Strategy To Increase Corporate Value Through Mediation Of Financing Posture And Profitability

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Abstract: Increasing the value is important for the corporate, the determinants of which include financing posture, profitability, growth, and size. This research aims to prove the intermediary role of financing posture and profitability in the strategy of increasing corporate value. Data was collected from companies in the LQ 45 index group February to July 2022. The results prove that profitability and size have a substantial positive contribution on corporate value. The financing posture and growth have a substantial negative contribution on corporate value. Profitability and size have a substantial negative contribution on financing posture. Growth has a non-substantial positive contribution on financing posture, but a substantial negative contribution on profitability. The financing posture mediates the contribution of profitability and size on corporate value, but does not mediate the contribution of growth on corporate value. Profitability is a semi-mediation variable for the contribution of growth on corporate value.  
Keywords: Corporate Value; Financing Posture; Profitability; Corporate Growth; Corporate Size.

INTRODUCTION

Increasing corporate value is a fundamental goal for companies (Brigham and Houston, 2018), but the problem is that since the Covid 19 pandemic, many companies have experienced a decline in value. Many variables determine the value of the corporate, including the financing posture, profitability, corporate growth, and corporate size. Therefore, managers must understand how these variables interact so that managers can make appropriate policies to increase corporate value. This study aims to find empirical evidence to help managers understand how the interactions of these variables affect corporate value.

The corporate value is reflected in the market price of its shares and the market price of its debts. However, the market price of debt does not change or remain constant.
throughout the life of the debt, because in accounting terms the company pays all its debts at their nominal value. Therefore the only determinant of the value of the company is the market price of its shares. The use of stock market prices as a measure of company value is considered impractical, so it is often made in the form of a ratio to the total value of assets, which is known as Tobin's Q. In this study, the ratio of stock market prices and debt market prices to total asset value is referred to as the index of corporate market price on total assets. When a company makes an initial public offering of its shares at nominal value, the index of corporate market price on total is one or one hundred percent, meaning that the market value of the company is exactly the same as the total value of its assets. When a company's shares are already traded on the secondary market, the market price may decrease below its nominal value, so that the value of the index of corporate market price on total is less than one or less than one hundred percent, this indicates that the company is undervalued company assets.

The first way that can be taken by managers to increase the index of corporate market price on total assets is to determine the optimal the financing posture. There have been many studies on the contribution of the financing posture on the index of corporate market price on total assets but the results have varied. Several studies have proven that the financing posture has a substantial positive impact on the index of corporate market price on total assets (Hirdinis, 2019), while others have found evidence that the financing posture has a substantial negative impact on the index of corporate market price on total assets (Wibowo, 2021), (Hasibuan et al., 2016), but there are also those who find evidence that the financing posture does not have a substantial impact on the index of corporate market price on total assets(Ha and Tai, 2017). Research that finds varied evidence makes the link between the financing posture and the index of corporate market price on total assets interesting for further research.

The second way that managers can do to increase the index of corporate market price on total assets is to increase profitability (Azhar and Wijayanto, 2018), because an increase in profitability will directly encourage an increase in stock prices, but several studies have found evidence that increased profitability is not followed by an increase in the index of corporate market price on total assets (Suroto and Nugraha, 2022), (Ananda, 2017), so it is interesting for further research.

On the other hand, several studies have also found evidence that profitability has a negative contribution on the financing posture (Haloho et al., 2022), (Dimitri and Sumani, 2017), but there are also studies that have found evidence that profitability has a positive contribution on the financing posture (Dewi and Sudiartha, 2017), and there is also research that finds evidence that profitability has no effect on the financing posture (Andika and Sedana, 2019). Because profitability besides affecting the index of corporate market price on total assets also affects the financing posture, in this study the effect of profitability on the index of corporate market price on total assets was investigated further with different models, where in this study the financing posture was positioned as a mediating variable bridging profitability in determining the index of corporate market price on total assets.

The third way that managers can take to increase the index of corporate market price on total assets is to increase corporate growth. Corporate growth can be measured by the percentage increase in asset value from year to year. The faster corporate growth will require greater sources of funding, so it must be met through external funding sources. Several studies have found evidence that the index of corporate market price on total assets
is positively substantially influenced by corporate growth (Dhani and Utama, 2017), but there are also studies which have found evidence that the index of corporate market price on total assets is substantially negatively affected by corporate growth (Dewi and Sudiartha, 2017), while other studies have found evidence that the index of corporate market price on total assets is not substantially influenced by corporate growth (Dewi and Candradewi, 2018). Research on the contribution of corporate growth on the index of corporate market price on total assets, which shows different results, makes it interesting for further research.

On the other hand, corporate growth also has a substantial positive effect on the financing posture (Dewi and Candradewi, 2018), (Dhani and Utama, 2017), but some have found evidence that corporate growth has a substantial negative effect on the financing posture (Dimitri and Sumani, 2017), some even found evidence that corporate growth does not affect the financing posture (Widayanti et al., 2016). Because corporate growth besides having a direct effect on corporate value also affects the financing posture, in this study the financing posture is positioned as a mediating variable bridging corporate growth in determining the index of corporate market price on total assets.

The fourth way that managers can take to increase the index of corporate market price on total assets is to increase the size of the corporate. Corporate size reflects the value of assets at the end of the year, the greater the value of assets at the end of the year, the larger the corporate. Several studies have proven that corporate size has a positive impact on the index of corporate market price on total assets (Khotimah et al., 2021), but other studies have found evidence that corporate size has a negative effect on the index of corporate market price on total assets (Indriyani, 2017), in fact there is who found evidence that corporate size has no effect on the index of corporate market price on total assets (Suwardika and Mustanda, 2017). These different results make corporate size, as a determinant of the index of corporate market price on total assets, interesting for further research with different models.

On the other hand, several studies regarding the relationship between corporate size and the financing posture have also found evidence that corporate size has a positive effect on the financing posture (Rico Andika and Sedana, 2019), but there have also found evidence that corporate size has a negative effect on the financing posture (Dimitri and Sumani, 2017), and some have even found evidence that corporate size has no effect on the financing posture (Dewi and Sudiartha, 2017). However, because corporate size besides having a direct effect on the index of corporate market price on total assets also has an effect on the financing posture, in this study the financing posture is positioned as a mediating variable that bridges corporate size in determining the index of corporate market price on total assets.

The problem with this research is that there are several studies on the index of corporate market price on total assets which find different evidence, which is caused by only examining the direct effect of independent variables on the index of corporate market price on total assets. Therefore, this study tries to find comprehensive empirical evidence using path analysis, where the financing posture and profitability are positioned as mediating variables.
THEORETICAL REVIEW

The Effect of Financing Posture on The Index of Corporate Market Price on Total Assets. In this study the financing posture is proxied using the ratio of total long-term debt to total own capital (DER). According to the Trade-off theory, companies always consider costs and benefits in determining how much debt and how much equity to use as financing (Wibowo, 2021). The use of more and more debt in corporate purchases will result in an increase in the amount of interest costs that must be paid to creditors. These interest costs are deducted from net income thereby reducing the profit share that is due to the shareholders. So, for shareholders, the use of debt in corporate funding is a risk that must be avoided, because the greater the use of debt the greater the risk borne by shareholders, eventually the corporate's shares become less attractive and experience a decrease in price. The decline in stock prices will further reduce the index of corporate market price on total assets. Several studies have proven that the financing posture has a substantial negative impact on the index of corporate market price on total assets (Wibowo, 2021), (Hasibuan et al., 2016).

Ha1: The use of greater debt in the financing posture has a substantial negative impact on the index of corporate market price on total assets.

The Effect of Profitability on The Index of Corporate Market Price on Total Assets. Profitability is a measure of how much success the corporate gains. The higher the corporate's success in obtaining profits, the greater the share of profits distributed as dividends to shareholders. In addition, the pecking order theory explains that the corporate's success in obtaining profits increases the share of retained earnings as a source of funding (Hertanti and Wardianto, 2022). So, the greater the corporate's success in obtaining profits, the shares will be more attractive to potential investors so that the price will increase in the capital market. This increase in stock prices can ultimately increase the index of corporate market price on total assets, this is evidenced by several studies that profitability has a substantial positive effect on the index of corporate market price on total assets (Azhar and Wijayanto, 2018), (Raningsih and Artini, 2018).

Ha2: Increased profitability has a substantial positive impact on increasing the index of corporate market price on total assets.

The Effect of Corporate Growth on The Index of Corporate Market Price on Total Assets. One of the main goals of the corporate besides increasing value is growth. Corporate growth can be seen from the increase in total asset value at the end of the year. The faster the increase in the value of total assets indicates that the corporate requires a large source of funding, which is not sufficiently funded through the use of retained earnings alone. The more debt means the more profit share is paid to creditors in the form of interest costs, so that it will reduce the profit share that belongs to shareholders. Therefore companies with increasingly rapid growth will give a signal that the corporate will take on a lot of debt in its the financing posture so that corporate shares become less attractive to investors, thereby reducing the index of corporate market price on total assets. Several studies have found evidence that the index of corporate market price on total assets is substantially negatively affected by corporate growth (Dewi and Sudiartha, 2017).
**Ha3:** Increasing corporate growth has a substantial negative impact on increasing the index of corporate market price on total assets.

The Effect of Corporate Size on The Index of Corporate Market Price on Total Assets. Corporate size is the size of the corporate's capacity seen from the point of view of total assets owned or total sales or share capitalization value. So the larger the corporate size indicates that the corporate is getting stronger in its industry, therefore a corporate with a large size will have access to a wider range of funding sources. The implication is that the larger the corporate size, the more attractive it will be to potential investors so that it can increase its share price in the capital market. Several studies have found evidence that the index of corporate market price on total assets is determined substantially by the size of the corporate size, so the larger the corporate size, the higher the index of corporate market price on total assets (Khotimah et al., 2021).

**Ha4:** Increasing corporate size has a substantial positive impact on increasing the index of corporate market price on total assets.

The Effect of Profitability on Financing Posture. Companies that experience an increase in profitability have greater financial capacity, so they have a great opportunity to obtain internal funding sources. Therefore, companies prefer to use larger sources of internal funding, because if they use sources of funding from debt, it will give a negative signal to potential investors so that they risk lowering stock prices. This has been proven through research that increased profitability has a substantial negative impact on capital structure (Haloho et al., 2022), (Dimitri and Sumani, 2017).

**Ha5:** Increased profitability has a substantial impact on the greater use of own capital in capital structure.

The Effect of Corporate Growth on Financing Posture. Corporate growth can be measured by the growth in total assets. The faster the growth of corporate assets, the greater the need for sources of expenditure, so this is not possible if it is only spent using retained earnings. Therefore, one way to finance the rapid growth of assets is to spend using debt. Several studies have found evidence that the greater use of debt in the financing posture is substantially determined by corporate growth (Dhani and Utama, 2017), (Dewi and Candradewi, 2018).

**Ha6:** Increased corporate growth has a substantial impact on the use of greater debt in the financing posture.

The Effect of Corporate Size on Financing Posture. Corporate size is the size of the corporate's capacity seen from the point of view of total assets owned. Companies with large total assets have the ability to provide guarantees in obtaining long-term debt. In addition, the larger the corporate size, the stronger its position in the industry, so that it has access to a wider range of funding sources. Therefore, large companies mostly fund their investments using their own sources of capital from stocks. Several studies have found evidence that a corporate's financing posture is determined substantially by the size of the
corporate size (Andika and Sedana, 2019), the larger the corporate size, the more capital it uses in its the financing posture (Dimitri and Sumani, 2017).

**Ha7**: Increasing corporate size has a substantial impact on the greater use of own capital in the financing posture.

**The Effect of Corporate Growth on Profitability.** Potential investors generally do not know in depth about the actual state of the company's finances. Potential investors know the company's financial condition only to the extent that it is presented in the financial statements issued by the company in the form of a balance sheet, income statement and their supplements. Therefore, often potential investors are not able to seize big opportunities to get returns from investment opportunities in a company that actually has good prospects in the future. Circumstances where financial reports are unable to provide in-depth information are certainly detrimental to both parties, both potential investors and company managers. Therefore, managers often complete information from financial reports by giving positive signals to potential investors, one of which is through efforts to increase company growth. With an increase in company growth, potential investors will capture it as positive information that the company has good prospects in the future.

Corporate growth is reflected in the increase in the corporate's total assets. The faster increase in the corporate's total assets, especially the increase in fixed assets, if not accompanied by increased productivity and efficiency, will actually reduce the corporate's profitability. The faster increase in fixed assets, especially those funded by debt, will add to the corporate's operating expenses, both in the form of interest costs and depreciation costs. If this additional operating expense is not accompanied by additional sales revenue, it will reduce the corporate's operating profit. Research has found evidence that the faster the addition of corporate assets will result in a decrease in profitability (Inrawan et al., 2021).

**Ha8**: Increasing corporate growth has a substantial impact on decreasing profitability.

**METHODS**

This research was conducted by means of a census of companies in the LQ45 index group for the period February to July 2021. The research data was collected through literature study by recording financial reports published by the Indonesia Stock Exchange in https://www.idx.co.id. Hypothesis testing is carried out in stages through path analysis. The regression used is an Ordinary Least Square with an error rate of $\alpha$ of 0.050. The regression equation is as follows.

Tobin’s $Q = \alpha_1 + \beta_1 \text{DER} + \beta_2 \text{ROA} + \beta_3 \text{CG} + \beta_4 \text{CS} + \epsilon_1$ ................................................................. (1)

\[ \text{DER} = \alpha_2 + \beta_5 \text{ROA} + \beta_6 \text{CG} + \beta_7 \text{CS} + \epsilon_2 \] ................................................................. (2)

\[ \text{ROA} = \alpha_3 + \beta_8 \text{CG} + \epsilon_3 \] ................................................................. (3)
Where Tobin’s Q is the index of corporate market price on total assets, DER is the Financing Posture, ROA is Profitability, CG is Corporate Growth, and CS is Corporate Size.

In this study using measurable variables, where data can be collected directly without going through operations. The index of corporate market price on total assets variable is measured using Tobin's Q, which is the ratio of the market value of debt plus the market value of equity to total assets (Dzahabiyya et al., 2020), while the equation is:

\[ \text{Tobin’Q} = \frac{(\text{MVS} + \text{MVD})}{\text{TA}} \]  

Where MVS is Market value of the stock, MVD is Market Value of Debt, and TA is Total Assets.

The variable of the financing posture is measured using the debt to equity ratio (DER), which is the ratio of total long-term debt to total equity. The DER is formulated as follows:

\[ \text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}} \]  

The greater the DER indicates that more financing is financed with long-term debt.

The profitability variable is measured using return on assets (ROA), which is the ratio of net profit after tax to total assets. The ROA is formulated as follows:

\[ \text{ROA} = \left( \frac{\text{Net Profit \ After \ Tax}}{\text{Total Assets}} \right) \times 100 \text{ per cent} \]  

The greater the ROA, the higher the corporate's ability to generate profits by using all of its assets.

The corporate growth (CG) variable is measured using assets growth, namely the ratio of asset growth to total assets, with the formula:

\[ \text{CG} = \frac{\text{Total Asset}_{(t)} - \text{Total Asset}_{(t-1)}}{\text{Total Asset}_{(t-1)}} \]  

Corporate size variable is measured using the formula:

\[ \text{CS}_{(t,i)} = \ln \left( \frac{\text{Total Assets}_{(t,i)}}{\text{Total Assets}_{(t-1,i)}} \right) \]  

RESULTS

To test the hypotheses Ha1, Ha2, Ha3, and Ha4, model 1 regression was used which was obtained from Table 1:

**Table 1. Regression Coefficient of Model 1**

<table>
<thead>
<tr>
<th>Variabel Independen</th>
<th>Beta (β)</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha ( (\alpha_1) )</td>
<td>-1.482</td>
<td>5.710</td>
<td>-0.260</td>
<td>0.797</td>
</tr>
<tr>
<td>DER</td>
<td>-0.120</td>
<td>0.011</td>
<td>-10.909</td>
<td>0.000</td>
</tr>
<tr>
<td>OA</td>
<td>0.361</td>
<td>0.091</td>
<td>3.961</td>
<td>0.000</td>
</tr>
<tr>
<td>CG</td>
<td>-0.059</td>
<td>0.028</td>
<td>-2.107</td>
<td>0.045</td>
</tr>
<tr>
<td>CS</td>
<td>0.847</td>
<td>0.166</td>
<td>5.087</td>
<td>0.001</td>
</tr>
</tbody>
</table>

Variabel dependen: Tobin’s Q
From Table 1, the regression function model 1 is obtained as follows.

Model 1: \( \text{Tobin'Q} = \alpha_1 + \beta_1 \text{DER} + \beta_2 \text{ROA} + \beta_3 \text{CG} + \beta_4 \text{CS} + e_1 \)  
\[ \text{Tobin’Q} = -1.482 - 0.120 \text{DER} + 0.361 \text{ROA} - 0.059 \text{CG} + 0.847 \text{CS} \]  

To test the hypotheses Ha5, Ha6, and Ha7, model 2 regression was used which was obtained from Table 2:

Table 2. Regression Coefficient of Model 2

<table>
<thead>
<tr>
<th>Variabel Independen</th>
<th>Beta (β)</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha (α₂)</td>
<td>-12.846</td>
<td>7.983</td>
<td>-1.609</td>
<td>0.116</td>
</tr>
<tr>
<td>ROA</td>
<td>-0.301</td>
<td>0.122</td>
<td>-2.470</td>
<td>0.018</td>
</tr>
<tr>
<td>CG</td>
<td>0.107</td>
<td>0.112</td>
<td>0.952</td>
<td>0.348</td>
</tr>
<tr>
<td>CS</td>
<td>-3.490</td>
<td>1.239</td>
<td>-2.817</td>
<td>0.001</td>
</tr>
<tr>
<td>Variabel dependen: DER</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R Square</td>
<td>0.439</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F statistic</td>
<td>3.023</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. F statistic</td>
<td>0.013</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed research data, 2023

From Table 2, the regression function model 2 is obtained as follows.

Model 2: \( \text{DER} = \alpha_2 + \beta_5 \text{ROA} + \beta_6 \text{CG} + \beta_7 \text{CS} + e_2 \)  
\[ \text{DER} = -12.846 - 0.301 \text{ROA} + 0.107 \text{CG} - 3.490 \text{CS} \]  

To test the Ha8 hypothesis, Model 3 regression was used which was obtained from Table 3:

Table 3. Regression Coefficient of Model 3

<table>
<thead>
<tr>
<th>Variabel Independent Variable</th>
<th>Beta (β)</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha (α₃)</td>
<td>-2.729</td>
<td>0.348</td>
<td>-7.836</td>
<td>0.000</td>
</tr>
<tr>
<td>CG</td>
<td>-1.003</td>
<td>0.138</td>
<td>-7.270</td>
<td>0.000</td>
</tr>
<tr>
<td>Variabel dependen: ROA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R Square</td>
<td>0.426</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F statistic</td>
<td>3.021</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. F statistic</td>
<td>0.016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed research data, 2023

Model 3: \( \text{ROA} = \alpha_3 + \beta_8 \text{CG} + e_3 \)  
\[ \text{ROA} = -2.729 - 1.003 \text{CG} \]
From the analysis using regression Model 1, the results of testing the hypotheses Ha1, Ha2, Ha3, and Ha4 are shown in Table 4 as follows.

Table 4. Results of Hypothesis Testing Ha1, Ha2, Ha3, and Ha4

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Beta (β)</th>
<th>p-value</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ha1</td>
<td>-0.120</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Ha2</td>
<td>0.361</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>Ha3</td>
<td>-0.059</td>
<td>0.045</td>
<td>Accepted</td>
</tr>
<tr>
<td>Ha4</td>
<td>0.847</td>
<td>0.001</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Source: Processed research data, 2023

From the analysis using regression Model 2, the results of testing the hypotheses Ha5, Ha6, and Ha7 are obtained as shown in Table 5 as follows.

Table 5: Results of Hypothesis Testing Ha5, Ha6, Ha7

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Beta (β)</th>
<th>p-value</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ha5</td>
<td>-0.301</td>
<td>0.018</td>
<td>Accepted</td>
</tr>
<tr>
<td>Ha6</td>
<td>0.107</td>
<td>0.348</td>
<td>Rejected</td>
</tr>
<tr>
<td>Ha7</td>
<td>-3.490</td>
<td>0.001</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Source: Processed research data, 2023

Meanwhile, from the analysis using regression model 3, the results of testing the Ha8 hypothesis are shown in Table 6 as follows.

Table 6. Results of Hypothesis Testing Ha8

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Beta (β)</th>
<th>p-value</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ha8</td>
<td>-1.003</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Source: Processed research data, 2023

Furthermore, the results of the analysis are summarized in the analysis model shown in Figure 1.

Figure 1. Empirical Model of Research Results Analysis
Source: Developed from the Results of this Research Analysis, 2023
The Role Intermediary of Financing Posture on Contribution Profitability to The Index of Corporate Market Price on Total Assets. From Figure 1 it appears that the indirect contribution of profitability on the index of corporate market price on total assets through the financing posture is indicated by the β5 and β1 paths. To find out the strong indirect contribution of profitability on the index of corporate market price on total assets through financing posture, Sobel's analysis is used (Abu Bader and Jones, 2021), where the strong indirect contribution is indicated by the magnitude of the t-statistic which can be calculated using the following formula.

\[
t = \frac{ab}{sab} \]

Where a and b is indirect effect path beta (β) coefficient, while s is standard error of beta coefficient.

\[
sab = \sqrt{(a^2sb^2 + b^2sa^2 + sa^2sb^2)}
\]

By using Table 1, Table 2, and Figure 1 obtained \(a = \beta_5 = -0.301; b = \beta_1 = -0.120; sa = 0.122; sb = 0.011\). Furthermore, by using formula (16) the standard error value of ab is obtained as follows.

\[
sab = \sqrt{(-0.301^2 \times 0.011^2 + (-0.120)^2 \times 0.122^2 + 0.122^2 \times 0.011^2)} = 0.015
\]

Meanwhile, by using formula (15) the value of the t-statistic can be calculated as follows.

\[
t = \frac{ab}{sab} = \frac{(-0.30 \times -0.120)}{0.015} = 2.397
\]

Table 1 shows that the magnitude of the t-statistic from the direct contribution of profitability on the index of corporate market price on total assets is 3.961, which is greater than the t-statistic of the indirect contribution of profitability on the index of corporate market price on total assets through financing posture, which is 2.397. So the direct contribution of profitability on the index of corporate market price on total assets is more effective than the indirect contribution of profitability on the index of corporate market price on total assets through financing posture.

The Role Intermediary of Financing Posture on Contribution Corporate Growth to The Index of Corporate Market Price on Total Assets. From Figure 1 it appears that the indirect contribution of corporate growth on the index of corporate market price on total assets through financing posture is indicated by the β6 and β1 paths. To find out the strong contribution of corporate growth on the index of corporate market price on total assets through financing posture, Sobel's analysis is used (Abu Bader and Jones, 2021), where the strong indirect contribution is shown by the large t-statistic which can be calculated using formula (15) and formula (16).

By using Table 1, Table 2, and Figure 1 obtained \(a = \beta_6 = 0.107; b = \beta_1 = -0.120; sa = 0.112; sb = 0.011\). Furthermore, by using formula (16) the standard error value of ab is obtained as follows.

\[
sab = \sqrt{(0.107^2 \times 0.011^2 + (-0.120)^2 \times 0.112^2 + 0.122^2 \times 0.011^2)} = 0.013
\]

Meanwhile, by using formula (15) the value of the t-statistic can be calculated as follows.
From Table 1, it can be seen that the absolute value of the t-statistic from the direct contribution of corporate growth on the index of corporate market price on total assets is 2.107, which is greater than the absolute value of the t-statistic, the indirect contribution of corporate growth on the index of corporate market price on total assets through the financing posture, which is 0.948. So the direct contribution of corporate growth on the index of corporate market price on total assets is more effective than the indirect contribution of corporate growth on the index of corporate market price on total assets through the financing posture. So, the financing posture is not a mediating variable from the contribution of corporate growth on the index of corporate market price on total assets.

**The Role Intermediary of Profitability on Contribution Corporate Growth to The Index of Corporate Market Price on Total Assets.** From Figure 1 it can be seen that the indirect contribution of corporate growth on the index of corporate market price on total assets through profitability is indicated by the β8 and β2 paths. To find out the strong contribution of corporate growth on the index of corporate market price on total assets through profitability, Sobel's analysis is used (Abu Bader and Jones, 2021), where the strong indirect contribution is shown by the large t-statistic which can be calculated using the formula (15) and formula (16).

Referring to Table 1, Table 3, and Figure 1 the value is obtained $a = \beta_8 = -1.003$; $b = \beta_1 = 0.361$; $sa = 0.138$; $sb = 0.091$

Furthermore, by using formula (16) the standard error value of $ab$ is obtained as follows.

$$sab = \sqrt{[-1.003^2 \times 0.091^2 + 0.361^2 \times 0.138^2 + 0.138^2 \times 0.091^2]} = 0.105$$

Meanwhile, by using formula (15) the value of the t-statistic can be calculated as follows.

$$t = \frac{ab}{sab} = \frac{(-1.003) \times (0.361)}{0.105} = -3.457$$

**Table 1** shows that the absolute value of the t-statistic from the direct contribution of corporate growth on the index of corporate market price on total assets is 2.107 which is smaller than the absolute value of the t-statistic, the indirect contribution of corporate growth on the index of corporate market price on total assets through profitability, which is 3.457. So the indirect contribution of corporate growth on the index of corporate market price on total assets through profitability is more effective than the direct contribution of corporate growth on the index of corporate market price on total assets.

**The Role Intermediary of Financing Posture on Contribution Corporate Size to The Index of Corporate Market Price on Total Assets.** Figure 1 shows that the indirect contribution of corporate size on the index of corporate market price on total assets through the financing posture is indicated by the β7 and β1 paths. To find out the strong indirect contribution of corporate size on the index of corporate market price on total assets through the financing posture, Sobel's analysis is used (Abu Bader and Jones, 2021), where the strong indirect contribution is shown by the large t-statistic which can be calculated using the formula (15) and formula (16).

**Table 1, Table 2, and Figure 1** provide information that the magnitude of the value $a = \beta_7 = -3.490$; $b = \beta_1 = -0.120$; $sa = 1.239$; $sb = 0.011$. By using formula (16), the standard error value of $ab$ is obtained as follows.
whereas by using the formula (15), the value of the t-statistic can be calculated as follows.

\[ t = \frac{ab}{sab} = \frac{(-0.103) \times (0.361)}{0.105} = 2.717 \] 

**Table 1** provides the information that the magnitude of the t-statistic from the direct contribution of corporate size on the index of corporate market price on total assets is 3.961, which is greater than the t-statistic of the indirect contribution of corporate size on the index of corporate market price on total assets through the financing posture, which is 2.717. So the direct contribution of corporate size on the index of corporate market price on total assets is more effective than the indirect contribution of corporate size on the index of corporate market price on total assets through the financing posture.

**DISCUSSION**

The Direct Effect of Financing Posture on The Index of Corporate Market Price on Total Assets. Testing the Ha1 hypothesis shows that Ha1 is accepted, this proves that the greater the use of debt in the financing posture, the potential investors will respond negatively, so that the market price of the corporate's shares decreases. The use of greater debt will reduce the portion of profit that belongs to shareholders, because interest costs are deducted from earnings before interest and taxes (EBIT).

On the other hand, the use of debt does provide benefits in the form of a tax shield so that it can reduce the tax burden paid by companies, but if the use of debt is too large, the interest burden paid to creditors will be greater than the tax shield received so that it will reduce the share profit which is the right of the shareholders. According to the Trade-off theory, companies always consider costs and benefits in determining how much debt and how much equity to use as capital (Wibowo, 2021). So the addition of debt in the financing posture can still be justified if the tax shield received is still greater than the interest costs paid. This is the reason why the use of greater debt in the financing posture will have a substantial negative impact on the index of corporate market price on total assets. So the results of this study are in accordance with the results of previous studies (Wibowo, 2021), (Hasibuan et al., 2016).

The Direct Effect of Profitability on The Index of Corporate Market Price on Total Assets. From testing the hypothesis, the results show that the Ha2 hypothesis is accepted, this proves that the greater the corporate's profitability, the greater the profit share that belongs to the corporate owner, so this increase in profitability becomes positive information for potential investors that encourages them to buy corporate shares, so the market price of the corporate's share will increase. This is the reason why the higher the corporate's profitability, the more it will increase its the index of corporate market price on total assets (Azhar and Wijayanto, 2018), (Raningsih and Artini, 2018).

Referring to **Table 1** it can be seen that although profitability has a significant positive effect on the index of corporate market price on total assets, this effect is not the strongest. This can be seen from the large value of the t-statistic for profitability which is only 3.961, which is much smaller than the absolute value of the t-statistic for the financing posture, which has a value of 10.909 and the t-statistic for corporate size, which has a value of 5.087. This shows that an increase in profitability is not necessarily an attraction for all
investors, because an increase in profitability is not always followed by an increase in dividends distributed. In accordance with the signal theory that companies tend to pay dividends at a constant rate, to avoid a decrease in dividends paid if the corporate is experiencing a decrease in profits (Wibowo, 2021).

For a small number of investors, especially short-term investors, an increase in profitability is a positive signal that the corporate will pay dividends, but for most investors, especially long-term investors, an increase in profitability is a positive signal that the corporate will reduce its debt as a source of funding. Debt reduction gives hope that the corporate’s interest expense will be smaller, so that the profit share that belongs to investors will be bigger. This is the reason why the effect of the financing posture on firm value is much stronger than the effect of profitability on firm value.

The Direct Effect of Corporate Growth on The Index of Corporate Market Price on Total Assets. In this study, corporate growth is measured by the growth of the corporate's total assets. From testing the hypothesis, the result is that the hypothesis Ha3 is accepted, this proves that the more rapidly the total assets of the corporate increase, the lower the the index of corporate market price on total assets. This is because the faster the corporate's assets grow, the greater the need for sources of expenditure, so this is not possible if it is only spent using retained earnings. Therefore, one way to finance the rapid growth of assets is to spend using debt.

On the other hand, the use of greater debt causes a greater share of profits to be paid as interest to creditors, this will reduce the share of profits that are the rights of shareholders, so that shareholders tend to release their shares, as a result the market price of the corporate's shares experiences a decline. decline. The results of this study are in accordance with several previous studies which have found evidence that the greater use of debt in the financing posture is substantially determined by corporate growth (Dhani and Utama, 2017), (Dewi and Candradewi, 2018).

The Direct Effect of Corporate Size on The Index of Corporate Market Price on Total Assets. Corporate size is the size of the corporate's capacity seen from the point of view of total assets owned. From testing the hypothesis, the result is that the Ha4 hypothesis is accepted, this proves that the more total assets owned by a corporate, the greater the the index of corporate market price on total assets. Companies that have more assets will have a stronger position in the industry, so that they will have access to a stronger capital market. This makes the shares attractive to potential investors so that in the end the market price will be higher. Higher market prices will increase the index of corporate market price on total assets. The results of this study are in accordance with the results of previous studies which prove that corporate size has a substantial positive effect on the index of corporate market price on total assets (Khotimah et al., 2021).

The effect of firm size on firm value is stronger when compared to the effect of profitability on firm value, which can be seen from the t-statistic value presented in Table 1, where the t-statistic for firm size is 5.087 which is greater than the t-statistic profitability of 3.961. This is due to: first, high profitability is not necessarily followed by higher dividend payments, because companies tend to pay dividends constantly to avoid a decrease in dividends if the company experiences a decrease in profits (Nguyen, 2018); second, this research was conducted on companies included in the LQ45 group, most of whose shares are blue chip stocks, which have an average capitalization of over 40 trillion rupiah with very large assets.
For most investors, investing in blue chip company stocks is of particular interest because the profits are relatively stable and the risks are smaller. It is this stable profit and lower risk that drives the market price of blue chip companies' stocks to tend to rise so that they have a the index of corporate market price on total assets that also tends to increase.

The Effect of Profitability on Financing Posture. Testing the Ha5 hypothesis yields that Ha5 is accepted, this proves that the higher the profitability, the smaller the use of debt in the financing posture.

Companies that are experiencing an increase in profits are not always accompanied by an increase in dividends. In general, companies that experience an increase in profits will continue to pay dividends constantly as in previous years, this is done to avoid fluctuating dividend payments, where when companies are experiencing an increase in profits they will pay large dividends and when companies experience a decrease in profits then will pay a small dividend. Because, if dividends are paid fluctuatingly, potential investors will respond negatively, they consider the company's financial condition to be unstable, this can reduce its share price. Therefore, companies that are experiencing an increase in profits will tend to retain it as a source of internal funding, thereby reducing the financing posture.

Companies that experience an increase in profitability will have greater financial capacity, so they will use more funding from internal sources and reduce funding from debt, because the use of large debt will give a negative signal to potential investors so that their shares become less attractive and consequently the market price will tend to fall, this will ultimately reduce the index of corporate market price on total assets. So the results of this study support the results of previous studies which prove that profitability has a substantial negative effect on the financing posture (Haloho et al., 2022), (Dimitri and Sumani, 2017).

The Effect of Corporate Growth on Financing Posture. Testing the Ha6 hypothesis obtained the result that Ha6 was rejected, this proves that fast corporate growth is not always funded using debt. For large companies, which have large total assets, investors are seen as having less risk than small companies, so large companies provide a special attraction to potential investors. Therefore, large companies will easily be able to raise funds in the capital market by issuing new shares, so that large companies tend to finance the growth of their assets using share capital. The results of this study support the results of previous research which found evidence that the index of corporate market price on total assets is not substantially influenced by corporate growth (Dewi and Candradewi, 2018).

The Effect of Corporate Size on Financing Posture. Testing the Ha7 hypothesis yields the result that Ha7 is accepted, this proves that the larger the corporate size, the more it tends to use its own capital. So the results of this study support the results of previous studies which prove that corporate size has a substantial negative effect on the financing posture (Dimitri and Sumani, 2017), (Andika and Sedana, 2019).

For large companies, which have large total assets, investors are seen as having less risk than small companies, so large companies provide a special attraction to potential investors. Therefore, large companies will easily be able to raise funds in the capital market by issuing new shares, so that large companies tend to use more share capital.

Increasing corporate size will increase business scale, thereby increasing sales turnover. The increase in sales turnover will be followed by an increase in profits. Because companies tend to pay dividends constantly, to avoid companies having to reduce
The Effect of Corporate Growth on Profitability. Testing the $H_{a8}$ hypothesis obtained the result that $H_{a8}$ was accepted, this is proof that fast corporate growth will have an impact on low profitability. These results are consistent with the results of previous research which found evidence that corporate growth has a substantial negative impact on profitability (Inrawan et al., 2021). Corporate growth is reflected in the increase in the corporate's total assets. The faster increase in the corporate's total assets, especially the increase in fixed assets, if not accompanied by increased productivity and efficiency, will actually reduce the corporate's profitability. The faster increase in fixed assets, especially those funded by debt, will add to the corporate's operating expenses, both in the form of interest costs and depreciation costs. If this additional operating expense is not accompanied by additional sales revenue, it will reduce the corporate's operating profit so that the corporate's profitability decreases.

The Indirect Effect Profitability on The Index of Corporate Market Price on Total Assets Through Financing Posture. As presented in Figure 1, it can be seen that profitability has a significant positive effect on firm value, where the magnitude of the influence is indicated by the large value of $\beta_2$ which is equal to 0.361 with a significance probability of 0.000. On the other hand, profitability has a substantial negative effect on the financing posture, where the magnitude of the influence is indicated by the large value of $\beta_5$, which is equal to -0.301 with a significance probability of 0.018. In addition, the financing posture also has a substantial negative effect on the index of corporate market price on total assets, where the magnitude of the effect is indicated by the magnitude of the $\beta_1$ value, which is -0.120 with a significance probability of 0.000. Because $\beta_2$, $\beta_5$, and $\beta_1$ are all substantial, it can be concluded that profitability can directly or indirectly affect the index of corporate market price on total assets through the financing posture. Thus, the financing posture is a semi-mediation variable that bridges the effect of profitability on the index of corporate market price on total assets.

In accordance with Table 1 it can be seen that the magnitude of the t-statistic from the direct effect of profitability on the index of corporate market price on total assets is 3.961, where the t-statistical value is greater than the t-statistical value of the indirect effect of profitability on the index of corporate market price on total assets through the financing posture obtained from the calculation in equation (18), which is 2.397. So the direct effect of profitability on the index of corporate market price on total assets is more effective than the indirect effect of profitability on the index of corporate market price on total assets through the financing posture.

The indirect effect of profitability on the index of corporate market price on total assets through the financing posture is less effective because this research was conducted on companies included in the LQ 45 group, where these companies are generally companies with very good financial conditions, so that the funding tends to be more using internal funding sources, especially from retained earnings. Therefore, if these companies experience an increase in profit, it will be used more to increase retained earnings to fund their investment, not to increase dividends. This is in accordance with signal theory, where companies will tend to pay dividends constantly, even though the corporate is experiencing dividends if at one point they experience a decrease in profits (Nguyen, 2018), the increase in profits will not be used to increase dividends, but will be used by companies to increase retained earnings as a source of internal financing. Thus an increase in corporate size will result in a decrease in the financing posture, which is due to the increasing source of internal funding.
an increase in profits, because if at one point the corporate experiences a decrease in profits, there is no need to reduce dividends paid to owners (Nguyen, 2018). If the corporate reduces the amount of dividends paid, investors will respond negatively, resulting in a decrease in the market price of its shares. The decision of companies to pay dividends constantly and retain part of their profits as a source of internal funding, even though the corporate is experiencing an increase in profits, causes investors to judge that a decrease in the financing posture does not provide positive sentiment, so it is less effective in pushing up stock market prices.

The Indirect Effect of Corporate Size on The Index of Corporate Market Price on Total Assets Through Financing Posture. From Figure 1 it appears that corporate size has a substantial positive effect on the index of corporate market price on total assets as indicated by the magnitude of the β4 value of 0.847 with a significance probability value of 0.001. On the other hand, corporate size has a substantial negative effect on the financing posture as indicated by the magnitude of the β7 value, which is -3.490 with a significance probability value of 0.001, and the financing posture has a substantial negative effect on the index of corporate market price on total assets as indicated by the large value of β1, which is equal to -0.120 with a probability value significance of 0.000. Because β1, β4, and β7 are all significant, it can be concluded that corporate size can affect the index of corporate market price on total assets both directly and indirectly through the financing posture. Thus, the financing posture is a semi-mediating variable that bridges the influence of corporate size on the index of corporate market price on total assets.

From the results of calculations using the regression Model 1, which is presented in Table 1, it can be seen that the value of the t-statistic from the direct effect of corporate size on the index of corporate market price on total assets is 5.087, which is greater than the value of the t-statistic, the indirect effect of corporate size on the index of corporate market price on total assets through the financing posture obtained through equation (30), which is equal to 2.707. So the direct effect of corporate size on the index of corporate market price on total assets is more effective than the indirect effect of corporate size on the index of corporate market price on total assets through the financing posture.

The indirect influence of corporate size on the index of corporate market price on total assets through the financing posture is less effective, this is because an increase in corporate size will be followed by an increase in business scale so that it will increase sales turnover, which in turn increases sales turnover will increase company profits. Increasing company profits will cause companies to increase retained earnings as a source of internal funding. So, an increase in corporate size will reduce the company's the financing posture through an increase in internal funding sources.

On the other hand, reducing the the financing posture through increasing internal funding sources by increasing retained earnings is a negative sentiment for potential investors because it will reduce their share of profits. This is what causes an increase in corporate size to provide less attractiveness for potential investors, so that the company's share price is difficult to increase, which in turn does not provide a stimulus for increasing the index of corporate market price on total assets.

The Indirect Effect of Corporate Growth on The Index of Corporate Market Price on Total Assets Through Financing Posture. Company growth has a significant negative effect on firm value, as indicated by the β3 value of -0.059 with a significant probability of 0.045. On the other hand, company growth has no significant effect on the financing posture, as indicated by the magnitude of the β6 value, which is equal to 0.107
with a significant probability of 0.348, while the financing posture has a significant negative effect on firm value as indicated by the large value of $\beta_1$, which is equal to -0.120 with a significant probability 0.000. Because $\beta_3$ and $\beta_1$ are significant, while $\beta_6$ is not significant, it can be concluded that the financing posture is not a mediating variable that bridges the effect of company growth on firm value but is an independent variable that substantially influences firm value. For more details, the path of the indirect influence of corporate growth on the index of corporate market price on total assets through the financing posture can be seen in Figure 1.

The Indirect Effect of Corporate Growth on The Index of Corporate Market Price on Total Assets Through Profitability. From Figure 1 it appears that corporate growth has a substantial negative effect on the index of corporate market price on total assets as indicated by $\beta_3$ of -0.059 with a significance probability of 0.045. On the other hand, corporate growth has a substantial negative effect on profitability as indicated by $\beta_8$ of -1.003 with a significance probability of 0.000, and profitability has a substantial positive effect on the index of corporate market price on total assets as indicated by $\beta_2$ of 0.361 with a significance probability of 0.000. Because $\beta_3$, $\beta_8$ and $\beta_2$ are all substantial, it can be concluded that corporate growth can have a substantial impact on the index of corporate market price on total assets, both directly and indirectly through profitability. Thus, profitability is a semi-mediating variable that bridges the influence of corporate growth on the index of corporate market price on total assets.

By using the regression Model 1, the results of which are presented in Table 1, it can be seen that the absolute value of the t-statistic from the direct effect of corporate growth on the index of corporate market price on total assets is 2.107, which is smaller than the absolute value of the t-statistic, the indirect effect of corporate growth on the index of corporate market price on total assets through profitability obtained from equation (26), which is equal to 3.457. So, the indirect negative effect of corporate growth on the index of corporate market price on total assets through profitability is more effective than the direct effect of corporate growth on the index of corporate market price on total assets.

The indirect negative effect of corporate growth on the index of corporate market price on total assets through profitability is more effective than the direct negative effect of corporate growth on the index of corporate market price on total assets because potential investors judge that an increase in corporate growth, especially those funded using debt, will increase operations in the form of depreciation expenses and interest expense so that it ultimately reduces profitability. This decline in profitability will create a negative sentiment for investors so that they are compelled to sell their shares, which will cause a decline in the company's stock price.

CONCLUSION

The financing posture and corporate growth have a negative and substantial impact on the index of corporate market price on total assets. Meanwhile, profitability and corporate size have a positive and substantial impact on the index of corporate market price on total assets. The financing posture is the factor that has the strongest negative impact on the index of corporate market price on total assets, therefore managers are advised to be careful in deciding to use debt in their the financing posture.

Profitability and corporate size have a negative and substantial impact on the financing posture, while corporate growth has a positive but not substantial impact on the
financing posture. Corporate growth has a substantial negative effect on profitability, therefore it is recommended that managers be careful in funding their fixed asset investments using debt.

The financing posture is a semi-mediating variable that bridges the effect of profitability and corporate size on the index of corporate market price on total assets. However, the partial direct effect of profitability and corporate size on the index of corporate market price on total assets is more effective than the indirect effect through the financing posture.

The financing posture is not a mediating variable that bridges the influence of corporate growth on the index of corporate market price on total assets but is an independent variable that substantially influences the index of corporate market price on total assets.

Profitability is a semi-mediating variable that bridges the influence of corporate growth on the index of corporate market price on total assets. The indirect effect of corporate growth on the index of corporate market price on total assets through profitability is more effective than the direct effect of corporate growth on the index of corporate market price on total assets.

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