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Do Determinants of Firm Value Influence Profitability? Exploring the Moderating Role of Financial Technology

Andri Helmi Munawar[1], Deny Hidayat[2], Agi Rosyadi[3]
[1,2,3]Prodi Perbankan dan Keuangan, Fakultas Ekonomi dan Bisnis, Universitas Siliwangi
[1]andri.helmi@unsil.ac.id, [2]denyhidayat@unsil.ac.id, [3]agirosyadi@unsil.ac.id

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Liquidity, Leverage, Profitability, Fintech, Firm Value,

Abstract

This study aims to analyze the factors that affect firm value by considering the role of profitability as a mediating variable and financial technology (fintech) as a moderating variable. The independent variables studied include liquidity and leverage. The research method used is a quantitative approach with moderated mediation regression analysis. The sample consists of 21 banking companies listed on the Exchange Indonesia (IDX) in the Stock period 2018-2023, with purposive sampling . techniqueThe results showed that liquidity has a has significant effect on firm value, while leverage no direct effect. Profitability is proven to act as a mediator in the relationship between between liquidity and firm value (complementary) mediationmediator and as a full (full mediation). in the relationship leverage and firm value In addition, fintech acts as a moderator in the relationship between liquidity and profitability, as well as leverage and profitability. This suggests that the adoption of fintech can strengthen the impact of liquidity and leverage on profitability, which in turn contributes to increasing firm value. The implications of this study highlight the importance of optimal and leverage , liquidity managementas well as the utilization of fintech in in the improving profitability and firm value banking sector.

1. Introduction

Companies are established with the aim of increasing value, so it is important for management to consider the impact of decisions taken on the value of the company's shares (Zainal, 2020). Optimal company performance can be achieved through effective collaboration between organizations and owners in making financial decisions (Andikaputra et al., 2022). According to research (Purwanti, 2022), several factors that affect firm value include capital structure, firm size, liquidity, and profitability (Purwanti, 2022). In addition, research by (Sari, 2023) shows that firm value is also influenced by liquidity, profitability, activity, and debt ratio (Sari, 2023). In this study, the variables used to determine firm value are liquidity, debt ratio, and profitability.

Liquidity is one of the key factors that determine company value. Liquidity reflects the company's ability to meet short-term financial obligations quickly (Nofika & Nurhayati, 2022). Research by (Supriandi, 2023) shows that high liquidity can increase creditor confidence in providing funds, which in turn can increase the perception of company value in the eyes of investors. Companies with good liquidity ratios are generally considered to have better performance, so they can increase stock prices and company value (Samiun, 2022). Findings from research (Iman et al., 2021; Samiun, 2022), and (Sariyanti & Handini, 2022) show a positive relationship between liquidity and firm value in issuers listed on the Indonesia Stock Exchange. However, research by firm value, indicating a gap that needs further research. (Setyani, 2018) and

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(Halim, 2021) found that liquidity does not always have a significant influence on.

Apart from liquidity, leverage is also an important factor affecting firm value. According to Paramitha (2020), if the company's capital structure exceeds the set target, an increase in the proportion of debt can reduce the company's value (Sriwahningsih, 2022). Leverage, as measured by the ratio of debt to assets, shows that the lower the debt ratio, the higher the company's capacity to pay debt (R et al., 2019). Research (Nofika & Nurhayati, 2022; Supriandi, 2023) shows that leverage has a significant impact on firm value, although there are also studies that find conflicting results (Hamidjaja & Natsir, 2019; Listiani, 2023). These findings suggest that the relationship between leverage and firm value is still a controversial topic and requires further research, especially in the context of specific industries.

Profitability ratio is an important factor in assessing company performance. Profitability is used to measure the company's ability to generate profits (Belinda, 2023). Company management utilizes all available inputs to create profits, and profitability is the result of company activities during a certain period. In the context of this study, profitability is considered a mediator variable. The role of profitability as a mediator in the relationship between liquidity, leverage, and firm value, especially in the banking sector in Indonesia, is one of the main contributions of this study. According to (Yuliyanti et al., 2022), when liquidity and leverage have a correlation to firm value, profitability serves as a mediator that strengthens the initial positive influence of liquidity and leverage on firm value. Thus, profitability has an important role in influencing firm value, in contrast to liquidity and leverage, which contribute to increasing profitability and, in turn, firm value. However, the results of previous studies regarding the role of profitability as a mediator show inconsistent results. Research by (Harry Yulianto, 2021; Sochib & Rizal, 2020) found that profitability serves as a mediator in the relationship between liquidity and firm value in Indonesia. In contrast, studies by (Kristi & Yanto, 2020) and (Šarlija & Harc, 2012) show that profitability does not have the ability to mediate the relationship. On the other hand, some studies such as (Aldi et al., 2020; Astakoni & Wardita, 2020) explain that profitability is able to mediate the relationship between leverage and firm value significantly, while research by (Zuhroh, 2019) shows the opposite result. These findings indicate that the relationship between profitability, liquidity, and leverage on firm value is still a controversial topic and requires further research.

This study seeks to make a new contribution by proposing a complex research model, which not only tests the mediating role of profitability variables, but also reveals the role of financial technology as a moderating variable in the relationship between liquidity, debt ratio, and firm value, which is strengthened or weakened by profitability. According to Phan et al. (2023), the development of financial technology in Indonesia is phenomenal, so the study of fintech companies is interesting to research (Sulaeman et al., 2020). Many banks have collaborated with fintech companies, such as the collaboration between Bank BRI and OVO in providing digital loans (Thoo & Tan, 2015). Muhammad & Sari (2020) explain that financial technology combines traditional financial services with modern technology (Manalu, 2023). Ky et al. (2019) argue that the implementation of fintech products in banking can increase profitability and efficiency through better interaction with customers (Yu & Zhao, 2015). Puspawangi & Hendratno (2020) also stated that fintech has positive potential for profitability and efficiency, especially in state-owned banks (Lee, 2023; F. Zhang & Zhu, 2019) adding that fintech can improve cost and technological efficiency in the banking industry (Zainal, 2020).

In some studies, fintech has an important role as a moderating variable in the relationship between liquidity and profitability. Wang et al. (2021) and Habib et al. (2020) found that liquidity to profitability is moderated by fintech (Andikaputra et al., 2022; Purwanti, 2022). In

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addition, research by debt levels in banking (J. Wang, 2023) shows that the development of fintech can improve risk control and reduce (Andikaputra et al., 2022).

II. Literature Review

The Effect of Liquidity on Firm Value

Liquidity, which reflects a company's ability to meet short-term obligations, is a key factor in determining a company's value. Insufficient liquidity can lead to difficulties in meeting short-term debt, potentially leading to the risk of bankruptcy and a decline in reputation in the eyes of customers, suppliers, and investors, conversely, companies with good liquidity can increase investor and market confidence in their future prospects (Hutajulu, 2023).

Several studies have found that liquidity is positively and significantly correlated with firm value (Hutajulu, 2023; Nowicki, 2024). However, research by Nguyen & Nguyen (2018) and Uchida et al. (2014) show that liquidity has no significant effect on firm value (Wahyudi, 2023). This shows that the relationship between liquidity and firm value is still a controversial and complex topic.

Leverage on firm valueeffect

The results of the analysis conducted by (Ngadiman, 2020) show that the debt ratio is significantly positively correlated with firm performance, which can be interpreted that increasing the use of debt can provide opportunities for companies to increase profitability and, in turn, increase firm value (Thoo & Tan, 2015). However, there are different results found by (Yildirim et al., 2018), which show that leverage has a negative influence on profitability, which may have implications for firm value (Manalu, 2023). These findings suggest that excessive use of debt can increase financial risk and reduce firm value.

Effect of Profitability on firm value

Profitability refers to the company's ability to earn profits from activities its business within a certain period of time. The concept of profit ratio is very important because it is the main factor that affects the value of the company. According to agency theory, the high level of profitability generated by the company results in reduced conflicts of interest between management and stakeholders. In addition, signal theory also explains that high levels of profitability can be a positive signal to investors and market analysts regarding company performance. Profitability reflects the extent to which the company is able to generate returns, while company value shows the achievement of company success which is shown through the prosperity of stakeholders and is reflected in the company's stock price (Iswajuni et al., 2018). The stock price will increase proxied as a result of the company's ability to generate profits, which in turn will increase the stock price and company value (Sucuahi & Cambarihan, 2016). However, other research results find that profitability has a negative effect on firm value (Susilo, 2022).

Effect of Liquidity on profitability

Liquidity and profitability are two interrelated concepts in the context of corporate finance. Liquidity is an indicator in assessing the company's ability to meet current obligations, while profitability reflects the extent to which the company can generate profits from its operational activities. There is a relationship between these two concepts based on the theory that good liquidity management will reflect high profitability. Conversely, low levels of liquidity may limit the ability to benefit from profitable investment opportunities and thus reduce profitability. A good level of liquidity can have both positive and negative impacts on profitability. Several previous studies, such as those conducted by (Aldi et al., 2020; Mahulae, 2020; Wijaya & Fitriati, 2022), found that liquidity has a significant positive effect on company profitability. However, different results were found by (Aziza et al., 2022; Silviani, 2024), which showed that liquidity can have a negative impact on company profitability.

Leverage on profitabilityeffect

The trade-off theory explains that the debt ratio has an opposite effect on profitability. Initially, the use of debt ratios can increase profitability through capital cost savings. However, if the leverage is too high, the company may face higher interest costs and greater risk of bankruptcy, which negatively affects profitability. On the other hand, signaling theory states that leverage can be used as a signal of corporate quality to financiers. Corporations that have the right debt ratio can gain the trust and support of investors, which has an impact on increasing the company's profit ability. The decision to utilize debt in a firm's capital structure has significant

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implications for the level of leverage, which is a measure of how much a firm relies on debt as a source of financing. Companies need to consider the potential for higher returns from using debt, along with increased risk (Mahmood et al., 2019). Low leverage often reflects management's ability to manage the company efficiently, which can contribute to increased profitability and firm value (Xia et al., 2022). However, some studies show that if debt is managed well, leverage can serve as a tool to increase profitability (Adelin et al., 2022; Legesse et al., 2021). Various studies have shown a positive relationship between debt ratio and profitability. For example (Legesse et al., 2021; F. Zhang & Zhu, 2019) found that the use of debt can contribute to increased profitability. However, there are also analyses that show that leverage can have a negative impact on profitability (Banerjee & Ćirjaković, 2021; Heresi & Powell, 2022).

Profitability acts as a mediator between liquidity and firm value.

Companies that have a high level of liquidity and good profitability generally have a higher value. Liquidity indicates the extent to which a company can settle its immediate liabilities, while profitability reflects a company's readiness to consistently generate profits from its operations. The high liquidity of the company and the achievement of profits that exceed the target will be able to utilize their resources effectively and efficiently to create value for shareholders. Good liquidity allows companies to avoid the risk of bankruptcy and reduce the cost of capital. On the other hand, high profitability strengthens the company's ability to make profitable investments and generate greater profits. These two factors are interrelated and contribute to increasing firm value. Profitability is thought to have a role as a mediator between liquidity and firm value by improving financial performance and firm value. The level of liquidity of the company affects the profitability obtained (Altahtamouni & Alyousef, 2021). When the company is able to increase its ability to generate profits, the stock price and company value will also increase (Hossain, 2020). The results of the analysis conducted by (Adelopo et al., 2018; Altahtamouni & Alyousef, 2021; Nurtrontong et al., 2021; Oktavian & Handoyo, 2023; Sharma, 2022; Stevanović et al., 2019) show that profitability significantly mediates the relationship between liquidity and firm value. However, there are different results by (Bimo, 2024; Hakimi et al., 2020; Pant, 2023; Surya, 2024) which show that profitability does not act as a mediator in the correlation between liquidity and firm value in Indonesia.

Profitability acts as a mediator between leverage and firm value

Agency theory explains that leverage has the potential to increase firm value if management uses debt for profitable investments and generates profits for shareholders. However, debt ratios can also increase financial costs and bankruptcy risk, which can reduce firm value. In this context, profitability plays the role of a mediator that explains how leverage affects firm value through the firm's financial performance. With a high level of profit, the risk of bankruptcy can be minimized and shareholder confidence can be increased, which in turn can increase firm value. Therefore, empirically examining the determination of the ratio debt on firm value with profitability as a mediator is relevant in understanding the relationship between these three variables and the important role played by profitability in explaining the impact of leverage on firm value. A high level of debt ratio reflects that the company uses debt as a source of funding to carry out its business activities (Sulaeman et al., 2020). When profitability increases, the market will believe that the company's financial performance is good. This will increase investor interest in investing and in turn increase company value (Thoo & Tan, 2015). The results of research conducted by (D'Amato, 2021; Jin & Xu, 2022) show that profitability has an important role in mediating the relationship between leverage and firm value. However, different findings were revealed by Chabachib et al. (2020) and Boamah & Danso (2020), which state that the profit ratio does not function as a mediator in the relationship between leverage and firm value (Anis et al., 2023; Christophers, 2015). Research by (Almanaseer, 2022) also highlights that internal and external factors can affect profitability, which has implications for how firms manage their debt. Thus, while there is evidence supporting the role of profitability as a mediator, there are also arguments suggesting that the effect of leverage on firm value is not always mediated by profitability (Mubyarto et al., 2022).

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Fintech plays a moderating role in the relationship between liquidity and profitability

The development of financial technology (fintech) in today's digital era has a significant impact on company activities, especially in terms of financial management. Fintech can help companies improve liquidity and affect profitability. By providing effective and efficient financial and technological solutions, fintech can influence the extent to which liquidity affects firm profitability. Agency theory supports this concept by stating that the use of fintech can increase efficiency in financial decision-making, which in turn strengthens the influence of liquidity on firm profitability. In addition, stakeholder theory also emphasizes the importance of using fintech to optimize a firm's financial performance by meeting the needs of stakeholders such as customers and investors. Liquidity is used as an indicator to evaluate a firm's ability to finance and meet its maturing obligations. Profitability is closely related to the management of company assets, so it is related to company liquidity ((Sulaeman et al., 2020). (Lee, 2023) concluded that fintech affects the asset and technological efficiency of the banking industry (Thoo & Tan, 2015). Fintech innovation not only increases the cost efficiency of banks, but also increases the use of technology in the banking sector. Thus, it is expected that fintech can strengthen the influence of liquidity on corporate profitability. The results of the analysis by (Manalu, 2023; Yu & Zhao, 2015; F. Zhang & Zhu, 2019) reveal that fintech moderates the effect of liquidity on corporate profitability.

Fintech plays a moderating role in the relationship between leverage and profitability

Fintech has the potential to change the way companies obtain and process financial resources, which in turn can affect the effect of debt ratio on profitability. In this case, fintech can help corporations access financial resources more effectively, thus strengthening the positive effect of leverage on profitability. On the other hand, fintech can also help companies better manage financial risks, thus weakening the negative effect of leverage on profitability. Overall, the use of fintech is expected to strengthen the relationship between leverage and firm profitability by moderating financial risk and facilitating access to necessary financial resources (Sulaeman et al., 2020). The results of the analysis by (Andikaputra et al., 2022; Purwanti, 2022; Sari, 2023; Zainal, 2020) show that fintech is able to strengthen the effect of debt ratio on firm profitability.

III. Methode

This research approach is quantitative explanatory. The research population consists of 47 banking companies listed on the Indonesia Stock Exchange during the 2018-2023 period. The sampling technique used is purposive sampling, where the sample is selected specifically based on the required information and research criteria. The research sample consisted of 21 banking companies that met the following criteria:

1. Banking sector issuers listed on the Indonesia Stock Exchange during the research period 2018-2023.
2. Banking companies that provide complete annual reports during the research period from 2018-2023.
3. Banking issuers that did not record negative profits during the study period.

The type of data used is secondary data obtained from the annual reports of sample companies. Financial report data is obtained through downloads from the Indonesia Stock Exchange (http://www.idx.co.id) and the official websites of related companies. Data collection is carried out on an annual basis through annual reports or annual reports. The analysis method used in this research is multiple linear regression analysis using the EVIEWS program. The analysis was conducted on panel data, which is a combination of time-series and cross-section. In this study, unbalanced panel data used, was which is a situation where units *cross-sectional* have an number of observationsunequal .*time series*

The research model formed:

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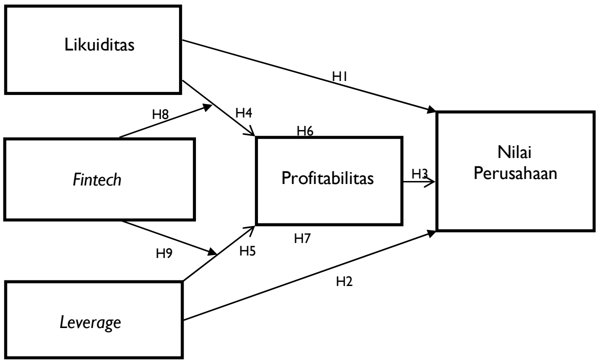

Figure 1. Research Model

The analysis method used in this research is moderated mediation regression analysis. The moderated mediation regression analysis in this study consists of three stages. In the first stage, liquidityvariables , leverage, and profitability are included as independent variables, while the firm value variable becomes the dependent variable.

The research equation is as follows:

$PBV_{(it)it} = C + \beta_1 CR + \beta_2 DER_{itit} + \beta_3 ROE_{()} +$ e............ (Equation 1)

$ROE_{it} = C + \beta_1 CR_{it} + \beta_2 DER_{it}$ .... (Equation 2)

$ROE_{it} = C + \beta_1 CR_{(it)it} + \beta_2 DER + \beta_3 FINTECH_{it} + \beta_4 (CR*FINTECH) + \beta_5 (DER*FINTECH) +$ e... (Equation 3)

IV. Result and Discussion

Before *regression analysis* is carried out, a classic assumption test is carried out with the aim that the assumptions underlying the regression analysis are met. Classical assumption testing in this study includes normality test, heteroscedasticity test, and multicollinearity test. The normality test uses the Jarque-Bera test, the heteroscedasticity test uses the Glejser test, and the multicollinearity test is seen through the Varian Inflation Factor (VIF) value. The results of classical assumption testing in this study indicate that the residual value of the data has a normal distribution, there is no heteroscedasticity problem, and there is no multicollinearity problem at all stages of analysis (stages 1, 2, and 3). A summary of the results of classical assumption testing can be seen in Table 2.

Table 1. Summary of Assumption Test Results

Variables	Normality Test Jarque-Bera Test (*Prob*)			Heteroscedasticity Test Glejser Test (*Prob*)			Multicollinearity Test (*Variant Inflation Factor)*		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	0,2219	0,0725	0,1396						
CR				0,0642	0,1668	0,1284	1,8571	1,4912	1,5672
DER				0,5741	0,3582	0,3954	1,6604	1,4028	1,4984
ROE				0,7902			1,2422		
Fintech						0,7758			1,1746
CR*Fintech						0,4907			1,5823
DER*Fintech						0,4389			1,6829

Source: output EVIEWS (data processed)

Based on Table 2, it can be seen that the residual values for stage 1, stage 2, and stage 3 equations have a normal distribution because the Jarque-Bera probability is greater than 0.05. In addition, the regression equations in stage 1, stage 2, and stage 3 do not experience heteroscedasticity problems because the probability is also greater than 0.05. Furthermore, the test multicollinearity shows that there is no multicollinearity problem in the regression equations of stage 1, stage 2, and stage 3 because the VIF value is less than or equal to 10.

Based on the data obtained, an analysis is carried out using the moderated-mediation regression analysis method using the EVIEWS 12 program. The output generated by EVIEWS 12 is then summarized in three stages as shown in Table 3. Testing for mediation and moderation mediation-moderation effects in this study follows the Baron & Kenny (1986) method as applied by Zhao et al. (2010).

Based on Table 3, the F test results show a simultaneous effect, or in other words, the model

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at stage 1 has a probability of 0.0041 which is smaller than 0.05. This means that it can be concluded that the stage 1 model is appropriate. That is, liquidity, leverage, and profitability variables simultaneously affect firm value. Furthermore, the model at stage 2 also has a probability of 0.0063 which is smaller than 0.05, so it can be concluded that the stage 2 is also model appropriate. This means that liquidity and leverage variables simultaneously affect profitability. For stage 3, the probability is is 0.000 which is smaller than 0.05, which explains that the stage 3 also model appropriate.

Table 2. Results Linear Regression

Variables	Stage 1		Stage 2		Stage 3	
	Cofficient	Prob	Cofficient	Prob	Cofficient	Prob
Constanta	7,4485	0,041	7,5762	0,038	5,4891	0,0958
Liquidity (CR)	4,9129	0,038	7,0185	0,014	8,9286	0,0351
Leverage (DER)	0,0342	0,2779	0,6182	0,0034	0,5213	0,0313
Profitability (ROE)	0,0411	0,0248				
Fintech					21,7513	0,0406
Liquidity x Fintech					15,8793	0,0348
Leverage x Fintech					0,7476	0,0411
F test		0,0041		0.0061		0.001
Test Coefficient of Determination (R^2)		0.29683		0.25144		0.3227

Source: output EVIEWS (data processed)

Analysis Stage 1 regression aims to test the determination between liquidity, leverage, and profitability on firm *value*. The results *regression* at stage 1 show that the liquidity regression coefficient is 4.9123 with a significance of 0.038, which explains that there is an effect of liquidity on firm value (hypothesis 1 is accepted). However, the leverage regression coefficient shows 0.0342 with a significance of 0.2779, which means that the debt ratio is not significant to the company's *value* (hypothesis 2 is rejected). Furthermore, the regression coefficient of profitability is 0.0411 with a significance of value 0.0248, which indicates that *profitability* has an effect on firm (hypothesis 3 is accepted).

In stage 2 , the regressioneffect of liquidity and debt ratio on profitability was tested. The results regression in stage 2 show that the liquidity regression coefficient is 7.5762 with a significance of 0.038, which means that liquidity affects *profitability* (hypothesis 4 is accepted). In addition, the leverage regression coefficient is 0.6128 with a significance level of 0.0034, meaning that the debt ratio affects profitability (hypothesis 5 is accepted).

Furthermore, the regression results of stage 1 and stage 2 are used to test the role of profitability as a mediator between liquidity and debt ratio on firm value. The results of the regression equations in stage 1 and stage 2 show that liquidity has a significant effect on profitability. In addition, liquidity also has a significant correlation with firm value. The results of this study also prove that profitability has a effect significant on firm value. It can be concluded that profitability mediates the effect of liquidity on firm *value* (hypothesis 6 accepted). This is in accordance with the concept of complementary mediation proposed by Zhao et al. (2010), which states that if there is a direct effect of the independent variable on the the on the mediating variable, , and as well as the direct effect of two variables dependent variablethe direction of the effect is the same, then complementary mediation .occurs

The results of stage 1 and , stage 2 , in regression analysisTable 3show that the debt ratio affects profitability, but has no effect on firm *value*. The results of this study also show that profitability has effect a significant on firm value. Based on these results, it can be concluded that profitability acts as a mediator in the effect of leverage on firm value (hypothesis 7 accepted). In accordance with the mediation concept described by Zhao et al. (2010), if there is an effect of the independent variable on the mediating mediating variable, and the effect of the variable on the on the independent independent variable, but there is no direct effect of the variable dependent variable, then the mediation is called indirect-only (full mediation). In this context, the mediation of profitability on the on effect of leverage firm value is indirect-only (full mediation).

Stage 3 regression in this study was conducted to test whether financial technology moderates the effect of liquidity and leverage on profitability, following the mediation-moderation method proposed by Zhao et al. (2010). The results regression in Table 3 show that the interaction variable between liquidity and financial technology has a regression coefficient of 15.8793 with a significance of 0.0348. This indicates that the interaction between liquidity and financial technology affects profitability, so that financial technology has a role as a moderator in regulating the effect of liquidity on profitability (hypothesis 8 is accepted).

The results regression in Table 3 also indicate that the interaction variable between leverage and financial technology has a regression coefficient of 0.7476 with a sign level of 0.0411. This shows that the interaction between leverage and financial technology affects profitability, so that financial technology also plays a role in moderating the effect of leverage on profitability (hypothesis 9 is accepted).

Based on Table 3, the adjusted (adjusted Rcoefficient of determination ^{2}) for stage 1, stage 2, and stage 3 are 0.29683, 0.25144, and 0.3227, . respectivelyThis shows that each model (stage) is able to explain about 29.68% (1), 25.14% (,for stage for stage stage 2) and 32.27% (for 3) of the the variability of predicted variables.

Discussion

The Effect of Liquidity on Firm Value

Liquidity is a crucial indicator that reflects the companys 'ability to fulfill its financial obligations quickly. Research shows that liquidity has a significant influence on firm value, especially in the banking sector and the food and beverage industry in Indonesia. A study by (Riska et al., 2021) revealed that liquidity has no significant effect on firm value, which suggests that the relationship between liquidity and firm value may not always be positive. However, research by (Markonah et al., 2020) shows that although liquidity has have a no significant effect, profitability and leverage still stronger influence on firm value (Markonah et al., 2020). This finding is in line with the results of research by (Chrisnando, 2024), which confirms that good liquidity is positively related to firm value in the food and beverage sector listed on the ExchangeIndonesia , Stock although there are nuances that other factors such as market strategy and brand strength also contribute. Furthermore, research by (Ali, 2023) shows that liquidity, along with profitability and dividend policy, plays an role important in determining firm value in this sector. A high liquidity ratio gives a positive signal to shareholders, which in turn attracts them to invest, thereby increasing firm value (Ali, 2023). Research supports this finding by showing that liquidity has a significant positive impact on on the firm value Indonesia Stock Exchange (Riska et al., 2021). Overall, the results of this study emphasize the importance of adequate liquidity for companies, which can help maintain customer confidence, reduce the risk of bankruptcy, and take advantage of existing business opportunities. Thus, good liquidity not only serves as a tool to meet short-term obligations, but also as a key factor in increasing overall firm value (Ali, 2023; Chrisnando, 2024).

The Effect of Leverage on Firm Value

The effect of leverage on firm value is a frequently discussed theme in the financial literature. Research shows that there is a debate regarding the significant effect between leverage and firm value. The tax-free Modigliani and Miller Theory (MM) Theoryproposed in 1958 argues that capital , structureincluding the use of debt, does not affect firm value under perfect market conditions. However, in practice, the use of high debt ratios can lead to increased bankruptcy costs and interest expenses, which in turn can reduce firm value (Melati & Nurwulandari, 2019; Nurwanto, 2022). Nonetheless, some companies still consider the use of leverage if the benefits obtained exceed the costs incurred. In the context of the banking sector, leverage can serve to increase profits through low-interest loans from customer deposits and lending at higher interest rates (Andriyani & Rizal, 2022). This suggests that in the context of banking, leverage does not always have a negative impact on firm value, in contrast to non-banking companies (Melati & Nurwulandari, 2019; Nurwanto, 2022). Regulations implemented by supervisory authorities in the banking sector, such as minimum capital and requirements leverage , also restrictionscontribute to this unique characteristic. Research confirms that good risk management is essential in the banking industry to maintain firm value, especially in the face of financial market instability or credit quality deterioration (Dewantari et al., 2020). Although leverage can

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provide benefits, excessive increases can still increase the risk of bankruptcy, so risk management is key in maintaining stability and firm value in this sector (Julianto & Megawati, 2020). Overall, the results of this study provide insight that firm value in the banking sector in Indonesia is not significantly affected by leverage, and the importance of risk management in maintaining firm value remains a key focus (Kurniati & Huda, 2022).

Effect of Profitability on Company Value

Profitability has a significant impact on firm value in the banking sector in Indonesia. This study shows a positive relationship between profitability and firm value, which is in line with signal theory. This theory explains that a high profit ratio provides a positive signal to investors, which can increase their interest in investing (Handayani & Ibrani, 2023). High profitability reflects good financial performance, which in turn motivates investors to buy the company's shares (Ambarsari, 2023). The results show that companies with high levels of profitability tend to have higher share values, because investors believe that the company is able to fulfill its financial obligations and provide good returns (Damayanthi, 2024). Research by (Damayanthi, 2024) shows that profitability has a effect positive on firm value in the banking sector indexed in LQ45, with an effect of 54.4%. This shows that good profitability not only reflects positive performance, but also contributes to the growth of overall firm value. This finding is consistent with previous research conducted by (L. Wang & Sucipto, 2022), which found that profitability can increase firm value through better dividend policy, which in turn can increase stock prices.

Effect of Liquidity on Profitability

Liquidity has a significant influence on profitability in the Indonesian . banking sectorResearch shows that an increase in the liquidity ratio contributes to an increase in the bank's ability to generate profits. level of A high liquidity provides a positive signal to investors, which reduces the risk of bankruptcy and supports the smooth operation of banks in creating profits (Abbas et al., 2021). In this context, adequate liquidity allows banks to meet short-term financial obligations, such as customer deposit payments and loans from other , institutionsthus avoiding high funding costs (Boamah et al., 2022). The results of this analysis are in line with previous research which shows that liquidity has a positive effect on profitability. Research by (Bhowmik, 2024) found that good liquidity can improve operational efficiency and expand the customer base, which ultimately contributes to increased revenue and reduced costs. In the banking industry, high profitability is considered an indicator of good performance and the bank's ability to survive in the long term. Research by (Pasha, 2024) shows that good liquidity not only reduces funding costs but also increases investor , which is confidencecrucial in attracting capital for further growth.

Effect of Leverage on Profitability

Based on recent analysis, there is evidence to suggest that leverage or debt ratio has a significant impact on firm profitability. This finding is in line with Trade-off Theory, which argues that leverage optimization occurs when firms can balance the benefits and costs of using debt. Leverage, which includes the use of long-term debt and equity, can increase sales and, in turn, generate higher profits when managed properly (Pangesti, 2023; Uddin, 2022). This study shows a positive correlation between debt and ratios firm profitability, which supports the results found by (Hidayat & Dewi, 2022), which also confirms that the proper use of debt can contribute to improved financial performance. However, these results are not always consistent. Research by (Ibrahim, 2024) shows that banks that are able to manage debt well can capitalize on opportunities to expand the amount of funds available for lending, thereby increasing overall interest income. Furthermore, effective risk management and appropriate use of leverage are critical in improving profitability in the banking sector (Alnaa, 2023; Hartono, 2017).

The Effect of Liquidity on Firm Value with Profitability as a Mediating Variable

This study also shows that the ability of banks to generate profits serves as a mediator in the relationship between liquidity and firm value of banks in Indonesia. In this context, profitability can strengthen or even weaken the effect of liquidity on firm value. An increase in liquidity level can potentially increase firm value, as high liquidity contributes to better profitability, where current assets exceed the firm's current liabilities (Chotimah, 2024; Linawati et al., 2022). High profitability attracts investor , which in interestturn has an impact on the increase in stock prices. Thus, high liquidity indirectly increases firm value through

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increased profitability (Rahmi, 2023; Susilo, 2022). This finding is in line with previous research conducted by (Budiandriani et al., 2023; Rahmi, 2023), which found that profitability acts as a mediator between liquidity and firm value. However, it is important to note that this mediating effect may not always occur and can be influenced by other factors, such as market and conditions competition in the industry (Handayati et al., 2022; Reza, 2024).

The Effect of Leverage on Firm Value with Profitability as a Mediating Variable

The results show that profitability serves as a mediator in the relationship between debt and ratio firm value in the Indonesian . banking sectorIn this context, profitability plays an important role in mediating the effect of leverage on firm value. Trade-off and theory signaling theory explain that the optimal leverage use of occurs when there is a balance between the benefits and costs arising from debt. levels of High liabilities can increase sales if managed well, which in turn can increase the profitability of the company (Putri & Rahmiyati, 2022). When profitability increases, it provides a positive signal to investors, indicating good financial performance. This positive signal encourages investor interest in investing or buying company shares, thereby increasing company value (Supardi et al., 2023). Proper use of leverage can increase increase profitability by helping to return on capital and interest income. However, if the leverage is too high or not managed properly, this can pose a risk of bankruptcy which can reduce the value of the company (Esghaier, 2023). This finding is in line with research by (Campos et al., 2022; Flannery et al., 2022; Munawar, 2019; Widayanti & Yadnya, 2020), which found that profitability acts as a mediator in the relationship between leverage and firm value. This research emphasizes the importance of prudent debt management to achieve an optimal balance between risk and return, and its impact on firm value in the capital market (W. Zhang, 2022).

The Effect of Liquidity on Profitability with Financial Technology as Moderator

This study shows that financial technology (fintech) has a moderating effect on the relationship between liquidity and profitability of banking companies in Indonesia. The existence of fintech not only increases the cost efficiency of banks, but also increases the use of technology in banking operations, which in turn can increase profitability. Fintech not only contributes to bank , cost efficiencybut also encourages increased use of technology in banking operations, which turn incan have a effect positive on profitability (Kurniawati, 2023; Li et al., 2022). Collaboration between banks and fintech companies enables more optimized , management of current assetsassets so that can be used efficiently without being idle (Chhaidar et al., 2022). By reducing the number of unproductive assets, company expenses can be minimized, and profits can increase (Hartini & Jakaria, 2020). This optimization of current asset management is the main reason why fintech can moderate the impact of liquidity on profitability. Research by (Kurniawati, 2023; Li et al., 2022) confirms that collaboration between fintech and banks can improve bank performance through better digital innovation. In addition, research by (Li et al., 2022) shows that improvements in financial financial technology can significantly improve efficiency and innovation in banks. results These are in line with the findings by (Suryono et al., 2020), who emphasized that fintech contributes to operational efficiency and the development of more innovative financial products and services. However, it is important to note that fintech also adoption brings risks that need to be carefully managed, including data security and privacy risks risks and operational (Li et al., 2022).

The Effect of Leverage on Profitability with Financial Technology as Moderator

This study confirms that financial technology (fintech) serves as a moderator in the relationship between debt and ratio profitability in the Indonesian . banking sectorThe adoption of fintech by banks may affect the firm's leverage level, which is measured through the use of debt. Leverage is an important indicator to assess how much debt is used by the company, and the decision to use debt must consider the potential for higher returns as well as the associated risks (Amal, 2024). Research by (Ariffandi, 2022) shows that fintech can affect commercial bank margins, which in turn is closely related to the decision to use debt. This is in line with the findings of (Amal, 2024; Munawar et al., 2023), which emphasize that fintech developments can affect risk management and debt usage within the banking sector. Furthermore, a study by (Nguyen et al., 2021) shows that the adoption of fintech can improve banks' financial performance by optimizing the use of leverage and reducing operational costs, such as rent and labor costs. This

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is also supported by a study by (Liao, 2023), which found that fintech contributes to bank efficiency by reducing costs and improving services. Thus, fintech not only serves as a tool to improve efficiency, but also as a driver of innovation in the banking sector, which can ultimately increase bank profitability (Dilla, 2024).

V. Conclusion

The company's financial condition is good or liquid, its value can be influenced by the company's ability to manage current assets and liabilities. The results of this analysis indicate that the value of banking companies is influenced by liquidity. This shows that a high liquidity ratio indicates better management of short-term liability fulfilment

which benefits investors. As a result, the firm value increases due to investors' interest in investing in it. However, this study shows that the use of leverage does not affect firm value. result This supports Modigliani and Miller('s 1958 , which taxless theory MM)Theorystates that the use of leverage is irrelevant or has no impact on firm value. If the benefits gained from the use of liabilities outweigh the cost of possible bankruptcy risk, firms usually consider using debt in such a situation.

Profitability shows how well a company can generate profits. The ability of a business to generate profits will increase, which will have an impact on stock prices and company value. The results of this analysis show that firm value is influenced by profitability. Moreover, the findings suggest that profitability serves as an additional mediator (complementary mediation) in the relationship between liquidity and firm value. In addition, profitability also serves as a direct mediator (indirect or full mediation) in the relationship between leverage and firm value. The complexity of the model used is one of the innovative elements of this study. The study reaches the main conclusion that financial technology serves as a regulator in the relationship between liquidity, leverage and profitability. In addition, fintech serves as a link between liquidity and firm value of banks in Indonesia. Fintech adoption improves business efficiency by reducing operational costs, increasing profitability.

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