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THE EFFECT OF LEVERAGE AND FIRM SIZE ON FIRM VALUE WITH PROFITABILITY AS A MEDIATING VARIABLE

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ABSTRACT
The expansion of businesses in Indonesia contributes to the country's increasingly cutthroat business environment. According to Sutanto et al. (2019), firm value is a very essential value since it may represent both the current performance of the company as well as the company's prospects for the future. The price of the company's shares, which may be evaluated using the price to book value (PBV) ratio, reflects the value of the business. This study's objective was to ascertain the influence that leverage and company size have on business value, with profitability serving as the intermediary variable, for consumer products companies trading on the Indonesia Stock Exchange throughout the period of 2018-2021. The approach of determining the sample through the use of non-probability sampling in conjunction with the purposive sampling method. Path analysis is the method of data analysis that is utilised here. The findings of the study indicate that leverage does not have a significant positive effect or has no effect on firm value, that company size does not have a significant negative effect or has no effect on firm value, that leverage has a significant negative effect on profitability, that company size does not have a significant positive effect or has no effect on profitability, that profitability does not have a significant positive effect on firm value, that profitability cannot be a mediating variable in the influence on firm value, and that profitability has a significant positive effect on firm.

KEY WORDS
Leverage, firm size, profitability, firm value.

The increasing number of enterprises that contribute to the economy of Indonesia that are going public is one indication that the growth of the capital market in Indonesia is proceeding at a rather quick pace. According to the information provided by the Indonesia Stock Exchange (IDX), as of the month of November 2022, there are 820 firms that have gone public and listed their shares on the capital market. In most cases, the price of a company's stock will accurately reflect the worth of the business itself. A high market value for the company will be directly equivalent to a high stock price. Price to Book worth (PBV), Price Earning Ratio (PER), Earning Per Share (EPR), and Tobins'Q are all methods that can be used to evaluate the worth of a company. In this investigation, the Price to Book Value (PBV) ratio serves as a stand-in for the value of a corporation. There are a number of aspects, including as leverage, company size, and profitability, that can be utilised in an effort to raise the value of the firm. These factors all contribute to the value of a company.

One of the factors that can have an effect on the value of the company is its level of leverage. The debt-to-equity ratio (DER) was used as a stand-in for leverage throughout this research. DER is a measurement that compares the amount of debt utilised by a firm to the total shareholder equity that is held by the company. Everything having to do with the company's debt will have some bearing on the value of the business. According to Hirdinis (2019), if the DER value of a firm is high but it has not yet reached an optimal point, then the value of the company will continue to increase even if the DER value remains high. According to the findings of studies conducted by Radja and Artini (2020) and Winarsari and Handini (2020), leverage has a beneficial and considerable impact on the value of a company. In contrast, Salim and Wahyuni (2019) and Al-Slehat (2019) assert that leverage does not have a material impact on the value of a company.

Another criterion to take into consideration is the size of the company, which is a representation of the overall assets controlled by the company. For the purposes of this investigation, the natural logarithm of a company's total assets was used as a stand-in for measuring its size. According to studies conducted by Yanti and Darmayanti (2019) and Husna and Satria (2019), the size of an organisation has a materially favourable impact on the value of the organisation. On the other hand, Antoro et al. (2020) and S & Machali (2017) claim that the value of a company is not significantly affected by the size of the company.

The capacity of an organisation to bring in profits is referred to as its profitability. Return on Equity (ROE) is a metric that is utilised in this investigation to stand in for profitability. ROE compares a company's nett income to its total equity. When the return on equity (ROE) value is higher, a company's ability to earn profits also increases. It is expected that there are other variables that influence the relationship between these variables and firm value, including profitability, because the differences in the various results are related to the effect that leverage and firm size have on firm value. This is because leverage and firm size both have an effect on firm value. Because the size of a firm has such a significant impact on the degree of profitability of a firm, profitability has the potential to act as a moderating variable in the relationship between firm size and firm value. Companies that are larger are more likely to be relatively stable and to be able to create profits, both of which contribute to an increase in the value of the company. According to the findings of studies carried out by Sudiyatno et al. (2020) and Antoro et al. (2020), firm value is significantly influenced in a favourable direction by profitability. Nevertheless, according to the findings of studies carried out by Sutanto and Abubakar (2018) and Rizqia and Hakim (2021), profitability has a large and negative impact on the value of a company.

It is expected that there are other variables that influence the relationship between these variables and firm value, including profitability, because the differences in the various results are related to the effect that leverage and firm size have on firm value. This is because leverage and firm size both have an effect on firm value. When it comes to the management of a company's value, the most crucial ratio that can be controlled by management is the profitability of the company, according to Brigham and Houston (2019: 126). Other ratios are equally significant, but the primary reason for their significance is the impact they have on profitability. Companies use leverage in order to obtain cash and increase their profits through increased profitability. The size of the profits that a company is able to make can have an effect on the value of the firm, which can be seen as an indicator of the earnings that the company receives. This demonstrates that there is a relationship between leverage and profitability, which has an impact on fundamentally increasing the value of the company. The addition of debt does not necessarily mean that it will have a negative effect on the company; however, the addition of debt that is still under control will be able to increase profitability. This is due to the fact that the funds that are available for the company's operations become larger. According to signal theory, if a firm has a high degree of profitability, investors will consider the company as having good performance. As a result, the demand for shares of the company's stock will have an impact on the value of the company (Gunadi et al., 2020). According to studies conducted by Dewi and Abundanti (2019) and Makkulau et al. (2018), a company's profitability has the power to moderate the effect that leverage has on its market value. On the other hand, Lamba and Atahau (2022) claim that a company's profitability cannot act as a mediator between leverage and firm value.

Because the size of a firm has a significant impact on the degree of profitability of a firm, which in turn leads to an increase in firm value, profitability has the potential to act as a mediating variable in the relationship between firm size and firm value. Companies with large assets have the potential to generate better profits because the presence of these assets can increase the capacity of the company's operations, which in turn results in the company obtaining greater profitability, which in turn causes the value of the company to improve. The total assets of a company can be used to determine the size of the company. According to the findings of research conducted by Dewi and Abundanti (2019), profitability has the power to moderate the effect of firm size on firm value. On the other hand, Muliana and Ikhsani (2019) claim that profitability does not act as a mediator between firm size and firm value.

This investigation was carried out at businesses that are part of the consumer goods industry sector. The consumer goods industry sector is an industry that produces things that people require on a daily basis and has long-term prospects as a result of the fact that it caters to people's requirements. In point of fact, the consumer products industry sector has been experiencing some ups and downs.

Table 1 – Data on Price to Book Value (PBV) in the *Consumer Goods Sector* on the Indonesia Stock Exchange for the 2018-2021 Period

No	Company Code	PBV 2018	2019	2020	2021
1	KINO	1.83	1.81	1.51	1.09
2	TCID	1.76	1.10	0.70	0.59
3	MBTO	0.45	0.43	0.23	0.35
4	UNVR	46.91	60.67	56.79	36.28
5	HOCKEY	3.05	3.48	2.76	3.36
6	CAMP	2.30	2.35	1.85	1.37
7	AISA	(0.16)	(0.33)	0.77	0.39
8	ICBP	5.37	4.88	2.22	1.85
9	INDF	1.31	1.28	0.76	0.64
10	MYOR	6.23	4.40	53.74	4.02
11	BREAD	2.51	2.57	2.49	2.82
12	CLEO	5.36	8.53	6.71	5.63
13	SKLT	3.06	2.93	2.66	3.08
14	STTP	2.98	2.74	4.66	3.00
15	ULTJ	3.27	3.43	3.48	3.18
16	CHECK	0.01	0.88	0.84	0.81
17	WOOD	1.58	1.60	1.19	1.41
18	LMPI	0.44	0.31	0.35	0.86
19	HRTA	12.84	0.76	0.83	0.64
20	DVLA	1.81	1.93	2.06	2.43
21	INAF	40.56	5.34	38.17	14.51
22	SIDO	4.31	6.19	3.69	3.71
23	KLBF	4.66	4.55	3.80	3.56
24	BRAND	3.72	2.15	2.40	2.42
25	PYFA	0.85	0.85	3.31	3.25
26	GGRM	3.57	2.00	1.01	0.99
27	HMSP	12.20	6.85	5.79	3.85
Average		6.40	4.95	7.58	3.93

Source: Performance Summary of Listed Companies www.idx.co.id, 2022.

As shown in Table 1, there has been some movement in the average Price to Book Value (PBV). In 2018, the average PBV of the consumer goods industrial sector on the IDX was 6.40 times; in 2019, this number dropped to 4.95 times; in 2020, it increased to 7.58 times; and in 2021, it will drop to 3.93 times. The change in the PBV value undoubtedly has an effect on the value of the firm, which investors can use as a point of reference when deciding whether or not to invest in the company.

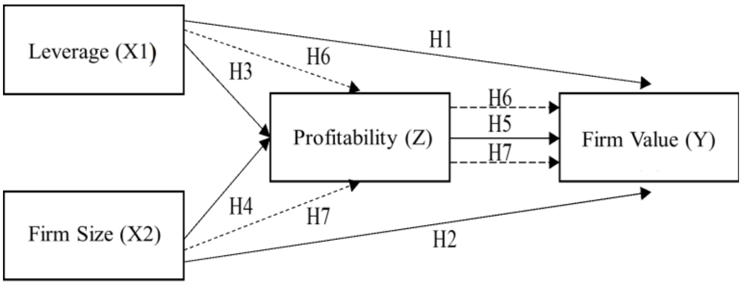

Figure 1 – Conceptual Framework

This study reveals that there is an influence of leverage and firm size on firm value with profitability as a mediating variable. This is represented in the research conceptual framework that is shown in the following image. This study is based on the theoretical and empirical studies that have been described earlier.

According to Wiagustini (2014: 85), leverage refers to a company's capacity to fulfil both short-term and long-term financial obligations that are financed with debt. According to the findings of studies carried out by Dewi and Abundanti (2019), Radja and Artini (2020), and Winarsari and Handini (2020), a strong beneficial effect between the leverage ratio and firm value was discovered. The following is a formulation of the hypothesis that can be derived from this description:

H1: Leverage has a significant positive effect on firm value.

The size of a corporation is defined as the extent to which its total assets, total sales, total profits, tax expenses, and other aspects that can be quantified using the Ln of nett sales may be used to demonstrate or evaluate the size of the organisation. According to Antoro et al.'s research from 2020, the size of the company will have an impact not only on how easy it is for the company to receive funds from third parties but also on how strong the company is when it comes to carrying out the bargaining process in inter-company financial transactions. According to the findings of studies carried out by Yanti and Darmayanti (2019), Husna and Satria (2019), and Natsir & Yusbardini (2020), the size of an organisation has a considerable and favourable influence on the value of the business. The following is an explanation of the hypothesis that may be derived from this description:

H2: Firm size has a significant positive effect on firm value.

A ratio that describes the utilisation of debt in business management is referred to as leverage. It is possible for a firm's ability to create a return on the capital invested to be impacted when the company uses debt financing for its investment spending (Sudana, 2019: 180). According to the findings of studies conducted by Rizvi et al., (2022) and Adria and Susanto (2020), leverage has a large and positively impactful influence on a company's profitability. On the basis of the preceding description, the hypothesis can be constructed as follows:

H3: Leverage has a significant positive effect on profitability.

According to Halim (2015): 125, it is easier for a company to acquire the essential sources of funding as the size of the organisation increases. Research that was carried out by Sukmayanti and Triaryati (2019), which suggests that company size has a beneficial effect on profitability, is research that lends credence to this assertion. Additionally, findings from research carried out by Fransisca and Widjaja (2019) indicate that the size of a firm has a favourable and significant effect on the profitability of the business. On the basis of the aforementioned description, the hypothesis can be constructed as follows:

H4: Firm size has a significant positive effect on profitability.

The capacity of a business to generate profits or earnings is referred to as its profitability. According to Gunadi et al.'s research from 2020, the value of a company's shares will be affected when the company posts large earnings because this will encourage investors to purchase shares of the company. According to the findings of a study that was carried out by (Lisda and Kusmayanti, 2021), Yanti and Darmayanti (2019), and Fajaria and Isnalita (2018), profitability has a positive and significant effect on firm value. The following is an explanation of the hypothesis that may be derived from this description:

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

If the organisation is able to make effective use of debt in expanding its operational activities, it may be able to improve its financial performance. The theory of profitability signals states that these signals will be used as crucial information that will influence the activities of investors. When the profitability of the firm is high, it will send a positive signal to investors, who will then be encouraged to invest their cash, which will lead to an increase in the price of the company's stock. There are a number of research, like Dewi & Abundanti (2019), Makkulau et al. (2017), and Nadillah et al. (2017), that come to the conclusion that profitability is able to mitigate the effect that leverage has on firm value. The following is an explanation of the hypothesis that may be derived from this description:

H6: Profitability is able to mediate the effect of leverage on firm value.

Large corporations are typically in a better position to broaden their customer base and achieve progress in establishing their business. Therefore, this piques the interest of investors in purchasing shares of the company. According to Septriana and Maheswari (2019), an increase in corporate earnings will lead to a growth in the value of the firm. This is due to the fact that the business prospects are extremely encouraging and drive the stock price of the company to rise. offer reassuring information to investors, which will result in an increase in the value of the company. According to the findings of studies conducted by Ardiana and Chabachib (2018) and Dewi and Abundanti (2019), profitability is able to mediate the relationship between firm size and firm value. The following hypothesis is one that can be presented on the basis of this description:

H7: Profitability is able to mediate the effect of firm size on firm value.

METHODS OF RESEARCH

In this particular investigation, a quantitative approach that is associative is utilised. The location of this research is at. This study was carried out at member businesses of the Indonesia Stock Exchange (IDX) that deal in consumer goods. IDX provides information regarding financial reports, which contain the data necessary to carry out this research, and this information may be accessed on their website. The price to book value (PBV) ratios of consumer goods businesses trading on the Indonesia Stock Exchange (IDX) in the years 2018-2021 will serve as the focus of this study. All of the consumer products businesses that were trading on the Indonesia Stock Exchange during the period of 2018-2021 make up the population for this study. This study used a non-probability sampling method combined with a purposive sampling strategy for its sample, which was a consumer goods company. Path Analysis, the Classical Assumption Test, the R2 determination coefficient test, the Hypothesis Test, and the Sobel Test were utilised in order to do the data analysis.

RESULTS AND DISCUSSION

Consumer goods companies with an observation period from 2018 to 2021; however, during the process of analysis, extreme data were discovered, which caused the data to not be normally distributed; as a result, the research data, which initially consisted of 108 data, was reduced to 68 data after 40 data were eliminated. The reason for this reduction is that the data that were eliminated have scores that are far from most in their group.

Table 2 – Results of Descriptive Statistics

Variable	N	Minimum	Maximum	Means	std. Deviation
leverage	68	0.12	3.82	0.6301	0.57416
Company Size	68	21,24	32,82	28.5512	2.47691
Profitability	68	-0.17	0.36	0.1153	0.09567
The value of the company	68	0.01	6,19	2.2106	1.29839
Valid N (listwise)	68				

Source: processed data, 2023.

The research indicates that firm value, as evaluated by PBV, can range anywhere from 0.01 for PT. Wilmar Cahaya Indonesia Tbk. to 6.19 for PT. Herbal Medicine and Pharmaceutical Industry Sido Muncul Tbk., with an average firm value of 2.21 and a standard deviation of 1.29. If the average value is higher than the standard deviation, this suggests that the data set has less variation or is more homogeneous. This in turn indicates that the data values tend to be more closely aligned with the average. This demonstrates that all of the data points in the sample have values that are reasonably similar to one another or are not too divergent from the mean.

With an average value of 0.63 and a standard deviation of 0.57, the value of leverage, as measured by DER, ranges from a low of 0.12 at PT. Campina Ice Cream Industry Tbk to a maximum of 3.82 at PT. Pyridam Farma Tbk in this study. The value of DER has an average of 0.63 and a standard deviation of 0.57. If the average value is higher than the standard deviation, this suggests that the data set has less variation or is more homogeneous. This in turn indicates that the data values tend to be more closely aligned with the average. This demonstrates that all of the data points in the sample have values that are reasonably similar to one another or are not too divergent from the mean.

According to this research, the size of the company is determined by the value of the natural logarithm (Ln), which ranges from a minimum of 21.24 at PT. Darya-Varia Laboratoria Tbk. to a maximum of 32.82 at PT. Indofood Sukses Makmur Tbk., with an average value of 28.55 and a standard deviation of 2.47. If the average value is higher than the standard deviation, this suggests that the data set has less variation or is more homogeneous. This in turn indicates that the data values tend to be more closely aligned with the average. This demonstrates that all of the data points in the sample have values that are reasonably similar to one another or are not too divergent from the mean.

The study found that profitability, as measured by ROE, ranged from a low of -0.17 at PT. Langgeng Makmur Industri Tbk. to a high of 0.36 at PT. Herbal Medicine and Pharmaceutical Industry Sido Muncul Tbk., with an average value of 0.11 and a standard deviation value of 0.09 for the entire sample. If the average value is higher than the standard deviation, this suggests that the data set has less variation or is more homogeneous. This in turn indicates that the data values tend to be more closely aligned with the average. This indicates that each data point in the sample has a value that is reasonably similar to one another or is not very distant from the average.

Table 3 – Normality Test Results

Equality	Asymp. Sig. (2-tailed) *Kolmogorov-Smirnov Z*
Sub-structural 1	0.200
Sub-structural 2	0.200

Source: processed data, 2023.

The findings of the normality test conducted with the One-Sample Kolmogorov-Smirnov Test are displayed up top, and they indicate that the Asymp value is significant. The significance level of the two-tailed Kolmogorov-Smirnov test is 0.200. The significance of the two-tailed Kolmogorov-Smirnov test is higher than the alpha value of 0.05, which indicates that the data utilised in this study is regularly distributed. As a result, it is possible to draw the conclusion that the model satisfies the normality assumption.

Table 4 – Autocorrelation Test Results

Equality	Durbin Watson Values	Value two	4-du value	Decision
Sub-structural 1	1,749	1,668	2,332	Autocorrelation free
Sub-structural 2	2,114	1,700	2,300	Autocorrelation free

Source: processed data, 2023.

Table 4 shows the value of the Durbin Watson structure I of 1.749 which is between the limits (d_u= 1.668) and (4- d_u= 2.332), then structure II of 2.114 which is between the limits (d_u= 1.700) and (4- d_u= 2.300). A good regression model is one that does not contain autocorrelation symptoms with criteria d_u< d_w< (4- d_u). In structure I (1.668 <1.749 <2.332) and structure II (1.700 <2.114 < 2.300), it can be concluded that there is no autocorrelation.

Table 5 – Multicollinearity Test Results

	Model	*Collinearity Statistics*	
		tolerance	*VIF*
Sub-structural 1	*leverage*	0.997	1.003
	Company Size	0.997	1.003

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Sub-structural 2	*leverage* Company Size Profitability	0.787 0.946 0.762	1,271 1.058 1.312

Source: processed data, 2023

Table 5 shows that the *tolerance value* in sub-structural I and sub-structural II is greater than 0.10 and the VIF value is less than 10 so it can be concluded that there are no symptoms of multicollinearity.

Table 6 – Heteroscedasticity Test Results

Equality	Model	Q	Sig.
Sub-structural 1	*leverage*	1,630	0.108
	Company Size	-1,422	0.168
Sub-structural 2	*leverage*	-0.156	0.877
	Company Size	1.005	0.319
	Profitability	1.376	0.173

Source: processed data, 2023.

The results shown in Table 6 demonstrate that all of the models have a significance value that is greater than 0.05. This demonstrates that the exogenous factors that were utilised in this investigation did not have a substantial influence on the endogenous variables, specifically the absolute error, and as a result, this study did not exhibit any of the symptoms of heteroscedasticity.

Table 7 – Results of Sub-Structure Path Analysis I

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	std. Error	Betas	t	Sig.
1 (Constant)	-0.063	0.120		-0.525	0.601
leverage	-0.075	0.018	-0.453	-4.175	0.000
Company Size	0.008	0.004	0.205	1,889	0.063

Source: processed data, 2023.

According to the findings of the structural equation, the fact that the leverage variable has a regression coefficient value of -0.453 indicates that it has a detrimental impact on a company's overall profitability. This indicates that a decline in profitability is likely to occur in the event that leverage levels are allowed to rise. The value of the regression coefficient for the variable firm size is 0.205, which indicates that the size of the company does, in fact, have a positive influence on profitability. This indicates that if the size of the company increases, there will also be an increase in the amount of profit that is obtained.

Table 8 – Results of Sub-Structure Path Analysis II

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	std. Error	Betas	t	Sig.
1 (Constant)	2,279	1.455		1,567	0.122
leverage	0.249	0.246	0.110	1,011	0.316
Company Size	-0.046	0.052	-0.087	-0.876	0.384
Profitability	9,341	1,500	0.688	6,226	0.000

Source: processed data, 2023.

According to the findings of the structural equation, the value of the leverage variable's regression coefficient is 0.110, which indicates that leverage has a positive impact on a company's profitability. This conclusion can be drawn from the findings of the structural equation. This indicates that if there is an increase in leverage, there will also be a rise in the value of the company. The value of the regression coefficient for the variable firm size is -0.087, which indicates that the size of the firm has a detrimental impact on the firm's value.

This indicates that the value of the company will decline if the size of the company increases. Because the profitability variable has a regression coefficient value of 0.688, it can be inferred that profitability has a positive impact on the value of the company. This indicates that a higher level of profitability will result in a higher level of firm value.

Table 9 – Results of Analysis of Direct Influence, Indirect Influence, and Total Influence

Variable Influence	Direct Influence	Indirect Influence through Z	Total Impact
X1→Z	-0.453		-0.453
X2→Z	0.205		0.205
Z→Y	0.688		0.688
X1→Y	0.110	-0.312	-0.202
X2→Y	-0.087	0.141	0.054

Source: processed data, 2023.

The overall effect is determined by adding the direct effect of leverage on firm value, which is 0.110, and the indirect effect of leverage on firm value, which is -0.312, and the result is 0.110 plus -0.312, which equals -0.202. Direct effect of leverage on firm value is 0.110. Indirect effect of leverage on firm value is -0.312. Then the direct effect of firm size on firm value is -0.087, and the indirect effect of firm size on firm value through profitability is 0.141; the sum of these two effects is -0.087 plus 0.141, which equals 0.054 in total. The results for the influence of structural error I (e1) in the calculation of error (e) are 0.873, and the results for the effect of structural error II (e2) are 0.772. According to the findings of the computation, the overall value of the determination coefficient comes to 0.546, which is equivalent to 54.6%. The meaning of this figure is that 54.6% of the variable firm value in this investigation is influenced by leverage, company size, and profitability, while the remaining 45.4% is influenced by other factors that were not included in the research model.

On the basis of the explanation regarding the structural equation, it will be discussed the results of the values from the calculation of the path coefficient, which will be displayed through the value of the standardised coefficient Beta on each effect of the relationship between variables. This will be done so in order to explain the results of the values that were obtained.

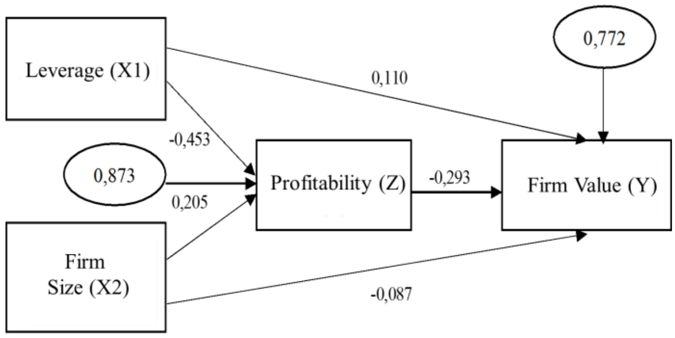

Figure 2 – Results of Validation Analysis (Source: processed data, 2023)

The testing of the regression analysis revealed that the effect of leverage on firm value has a beta coefficient of 0.110 and a significance that is 0.316 times bigger than 0.05. This information was based on the findings of the test. This can be interpreted to mean that the impact of leverage on firm value is not a significantly positive one, leading to the rejection of hypothesis 1. Because most organisations finance their assets with their own capital (also known as internal financing), rather than taking on debt, leverage has no impact on the value of the company. This is because retained earnings and share capital are the primary sources of financing for most businesses. Because the company relies more on its own capital than the debt it carries to finance its assets, the ratio of using debt to using its own capital is significantly lower than the ratio of using debt to using its own capital. The fact that leverage was not shown to have a substantial value in the study demonstrates that it is not the most important aspect that can effect firm value. Businesses operating in this industry have a strong potential for growth over the long term since they satisfy demands that are essential to people's everyday lives. Because of this, the company has solid fundamentals, which means that investors do not usually consider the company's debt level as a benchmark when investing, and as a consequence, leverage does not have a substantial effect on the value of the company. The findings of this study are consistent with those of other studies (Oktaviarni, 2019), (Novari & Lestari, 2016), and (Hidayat, 2019) which suggest that leverage has a positive and insignificant influence on firm value. The results of this study may be found in Oktaviarni (2019), Novari (2016), and Hidayat (2019).

According to the findings of the tests, the beta coefficient for the regression analysis of the influence of firm size on the value of the company is -0.087, and the significance is 0.384, which is greater than 0.05. This finding has a significance level that is greater than 0.05. This might be interpreted to mean that the size of the company has a negative tendency towards firm value and that the significance of this finding cannot be determined, leading to the rejection of hypothesis 2. The quantity of assets that a company possesses is one metric that may be used to estimate the size of the company. If the company has a significant amount of assets, the scale of the business will reflect that fact and be larger. In a nutshell, the extent to which a company's assets exceed its liabilities can have a positive impact on both the company's performance and its profits. This condition is consistent with the overall gain in value that the company has seen. Having a substantial number of assets does not, on the other hand, automatically signify that a company's financial situation is healthy. If assets are not used to their full potential, there will be an accumulation of firm assets, which will result in slow asset turnover and will have an influence on the value of the company. If asset utilisation is not handled properly and efficiently, there will be an accumulation of company assets. Before making an investment decision, potential investors consider a wide range of other aspects, such as the success of the firm as demonstrated in the financial statements of the company, as well as the reputation of the company. However, the fact that the value in this study is not statistically significant suggests that investors do not place a great deal of importance on the size of the company. The findings of this study are consistent with the findings of previous studies conducted by Suwardika and Mustanda (2017), Khotimah et al. (2020), and Muliana and Ikhsani (2019), all of which concluded that the size of a firm does not have a substantial adverse influence on the value of the company.

The effect of leverage on profitability was found to have a beta coefficient of -0.453, with a significance of 0.000, which is less than 0.05. These findings were based on the findings of testing the regression analysis. This leads one to the conclusion that the effect of leverage on profitability moves in a significantly unfavourable direction, which means that hypothesis 3 cannot be correct. Leverage can be defined as the utilisation of assets and sources of cash by enterprises that have fixed expenditures (also known as fixed expenses) in order to increase the potential profits that can be earned by shareholders. If a firm is unable to efficiently manage its debt, it will have a detrimental influence on the company's profitability. Companies have a responsibility to make effective use of their debt. Companies that use more debt than their own capital end up having a decrease in their effectiveness and performance in bringing profit to the company. This is because the company will have to bear the burden of the debt along with the interest and will have difficulty making payments, which results in the expected profitability not being at its optimal level. The findings of this study are consistent with those of Suwardika and Mustanda (2017) and Widi et al. (2021), who found that leverage has a detrimental and significant impact on a company's profitability.

The significance of the effect of business size on profitability was determined to be 0.063, which is greater than 0.05, based on the results of testing the regression analysis. The beta coefficient for this effect was found to be 0.205. This leads one to the conclusion that there is no significant positive direction that company size has on firm value, which means that hypothesis 4 should be rejected. The amount of a company's assets is referred to as the company's size. The higher the size of the firm, the more resources and assets it possesses, which increases the likelihood that it will generate a profit; yet, according to this study, the size of the company does not have a major impact on profitability. Because the influence under consideration in this study was not found to be significant, it is impossible to utilise company size as a point of reference when determining a business's level of profitability. There is no correlation between the size of a firm and the amount of money it makes, nor the other way around. The size of the company suggests that it also possesses a sizeable amount of assets; however, a company that possesses a sizeable amount of assets suggests that it has accumulated assets that are not employed efficiently, meaning that there is little asset turnover that could lead to increased profitability. Gaining profits is not only seen in terms of company size because a huge company, if it is not accompanied by the efficacy of the company's performance, so that it does not necessarily provide a large amount of profit, does not necessarily bring a large amount of profit. This is because gaining profits is not only seen in terms of company size. However, contrary to popular belief, a tiny business does not automatically have a low profitability. Not only is the size of the firm a benchmark in determining how much of an influence it has on profitability, but a number of other aspects also need to be taken into consideration. One of these factors is the efficacy and efficiency with which the company's management manages its assets. The findings of this study are consistent with those found in research carried out by Widi et al. (2021), Fransisca and Widjaja (2019), and Astakoni and Nursiani (2020), all of which suggest that the size of a company does not have an impact on its profitability.

According to the findings of the test of the regression analysis, the influence of profitability on firm value has a beta coefficient of 0.688, which indicates that it has a positive direction with a significance of 0.000, which is less than 0.05. Additionally, the significance of this effect is less than 0.05. This might be interpreted to mean that the profitability of the company's value is trending significantly in a favourable direction, which would indicate that hypothesis 5 should be adopted. The capacity of a business to turn a profit is referred to as its profitability. Companies that have high profitability will send a favourable signal to investors, encouraging them to invest their capital as a form of investment in companies that will effect stock prices, which will ultimately lead to an increase in shareholder prosperity, in accordance with the signalling theory. These findings are backed by study carried out by Fajaria and Isnalita (2018) and (Lisda & Kusmayanti, 2021), which state that the level of a company's profitability has a favourable and significant effect on the value of the company.

According to the findings of the Sobel test, the Z value is -3.432, which is lower than the number on the t table, which is 1.96 (since -3.432 is less than 1.96). Because of this, Hypothesis 6 (H6) must be dismissed because profitability cannot offset the negative impact that leverage has on firm value. Although profitability shows significant results on firm value, as seen from the results of the effect of leverage on firm value, the results are not significant; this is why profitability is not able as a mediating variable in this study. Although profitability shows significant results on firm value, as seen from the results of the effect of leverage on firm value, the results are not significant. According to the findings of the profitability sobel test, it is not powerful enough to operate as a mediator, which means that it does not meet the conditions for the assumption of a mediator variable. This can be seen by the fact that it does not meet the requirements. The findings of this study are consistent with the findings of research carried out by Lamba and Atahau (2022) and Pratama and Wiksuana (2016), which state that profitability cannot mediate the effect of leverage on profitability.

According to the findings of the Sobel test, the Z value is 1.88, and this value is lower than the value of 1.96 that is found in the t table (1.88 1.96). This indicates that profitability cannot act as a moderator between the influence of company size on firm value, which leads to the rejection of Hypothesis 7. There is neither a drop nor an increase in the effect of company size on firm value whenever there is a change in the degree of profitability of consumer goods companies that are listed on the IDX. Because the results of the influence of company size on firm value and on profitability showed insignificant results, this is what causes profitability to be unable to become a mediator in this study. This can be observed from the results of the influence of company size on firm value and on profitability. According to the findings of the Sobel test, which looked at the influence of firm size on firm value, profitability is not powerful enough to operate as a mediator, hence it does not meet the requirements for the assumption of a mediator variable. This is because the Sobel test

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looked at the effect of firm size on firm value. According to Muliana and Ikhsani (2019), the findings of the research are backed by their assertion that profitability cannot act as a mediator between firm size and firm value.

The findings of this research offer new theoretical insights that may be applied to existing empirical research references, particularly those concerning the influence of leverage, company size, and profitability on firm value, with profitability serving as the moderating variable. This article is an explanation of the signalling theory, which pertains to the information that investors want as a factor in selecting whether or not to make investments in a particular company. It is important to pay attention to the performance of the company in obtaining profitability because it can be a positive signal for investors to invest their capital as a form of investment, an increase in profitability is considered to increase the prosperity of its shareholders, so that along with an increase in profitability will increase the value of the company. It is important to pay attention to the performance of the company in obtaining profitability because it can be a positive signal for investors to invest their capital as a form of investment. It is not possible to use leverage or the size of the firm as a measuring stick to establish whether or not the company has a high or low value.

This research can be used as information for investors as extra information about the state of the company linked to leverage and company size on firm value with profitability as a mediating variable. This information can later be used as a consideration for investors when making investment decisions. Investors can use this research as information as further information about the condition of the company related to leverage and company size on firm value with profitability as a mediating variable.

IMPLICATIONS OF RESEARCH RESULTS

The findings of this research offer new theoretical insights that may be applied to existing empirical research references, particularly those concerning the influence of leverage, company size, and profitability on firm value, with profitability serving as the moderating variable. This article is an explanation of the signalling theory, which pertains to the information that investors want as a factor in selecting whether or not to make investments in a particular company. It is important to pay attention to the performance of the company in obtaining profitability because it can be a positive signal for investors to invest their capital as a form of investment, an increase in profitability is considered to increase the prosperity of its shareholders, so that along with an increase in profitability will increase the value of the company. It is important to pay attention to the performance of the company in obtaining profitability because it can be a positive signal for investors to invest their capital as a form of investment. It is not possible to use leverage or the size of the firm as a measuring stick to establish whether or not the company has a high or low value.

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CONCLUSION

Based on the results of the analysis and discussion that has been presented, it can be concluded that: 1. Leverage does not effect firm value because leverage is not the primary element that can affect firm value, and the organisations that were chosen as samples do not employ maximum leverage during the time period that was being studied. This conclusion can be reached based on the findings of the analysis and the explanation that has been offered; 2. The size of the company does not have any bearing on the value of the firm since investors do not place a high priority on the size of the company; 3. Leverage has a major negative influence on profitability since it causes organisations to use more debt than their own capital, which in turn causes profitability to fall; 4. The size of the company does not have any bearing on the profitability of the business since the size of the company is not a benchmark in affecting profitability; 5. Profitability has a large positive effect on firm value, therefore businesses that have high profits will send a positive signal to investors, encouraging them to invest their cash as a form of investment in companies that will affect firm value; 6. Profitability is unable to act as a buffer against the impact that leverage has on the value of a company; 7. A company's profitability cannot mitigate the impact that the size of the company has on the value of the company.

The advice that can be given to parties related to this research, based on the research results, discussion, and research conclusions described, is to be able to provide additional information to serve as a basis for consideration in making investment decisions in the consumer goods sector on the IDX by taking into account variables such as leverage, company size, and profitability. Because the state of the company cannot be divorced from either its internal or external elements, investors are cautioned to pay attention to both sets of variables. Because the coefficient of determination indicates that there are additional factors that can influence a company's worth, it is recommended that future research include some of the elements that were omitted from the current investigation. In addition, it is recommended to carry out research on other sub-sectors because the results from the current research are minor.

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