel	Mean	Std. Deviasi	Minimum	Maximum
Current Ratio	*1,589243*	*1,244529*	*0,153*	*5,209*
Return on Asset	*0,0126286*	*0,1148159*	*-0,377*	*0,493*
Degree of Operating Leverage	*-48,32181*	*383,329*	*-3.080,10*	*388,768*
Tobin's Q	*1,087971*	*0.2653871*	*0,586*	*1,856*
Debt to Equity Ratio	*2,790014*	*6,012278*	*-4,035*	*39,486*

Based on Table 4, it can be seen that the average value of the variable of Return on Assets is 0.0126286 with a standard deviation of 0.1148159. The minimum value of Return on Assets is -0.377 which is found in the issuer of Central Proteina Prima, Tbk. in 2017, while the maximum value is 0.493 which is found in the issuer Provident Agro Tbk. in 2020.

From Table 4, it can be seen that the average value of the variable of Degree of Operating Leverage is -48,32181 with a standard deviation of 383,329. The minimum value of the Degree of Operating Leverage is -3,080,096 which is found in the issuer Sreeya Sewu Indonesia Tbk. in 2017, while the maximum value of 388,768 is in the issuer of Malindo Feedmill Tbk. with a value of 388,768 in 2018.

Based on Table 4, it can be seen that the average value of the Firm Value/Tobin's Q variable is 1.087971 with a standard deviation of 0.2653871. The minimum value of Tobin's Q is 0.586 which is found in the issuer Dua Putra Utama Makmur Tbk. (DPUM) in 2018, while the maximum value of 1,856 is for the same issuer for 2016.

Based on Table 4, it can be seen that the average value of the Capital Structure variable (Debt to Equity Ratio) is 2.790014 with a standard deviation of 6.012278. The minimum value of the Debt to Equity Ratio is -4.035 found in the issuer of Central Proteina Prima Tbk. in 2017, while the maximum value of 39,486 was in the same issuer for 2016.

3.2 Classic Assumption Test

a. Normality Test

This study uses the Skewness/Kurtosis test in conducting the Normality test. Based on the results of the Normality Test as presented in Table 5, it is obtained that the Prob value of Skewness/Kurtosis (0.200) > Alpha (0.05), then the X1, X2, X3 and Z models of Y are normally distributed. And through testing the significance of normality, it was found that the model has Prob = 0.5845 > Alpha (0.05) so it can be concluded that the data in the model has been normally distributed, so the model is feasible for path analysis testing.

Table 5. Normality Test Results

Skewness/Kurtosis tests for Normality

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	joint adj chi2(2)	joint Prob>chi2
data_resid~l	70	0.9937	0.3072	1.07	0.5845

b. Multicollinearity Test

This study uses Variance Inflation Factor (VIF) as one of the values that can be used as a reference to check the occurrence of multicollinearity. Based on Table 6, it can be seen that the calculation of the Variance Inflation Factor (VIF) value shows that none of the independent variables has a VIF value of more than 10, so it can be concluded that there is no multicollinearity between the independent variables in the model.

Table 6. Multicollinearity Test Results

```
. vif
```

Variable	VIF	1/VIF
DER_Z	1.30	0.767256
ROA_X2	1.13	0.886023
DOL_X3	1.11	0.901514
CR_X1	1.09	0.914769
Mean VIF	1.16	

c. Heteroscedasticity Test

The Breusch-Pagan test was used in this study to perform a heteroscedasticity test. Based on the results of the Heteroscedasticity Test as presented in Table 7, it can be seen that the probability value (Prob > chi2) is 0.3977 > 0.05, so it can be concluded that there is no heteroscedasticity.

Table 7. Heteroscedasticity Test Results

```
. . estat hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of Tobins_Y

         chi2(1)      =     0.72
         Prob > chi2  =   0.3977
```

d. Autocorrelation Test

Runs test is used in this study to perform Autocorrelation Test. Based on the results of the Autocorrelation Test as presented in Table 8, it can be seen that the probability value (Prob >|z|) is 0.810 > 0.05, so it is concluded that there is no autocorrelation.

Table 8. Autocorrelation Test Results

```
. runtest data_residual1
 N(data_resid~1 <= .0141672696918249) = 35
 N(data_resid~1 >  .0141672696918249) = 35
                      obs = 70
                 N(runs) = 35
                       z = -.24
                 Prob>|z| = .8100000000000001
```

e. Path Analysis

Based on the results of the path analysis as presented in Table 9. using standardized coefficients obtained 2 (two) equations as follows:

Table 9. Path Analysis Results

Standardized	Coef.	OIM Std. Err.	z	P>|z|	[95% Conf.	Interval]
Structural						
DER_Z <-						
CR_X1	-.2537355	.1004286	-2.53	0.012	-.4505721	-.056899
ROA_X2	-.2689307	.1011966	-2.66	0.008	-.4672725	-.070589
DOL_X3	-.2353498	.1026008	-2.29	0.022	-.4364437	-.034256
_cons	.79367	.1682812	4.72	0.000	.463845	1.123495
Tobins_Y <-						
DER_Z	.273199	.1262793	2.16	0.031	.0256961	.5207018
CR_X1	.0320513	.1188788	0.27	0.787	-.2009468	.2650494
ROA_X2	.2652418	.1152863	2.30	0.021	.0392848	.4911988
DOL_X3	.0179866	.1198058	0.15	0.881	-.2168285	.2528017
_cons	3.933146	.419598	9.37	0.000	3.110749	4.755543
var(e.DER_Z)	.7672563	.0831755			.6203901	.9488906
var(e.Tobins_Y)	.9061706	.0661162			.7854245	1.045479

LR test of model vs. saturated: chi2(0) = 0.00, Prob > chi2 = .

f. Substructure Equation 1:

$Z = -0.253X_1 -0.268X_2 -0.235X_3 + \square_1$

Analysis:

The variables Current Ratio, Return on Assets and Degree of Operating Leverage have a negative coefficient. This means that if the Current Ratio, Return on Assets and Degree of Operating Leverage increase, there will be a decrease in the value of the Debt to Equity Ratio for companies in the agricultural food product industry on the Indonesia Stock Exchange for the period 2016 to 2020.

g. Substructure Equation 2:

Y = 0.032X1 + 0.265X2 + 0.017X3 + 0.273Z + 2

Analysis:

Variable of Current Ratio, Return on Assets, Degree of Operating Leverage and Debt to Equity Ratio have a positive coefficient. This can be interpreted that if the Current Ratio, Return on Assets, Degree of Operating Leverage and Debt to Equity Ratio increase, there will be an increase in the value of Tobin's Q as a proxy for company value in companies in the agricultural food product industry on the Indonesia Stock Exchange in the period 2016 to 2020. And based on Table 9, the Path Diagram as shown in Figure 1.

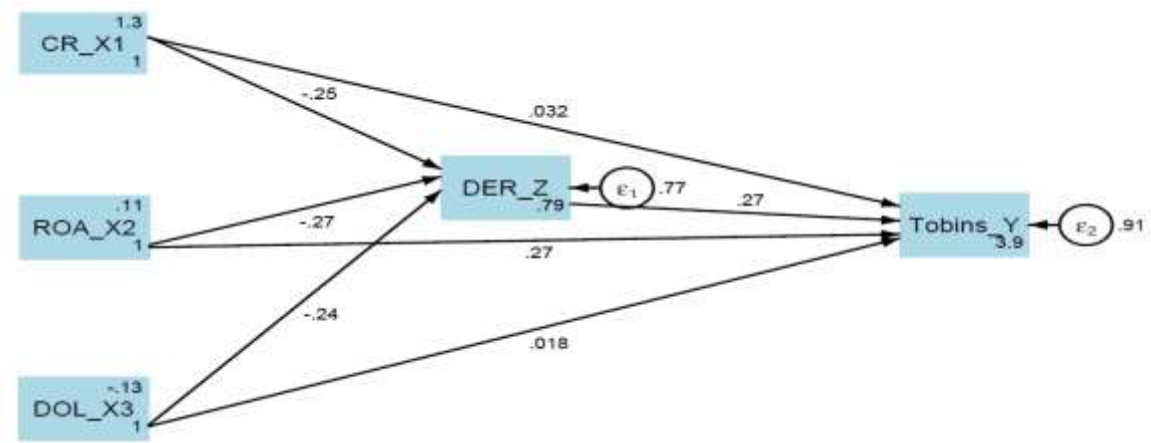

Figure 1. *Path Diagram*

3.3 Mediation Test

The analysis of the research hypothesis test regarding the indirect effect was carried out using STATA 16.0 using the step causal analysis method (Baron & Kenny, 1986) step 1, step 2, and step 3 as well as the Sobel Test. The results of the analysis of direct and indirect effects can be seen in Table 10.

Table 10. Result of Direct and Indirect Effect Analysis

```
. estat teffects, standardized
```

Direct effects

	Coef.	OIM Std. Err.	z	P>|z|	Std. Coef.
Structural					
DER_Z <-					
CR_X1	-1.225787	.5081087	-2.41	0.016	-.2537355
ROA_X2	-14.08242	5.575673	-2.53	0.012	-.2689307
DOL_X3	-.0036913	.0016722	-2.21	0.027	-.2353498
Tobins_Y <-					
DER_Z	.0120592	.0057336	2.10	0.035	.273199
CR_X1	.0068347	.0253673	0.27	0.788	.0320513
ROA_X2	.6130833	.2793901	2.19	0.028	.2652418
DOL_X3	.0000125	.000083	0.15	0.881	.0179866

Indirect effects

	Coef.	OIM Std. Err.	z	P>|z|	Std. Coef.
Structural					
DER_Z <-					
CR_X1	0	(no path)			0
ROA_X2	0	(no path)			0
DOL_X3	0	(no path)			0
Tobins_Y <-					
DER_Z	0	(no path)			0
CR_X1	-.0147821	.0093242	-1.59	0.113	-.0693203
ROA_X2	-.1698232	.1050733	-1.62	0.106	-.0734716
DOL_X3	-.0000445	.0000292	-1.52	0.128	-.0642973

Total effects

	Coef.	OIM Std. Err.	z	P>|z|	Std. Coef.
Structural					
DER_Z <-					
CR_X1	-1.225787	.5081087	-2.41	0.016	-.2537355
ROA_X2	-14.08242	5.575673	-2.53	0.012	-.2689307
DOL_X3	-.0036913	.0016722	-2.21	0.027	-.2353498
Tobins_Y <-					
DER_Z	.0120592	.0057336	2.10	0.035	.273199
CR_X1	-.0079474	.0251327	-0.32	0.752	-.037269
ROA_X2	.4432601	.2757905	1.61	0.108	.1917702
DOL_X3	-.0000321	.0000827	-0.39	0.698	-.0463107

a. Indirect Effect of Current Ratio on Firm Value through Capital Structure

Based on Table 11, it can be seen that the z-value is -1.585 < 1.96 and the p-value is 0.113 > 0.05, thus it can be concluded that there is no effect on Current Ratio to Company Value as proxied by Tobin's Q through Capital Structure.

Table 11. Results of Sobel Test Current Ratio

```
. medsem, indep(CR_X1) med(DER_Z) dep(Tobins_Y) mcreps(500) fit nid

Significance testing of indirect effect (unstandardised)

------------------------------------------------------------------------------
Estimates       |      Delta      |      Sobel      |     Monte Carlo
----------------+-----------------+-----------------+-----------------
Indirect effect |       -0.015    |       -0.015    |       -0.016
Std. Err.       |        0.009    |        0.009    |        0.010
z-value         |       -1.585    |       -1.585    |       -1.561
p-value         |        0.113    |        0.113    |        0.119
Conf. Interval  | -0.033 , 0.003  | -0.033 , 0.003  | -0.039 , 0.001
------------------------------------------------------------------------------

Baron and Kenny approach to testing mediation
STEP 1 - DER_Z:CR_X1 (X -> M) with B=-1.226 and p=0.016
STEP 2 - Tobins_Y:DER_Z (M -> Y) with B=0.012 and p=0.035
STEP 3 - Tobins_Y:CR_X1 (X -> Y) with B=0.007 and p=0.788
         As STEP 1 and STEP 2 are significant and neither STEP 3 nor
         the Sobel's test above is significant the mediation is partial!

RIT   =  (Indirect effect / Total effect)
         (0.015 / 0.008) = 1.860
         Meaning that about186 % of the effect of CR_X1
         on Tobins_Y is mediated by DER_Z!

RID   =  (Indirect effect / Direct effect)
         (0.015 / 0.007) = 2.183
         That is, the mediated effect is about 2.2 times as
         large as the direct effect of CR_X1 on Tobins_Y!
```

b. Indirect Effect of Return on Assets on Firm Value through Capital Structure

Based on Table 12, it can be seen that the z-value is -1.616 < 1.96 and the p-value is 0.106 > 0.05, thus it can be concluded that there is no effect of Return on Assets on Firm Value as proxied by Tobin's Q through Capital Structure.

Table 12. Results of the Sobel Test Return on Assets

```
. medsem, indep(ROA_X2) med(DER_Z) dep(Tobins_Y) mcreps(500) rit rid

Significance testing of indirect effect (unstandardised)

┌──────────────────┬──────────────────┬──────────────────┬──────────────────┐
│ Estimates        │ Delta            │ Sobel            │ Monte Carlo      │
├──────────────────┼──────────────────┼──────────────────┼──────────────────┤
│ Indirect effect  │ -0.170           │ -0.170           │ -0.179           │
│ Std. Err.        │ 0.105            │ 0.105            │ 0.112            │
│ z-value          │ -1.616           │ -1.616           │ -1.595           │
│ p-value          │ 0.106            │ 0.106            │ 0.111            │
│ Conf. Interval   │ -0.376 , 0.036   │ -0.376 , 0.036   │ -0.440 , 0.010   │
└──────────────────┴──────────────────┴──────────────────┴──────────────────┘

Baron and Kenny approach to testing mediation
STEP 1 - DER_Z:ROA_X2 (X -> M) with B=-14.082 and p=0.012
STEP 2 - Tobins_Y:DER_Z (M -> Y) with B=0.012 and p=0.035
STEP 3 - Tobins_Y:ROA_X2 (X -> Y) with B=0.013 and p=0.028
         As STEP 1, STEP 2 and STEP 3 are all significant and the
         Sobel's test above is not significant the mediation is partial!

RIT   =  (Indirect effect / Total effect)
         (0.170 / 0.445) = 0.383
         Meaning that about 38 % of the effect of ROA_X2
         on Tobins_Y is mediated by DER_Z!

RID   =  (Indirect effect / Direct effect)
         (0.170 / 0.613) = 0.277
         That is, the mediated effect is about 0.3 times as
         large as the direct effect of ROA_X2 on Tobins_Y!
```

c. Indirect Effect of Degree of Operating Leverage on Firm Value through Capital Structure

Based on Table 13, it can be seen that the z-value is -1.523 < 1.96 and p-value 0.128 > 0.05, thus it can be concluded that there is no effect of Degree of Operating Leverage on Firm Value (Tobin's Q) through Capital Structure.

Table 13. Results of the Sobel Test Degree of Operating Leverage

```
. medsem, indep(DOL_X3) med(DER_Z) dep(Tobins_Y) mcreps(500) rit rid

Significance testing of indirect effect (unstandardised)

┌──────────────────┬──────────────────┬──────────────────┬──────────────────┐
│ Estimates        │ Delta            │ Sobel            │ Monte Carlo      │
├──────────────────┼──────────────────┼──────────────────┼──────────────────┤
│ Indirect effect  │ -0.000           │ -0.000           │ -0.000           │
│ Std. Err.        │ 0.000            │ 0.000            │ 0.000            │
│ z-value          │ -1.523           │ -1.523           │ -1.492           │
│ p-value          │ 0.128            │ 0.128            │ 0.136            │
│ Conf. Interval   │ -0.000 , 0.000   │ -0.000 , 0.000   │ -0.000 , 0.000   │
└──────────────────┴──────────────────┴──────────────────┴──────────────────┘

Baron and Kenny approach to testing mediation
STEP 1 - DER_Z:DOL_X3 (X -> M) with B=-0.004 and p=0.027
STEP 2 - Tobins_Y:DER_Z (M -> Y) with B=0.012 and p=0.035
STEP 3 - Tobins_Y:DOL_X3 (X -> Y) with B=0.000 and p=0.881
         As STEP 1 and STEP 2 are significant and neither STEP 3 nor
         the Sobel's test above is significant the mediation is partial!

RIT   =  (Indirect effect / Total effect)
         (0.000 / 0.000) = 1.388
         Meaning that about139 % of the effect of DOL_X3
         on Tobins_Y is mediated by DER_Z!

RID   =  (Indirect effect / Direct effect)
         (0.000 / 0.000) = 3.575
         That is, the mediated effect is about 3.6 times as
         large as the direct effect of DOL_X3 on Tobins_Y!
```

3.4 Hypothesis Test

a. Effect of Current Ratio on Firm Value

The test results show that Current Ratio has a direct positive but not significant effect on firm value, with a path coefficient value of 0.006, and with a probability of p = 0.788 > 0.05, thus Hypothesis 1 is not accepted. The results of this study are in line with research conducted by Wulandari (2013) where liquidity has no effect on firm value which can be caused by higher liquidity conditions, companies that are above the optimal point will actually be able to reduce firm value due to idle assets that are not utilized. by company management.

b. Effect of Return on Assets on Firm Value

The test results show that Return on Assets has a positive and significant direct effect on Firm Value, with a path coefficient value of 0.613, and with a probability of p = 0.028 <0.05, thus Hypothesis 2 can be accepted. The results of this study are in line with research conducted by Wulandari (2013) where profitability has an effect on firm value considering

that profitability is a reference for investor assessment which can be seen from how much profit the company generates.

c. Effect of Degree of Operating Leverage on Firm Value

The test results show that Degree of Operating Leverage has a direct positive but not significant effect on firm value, with a path coefficient value of 0.00001, and with a probability of p = 0.881 < 0.05, thus Hypothesis 3 cannot be accepted. The results of this study are in line with research conducted by Ekawati (2021) that operating leverage has a positive and insignificant effect. However, the results of this study are not in line with research conducted by Wulandari (2013) where the Degree of Operating Leverage has an effect on firm value considering the company's ability to increase profits through changes in sales volume will get a positive response from the market.

d. Effect of Capital Structure on Firm Value

The test results show that the Capital Structure proxied by Debt to Equity Ratio has a positive and significant direct effect on firm value, with a path coefficient value of 0.012, and with a probability of p = 0.035 <0.05, thus Hypothesis 4 can be accepted. The results of this study are in line with research conducted by Anjarwati, et al., (2016) where Capital Structure has a positive and significant effect, where an increase in Capital Structure proxied by the Debt to Equity Ratio of the company has the potential to increase Firm Value.

e. Effect of Current Ratio on Capital Structure

The test results show that Current Ratio has a direct and negative effect on Capital Structure, with a path coefficient value of -1.225, and with a probability of p = 0.016 <0.05, thus Hypothesis 5 can be accepted. The results of this study are in line with research conducted by Anjarwati et.al (2016) and Mulyani et.al (2017) where the Current Ratio has a negative and significant effect on Capital Structure. The results of this study are not in line with research conducted by Wulandari (2013) where liquidity has no effect on the capital structure considering that liquidity is not a priority in the preparation of the company's capital structure.

f. Effect of Return on Assets on Capital Structure

The test results show that Return on Assets has a direct and negative effect on Capital Structure negatively and significantly, with a path coefficient value of -14.082, and with a probability of p = 0.012 < 0.05, thus Hypothesis 6 can be accepted. The results of this study are in line with research conducted by Wulandari (2013) where profitability has a negative and significant effect on capital structure considering the size of the profit will determine the company's debt level in the composition of the capital structure.

g. Effect of Degree of Operating Leverage on Capital Structure

The test results show that Degree of Operating Leverage has a direct and negative effect on Capital Structure, with a path coefficient value of -0.003, and with a probability of p = 0.027 < 0.05, thus Hypothesis 7 can be accepted. The results of this study are in line with research conducted by Wulandari (2013) where the Degree of Operating Leverage has a negative and significant effect on capital structure, considering that a high level of operating leverage will contain elements of high fixed costs so that the company will reduce debt to minimize the cost burden which must be borne.

h. Effect of Current Ratio on Firm Value through Capital Structure

The test results show that Current Ratio has an indirect effect on Firm Value through Capital Structure negatively but not significantly, with path coefficient value -0.014, and with probability p = 0.113 < 0.05, thus Hypothesis 8 cannot be accepted. The results of this study are in line with research conducted by Uli, et al., (2020) where Capital Structure cannot mediate the relationship between liquidity and firm value, considering the minimal contribution of capital structure in influencing firm value makes the use of debt owned by the company large or small not paid much attention to by investors. Investors will pay more attention to the company's performance in using existing funds optimally in achieving added value for the company.

i. Effect of Return on Assets on Firm Value through Capital Structure

The test results show that Return on Assets has an indirect effect on Firm Value through Capital Structure in a negative but not significant way, with a path coefficient value of -0.169, and with a probability of p = 0.106 < 0.05, thus Hypothesis 9 cannot be accepted. The results of this study are in line with research conducted by Wulandari (2013) where Capital Structure cannot mediate the relationship between profitability and firm value, given that investors' decisions to buy shares are not influenced by the size of the capital structure. Investors will see the company's performance in generating profits.

j. Effect of Degree of Operating Leverage on Firm Value through Capital Structure

The test results show that Degree of Operating Leverage has an indirect effect on Firm Value through Capital Structure in a negative but not significant way, with a path coefficient value of -0.000004, and with a probability of p = 0.128 < 0.05, thus Hypothesis 10 cannot be accepted. The results of this study are in line with research conducted by Wulandari (2013) where the Capital Structure cannot mediate the relationship between Degree of Operating Leverage to Firm Value considering that investors will look more at the company's performance in leveraging sales volume on profits compared to the Capital Structure which used by the company.

IV. Conclusion

1. Current Ratio as a proxy for liquidity and Degree of Operating Leverage as a proxy for operating leverage have a direct but not significant positive effect on Company Value of companies in the agricultural food product industry on the Indonesia Stock Exchange 2016 – 2020.
2. Return on Assets as a proxy for profitability and Capital Structure as proxied by the Debt to Equity Ratio has a direct positive and significant impact on firm value in companies in the agricultural food product industry on the Indonesia Stock Exchange 2016 – 2020.
3. Current Ratio, Return on Assets, and Degree of Operating Leverage have a negative and significant direct influence on the Capital Structure of Companies in the Food Products Industry on the Indonesia Stock Exchange 2016-2020.
4. Current Ratio, Return on Assets and Degree of Operating Leverage have a negative but insignificant indirect effect on Company Value through Capital Structure of Companies in the Food Product Industry on the Indonesia Stock Exchange 2016-2020. Thus the Capital Structure cannot mediate the indirect effect of Current Ratio, Return on Assets and Degree of Operating Leverage on Firm Value.

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