The Effect of Liquidity, Activitiy and Capital Structure on Profitability, Financial Distress and Firm Value in Building Construction and Property and Real Estate Companies Listed on The Indonesia Stock Exchange

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ABSTRACT

This study aims to analyze the effect of liquidity, activity and capital structure on profitability, financial distress and firm value in building construction and property and real estate companies listed on the Indonesia stock exchange. The population in the study were building construction and property and real estate companies listed on the Indonesia stock exchange in 2018-2022. 17 companies were selected as samples using saturated samples. Hypothesis testing in this study was carried out with the smrart-PLS application. Based on the analysis of 11 hypotheses, it was found that liquidity has no significant effect on profitability, financial distress and firm value. Activity has a significant effect on financial distress and firm value but activity has no significant effect on profitability. Capital structure has a significant effect on financial distress and firm value but capital structure has no significant effect on profitability. Profitability and financial distress have no significant effect on firm value. Liquidity, activity and capital structure have no significant effect on firm value through profitability as an intervening variable. Liquidity, activity and capital structure have no significant effect on firm value through financial distress as an intervening variable.

Keywords: *Liquidity, Activity, Capital Structure, Profitability, Financial Distress and Firm Value.*

INTRODUCTION

The building construction and property and real estate industry is one of the industries in Indonesia that continues to grow rapidly. Infrastructure development is believed to be the locomotive of national economic growth in the medium to long term. Large project activities in infrastructure development have a positive impact on the performance of construction companies so that they can make investors invest by buying company shares so that the higher the share price, the higher the firm value.

Firm value can describe the state of the company. The better the firm value, the better a company is viewed by potential investors.

Table 1. Company Value Data of Building Construction and Property and Real Estate Sectors for the Period 2018-2022

No.	Company Code	Year					Avergae PBV
		2018	2019	2020	2021	2022	
1	PTPP	0,69	0,57	0,83	0,43	0,30	**0,56**
2	ADHI	0,90	0,61	0,98	0,56	0,46	**0,70**
3	WIKA	0,86	0,93	1,07	0,57	0,41	**0,77**
4	BUKK	2,55	1,51	1,03	0,97	0,83	**1,38**
5	ACST	0,76	2,35	8,72	2,39	2,97	**3,44**

https://ejournal.ipinternasional.com/index.php/ijec

6	SSIA	0,54	0,69	0,64	0,56	0,30	**0,55**
7	TOPS	20,21	7,61	1,97	1,97	2,21	**6,79**
8	TOTL	1,82	1,38	1,11	0,87	0,83	**1,20**
9	PBSA	0,97	0,98	0,83	0,94	1,41	**1,03**
10	PPRE	1,15	0,78	0,94	0,60	0,40	**0,77**
11	WEGE	1,08	1,19	1,12	0,76	0,56	**0,94**
12	NRCA	0,80	0,78	0,82	0,62	0,63	**0,73**
13	IDPR	1,46	0,61	0,56	0,61	0,57	**0,76**
14	WSKT	0,79	0,69	1,18	0,55	0,73	**0,79**
15	APLN	0,24	0,27	0,38	0,26	0,28	**0,29**
16	ASRI	0,64	0,44	0,51	0,33	0,30	**0,44**
17	BAPA	0,55	0,35	0,25	0,34	0,49	**0,39**
18	BCIP	0,31	0,21	0,24	0,29	0,21	**0,25**
19	BEST	0,48	0,47	0,40	0,25	0,30	**0,38**
20	BIKA	0,23	0,19	-0,32	-0,97	-0,18	**-0,21**
21	BIPP	0,39	0,23	0,22	0,25	0,24	**0,26**
22	BKDP	0,90	0,90	0,80	1,48	1,58	**1,13**
23	BKSL	0,29	0,29	0,30	0,36	0,32	**0,31**
24	BSDE	0,80	0,72	0,75	0,60	0,51	**0,68**
25	CSIS	1,92	0,54	0,32	0,69	0,30	**0,75**
26	CTRA	1,13	1,09	1,05	0,93	0,83	**1,00**
27	DART	0,60	0,64	0,73	0,39	0,26	**0,53**
28	DILD	0,49	0,37	0,38	0,27	0,29	**0,36**
29	DMAS	1,07	2,20	2,14	1,72	1,34	**1,69**
30	DUTI	0,86	0,87	0,68	0,57	0,67	**0,73**
31	ELTY	0,23	0,25	0,26	0,27	0,30	**0,26**
32	EMDE	1,06	0,97	1,17	0,33	0,25	**0,76**
33	FMII	1,13	0,87	1,24	0,69	0,45	**0,88**
34	GMTD	0,20	0,24	0,31	0,30	0,26	**0,26**
35	GPRA	0,43	0,29	0,30	0,34	0,36	**0,34**
36	INPP	1,80	1,48	1,42	1,28	0,87	**1,37**
37	JRPT	1,52	1,11	1,05	0,88	0,80	**1,07**
38	KIJA	0,95	0,96	0,71	0,54	0,47	**0,73**
39	LPCK	0,13	0,25	0,58	0,50	0,40	**0,37**
40	LPKR	0,19	0,50	0,64	0,44	0,29	**0,41**
41	LPLI	0,12	0,15	0,13	0,33	0,29	**0,21**
42	MDLN	0,41	0,45	0,15	0,22	0,24	**0,30**
43	MKPI	4,08	2,79	4,73	4,05	5,75	**4,28**
44	MMLP	0,67	0,24	0,36	0,62	0,50	**0,48**
45	MTLA	1,00	1,15	0,81	0,80	0,62	**0,88**
46	MTSM	0,85	0,98	1,13	1,69	1,01	**1,13**
47	NASA	6,19	7,36	1,06	0,63	0,51	**3,15**
48	NIRO	0,32	0,48	0,55	0,52	0,52	**0,48**
49	OMRE	0,61	0,34	0,12	0,32	0,45	**0,37**
50	PLIN	0,90	1,01	0,82	0,81	0,67	**0,84**
51	PPRO	1,24	0,95	1,30	0,80	0,68	**0,99**
52	PUDP	0,47	0,29	0,24	0,37	0,20	**0,32**
53	PWON	1,95	1,52	1,40	1,17	1,06	**1,42**
54	RBMS	0,40	0,30	0,24	0,39	0,26	**0,32**

55	RDTX	0,64	0,59	0,52	0,62	0,84	**0,64**
56	RODA	1,99	0,28	0,31	0,54	0,35	**0,69**
57	SMDM	0,26	0,22	0,19	0,34	0,29	**0,26**
58	SMRA	1,28	1,53	1,28	1,23	0,85	**1,23**
59	TARA	8,42	4,01	0,48	0,47	0,48	**2,77**
	Rata-Rata	**1,44**	**1,05**	**0,92**	**0,71**	**0,68**	**0,96**

Source: www.idx.co.id (Data processed)

Based on table 1 it can be seen that the average company value during the period 2018 - 2022 has decreased. In 2018 the average company value in building construction and property and real estate companies was 1.44, in 2019 it was 1.05, in 2020 it was 0.92, in 2021 it was 0.71 and in 2022 it was 0.68. Several studies provide information on variables that affect firm value, namely liquidity, activity, capital structure, profitability and financial distress.

Liquidity is an important financial aspect to analyze, because it is one of the tools to measure the success of a company which can be seen from the amount of the company's ability to meet its current obligations. According to (Chalid et al., 2022: 290) Investors tend to favor companies that have strong operational cash flow. The activity according to (Brigham and Houston, 2010: 136) ratio is to measure the activity and efficiency of the company's operations. The effectiveness of a company's management has been able to sell or manage assets as a whole which can have a good influence on the firm value. Capital structure is a ratio that can be used to compare the amount of debt to the company's equity. It is important for companies to strengthen their financial stability, because changes in capital structure are thought to cause changes in firm value. Profitability provides a measure of the effectiveness of company management. The higher the ability of a company to generate profits, the higher the return expected by investors, thereby increasing the value of the company. Financial distress is a condition that occurs before a company goes bankrupt and is characterized by a decrease in financial performance.

Literature Review
Corporate Finance

Corporate finance is when investing in assets, such as inventory, machinery, land, and labor. The amount of cash invested in assets must be balanced by an equal amount of cash obtained from financing. When the company starts selling the goods it produces, the company will make money. This is the basis of value creation.

Signaling Theory

Signaling theory said that the signal process that the company should provide to users of financial reports is in the form of performance information that has been carried out by management in realizing the owner's wishes. The signals given are in the form of promotions or other information that states the company has better prospects than its competitors. According to Brigham and Houston in (Astuti & Yadnya, 2019:3277) Signaling theory is a behavior of company management in providing guidance to investors regarding management's views on the company's future prospects.

Agency Theory

Agency theory is a contract where one or more people (principal) involve one person (agent) who is in the principal's interests in terms of separation and control of the company (Jensen & Meckling, 1976:309). Agency theory is used to understand and solve problems when there is incomplete information when entering into a contract (engagement). Agency theory is concerned with resolving two problems that occur in agency relationships (Sartono & Ratnawati, 2020). This theory analyzes the interests and behavior of the party who acts as the authorizer for the first party to act and make decisions in accordance with their interests

Liquidity

According to (Harjito and Martono, 2014:55) Liquidity is an indicator of a company's ability to pay or settle its financial obligations at maturity using available current assets. The liquidity ratio is a ratio that shows the relationship between the company's cash and other current assets and current liabilities. This ratio can be used to measure a company's ability to fulfill financial obligations that must be paid off or short-term obligations. Liquidity are calculated using the ratio:

1. Current Ratio
2. Quick Ratio
3. Cash Ratio

Activity

According to (Brigham and Houston, 2010:136) Activity ratio is a ratio that measures the effectiveness of a company in managing the assets it owns. According to (Kasmir, 2017:172) Activity Ratio is a ratio that uses the assets it owns to measure the effectiveness of the company and the efficiency of utilizing company resources. Activity are calculated using the ratio:

1. Total Asset Turnover
2. Inventory Turnover
3. Receivable Turnover

Capital Structure

Capital structure is a ratio that can be used to compare the amount of debt to the company's equity. According to (Sjahrial, 2014:250) states that the capital structure is a balance between the use of loan capital consisting of permanent short-term debt and long-term debt with own capital consisting of preferred shares and ordinary shares. Capital structure are calculated using the ratio:

1. Debt to Equity Ratio
2. Debt to Assets Ratio
3. Equity to Total Assets Ratio

Profitability

According to (Harahap, 2015:104) Profitability describes a company's ability to generate profits by using all existing capabilities and resources such as sales activities, cash, capital, number of employees, number of company branches, etc. Profitability ratios are used to measure overall management effectiveness as indicated by the size of the profits generated in relation to sales and investment (Fahmi, 2015:135). Profitability are calculated using the ratio:

1. Return On Equity
2. Return On Assets

Financial Distress

Financial Distress is a condition where the company cannot generate sufficient profits or income or experiences financial difficulties so that it is unable to fulfill the company's obligations. According to (Pratiwi et al., 2023:314) Financial distress is a condition that occurs before a company experiences bankruptcy and is characterized by a decline in financial performance and worsening financial performance and conditions. Financial distress are calculated using the ratio:

1. Interest Coverage Ratio
2. Net Operating Income

Value of The Firm

Firm value is a certain condition that a company has achieved to be used as an illustration of public trust in a company after several years. The purpose of establishing a company is to maximize shareholder welfare. Firm value is an assessment of the company's performance as reflected by its share price. High share prices also increase firm value. Firm value are calculated using the ratio:

1. Earnings per Share

2. Price Book Value
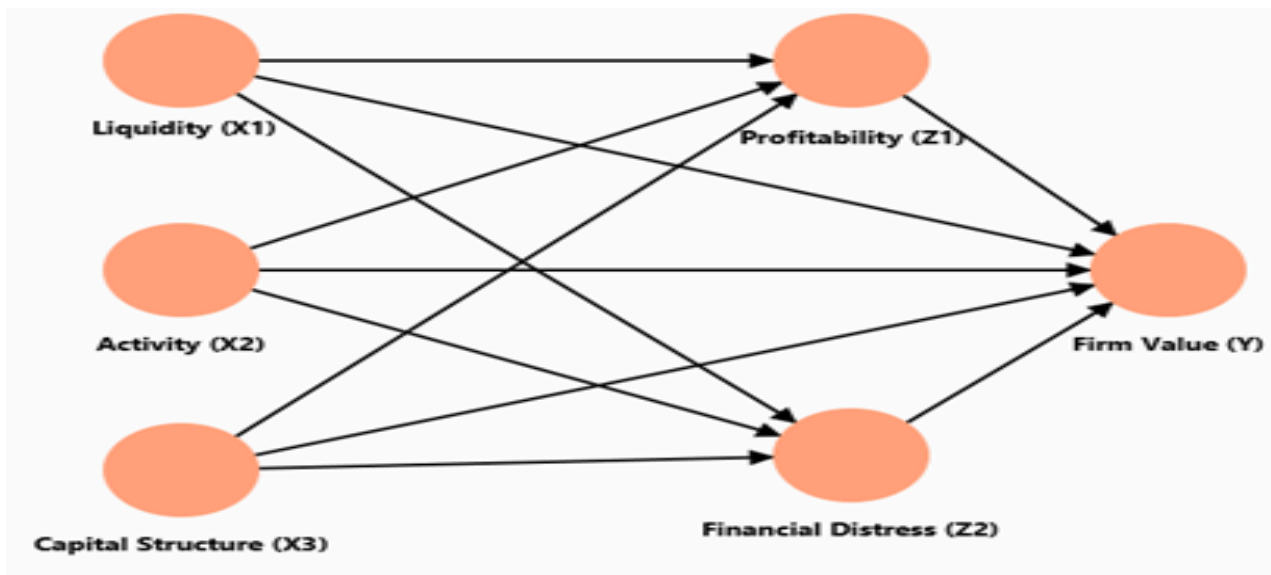3. Price Earning Ratio

Conceptual Framework

Figure 1. Conceptual Framework

Hypothesis

Based on the literature review, and conceptual framework previously described and explained, the following research hypothesis is formulated:

H1: Liquidity has a significant effect on profitability
H2: Activity has a significant effect on profitability
H3: Capital structure has a significant effect on profitability
H4: Liquidity has a significant effect on financial distress
H5: Activity has a significant effect on financial distress
H6: Capital structure has a significant effect on financial distress
H7: Liquidity has a significant effect on firm value
H8: Activities have a significant effect on firm value
H9: Capital structure has a significant effect on firm value
H10: Profitability has a significant effect on firm value
H11: Financial Distress has a significant effect on firm value

METHOD

Research Approach

In this study, the approach used is quantitative research and uses static formulas to help analyze the data and facts obtained.

Type of Research

The type of research conducted in this study is to use causal explanatory or explanatory research because the purpose of this study is to explain the causal relationship between variables through hypothesis testing.

Population

The population in this study are building construction and property and real estate companies listed on the Indonesia Stock Exchange for the period 2018-2022. The criteria used are as follows:

1. Building construction and property and real estate companies listed on the Indonesia Stock Exchange for the period 2018-2022.
2. Building construction and property and real estate companies that publish complete financial reports consecutively in rupiah currency during the 2018-2022 period.
3. Building construction companies and property and real estate that are included in the Financial Distress category.

Determination of the category of companies included in Financial Distress is done by analyzing the growth of 3 criteria, namely: (1) Quick Ratio (QR) growth, (2) Net Operating Income (NOI) growth, (3) Earning Per Share (EPS) Growth

Score each indicator as follows (Iramani, 2008: 187):
- QR growth = 3 (very important)
- NOI growth = 2 (important)
- EPS growth = 1 (moderately important)

FD criteria in this study will be determined by using positive (+) and negative (-) signs of the growth of each criterion in each company whose value has been determined based on the score. Companies that experience growth (+) in all categories are given a score of "0", while companies whose growth (-) is given a score according to the specified criteria so that the total score for each company is known. Based on the number of scores obtained, it can be determined the group of companies in financial distress and non-financial distress conditions with a score of 0-6. Company grouping criteria can be done based on:

1. If the total score> 3 the company is grouped in FD condition
2. If the total score ≤3 companies are grouped in non-FD conditions

Based on the population criteria, 17 building construction and property and real estate companies that meet the criteria for research were obtained from 2018-2022.

Sample

The sampling technique in this study used a saturated sample of 17 building construction and property and real estate companies.

Table 2. List of Research Companies that Meet the Criteria

No	Company Code	Company name
1	PTPP	PT. Housing Development (Persero) Tbk
2	ADHI	PT. Adhi Karya (Persero) Tbk
3	WIKA	PT. Wijaya Karya (Persero) Tbk
4	PPRE	PT. PP Presisi Tbk
5	NRCA	PT. Nusa Raya Cipta Tbk
6	IDPR	PT. Indonesia Pondasi Raya Tbk
7	BCIP	Bumi Citra Permai Tbk.
8	BIKA	Binakarya Jaya Abadi Tbk.
9	CSIS	Cahayasakti Investindo Success
10	DART	Duta Anggada Realty Tbk.
11	ELTY	Bakrieland Development Tbk.
12	EMDE	Megapolitan Developments Tbk.
13	GMTD	Gowa Makassar Tourism Development
14	JRPT	Jaya Real Property Tbk.
15	LPCK	Lippo Cikarang Tbk
16	NIRO	City Retail Developments Tbk.
17	RBMS	Ristia Bintang Mahkotasejati T

Data Collection Technique

The data collection technique is secondary data. Obtained by collecting annual financial reports that have been published by each building construction and property and real estate company through the Indonesia Stock

Exchange Gallery (IDX) during the 2018-2022 period.

Data Analysis Technique
The data analysis technique used in this study uses the help of Smart PLS. If the p-value> 0.05, it shows that the independent variable partially has an insignificant effect on the dependent variable. Then the hypothesis proposed in the study is rejected. If the p-value <0.05, it shows that the independent variable partially has a significant effect on the dependent variable. Then the hypothesis proposed in the study is accepted.

RESEARCH RESULTS AND DISCUSSION
Table 3. Descriptive Statistics

Name	N	Scale min	Scale max	Mean	Standard deviation
CR	85	0.143	6,662	1,849	1,271
QR	85	0.092	6,574	0.974	1,000
CASH_RATIO	85	0,000	5,404	0.368	0.766
TATO	85	0.033	1,090	0.262	0.241
ITR	85	0.019	2,014,753	84,350	369,518
RTR	85	0.312	1,439,154	45,292	201,323
DER	85	-21,058	6,052	0.835	3,172
DAR	85	0.109	1,113	0.521	0.207
EAR	85	-0.113	0.891	0.482	0.206
ROE	85	-1,274	0.610	0.002	0.207
ROA	85	-0.375	0.277	0.003	0.078
ICR	85	-30,438	1,761,739	42,273	202,899
NOI	85	-1,806,642. 000,000,000	3,834,697,406. 000,000	452,654,877. 804.647	859,035,581. 540,305
EPS	85	-1,364,000	2,818,000	21,752	381,897
PBV	85	-0.969	1,915	0.537	0.394
PER	85	-152,174	228,083	7,401	46,635

Source: Data processed by Smart-PLS

Validity and Reliability Test
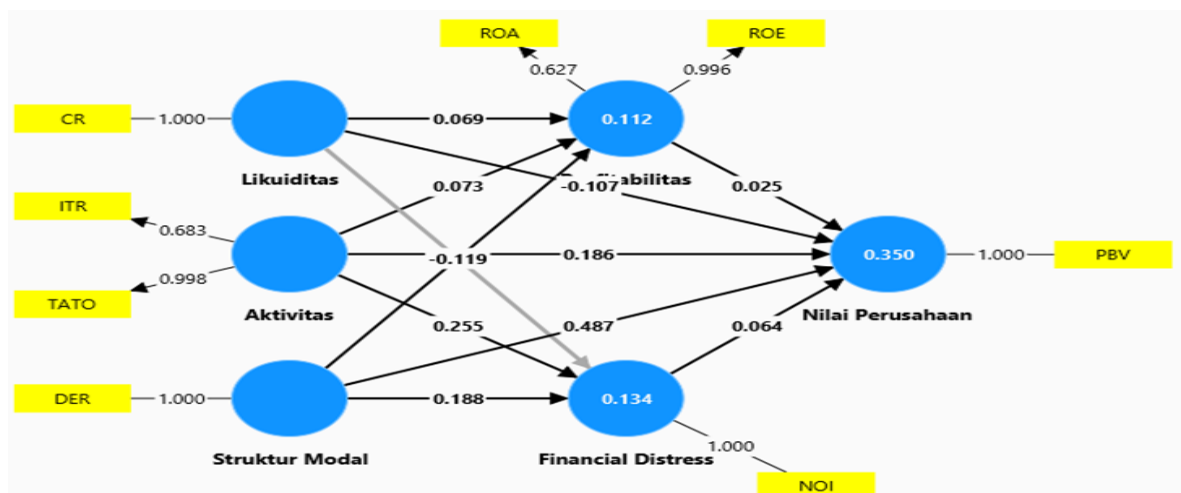1. **Designing the Outer Model**

Figure 2. Outer Model

a. **Convergent Validity Test**
The validity test was carried out using an evaluation measurement (outer) model using convergent validity, the value of the outer loading for each was >0.5 for the target variable. Following are the

results of the outer loading of each variable:

Table 4. Outer Loading

Variabel	Indicator	Outer loading
Liquidity (X$_1$)	CR	1,000
Activity (X$_2$)	ITR	0,683
	TATO	0,998
Capital Structure (X$_3$)	DER	1,000
Profitability (Z$_1$)	ROA	0,627
	ROE	0,996
Financial Distress (Z$_2$)	NOI	1,000
Firm Value (Y)	PBV	1,000

Source: Data processed by Smart-PLS

Based on the table above, it is known that the outer loading value of each research variable indicator has a value of >0.5. an outer loading value of >0.5 – 0.6 is considered sufficient to meet the convergent validity requirements (Ghozali, 2014). The data above shows that there are no indicators with an outer loading value below 0.5 so they are said to be suitable or valid for research use and can be used for further analysis.

Table 5. Average Variant Extracted

Variable	Average variance extracted (AVE)
Liquidity (X1)	1,000
Activity (X2)	0.732
Capital Structure (X3)	1,000
Profitability (Z1)	0.693
Financial Distress (Z2)	1,000
Firm Value (Y)	1,000

Source: Data processed by Smart-PLS

From the measurements above, it can be seen that the six variables meet the criteria for an average variant extracted value of >0.5, so it can be said that each variable has good convergent validity and thus meets the requirements for further research.

b. **Discriminant Validity Test**

This section explains the results of the discriminant validity test using Fornell-Larcker and Cross Loading. An indicator is declared to meet the discriminant validity standard if the Fornell-Larcker and Cross Loading values of the indicator on the variable are the largest compared to the other variables. The following are the Fornell-Larcker and Cross Loading values for each indicator:

Table 6. Fornell-Larcker

	ACT	FD	LIQ	FV	PRF	CS
Activity	**0.856**					
Financial Distress	0.291	**1,000**				
Liquidity	-0.086	-0.145	**1,000**			
Firm Value	0.282	0.250	-0.140	**1,000**		
Profitability	0.110	0.298	0.057	0.214	**0.832**	
Capital Structure	0.135	0.225	-0.019	0.537	0.321	**1,000**

Source: Data processed by Smart-PLS

Table 7. Cross Loading

	ACT	FD	LIQ	FV	PRF	CS
CR	-0,086	-0,145	1,000	-0,140	0,057	-0,019
DER	0,135	0,225	-0,019	0,537	0,321	1,000
ITR	0,683	-0,077	0,024	0,103	0,067	0,011
NOI	0,291	1,000	-0,145	0,250	0,298	0,225
PBV	0,282	0,250	-0,140	1,000	0,214	0,537
ROA	0,117	0,387	0,093	0,043	0,627	-0,015
ROE	0,104	0,273	0,050	0,224	0,996	0,345
TATO	0,998	0,312	-0,092	0,288	0,110	0,141

Source: Data processed by Smart-PLS

Based on the data presented in the table above, it is known that each indicator in the research variable has the largest Fornell Larcker and Cross Loading values for the variables it forms compared to the Fornell Larcker and Cross Loading values for the other variables. It can be said that the indicators used in this research have fulfilled good discriminants in compiling their respective variables.

c. Realiability Test

In this section are the results of reliability tests using Composite Reliability, rho_A and Cronbach's Alpha. An indicator is said to meet reliability standards if the Composite Reliability value is >0.6, then the rho_A and Cronbach's Alpha values are >0.7. The results of the reliability test with Composite Reliability, rho_A and Cronbach's Alpha for each indicator are as follows:

Table 8. Composite Reliability, rho_A and Cronbach's Alpha

Variable	Composite reliability	(rho_A)	Cronbach's alpha
Liquidity (X1)	1,000	1,000	1,000
Activity (X2)	0.841	7,659	0.782
Capital Structure (X3)	1,000	1,000	1,000
Profitability (Z1)	0.811	4,286	0.713
Financial Distress(Z2)	1,000	1,000	1,000
Firm Value (Y)	1,000	1,000	1,000

Source: Data processed by Smart-PLS

From the measurements above it can be seen that the six variables have values Composite reliability>0.6, then the value of rho_A and Cronbach's Alpha >0.7 means that all variables are appropriate and suitable to be tested.

2. Designing the Inner Model

After testing the outer model which has met, the next step is testing the inner model (structural model).

a. R-Square

R-Square used to assess how well the structural model explains variation in endogenous variables. The R-Square measurement results are as follows:

Table 9. R-Square

Variable	R-square	R-square adjusted
Profitability (Z1)	0.112	0.079
Financial Distress (Z2)	0.134	0.102
Firm Value (Y)	0.350	0.309

Source: Data processed by Smart-PLS

From the measurements above, it can be seen that the R-Square value for the profitability variable is 0.079 or 7.9%. This indicates that the profitability variable is explained by liquidity, activity and capital

structure at 7.9% and the remaining 92.1% is explained by other variables apart from other variables not measured in this research. The Financial Distress variable is 0.102 or 10.2%. This indicates that the Financial Distress variable is explained by liquidity, activity and capital structure at 10.2% and the remaining 89.8% is explained by variables other than other variables not measured in this research. The Firm Value variable is 0.309 or 30.9% and the remaining 69.1% is explained by other variables apart from other variables not measured in this research.

b. Model Fit Test

Model fit analysis uses standardized root mean square residual (SRMR). SRMR is the average of all differences between the tested data and the model that are indirectly correlated. The model fit test results are as follows:

Table 10. Model Fit Test

	Saturated model	Estimated model
SRMR	0,076	**0,094**
d_ULS	0,208	0,316
d_G	0,086	0,099
Chi-square	36,678	40,719
NFI	0,792	0,770

Source: Data processed by Smart-PLS

From the measurements above, it can be seen that the SRMR value in this study is 0.094, which is in the marginal fit category, which means the model is still within acceptable limits.

Hypothesis Testing

In hypothesis testing, the values analyzed are the values in the t-statistics produced from the PLS output by comparing them with the t-table values. The criteria for hypothesis testing in this research are as follows:

a. If t-count > t table, namely more than 1.96, then the hypothesis is accepted
b. If t-count < t table, namely less than 1.96, then the hypothesis is rejected

Table 11. Hypothesis Test Results

		Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Significance
H1	Liquidity (X1)-> Profitability (Z1)	0.069	0.059	0.107	0.648	0.517	Not sig
H2	Activity (X2)-> Profitability (Z1)	0.073	0.101	0.091	0.806	0.421	Not sig
H3	Capital Structure (X3)-> Profitability (Z1)	0.312	0.168	0.439	0.711	0.477	Not sig
H4	Liquidity (X1)-> Financial Distress (Z2)	-0.119	-0.109	0.087	1,373	0.170	Not sig
H5	Activity (X2)-> Financial Distress (Z2)	0.255	0.254	0.113	2,251	0.024	Significant
H6	Capital Structure (X3)-> Financial Distress (Z2)	0.188	0.216	0.080	2,341	0.019	Significant
H7	Liquidity (X1) -> Firm Value	-0.107	-0.109	0.084	1,279	0.201	Not sig

	(Y)						
H8	Activity (X2)-> Firm Value (Y)	0.186	0.190	0.076	2,453	0.014	Significant
H9	Capital Structure (X3)-> Firm Value (Y)	0.487	0.419	0.182	2,672	0.008	Significant
H10	Profitability (Z1)-> Firm Value (Y)	0.025	0.019	0.112	0.221	0.825	Not sig
H11	Financial Distress(Z2) -> Firm Value (Y)	0.064	0.084	0.085	0.746	0.456	Not sig

Source: Data processed by Smart-PLS

Table 12. Hypothesis Test Results Specific Indirect Effects

		Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Significance
H12	Liquidity(X1)-> Profitability (Z1) -> Firm Value (Y)	0.002	0.005	0.014	0.120	0.905	Not sig
H13	Activity(X2)->Profitability (Z1) -> Firm Value (Y)	0.002	0.001	0.017	0.107	0.915	Not sig
H14	Capital Structure(X3)-> Profitability (Z1) -> Firm Value (Y)	0.008	0.028	0.060	0.129	0.898	Not sig
H15	Liquidity (X1)-> Financial Distress (Z2)-> Firm Value (Y)	-0.008	-0.009	0.014	0.549	0.583	Not sig
H16	Activity (X2) -> Financial Distress (Z2)-> Firm Value (Y)	0.016	0.022	0.025	0.641	0.521	Not sig
H17	Capital Structure (X3)-> Financial Distress (Z2)-> Firm Value (Y)	0.012	0.019	0.025	0.481	0.631	Not sig

Source: Data processed by Smart-PLS

H1: The Effect of Liquidity on Profitability
The relationship between liquidity and profitability shows that the original sample result (O) is 0.069, which states that the two variables have a positive relationship and the t-statistics of 0.648 does not meet the t-statistics standard of >1.96, so the first hypothesis of this research is rejected and is not significant. From the sample

data, it means that liquidity cannot show a relationship with profitability, so it can be said that liquidity has an insignificant effect on profitability.

The results of this study support research which is conducted by (Putry, 2023) which states that liquidity has no significant effect on profitability. This is because the company is more focused on meeting its short-term obligations with the parties involved. Liquidity as measured by the current ratio in building construction and property and real estate companies experiences fluctuations so that they cannot take advantage of opportunities to obtain greater profits. A company whose current ratio is too high is also not good, because it shows a lot of idle funds which can ultimately reduce the company's ability to earn profits.

H2: The Effect of Activity on Profitability

The relationship between activity and profitability shows that the original sample result (O) is 0.073, which states that the two variables have a positive relationship and the t-statistics of 0.806 does not meet the t-statistics standard of >1.96, so the second hypothesis of this study is rejected and is not significant. From the sample data, it means that activity cannot show a relationship to profitability, so it can be said that activity has no significant effect on profitability.

The results of this study support research which is conducted by (Indawati, 2020) which states that activity has no significant effect on profitability. The activity ratio shows that it has no effect on profitability, this is because the use of assets used daily does not affect the company's profits. In data on building construction companies and property and real estate values the assets owned by the company are higher than its sales, causing profits generated by building construction and property and real estate companies to tend to fall, so it does not have a big impact on the profits obtained so it can be assessed that the use of funds or assets owned by the company on a daily basis does not have a big effect on profits. that the company gets.

H3: The Effect of Capital Structure on Profitability

The relationship between capital structure and profitability shows that the original sample result (O) is 0.312 which states that the two variables have a positive relationship and the t-statistics of 0.711 does not meet the standard t-statistics > 1.96, so the third hypothesis of this research is rejected and is not significant. From the sample data, it means that capital structure cannot show a relationship to profitability, so it can be said that capital structure has no significant effect on profitability.

The results of this study support research which is conducted by (Ardiana & Chabachib, 2018) which states that capital structure has no significant effect on profitability. In line with pecking order theory, companies tend to choose to use internally sourced funding first before using external funding (debt). When a company's debt is high, the burden it bears is also high, which can reduce profitability.

H4: The Effect of Liquidity on Financial Distress

The relationship between liquidity and financial distress shows that the original sample result (O) is -0.119 which states that the two variables have a negative relationship and the t-statistics of 1.373 does not meet the standard t-statistics > 1.96, so the fourth hypothesis of this study is rejected and cannot be significant. From the sample data, it means that liquidity cannot show a relationship to financial distress, so it can be said that liquidity has an insignificant effect on financial distress.

The results of this study support research which is conducted by (EY Pratiwi & Sudiyatno, 2022) which states that liquidity has no significant effect on financial distress. Current assets will be used to pay the company's current liabilities. This requires quite a bit of time and varies between each company that uses them to finance the company's liabilities. So this means that the amount of liquidity of a company is not able to reduce the possibility of the company experiencing financial distress.

H5: The Effect of Activity on Financial Distress

The relationship between activity and financial distress shows that the original sample result (O) is 0.255, which states that the two variables have a positive relationship and the t-statistics of 2.251 meet the t-statistics standard of >1.96, so the fifth hypothesis of this research is accepted and significant. From the sample data it is interpreted that activities can show a relationship to financial distress, so it can be said that activities have a significant effect on financial distress.

The results of this study support research which is conducted by (Situmorang, 2018) which states that activity has a significant effect on financial distress. By using company assets for operational activities, the company's production will increase, so that ultimately it can increase the company's sales and profits. In the total asset turnover activity ratio, the shorter the cycle, the faster the asset turnover. Fast turnover indicates that assets are too small compared to the company's ability to generate sales, resulting in the company being increasingly unable to fulfill its obligations, so this activity ratio is considered to have a positive correlation with financial distress conditions.

H6: The Effect of Capital Structure on Financial Distress
The relationship between capital structure and financial distress shows that the original sample result (O) is 0.188, which states that the two variables have a positive relationship and the t-statistics of 2.341 meet the t-statistics standard of >1.96, so the sixth hypothesis of this research is accepted and significant. From the sample data it is interpreted that capital structure can show a relationship to financial distress, so it can be said that capital structure has a significant effect on financial distress.

The results of this study support research which is conducted by (Amanda, 2020) which states that capital structure has a significant effect on financial distress. According to data from building construction and property and real estate companies, their financing mostly uses debt, this carries the risk of payment difficulties in the future due to debt being greater than the assets owned. Thus, the higher the capital structure, the higher the possibility of the company experiencing financial distress. When a company has a lot of debt to use as capital, the liabilities borne by the company have a high value, even higher than the value of assets, which can result in financial difficulties.

H7: The Effect of Liquidity on Firm Value
The relationship between liquidity and firm value shows that the original sample result (O) is -0.107 which states that the two variables have a negative relationship and the t-statistics of 1.279 does not meet the standard t-statistics > 1.96, so the seventh hypothesis of this research is rejected and cannot be significant. From the sample data, it means that liquidity cannot show a relationship to firm value, so it can be said that liquidity has an insignificant effect on firm value.

The results of this study support research which is conducted by (Firmansyah et al., 2017) which states that liquidity has an insignificant effect on firm value. High or low liquidity values do not significantly affect firm value. It can be said that the size of the current debts and current assets of building construction and property and real estate companies does not result in changes to the company's share price. So that the value of the company does not decrease or increase. If a company has current liabilities greater than its current assets, this will raise concerns among shareholders and potential investors will also doubt the level of return from their investment activities.

H8: The Effect of Activities on Firm Value
The relationship between activity and firm value shows that the original sample result (O) is 0.186, which states that the two variables have a positive relationship and the t-statistics of 2.453 meet the t-statistics standard > 1.96, so the eighth hypothesis of this research is accepted and significant. From the sample data it is interpreted that activities can show a relationship to firm value, so it can be said that activities have a significant effect on firm value.

The results of this study support research which is conducted by (Noviyanti & Ruslim, 2021) which states that activities have a significant effect on firm value. The activity ratio of a business that is pursuing high sales shows that its asset management is getting better. The effective value of assets managed by the company has an impact on the high value of the firm. In this case, the firm value measured using price book value is considered good by investors because the company can manage assets efficiently. The effectiveness of a company's management has been able to sell or manage assets as a whole which can have a good influence on the firm value.

H9: The Effect of Capital Structure on Firm Value
The relationship between activity and firm value shows that the original sample result (O) is 0.487, which

states that the two variables have a positive relationship and the t-statistics of 2.672 meet the t-statistics standard of >1.96, so the ninth hypothesis of this research is accepted and significant. From the sample data it is interpreted that capital structure can show a relationship to firm value, so it can be said that capital structure has a significant effect on firm value.

The results of this study support research which is conducted by (Amelia & Anhar, 2019) which states that capital structure has a significant effect on firm value. Firm value is obtained from the results of the quality of a company's performance, especially financial performance. Of course, it cannot be ruled out by the support of non-financial performance as well, as a synergy that mutually supports the formation of firm value. Carrying out a capital structure analysis is considered important because it can evaluate long-term risks and prospects for the level of income a company obtains while carrying out its activities.

H10: The Effect of Profitability on Firm Value
The relationship between activity and firm value shows that the original sample result (O) is 0.025 which states that the two variables have a positive relationship and the t-statistics of 0.221 does not meet the standard t-statistics > 1.96, so the tenth hypothesis of this research is rejected and is not significant. From the sample data, it means that profitability cannot show a relationship to firm value, so it can be said that profitability has no significant effect on firm value.

The results of this study support research which is conducted by (Firmansyah et al., 2017) which states that profitability has no significant effect on firm value. The company uses these profits for retained earnings and is not distributed to shareholders. So investors consider it a negative signal and have an impact on firm value. This is because the effectiveness of using company equity to generate net profit after tax is not a benchmark for investors to invest their capital and assess the company's performance. So it can be concluded that profitability is not a guarantee for increasing firm value.

H11: The Effect of Financial Distress on Firm Value
The relationship between financial distress and firm value shows that the original sample result (O) is 0.064 which states that the two variables have a positive relationship and the t-statistics of 0.746 does not meet the standard t-statistics > 1.96, so the eleventh hypothesis of this study is rejected and cannot be significant. From the sample data, it means that financial distress cannot show a relationship to firm value, so it can be said that financial distress has an insignificant effect on firm value.

The results of this study support research which is conducted by (Hasanah et al., 2023) which states that financial distress has an insignificant effect on firm value. Companies that are experiencing financial difficulties are less attractive to investors because investors need certainty regarding the risk and rate of return on investments invested, while companies experiencing financial distress cannot provide both of these things for investors so that if it is related to the signal theory, investors will tend to refuse to invest in If a company is experiencing financial difficulties, the lack of investor interest in investing will disrupt the company's funding activities so that the company cannot grow or even worse, it could go bankrupt if it does not immediately obtain funding from investors.

H12: The Effect of Liquidity on Firm Value Through Profitability as an Intervening Variable
The relationship between liquidity and firm value through profitability as an intervening variable shows that the original sample result (O) is 0.002, which means it has a positive relationship and the t-statistics of 0.120 does not meet the t-statistics standard of >1.96, so the twelfth hypothesis of this research is rejected and not significant. So it can be said that profitability cannot mediate liquidity on firm value.

The results of this study support research which is conducted by (Pinem, 2017) which states that profitability cannot mediate liquidity on firm value. The high value of liquidity can help the company's operations run smoothly so that the company can generate more profits for the company. This means that a high Current Ratio value identifies the value of current assets as being greater than the value of current liabilities, which gives an idea that receivables from the company are increasing so that the amount of inventory in the company is also increasing, with the increase in the amount of inventory in basic industrial and chemical sector companies indicating that the company's sales decreases thereby causing profitability to decrease as well, weak profitability gives a bad signal to shareholders so that it can reduce the value of the company.

H13: The Effect of Activities on Firm Value Through Profitability as an Intervening Variable

The relationship between activity and firm value through profitability as an intervening variable shows that the original sample result (O) is 0.002, which means it has a positive relationship and the t-statistics of 0.107 does not meet the t-statistics standard of >1.96, so the thirteenth hypothesis of this research is rejected and not significant. So it can be said that profitability cannot mediate activities on firm value.

The results of this study support research which is conducted by (Andriansyah et al., 2023) which states that profitability cannot mediate activity on firm value. The activity ratio is used to assess the company's performance in managing its assets and sales results. High profits indicate that the company's performance has increased. This means that increasing profits or the company's ability to earn profits does not affect the turnover of assets owned by the company to increase firm value. A decrease in the activity ratio indicates that the company's performance is also not good, which causes investors to be less interested in investing their capital.

H14: The Effect of Capital Structure on Firm Value Through Profitability as an Intervening Variable

The relationship between capital structure and firm value through profitability as an intervening variable shows that the original sample result (O) is 0.008, which means it has a positive relationship and the t-statistics of 0.129 does not meet the t-statistics standard of >1.96, so the fourteenth hypothesis of this research is rejected. and not significant. So it can be said that profitability cannot mediate capital structure on firm value.

The results of this study support research which is conducted by (Marli, 2018) which states that profitability cannot mediate capital structure on firm value. This is because if you use high debt you will incur high interest charges. In situations where the benefits arising from debt are greater than the sacrifices borne by the company from the debt issued so that it has an impact on decreasing profitability due to the high level of debt in the company which shows the high interest burden borne by the company which causes the share price to also decrease which will then reduce the firm value.

H15: The Effect of Liquidity on Firm Value Through Financial Distress as an Intervening Variable

The relationship between liquidity and firm value through financial distress as an intervening variable shows that the original sample result (O) is -0.008, which means it has a negative relationship and the t-statistics of 0.549 does not meet the t-statistics standard of >1.96, so the fifteenth hypothesis of this research rejected and insignificant. So it can be said that financial distress cannot mediate liquidity on firm value.

The results of this study support research which is conducted by (Kurniasari & Dini Widyawati, 2023) which states that financial distress cannot mediate liquidity on firm value. If a company experiences financial pressure or difficulties then cash flow tends to be used for operational expenses of the company rather than paying dividends to investors, while investors with the aim of investing want the company to be able to provide feedback in the form of dividends for themselves, this indicates that companies tend to allocate assets The ability to cover the financial difficulties that occur is seen as a company that cannot provide returns by investors, which will reduce the value of the firm.

H16: The Effect of Activities on Firm Value Through Financial Distress as an Intervening Variable

The relationship between activity and firm value through financial distress as an intervening variable shows that the original sample result (O) is 0.016, which means it has a positive relationship and the t-statistics of 0.641 does not meet the t-statistics standard of >1.96, so the sixteenth hypothesis of this study is rejected. and not significant. So it can be said that financial distress cannot mediate activities on firm value.

The results of this study support research which is conducted by (Aulia et al., 2022) which states that financial distress cannot mediate activities on firm value. A high or low activity ratio does not necessarily cause a company to experience financial distress. Then, the relationship between financial distress and firm value is seen from the low or high possibility of financial distress for a company, the firm value will not be affected. In the relationship between the activity ratio and firm value, showing a high or low value does not always cause the company to experience financial difficulties.

H17: The Effect of Capital Structure on Firm Value Through Financial Distress as an Intervening Variable

The relationship between capital structure and firm value through financial distress as an intervening variable shows that the original sample result (O) is 0.012, which means it has a positive relationship and the t-statistics of 0.481 does not meet the t-statistics standard of >1.96, so the seventeenth hypothesis of this research rejected and insignificant. So it can be said that financial distress cannot mediate capital structure on firm value.

The results of this study support research which is conducted by (Hasanah et al., 2023) which states that financial distress cannot mediate capital structure on firm value. financial distressin a company not because of capital structure factors but from other factors such as the company's profits being low so that it is unable to operate, with this the firm value will not increase. If the company's profits decrease continuously, the value of the firm will not increase, so financial distress cannot be the cause of the influence of capital structure on firm value.

CONCLUSION

Based on the results of the data testing that has been carried out, a conclusion can be drawn regarding the results of the hypothesis test as follows:

1. Liquidity has no significant effect on profitability, financial distress and firm value.
2. Activity has a significant effect on financial distress and firm value, but activity does not have a significant effect on profitability.
3. Capital structure has a significant effect on financial distress and firm value, but capital structure does not have a significant effect on profitability.
4. Profitability and financial distress do not have a significant effect on firm value.
5. Liquidity, activity and capital structure do not have a significant effect on firm value through profitability as an intervening variable.
6. Liquidity, activity and capital structure do not have a significant effect on firm value through financial distress as an intervening variable.

Suggestion

Based on the results of the research that has been carried out, the following suggestions are proposed:

1. Future research should carry out research by increasing the number of research object periods, not just 5 (five) years.
2. Further research should be able to develop by adding other variables that influence profitability, financial distress and firm value.
3. Future research should add indicators to each research variable so that the results obtained can be better interpreted from the perspective of theory and empirical evidence.

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