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The Role of ROA in Mediating DER, Current Ratio, and TATO on Firm Value

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Abstract

This research aims to obtain empirical evidence on the effect of debt equity ratio, current ratio and toral asset turnover on firm value through return on assets. This research was quantitative one with its secondary data obtained from annual financial statements published by companies. Its population included food and beverage companies registered in the Indonesian Stock Exchange in 2017-2022. samples were taken using purposive sampling where 52 companies were obtained. The collected data were then processed using e-views program.

Debt equity ratio had no effect on return on assets. Current ratio negatively and significantly affected return on asset. Total Asset Turnover positively and significantly affected return on asset. Debt Equity Ratio negatively and affected considerably price to book value. Current Ratio did not affect price to book value. Both total asset turnover and return on assets positively and significantly affected price to book value. Debt equity ratio affected price to book value via return on assets. Current ratio and total asset turnover had no effect on price to book value via return on asset. Sales growth and total asset turnover had no effect on price to book value via the intervening variable, i.e., return on assets. For this reason, future researchers are recommended to add more variables presumably capable of serving as an intervening variable such as return on equity. Since the samples used only included Food and Beverages companies registered in IDX 2017-2022, future research is suggested to expand the samples to allow them to capture the effects of variables that they will study.

This research made some contribution to financial management literature. The research showed different findings from the previous one, allowing them to be used as something new regarding the factors affecting profitability and firm value. The research found that total asset turnover and return on assets positively and significantly affected price to book value. Therefore, it is important for managers to pay closer attention to it to increase their firm values.

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INTRODUCTION

The recent globalization in the industry world has led to increasingly tighter and more intense competition. Business competition in Indonesia intensifies by year as the number of companies increases. Some of them are established to, among other things: gaining optimal profits, making the shareholders prosperous, and increasing the firm values (Setyabudi, 2021). According to Nagian (2021:15), firm value is the price that potential buyers in a capital market are willing to pay, especially the stock price.

A firm value in this research was measured using the ratio of stock market price to its price value, also known as price to book value (PBV) ratio. PBV shows that a company during a period in the future will make a progress and this is what the belief of a market based on (Harahap et al., 2020). PBV also affects a company's growth rate, as can be seen in Figure 1 below:

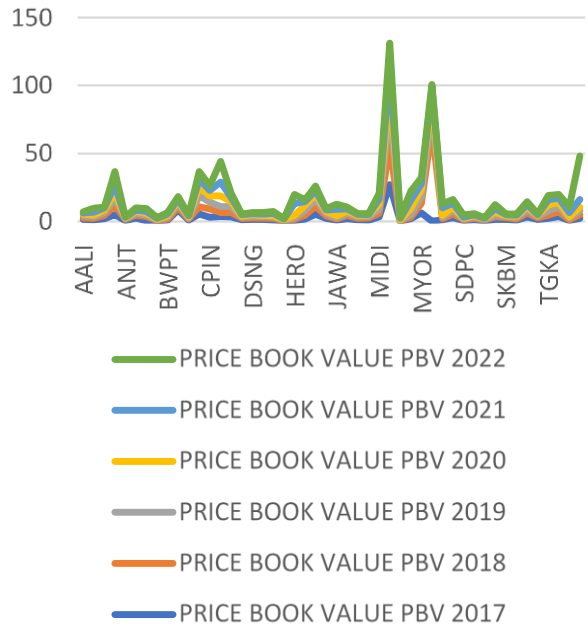

Figure 1. Growth of Price Book Value registered in IDX

Manufacturing is the sector with high potential since it provides significant contribution to Indonesia's economy (Sulistiyan Rahayu & Zulaikha, 2022). As can be seen in the figure above, the food and beverage sector registered in the Indonesian Stock Exchange grows by 2.09%.

One of the factors that affect the fluctuation of a firm value is its own financial performance (Mahpudin & Suparno, 2020). The financial performance of a company is reflected on their financial statements. A company is said to have a good financial performance if the profit it earns is maximum (R. Wijaya, 2019). Maximum profit will lead to a high rate of return on investment (Sari & Priyadi, 2016). Therefore, in this research the researcher used return on asset (ROA) as an intervening variable. This ratio is frequently chosen by investors to assess a company's ability to gain profits from the total assets that it uses. The greater the ROA, the better the company's performance is, since the return is increasingly greater (Wijayanto et al., 2022)

Bayus et al., (2003) discussed the validity of profitability through the rate of economic return and ensured that profitability could be accepted widely as an indicator of business performance. However, other research concluded that profitability has no validity to be a measurement of business performance (Asimakopoulos et al., 2009). An attempt to prove it was made by Pervan et al., (2019) by conducting a study to discuss whether optimal profitability affected firm value in non-life insurance industry in Taiwan, and investigated the factors influencing the decision on capital structure. Their research found that profitability had no significant effect on firm value.

Another factor that affects a firm value is debt to equity ratio (DER). It is a financial ratio that reflects the company's ability to meet its obligations as shown by the portion of equity used to pay the

entire debt. A raise in the debt to equity ratio will affect the company's worth. When investors assume that the company with a lot of debts is given an opportunity to use their capital, they expect that the company will develop further. In turn, this will earn more profits for them and eventually more investors will be attracted to purchase their shares. When the share price increases, the company's worth will also increase. This is supported by the research conducted by B. I. Wijaya and Sedana (2015) who found that debt to equity ratio positively and significantly affected firm value. However, Prastika's (2017) research found otherwise, i.e., debt to equity ratio had no significant influence on firm value.

Furthermore, firm value can also be influenced by total asset turnover (TATO). It is a ratio to measure the company's ability in managing the funds invested in all of its circulating assets (Jufrizen & Nasution, 2016). Increased asset circulation can increase sales volume to earn maximum profit. Thus, the faster the asset circulation, the faster the earned profit increase will be (Rachman et al., 2021). As the total asset turnover gets increasingly higher, the company performance will also be better since higher ratio indicates that the company earn more income or assets and this then increases their share price. Such an increase in share price serves as a positive signal for investors to invest their funds in the company (Wijayanti & Hadiprajitno, 2019).

Also, firm value can also be affected by current ratio (CR). It is the most common measurement of short-term solvency since it shows the extent to which the short-term creditors' bills can be covered by the assets which can roughly be changed into cash at the same time as the bills (N. H. Putri et al., 2019). Since previous studies showed less consistent results, this research attempted to investigate the factors directly influencing firm value through return on assets. These factors influencing firm value in this research were debt equity ratio, current ratio and total asset turnover. Companies are established for some objectives. From its management, a company is established to improve its development. This development can be seen from its share price or price book value. The company's worth will be better when it attempts to maintain or increase its PBV. This research aims to obtain empirical evidence on the influence of debt equity ratio, current ratio and total asset turnover on firm value via return on assets in food and beverage companies registered in the Indonesian Stock Exchange in 2017-2022.

The Signaling Theory explains that managers do the so-called signaling to reduce information asymmetry. According to N. Wahyuni and Gani (2022), signaling theory can also help companies (agents), owners (principals), and external parties of the companies to lower information asymmetry by producing quality and integrity information of the financial statements. Information is an important element for investors and business actors since, in essence, it provides insight, notes, or descriptions of the past, the present, and the future for the company's survival and how the security market will be (Ahmad & Muslim, 2022). Investors in the capital market need complete, relevant, accurate, and timely information as a tool of analysis to make investment decisions.

The Trade-off Theory suggests that the capital structure policy will lead to a dilemma between how much the company's debts are and how much equity the company has, thus creating a balance between the costs and profits earned by the company (Rasyad & Husnan, 2019).

Debt to equity ratio is a ratio between the company's total debts and total equity. As the debt ratio increases (the debt burden gets bigger), the profitability that the company obtain will be affected, as some of it was used to pay the loan interest (Tunggal & Ngatno, 2018). This is consistent with Hasangapon et al. (2021) who found that DER negatively and significantly affected profitability (ROA).

When a company has a high CR, it means its current assets are greater than its current debts, and its working capital is adequate to fund its operations. An increase in CR will be followed by an increase in profitability. Studies conducted by Enqvist et al. (2013) and Nugraha and Kurnia (2017) confirm this explanation, finding that the current ratio has a positive influence on profitability.

Total assets turnover measures the effectiveness of how the overall use of assets in generating sales. The greater this ratio is, the more effective the company's assets are managed. The better the total asset turnover, the better the return on assets. This is because the amount of sales made will affect the profit gained (Irman et al., 2020). This is consistent with the study previously carried out by Alpi and Gunawan (2018) and Chandra et al. (2021) who proved that total asset turnover had some effect on return on asset.

Leverage ratio is one of some financial measurements that assesses a company's ability to meet its financial obligations. This leverage ratio is projected with a good debt equity ratio that will increase public trust to a company, and thus increase the company's worth (Jihadi et al., 2021). This is consistent with Manoppo and Arie (2016) who found that debt equity ratio has an effect on firm value.

Current ratio is a ratio to measure a company's ability in paying its short-term obligations or debts that soon will be due when they are collected entirely. Current ratio measures the liquidity level

of a company. The more liquid a company is, the higher their current ratio value will be (Utami & Welas, 2019). The previous research conducted by Irnawati (2019) concluded that current ratio had a negative effect on price to book value.

Investors' main objective is to earn as much money as possible. Businesses capable of managing their performance effectively, for example by maximizing their assets, are those who will see high profits. Based on their research, Elisa and Amanah (2021b) suggested that the greater the overall asset turnover, the more effective a company's assets generate profit for the business and it indicates an opportunity for investors to participate in and increase the share price of the business. The higher the total asset turnover ratio value, the better the reaction that the company will receive from the investors. And surely this will result in an increase in the company's share price (Hasangapon et al., 2021)

A company's profitability and worth remain relevant for most researchers in the last few decades. This is because companies with high profitability are considered important players in a growing market (Fatemi et al., 2018). The asset turnover efficiency and or the increasingly higher ROA that companies obtain will have some impact on their worth (Aslindar & Lestari, 2020). Hence, a high value of return on asset will affect firm value (Imanah & Setiyowati, 2021).

Leverage reflects a company's ability to fund the assets with debts. The higher the debt is, the higher the risk will be. Therefore, the management needs to be careful in using the debts. According to Nirawati et al. (2022), leverage is the level of a company's ability in using their assets that have fixed fund (debts and or special shares) in an attempt to achieve the company's goals to maximize the company owners' wealth. According to signaling theory, when a company has a great debt, it gives a good signal to investors that the company can pay high dividend.

Current ratio is the ratio to measure a company's ability in paying their short-term obligations or those that will soon be due when they are collected entirely. Current ratio measures the liquidity level of a company. The more liquid a company is, the higher its current ratio value will be (Utami & Welas, 2019). A high current ratio value indicates that the company place a great amount of fund in the current assets (Dwiyanthi & Sudiartha, 2017). Based on their research, Aprilia et al. (2018) concluded that current ratio had a positive effect on a company's value with the return on asset serving as the intervening variable.

Total asset turnover can be used to predict the return on asset since the total assets and sales are the component in generating profits. The effect of total asset turnover ratio on return on asset is that the faster the asset turnover rate, the more earned net profit will be obtained since the company has utilized the assets increase the sales and this affects the income (Hutapea et al., 2017). Radiman and Athifah (2021) concluded that the total asset turover had a negative effect on firm value with the return on asset serving as an intervening variable.

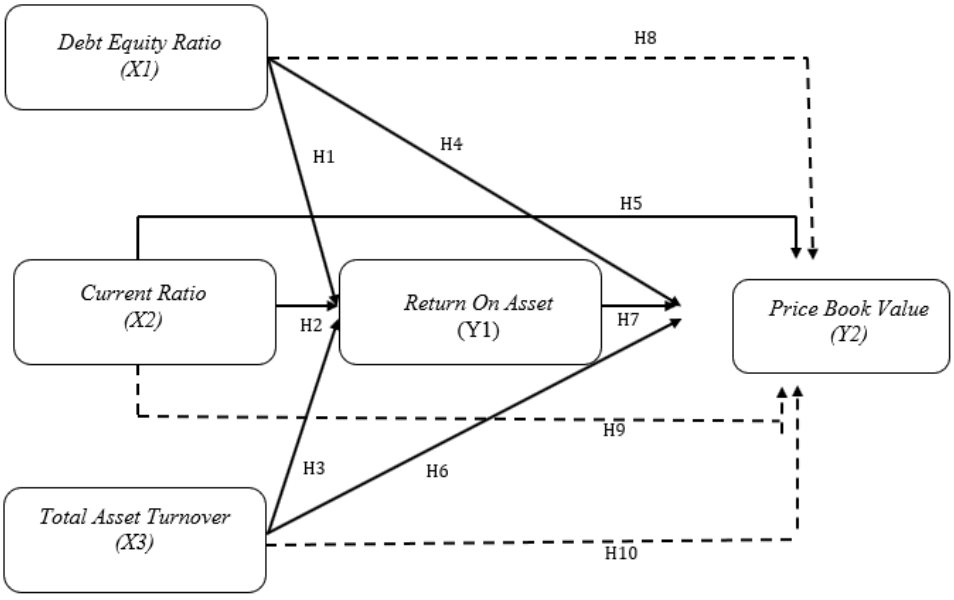

Figure 2. Theoretical Framework

Hypothesis Formulation

Hypothesis 1 : It is suspected that debt equity ratio has no effect on return on asset
Hypothesis 2 : It is suspected that current ratio has a positive effect on return on asset.
Hypothesis 3 : It is suspected that total asset turnover has a positive effect on return on asset.
Hypothesis 4 : It is suspected that debt equity ratio has a positive effect on price book value.
Hypothesis 5 : It is suspected that current ratio Has no effect on firm value
Hypothesis 6 : It is suspected that total asset turnover has a positive effect on firm value
Hypothesis 7 : It is suspected that return on asset has a positive effect on firm value
Hypothesis 8 : It is suspected that ROA mediates the effect of debt equity ratio on PBV,
Hypothesis 9 : It is suspected that ROA mediates the effect of current ratio on PBV
Hypothesis 10 : It is suspected that ROA mediates the effect of total asset turnover on PBV,

METHOD

The research data were collected from the annual reports in the Indonesian Stock Exchange, hence they were secondary ones. The data were collected by noting the needed elements existing in the financial statements. The population for this research included food and beverage companies that had gone public, amounting to 312 companies. The sample was taken based on the availability of data for the variables to be studied which ranged for six years, namely from 2017 through 2022. Eventually, data from 52 companies were obtained. The variables were measured using the following ratios:

Table 2. Operating definition and measurement

NO	*OPERATING DEFINITION*	*MEASUREMENT*	*SCALE*
1	*Firm Value* *Investors' Perception on The Company's Success Level.*	$PBV = \frac{Market\ price\ per\ share}{Book\ value\ per\ share}$ *SOURCE: KHAKIM & YUDIANTORO (2022)*	*RATIO*
2	*Return On Asset* *Return on Asset (ROA) Is A Ratio That Shows the Return on The Amount of Assets Used in The Company. ROA is Also a Measurement of The Management's Effectiveness in Managing Their Assets*	$ROA = \frac{EAIT}{Total\ Asset} x100\%$ *SOURCE: GHAFAR ET AL. (2023)*	*RATIO*
3	*Debt Equity Ratio* *The Capital Structure in This Research Was Proxied with Der (Debt to Equity Ratio), A Ratio Used to See the Comparison Between the Company's Total Liabilities and Total Equity*	$DER = \frac{Total\ Debt}{Total\ Equity}$ Sources: Maharani & Mawardhi (2022), and Santoso & Susilowati (2020)	*RATIO*
4	*Current Ratio* *A Ratio to Measure a Company's Ability in Paying Their Short-Term Obligations Or The Debt To Be Due Soon After Being Collected Entirely*	$CR = \frac{Current\ asset}{Current\ liabilities} x100\%$ *SOURCE: NAINGGOLAN (2021)*	*RATIO*

5	Total asset turnover *The Last Asset Management Ratio That Can Measure the Turnover of The Company's Entire Assets*	$TATO = \frac{Sales}{Total\ asset} x100\%$	*RASIO*

SOURCE: RAHMAWATI ET AL. (2020)

The data that had been collected from the annual reports were then processed using e-views statistic program before being interpreted.

RESULT AND DISCUSSION

The panel data regression was carried out using three models, i.e., common effect, fixed effect, and random effect. The regression model selection depended on the assumptions used by the researchers and the fulfillment of statistic data processing requirements. This research had two structural models. The result of panel data regression model selection estimation is as follows:

Effects Test	Statistic	d.f.	Prob.
Cross-section F	8.814230	(47,237)	0.0000
Cross-section Chi-square	291.128360	47	0.0000

Source: Processed data, 2024

Based on the Chow test, table 3, shows that the value of cross-section probability was 0.0000 or less than 0.05. Thus, the model used was the fixed effect model.

Table 4. Result of Sub-structural 2 Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.536981	(47,236)	0.0000
Cross-section Chi-square	185.391714	47	0.0000

Source: Processed data, 2024

Based on the Chow test, table 4 shows that the cross-section probability value was 0.0000 or less than 0.05. Hence, the model used was the fixed effect model.

Table 5. Result of Sub-structural 1 Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.317132	3	0.2292

Source: Processed data, 2024

From the test result in table 5, it can be seen that the value of cross-section probability was 0.2292 or greater than 0.05. Therefore, the regression model used was the random effect model.

Table 6. Result of Sub-structural 2 Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.806701	4	0.0051

Source: Processed data, 2024

From the test result in table 6, it can be seen that the value of cross-section probability was 0.0000 < 0.05. Thus, the regression model used was the fixed effect model.

Table 7. Result of Sub-structural 1 Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	218.0702	0.115040	218.1852
	(0.0000)	(0.7345)	(0.0000)
Honda	14.76720	-0.339175	10.20215
	(0.0000)	(0.6328)	(0.0000)
King-Wu	14.76720	-0.339175	4.256657
	(0.0000)	(0.6328)	(0.0000)
Standardized Honda	15.48970	-0.069866	6.071197
	(0.0000)	(0.5278)	(0.0000)
Standardized King-Wu	15.48970	-0.069866	1.415458
	(0.0000)	(0.5278)	(0.0785)
Gourieroux, et al.	--	--	218.0702
			(0.0000)

Based on table 7, the value produced was 0.0000 or less than 0.05, therefore, the test used was the Random Effect Model.

Table 8. Result of Sub-structural 2 Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	71.52351	0.943934	72.46744
	(0.0000)	(0.3313)	(0.0000)
Honda	8.457157	-0.971563	5.293115
	(0.0000)	(0.8344)	(0.0000)
King-Wu	8.457157	-0.971563	1.698780
	(0.0000)	(0.8344)	(0.0447)
Standardized Honda	9.118445	-0.756068	0.781989
	(0.0000)	(0.7752)	(0.2171)
Standardized King-Wu	9.118445	-0.756068	-1.376446
	(0.0000)	(0.7752)	(0.9157)
Gourieroux, et al.	--	--	71.52351
			(0.0000)

Based on table 8, the value produced was 0.0000 or less than 0.05, hence the test used was the Random Effect Model.

T-test aims to describe the extent of contribution that the independent variables have on the dependent variables. An independent variable has mostly zero effect on dependent variables when the

significance value of t statistic is greater than 0.05. An independent variable has partial effect on dependent variables if the significance value of t statistic is less than 0.05. The following table displays the result of t-test:

Table 9. Result of Structural Model 1 T-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.049968	0.023130	2.160290	0.0316
DER	0.009694	0.003695	2.623395	0.3016
CR	-0.168348	0.037286	-4.515084	0.0092
TAT	0.009281	0.008969	1.034791	0.0000

Based on the provision of t-table, the t-table value was obtained at 1.6752. And based on table 9, the effects of each variable were found as follows:

1) Debt Equity Ratio had a significance value of 0.3016 > 0.05, with the t-statistic being greater than the t-table at 2.623395 > 1.6752, and a positive coefficient value at 0.009694. It means that partially debt equity ratio had no effect on return on asset.
2) Current Ratio had a significance value of 0.0092 > 0.05, with the t-statistic being less than the t-table at -4.51508 < 1.6752, and a negative coefficient value at -0.168348. It means that partially current ratio negatively and significantly affected return on asset.
3) Total Asset Turnover had a significance value of 0.0000 > 0.05, with the t-statistic being less than t-table at 1.034791 < 1.6752, and a positive coefficient value at 0.009281. It means that partially total asset turnover positively and significantly affected return on asset.

Table 10. Result of Structural Model 2 T-Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.879544	0.533653	5.395915	0.0000
DER	-1.877127	0.502078	-3.738717	0.0002
CR	-0.044779	0.348432	-0.128515	0.8979
TAT	0.744512	0.316934	2.349108	0.0196
ROA	19.72663	3.138446	6.285475	0.0000

Source: Processed data, 2024

Based on the provision of t-table, the t-table value was obtained at 1.6752. And based on table 10, the effects of each variable were found as follows:

4) Debt equity ratio had a significance value of 0.0002 < 0.05, with the t-statistic being less than t-table at -3.738717 < 1.6752, and a negative coefficient value at -1.877127. This means that partially debt equity ratio negatively and significantly affected firm value.
5) Current Ratio had a significance value of 0.8979 > 0.05, with the t-statistic being less than t-table at -0.128515 < 1.6752, and a negative coefficient value at -0.044779. It means that partially current ratio had no effect on firm value.
6) Total asset turnover had a significance value of 0.0196 < 0.05, with the t-statistic being greater than the t-table at 2.349108 > 1.6752, and a positive coefficient value at 0.744512. This means that partially TATO positively and significantly affected firm value.
7) ROA had a significance value of 0.0000 < 0,05, with the t-statistic being greater than the t-table at 6.285475 > 1.6752, and a positive coefficient value at 19.72663. It means that partially ROA positively and significantly affected firm value.

Sobel Test

In this research, the intervening factor, i.e., ROA, was tested using this special test. A variable is considered intervening if it affects the relationship between the independent and dependent variables. By

testing the indirect influence of an intervening variable between the independent variable (X) and the dependent variable (Y), the Sobel test constitutes one of the techniques to assess hypotheses. The test results are as follows:

Table 11. Sobel Test of Independent Variables on Intervening Variable

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.049968	0.023130	2.160290	0.0316
DER	0.009694	0.003695	2.623395	0.3016
CR	-0.168348	0.037286	-4.515084	0.0092
TAT	0.009281	0.008969	1.034791	0.0000

Table 12. Sobel Test of Intervening Variable on Dependent Variable

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.879544	0.533653	5.395915	0.0000
DER	-1.877127	0.502078	-3.738717	0.0002
CR	-0.044779	0.348432	-0.128515	0.8979
TAT	0.744512	0.316934	2.349108	0.0196
ROA	19.72663	3.138446	6.285475	0.0000

The calculation of Sobel test on the effect of DER on firm value through return on asset is as follows:

$$t = \frac{ab}{\sqrt{b^2\,SEa^2) + \,(a^2\,SEb^2)}}$$

$$t = \frac{0.0097\ x\ 19.73}{\sqrt{19.73^2\ x\ 0.0037^2) + \,(0.0097^2\ x\ 3.138^2)}}$$

$$t = \frac{0.191}{\sqrt{0.00533 + \,0.00093}}$$

$$t = \frac{0.191}{\sqrt{0.0063}}$$

$$t = \frac{0.191}{0.791}$$

$$= 2.419705$$

The effect of DER on price to book value through return on equity had a t-statistic value of 2.419705 > t-table 1.650. It means that DER affected firm value through return on asset.

The calculation of Sobel test on the effect of current ratio on firm value through return on asset is as follows:

$$t = \frac{ab}{\sqrt{b^2\,SEa^2) + \,(a^2\,SEb^2)}}$$

$$t = \frac{-0.168\ x\ 19.73}{\sqrt{19.73^2\ x\ 0.0373^2) + \,(-0.168^2\ x\ 3.138^2)}}$$

$$t = \frac{-3.315}{\sqrt{0.542 + 0.278}}$$

$$t = \frac{-3.315}{\sqrt{0.819}}$$

$$t = \frac{-3.315}{0.905}$$

$$= -3.66149$$

The effect of current ratio on firm value through return on asset had a t-statistic value of -3.66149 < t-table 1.650. It means that current ratio had no effect on firm value through return on asset.

The calculation of Sobel test on the effect of TATO on firm value through return on asset is as follows:

$$t = \frac{ab}{\sqrt{b^2 SEa^2) + (a^2 SEb^2)}}$$

$$t = \frac{0.0093\ x\ 19.73}{\sqrt{19.73^2\ x\ 0.0089^2) + (0.0093^2\ x\ 3.138^2)}}$$

$$t = \frac{0.183}{\sqrt{0.031 + 0.00085}}$$

$$t = \frac{0.1883}{\sqrt{0.3169}}$$

$$t = \frac{0.1883}{0.178}$$

$$= 1.030805$$

The effect of TATO on firm value through return on asset had a t-statistic value of 1.030805 < t-table 1.650. It means that TATO had no effect on firm value through return on asset.

RESULT AND DISCUSSION

Effect of Debt Equity Ratio on Return on Asset

Debt equity ratio had a significance value of 0.3016 > 0.05, with the t-statistic being greater than the t-table at 2.623395 > 1.6752, and a positive coefficient value at 0.009694. It means that partially debt equity ratio had no effect on return on asset. This is consistent with Tailab (2014) who suggested that partially debt equity ratio had no effect on return on asset. Dewangga and Sari (2017) argued that capital structure is the ratio between external and internal capitals for fulfilling the company's operations. This ratio showed a company's ability in meeting its long-term obligations. In reality, however, any extent of DER could not affect ROA.

Effect of Current Ratio on Return on Asset

Current Ratio had a significance value of 0.0092 > 0.05, with the t-statistic being less than the t-table at -4.51508 < 1.6752, and a negative coefficient value at -0.168348. It means that partially current ratio negatively and significantly affected return on asset. If the company's CR was high, they had current assets that exceeded its current debt, and adequate working capital to fund their operations. This means the higher the CR is, the lower the company's profitability will be and vice versa. The greater the current ratio, the better it is. This is because it means that the company had greater ability to pay its obligations immediately (Markonah et al., 2020).

Effect of Total Asset Turnover on Return on Asset

Total asset turnover had a significance value of 0.0000 > 0.05, with the t-statistic being less than the t-table at 1.034791 < 1.6752, and a positive coefficient value at 0.009281. It means that partially total asset turnover positively and significantly affected return on asset. This is consistent with Alpi and Gunawan (2018) who proved that total asset turnover affected return on asset. The effect of total asset turnover ratio on return on asset was that the faster the asset turnover, the greater the net profit generated would be since the company had utilized the assets to increase the sales and this would affect their income (Angela et al. (2015) in Silviani et al., 2023).

Effect of Debt Equity Ratio on Firm Value

Debt equity ratio had a significance value of 0.0002 < 0.05, with the t-statistic being less than the t-table at -3.738717 < 1.6752, and a negative coefficient value at -1.877127. It means that partially debt

equity ratio negatively and significantly affected price to book value. This is consistent with Sari et al. (2021) who found that partially debt equity ratio negatively and significantly affected price to book value. Companies with a good business development rate in the long run would also need a great deal of costs, resulting in an increase in their firm value.

Effect of Current Ratio on Firm Value

Current ratio had a significance value of 0.8979 > 0.05, with the t-statistic being less than the t-table at -0.128515 < 1.6752, and a negative coefficient value at -0.044779. It means that partially current ratio had no effect on price to book value. This is consistent with Elisa and Amanah (2021) and Kusmawati and Ovalianti (2022) who found that current ratio had no effect on price to book value. Hence, any amount of current ratio would not affect price to book value. However, this research finding is not consistent with Hasanudin et al. (2020) who found that price to book value was positively affected by current ratio. Companies would receive supports from investors and saw an increase in their firm value.

Effect of Total Asset Turnover on Firm Value

Total asset turnover had a significance value of 0.0196 < 0.05, with the t-statistic being greater than the t-table at 2.349108 > 1.6752, and a positive coefficient value at 0.744512. It means that partially TATO positively and significantly affected price to book value. This is consistent with Hasangapon et al. (2021) who found that total asset turnover affected price to book value. Investors' main objective is to earn as much money as possible. Businesses capable of managing their performance effectively, such as by maximizing its assets, are those who see high profits. Based on the research conducted by Elisa and Amanah (2021), the greater the overall asset turnover value, the more effective the company's assets generate profits for the business and it signifies an opportunity for investors to participate in and increase the business share price. The higher the total asset turnover ratio value is, the better the reaction that the company received from the investors, and eventually this results in an increase in the company's share price (Hasangapon et al., 2021).

Effect of Return on Assets on Firm Value

ROA had a significance value of 0.0000 < 0.05, with the t-statistic being greater than the t-table at 6.285475 > 1.6752, and a positive coefficient value at 19.72663. It means that partially ROA positively and significantly affected price to book value. This is consistent with Palea and Santhia (2022) and Coluccia et al. (2020) who found that profitability positively affected PBV. As the signaling theory suggests, high profitability reflects a good performance of a company's assets that is positively responded to by the market. A good performance is seen from profit since it is the return of investment that the company makes (Irawan et al., 2022).

Return On Asset in Mediating the Effect of Debt Equity Ratio on Firm Value

The effect of DER on price to book value through return on asset had a t-statistic value of 2.419705 > t-table 1.650. It means that DER affected price to book value through return on asset. Leverage showed a company's ability to fund the assets with debts. The higher the debt is, the higher the risk will be. Thus, the management needs to be careful in using the debts. According to Nirawati et al. (2022), leverage is a level of a company's ability in using their assets with fixed funds (debts and or special shares) in an attempt to realize the company's objective to maximize the company owner's wealth. According to signaling theory, when a company's debt is high, it resonates a good signal to investors that the company can pay high dividends. This can trigger shareholders to purchase the company's shares

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Return on Asset in Mediating the Effect of Current Ratio on Firm Value

The effect of current ratio on price to book value through return on asset had a t-statistic value of -3.66149 < t-table 1.650 It means that current ratio had no effect on price to book value via return on asset. A company's performance can be seen from its ability while meeting its short-term obligations

using liquidity ratio (Effendie et al., 2022). Current ratio improves a company's capacity to pay the short-term commitments and tells investors that the company is in a good financial condition since it can pay its debts and does not fail to do so, which will otherwise harm the shareholders.

Return on Asset in Mediating the Effect of Total Asset Turnover on Firm Value

The effect of TATO on price to book value through return on asset had a t-statistic value of 1.030805 < t-table 1.650. It means that TATO had no effect on price to book value through return on asset. Total asset turnover can be used to predict return on asset since the total asset and sales are the components in generating profits. The effect of total asset turnover ratio on return on asset is that the faster the asset turnover rate is, the more net profits will be generated since the company has utilized the assets to increase the sales and this affects the income (Hutapea et al., 2017). However, TATO had no effect on price to book value through return on asset.

CONCLUSION AND RECOMMENDATION

Debt equity ratio had no effect on return on asset. Current ratio negatively and significantly affected return on asset. Total asset turnover positively and significantly affected return on asset. Debt equity ratio negatively and significantly affected price to book value. Current Ratio had no effect on price to book value. Total Asset Turnover and return on asset positively and significantly affected price to book value. Debt equity ratio affected price to book value through return on asset. Current ratio and total asset turnover had no effect on price to book value through return on asset. Sales growth and total asset turnover had no effect on price to book value through the intervening variable, i.e., return on asset. Therefore, future researchers are recommended to add other variables that could be reasonably expected to serve as an intervening variable such as return on equity. Since the sample used herein only food and beverage companies registered in IDX for 2017-2022, future research is suggested to expand the sample to enable it to capture the effect of variables under study better.

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