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Firm Value as an Intervening Variable in the Relationships of Liquidity, Leverage, and Profitability in the Hospitality and Tourism Sector

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ABSTRACT

One of the benchmarks in assessing the success of an investment activity is based on the acquisition of stock returns. During the pandemic, the hotel, restaurant, and tourism industry sector was very significantly affected. Various travel restriction policies to the closure of tours caused a drop in capital market activity in this sector. The author uses firm value as a mediation to examine various factors such as profitability, liquidity, and leverage which can affect stock returns in the hotel, restaurant, and tourism industry sector. Financial report publications are used as data sources and research objects which are then analyzed and studied using Partial Least Square (PLS) as a test tool. Testing and analysis obtained the fact that the ratio of the ability to fulfill current liabilities (liquidity), the ratio of debt (leverage), and the ratio of profits (profitability) significantly affect the formation of firm value. Firm value can directly affect stock returns but as a whole, the variables cannot provide a significant direct effect on stock returns without being mediated by firm value. It can be concluded that high stock returns in the sectors tested can be influenced by liquidity, leverage, and profitability with good company value. Further research development could pay attention to direct factors such as accounting profits.

Keywords: Firm Value; Leverage; Liquidity; Profitability; Stock Return

INTRODUCTION

Investors in making investment policies certainly understand the concept of risk and return very well. There are profits and results (return) that are the target of achievement for each investment step made (Pradnyawati et al., 2023). Two types of investment profits are capital gains or dividends. The investors who make long-term investments will prefer dividends while active investors will be more interested in capital gains. A high rate of return can be obtained if there is a profitable difference between the selling and buying prices of shares (Kepramareni et al., 2022).

There are quite a lot of findings from various authors related to the use of determinants in terms of ratios in financial statements, ownership and scale/size of corporations, and their influence on the resulting stock investment returns but various inconsistencies or gaps are found in various test results and this can occur due to differences in the subjects studied, objects, years and basic phenomena that are the focus of research. Suleiman et al. (2021) examined the impact of profitability on stock returns and firm value used as a mediating factor with subjects focusing on the consumer goods industry, a series of tests reflecting profitability cannot have a direct influence on stock returns but can be significant with the presence of firm value as a mediating factor. Septianingsih et al. (2020) use the same variables as Kumala (2020), it is just that the subjects studied involve issuers in property and real estate, the test shows a difference where there is no effect of firm value intervention on the relationship between profitability and return produced in the sample studied. Meanwhile, Situmorang (2015) in his dissertation research used four ratios, namely leverage, liquidity, market, and profitability with different measuring tools on each variable of stock returns and involved firm value as an intervention factor. Situmorang (2015) provides different findings where liquidity (CR & QR) and firm value form a negative influence on stock returns and firm value can only intervene in the impact of profitability and market ratios, but cannot intervene between liquidity and leverage on stock investment returns in the consumer goods industry. The difference in test results above is a reference for the author in continuing similar topics using different variables, namely in terms of ownership and size of business scale and the use of different subjects, namely the hotel, restaurant, and tourism industries.

When theoretically judged based on the GAP study described above, investors in taking any investment policy will pay close attention to the corporation's obligations and their ability to fulfill them (Aji & Atun, 2019). Investors will avoid a low liquidity percentage because it can have a high risk of bankruptcy, various cases of liquidation are examples of a corporation's collapse due to failure to meet both current and long-term financial obligations. A high percentage of liquidity will form positive confidence for investors with the view that the corporation is in good health. Empirically, this is in line with the results of Cahyani and Wirawati's research (2019) but not in line with Situmorang's research (2015) which found no significant effect formed by liquidity on stock returns.

Another ratio is the ratio that describes the corporation’s debt as the basis for obtaining an asset or leverage. Acquisition of corporate capital in outline can come from debt and equity. When corporate development is needed, corporate can use debt as a source of funds and this can be referred to as leverage. For investors, leverage is inherent in business activities, but high debt can also create burdensome considerations for investors who do not want to have high risks related to debt. On the other hand, many investors do not care about the percentage of leverage which can be analyzed using DER (Debt to equity ratio) and DAR (Debt to asset ratio) with the assumption that debt is used for the corporate's business development.
The last is the ratio that is always used in the investor analysis process in assessing corporate performance, this profit ratio is often referred to as profitability (Tandelilin,

2010). Some investors consider corporate profits to be absolute and a core indicator before deciding to invest (Yuliastuti et al., 2020). Profitability provides various formulas and various aspects of assessment as an alternative to determine the percentage of a corporation's profit-making ability. Assets, total equity, investment returns, and sales can be used to ultimately compare the corporation's net profit or loss. High corporate profits will form a high stock price as well.

Various direct factors that can affect stock returns can also be mediated by different factors. Stock returns or the difference obtained based on the selling and buying prices of shares can also be affected by the value of the corporation. Corporations with a good reputation will get a positive view compared to corporations that have the opposite reputation. Price to book value can be used to calculate a corporation's value, PBV calculations are seen based on how loyal investors are in buying a corporation's shares. Firm value in theory and supported by various research results have a direct influence on stock returns (Ismail, 2014) and can also mediate other determinant factors such as the relationship between profitability and stock returns (Kumala, 2020) where even though the corporation has high profits but is not accompanied by good firm value, the resulting stock returns can be low. Firm value can also mediate the relationship between liquidity and stock returns where when liquidity risk is low but not accompanied by a good corporate reputation it will be a consideration for investors considering the number of corporations that must be liquidated even though previously they had a good percentage of liquidity but low firm value. Firm value can theoretically act as an intermediary for corporations with high levels of leverage but have good firm value and reputation (Kepramareni et al., 2023).

The numerous factors that dissolve into variables that have been stated above in principle run counter to a number of study findings as well as current happenings. The number of new investor accounts increased significantly in 2020, hitting 28 percent, or 417,366 SID (single investor identifier), according to data from KSEI (Indonesian Central Securities Depository). This upsurge is believed to be caused by a change in community investing activities, which now place less emphasis on assets like land, buildings, and gold and more reliance on securities, particularly stocks. Along with the increase in new accounts, daily active investor activity and retail active investor activity also grew quickly, reaching 44.3 percent, or 51,000 as of January 2020 and 151,000 at the end of November (Utami, 2020), respectively. Large industries like hospitality, dining, and tourism did not experience a noticeable increase.

Table 1. Corporate Phenomena

Corporate	Year	Stock Price	Stock Return
Hotel Sahid Jaya Internasional, Tbk. (SHID)	2018	4300	1.77419
	2019	3450	-0.19767
	2020	2600	-0.24638
MAP Boga Adiperkasa, Tbk. (MAPB)	2018	1790	0.12722
	2019	1690	-0.05587
	2020	1355	-0.06037
Bayu Buana, Tbk. (BAYU)	2018	1935	0.38214
	2019	1180	-0.05508
	2020	1115	-0.39018

Source: PT Bursa Efek Indonesia, n.d.

The overall number of new investor accounts has grown significantly, but this is not consistent with stock prices or the expected level of return on investment for shares in the hotel, restaurant, and tourism industries. Three firms that are significant issuers in the hotel, restaurant, and tourism industries (in terms of assets and stock price ratings) are actually continuing to lose ground and started according to data from 2018 to 2020.

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The author's ability to examine the issue through this study is motivated by the many phenomena between reality and theory as well as various research gaps that have already been conducted.

LITERATURE REVIEW

Signal Theory

The theory as the foundation in this research is signaling theory. The author uses this theory based on the definition that this theory reflects a relationship between management and stakeholders where management in order to minimize information asymmetry ultimately makes disclosures in the form of published financial reports so that the condition of the corporation can be known by stakeholders and shareholders (Brigham & Houston, 2018). Each disclosure made can be categorized as a positive signal (good news) if the information contained shows good performance achievement in this case it can be a profitable corporate condition, the corporation does not experience problems in paying any current and long-term obligations, and provides information related to the use of debt effectively.

Liquidity On Stock Returns

Stock prices are formed by various factors, the stock market collapse that occurred in several corporations was based on the corporation's inability to handle the fulfillment of obligations both short and long term. Corporations with good financial health conditions and able to fulfill every financial responsibility, especially those that fall into the current liability category, will find it easier to get a positive reaction in the market which will affect the formation of share prices (Prabasari, 2018). Reflecting on signal theory, every piece of information in a financial report reflects the financial condition of the entity itself so information related to liabilities can be one of the indicators used as a signal by investors. So, the more capable a business entity is of meeting its current liabilities, the better the influence on share prices, which is an indicator for assessing stock returns themselves.

H1: Liquidity affects stock returns in a positive direction.

Leverage On Stock Returns

The use of debt can provide a variety of responses in investment activities, negative reactions can occur if the percentage of the amount of debt is very high for the corporation's operations (Ratih & Candradewi, 2020). Equity and asset leverage can be compared with debt, leverage can also be used to reflect how a corporation fulfills its short and long-term obligations so that high debt but accompanied by good fulfillment capabilities will not be a bad consideration for investors. Business entities that use debt as a source of funding in high amounts will try to generate higher profits from their debt obligations. This is one of the positive views of investors in responding to the high leverage of a company so it is considered a positive signal and can have an influence on stock return.

H2: Leverage affects stock returns in a positive direction.

Profitability On Stock Returns

Corporate reputation can be formed based on performance and the financial performance of the corporation is often measured using a profit scale or not. In investing, the initial view that is used as a basis is corporate profits, the market is more easily influenced by corporations that are in a profit position than vice versa (Martini & Riharjo, 2014). This ratio uses various segments as measuring tools such as comparing profit with investment returns, sales, assets, and total capital. Company profits not only reflect the health of the company but are also an important factor in investment activities, the market tends to avoid business entities with a loss condition because of the many business risks that will arise. Companies with high firm value are dominated by companies that have the ability to generate high profits. It can be concluded that the corporation's profit will have a positive impact on the market which is reflected through the stock price.

H3: Profitability affects stock returns in a positive direction.

Liquidity On the Firm value
Liquidation risk is a risk that is sufficiently avoided in investment activities, corporations that have the ability to fulfill short-term financial obligations will be considered bad news (Iman et al., 2021). Low liquidity in a business entity indicates low activity related to demand and supply due to the lack of liquid assets owned. The illiquidity of assets owned also makes it difficult for companies to fulfill their financial obligations. This can lead to liquidity risks and even bankruptcy. Hence, liquidity ratio will provide confidence that the corporation is in good health so that the ability to fulfill all obligations is fulfilled and directly impacts the value of the corporation.

H4: Liquidity affects firm value in a positive direction.

Leverage On the Firm Value
The use of debt as capital in operational activities is not considered taboo for today's investors. Capital that comes from debt followed by an expansion of corporate activities and can be paid smoothly will be considered a positive signal by the market (Sutama & Lisa, 2018). So, it can be concluded that the use of debt and the ability to fulfill every good obligation will have a positive impact on firm value.

H5: Leverage affects firm value in a positive direction.

Profitability On Firm Value
Stock prices can be considered as a reflection of the value of the corporation. One of the crucial conditions that can shape a corporation's value is whether or not a corporation is profitable in one period (Septianingsih et al., 2020). Investors tend to avoid corporations that are in a loss position because it will also indirectly impact the profits of the investments made so that corporate in profit conditions will be safer for investors and can affect the corporation's valuation.

H6: Profitability affects firm value in a positive direction.

Firm Value on Stock Return
The corporation's value reflects the reputation and condition of the corporation in the eyes of investors and stakeholders. Good firm value is assumed to have low investment risk so that investors minimize risk by choosing good firm value, Firm value is formed from various factors, good financial performance and company reputation can form firm value. The company's healthy financial condition and the absence of legal scandals involving the company's operational activities can influence the market which results in an increase in the company's share price which is a reflection of firm value. The better the firm value will have an impact on the return on stock investment activity (Irawan & Kusuma, 2019).

H7: Firm value affects stock returns in a positive direction.

Firm Value Intervention on Liquidity on Stock Returns

The value of the corporation can be reflected based on the stock price, when a corporation's stock price increases it can be concluded that the corporation's reputation in the eyes of investors is in good condition. Corporations that have a good ability to fulfill every obligation, especially those that are current, accompanied by intervention on a good reputation, will be able to increase stock prices and affect the rate of return on investment.

H8: Firm value mediates the relationship between liquidity and stock returns.

Firm Value Intervention on Leverage on Stock Returns

In theory, the corporation's reputation greatly impacts the corporation's growth, especially in the capital market. High levels of debt are not always detrimental to the company, companies that use debt as capital will maximize its use in order to generate higher profits from the fixed burden of debt owned by the company so that it can form favorable financial leverage. Corporates with debt but have the ability to fulfill any high current and long-term debt mediated by good firm value in the investment step can also form good returns.

H9: Firm value mediates the relationship between leverage and stock returns.

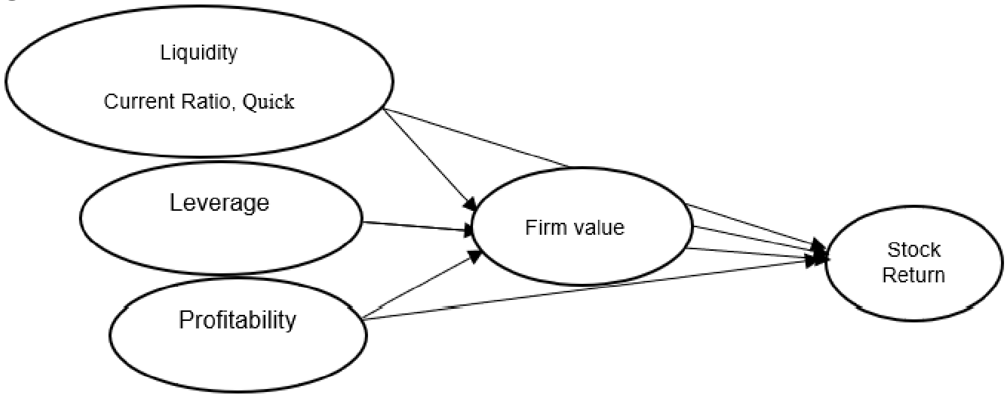
Firm Value Intervention on Profitability on Stock Returns

Fang et al. (2009) argue that the price-to-book value used to represent the full firm value mediates the relationship between profitability and the rate of return on investment shares. Corporations in conditions of mediated profits with a good corporate reputation support the acquisition of stock returns.

H10: Firm value mediates the relationship between profitability and stock returns.

According to theoretical review above, the model of this study was formulated in Figure 1.

Figure 1. Research Model



RESEARCH METHOD

The authors chose the hotel, restaurant, and tourism industry sectors as research subjects and locations, based on several criteria in the sample selection, 15 corporations were determined as representatives of the sectors studied. The measuring tool for each variable is presented in Table 2 below.

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Table 2. Measurement Table

Liquidity	Leverage	Profitability	The Value of the Corporate	Stock Returns
Current Ratio	Debt to Asset Ratio (DAR)	Return on Assets (ROA)	Price to Book Value (PBV)	Stock Price Current period and period t-1
Quick Ratio	Debt to Equity Ratio (DER)	Return on Equity (ROE)		
		Net Profit Margin (NPM)		

The research stage begins with the collection of each data relating to the data of each variable which is then analyzed and tested using a component/variant-based test tool, namely PLS (Partial Least Square).

RESULTS

Results can be interpreted based on the findings indicated by the test results. Values that can be explained include the outer model to reflect the validity and reliability of the data and the latent variables used in the model. Validity assessment can use convergent and discriminant validity. Valid indicators use the Average Variance Extracted (AVE) standard which is more than 0.5 and can be assessed based on a loading factor > 0.7. Overall conclusions on the validity and reliability of the model can be seen in Table 3.

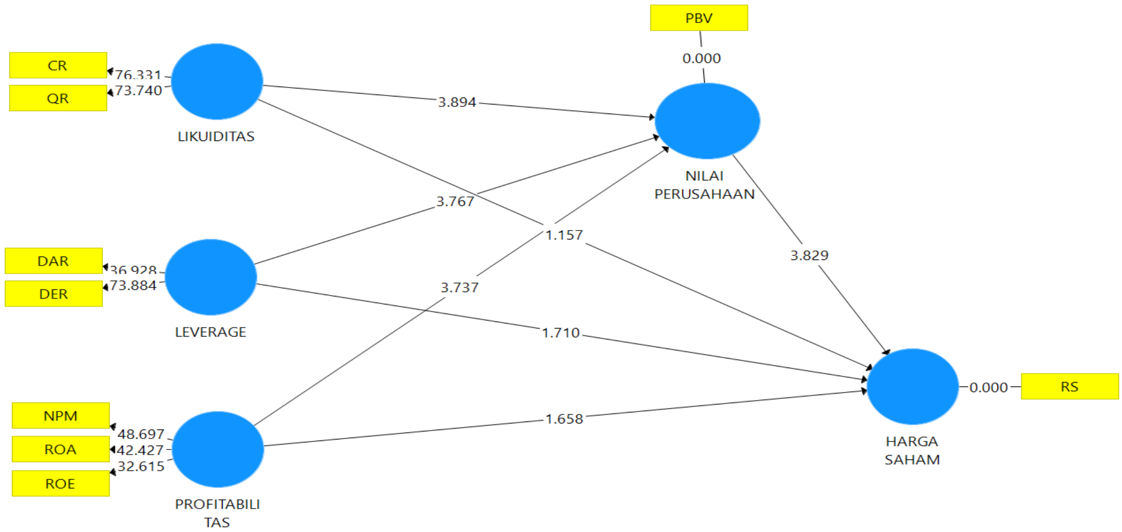
Table 3. Test The Validity and Reliability

Variable/Indicator	Outer Loading	AVE	Cronbach's Alpha	Composite Reliability	Explanation
Stock returns					
	1.000	1.000	1.000	1.000	Valid & Reliable
Liquidity					
Current Ratio	0.925	0.859	0.835	0.924	Valid & Reliable
Quick Ratio	0.928				Valid & Reliable
Leverage					
DAR	0.893	0.819	0.780	0.900	Valid & Reliable
DER	0.917				Valid & Reliable
Profitability					
ROA	0.884	0.748	0.831	0.899	Valid & Reliable
ROE	0.821				Valid & Reliable
NPM	0.889				Valid & Reliable
Firm values					
PBV	1.000	1.000	1.000	1.000	Valid & Reliable

Source: SmartPLS Output Results (2023)

Knowing the findings related to the hypothesis can be analyzed on the acquisition score on the t-statistic and also the p-value. The standard score that is set to be said to have significance is if it is greater than 1.96 (t-statistic) and the p-value assessment uses a standard score which must be less than 0.05. Smart PLS presents bootstrapping as a reflection of the test results and is presented in Figure 2 and the path coefficient direct and indirect effects in Table 4 below.

Figure 2. Bootstrapping Results



Source: SmartPLS Output Results (data processed, 2023)

Figure 2 explains the results of bootstrapping, where bootstrapping provides an overview of the significance or value of the probability seen in the direct relationship (direct effect), indirect relationship (indirect effect), and also the total effect of each existing variable. Each line in bootstrapping has a directional arrow which helps to see the direct, indirect, and total effect directions accompanied by numbers.

Table 4. Path Coefficient Direct Effect Results

Variable	Original Sample (O)	Sample Means (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Conclusion
LQ → FV	0.333	0.328	0.086	3.894	0.000	Positive
LV → FV	0.263	0.266	0.070	3.767	0.000	Positive
PR → FV	0.345	0.194	0.124	1.658	0.000	Positive
LQ → SR	0.124	0.130	0.107	1.157	0.248	No effect
LV → SR	0.139	0.142	0.081	1.710	0.088	No effect
PR → SR	0.205	0.347	0.092	3.737	0.098	No effect
FV → SR	0.464	0.464	0.121	3.829	0.000	Positive
LQ → FV → SR	0.154	0.153	0.059	2.614	0.009	mediate
LV → FV → SR	0.122	0.121	0.040	3.031	0.003	mediate
PR → FV → SR	0.160	0.163	0.065	2.447	0.015	mediate

Source: SmartPLS Output Results, data processed (2023)

A more detailed explanation is summarized in Table 4. It can be seen that there are Original Sample (O) values for each variable, Sample Means (M) values, Standard Deviation for each variable, T Statistics along with P Values scores. To be able to conclude the resulting relationship between variables, it must be supported by an appropriate P values score, the score must be lower than 0.05 and the results and conclusions can be seen based on the table, there are three direct relationships that do not show any influence, namely liquidity on stock returns, leverage on stock returns and profitability on stock returns.

DISCUSSION

Liquidity Relationship on Firm Value

A series of tests were conducted, the first being a test of the direct influence between liquidity and firm value. The LQ-FV significance score shows significant P values, indicating positive results. The significance that meets the standard score on the test reflects that a corporation's liquidity greatly influences the formation of good firm value as well. Liquidity of a corporation indicates risk. Investors can minimize the occurrence of risks due to the corporation's inability to meet its obligations, as predicted using this ratio. It can be concluded that corporations with good firm values have low liquidation risk. So, these findings strengthen the theory and support the results of previous research. These results were obtained based on the research subject, namely liquidity, which was measured using the current ratio and cash ratio in the sectors used, namely restaurants, hotels, and tourism. Companies that cannot fulfill all their obligations, especially current liabilities, have a higher business risk compared to business entities that actually have a high ability to fulfill current liabilities. In investment activities, liquidity can be an important assessment point in the market. Good liquidity will also have a positive impact on the market and thus affect the company's share price. This finding is in line with Lestari et al. and Putra & Dana's (2016) research but contrasts with the findings in Thaib and Dewantoro's (2017) research which states that liquidity has no influence on firm value.

Leverage Relationship on Firm Value

Testing the direct effect between leverage and firm value can be seen in Table 3. The results show that leverage significantly has a positive effect on firm value. The findings in this series of tests align with the theory used in formulating the hypothesis. This theory suggests that fulfilling funding sourced from debt does not constitute a negative view in the eyes of potential investors. The balanced use of debt, coupled with the ability to smoothly pay off obligations, sends a positive signal to investors. While a large amount of debt capital can be a concern for investors, if the corporation can manage it effectively, it becomes an asset and an optimal source of operational funding. In this case, it won't be perceived negatively by the market. This finding is consistent with signal theory and previous research. These results illustrate the effect of leverage on the rate of return on stock investment in the sectors tested, namely restaurants, hotels, and tourism. DER and DAR are used to represent leverage in these sectors. This demonstrates that even a large amount of debt compared to assets and equity can lead to a positive market reaction, as long as the company can manage it effectively. Debt financing helps companies maximize their use of capital to generate profits, which can influence firm value, including share prices. These results support the findings of Pratama and Wiksuana (2016), although they differ from the research of Novari and Lestari (2016) which found no significant influence between leverage and firm value.

Profitability Relationship on Firm Value

The third direct test, examining the relationship between profitability and firm value in Table 3, reveals a significant positive correlation between the two. This finding aligns with signal theory, which posits that favorable conditions in a business entity will trigger a positive market reaction. In the sectors studied (restaurants, hotels, and tourism), it can be concluded that business profits increase firm value. Profitability is a key objective of investment, as investors seek returns on their activities. Companies that consistently lose money are a significant concern for potential investors due to the elevated risks involved. Conversely, optimal company profits act as a performance report, reflecting the company's healthy condition and its ability to manage assets, capital, and investments effectively. This conclusion aligns with the research of Indriyani (2017) but contradicts the findings of Ananda (2017), who reported no significant influence of profitability on firm value.

Liquidity Relationship on Stock Returns

The direct effect test of liquidity on stock returns shows no significant influence. This suggests that no direct effect exists between liquidity and stock returns in the sector under study. One possible explanation is that a corporation's ability to meet current liabilities, without a good accompanying reputation, may not trigger a significant market reaction. Therefore, additional factors might be needed to mediate or strengthen the relationship between a company's liquidity and an increase in stock prices. The author uses two liquidity measures: the current ratio (comparing current assets to current liabilities) and the quick ratio (cash/cash equivalents divided by current debt). These assessments are employed to analyze the proportion of a company's current debt, ensuring it does not significantly impact stock price movements. This finding aligns with the research of Octaviani and Komalasari (2017) but contradicts Ramadhani's (2018) study, which found a significant positive influence of liquidity on stock returns.

Leverage Relationship on Stock Returns

Table 2 shows that the significance level (p-value) is 0.088, exceeding the standard of 0.05. This indicates that the company's ability to manage debt does not guarantee a high return on shares for investors. Investors generally consider debt management a viable strategy, as debt can be an asset or a source of funding for operational activities. However, a corporation's reputation plays a role. If a company lacks a strong reputation, even good debt management may not significantly impact the market's reaction. The decision to use debt or owner's capital is typically an internal one based on company assessments. This research suggests it may not directly impact the rate of return obtained by shareholders. While most companies utilize debt as a significant source of funding, inherent risks like default exist at high leverage levels. However, companies with high debt levels but strong firm value can still fulfill their obligations, including providing returns to shareholders. Therefore, it can be concluded that a company's leverage level, whether low or high, may not have a direct relationship with stock returns. This research aligns with the findings of Lestari et al. (2016) but contradicts Purba and Marlina (2019), who reported a negative significance between leverage and stock returns.

Profitability Relationship on Stock Return

The direct effect test of profitability on stock returns shows a p-value of 0.098, exceeding the standard significance level. This indicates no significant influence from profitability on stock returns in the hotel, restaurant, and tourism sectors studied, even though these companies are profitable. One possible explanation is the close relationship between stock price and corporate reputation. Profits alone, without strong firm value, may not be enough to sway investor decisions. Another factor could be the profit allocation strategy of some highly profitable companies. They may prioritize reinvesting profits in valuable assets to support future operations, which could temporarily reduce the level of return on investment received by shareholders. Profitability is often used as a metric that compares various aspects of a company's financial health, including assets, gross or net profit, sales, investment, and equity. This finding aligns with the research of Fitri (2017) but contradicts Suwandani and Suhendro (2017), who found that ROA, a measure of profitability, does have an effect on stock returns.

Correlation between Firm Value on Stock Return

The path coefficient results for the direct relationship between firm value and stock returns show a significance level of 0.000. This strongly suggests that firm value influences the level of stock returns. This finding aligns with the theory that investors consider a company's value when making investment decisions, reflected in the share price. Companies with a good track record, avoiding scandals or legal issues, can mitigate various business risks. Signaling theory posits that good firm value sends positive signals to investors, encouraging them to invest. This can lead to rising stock prices and ultimately, higher stock returns. The positive impact observed in the test suggests that firm value can act as a mediating variable, influencing stock returns through various financial factors. This finding supports the research of Suryantini and Arsawan (2014) but contradicts the results of Octavera and Rahadi (2018), who did not find a significant relationship between firm value and stock return.

Firm Value Mediates Liquidity and Stock Returns

A series of tests were conducted to examine the mediating relationship between firm value, liquidity, and stock returns in the sectors studied. The results show that firm value can indeed mediate the relationship between liquidity and stock returns. The p-values (0.009) meet the significance assumptions, indicating a value lower than the standard threshold of 0.05. In theory, liquidity is a crucial indicator for assessing a company's financial health. However, this test suggests that even fluctuating liquidity levels may not directly influence stock returns. This could be because investors primarily assess liquidity based on a simple comparison between assets and current liabilities. However, strong investor confidence in the financial strength of the hotel, restaurant, and tourism sectors studied may render the specific liquidity level less significant. The results differ when firm value is introduced as a mediating variable. The test indicates that a level of stock return that meets investor expectations is more likely to occur when a company with good firm value (reflected in share price) also maintains a good level of liquidity. This finding aligns with the research of Tarihoran and Gultom (2022). In contrast, Situmorang's (2015) research suggests that firm value does not mediate the relationship between liquidity and stock returns.

Firm Value Mediates Leverage and Stock Returns

A series of PLS tests examining the mediating relationship between firm value, leverage, and stock returns yielded a p-value of 0.003. This score signifies that firm value can mediate the relationship between a company's leverage and stock return levels. The direct relationship test between leverage and stock returns in the hotel, restaurant, and tourism sectors revealed no significant influence from a company's leverage level, whether high or low, on stock returns. Some investors view leverage as a measure of a company's actual debt usage, considering high or low debt levels a reflection of capital utilization. However, the test results suggest a different theory: leverage in companies with good firm value may actually have a positive impact on stock returns. The market considers companies with good leverage and high price-to-book value (PBV) to offer a more promising level of return on investment. This research aligns with the findings of Pradanimas and Sucipto (2022) but contradicts Situmorang (2015), who found that firm value could not mediate the effect of leverage on stock returns.

Firm Value Mediates Profitability and Stock Return

The final test results, specifically the p-value of 0.015, indicate a significant relationship between profitability and stock returns. However, without the mediating effect of firm value, the influence appears to be negligible. This research reinforces the theory regarding the importance of company value in investment decisions. Investors utilize various methods to assess potential returns when predicting investment opportunities. The study suggests that, in the sectors analyzed, investment decisions regarding return calculations were not directly influenced by a company's reported profits. Companies with high profitability but a poor reputation may not be convincing to investors. Conversely, companies that demonstrate both profitability and strong share prices are more likely to be perceived as offering a promising return on investment, aligning with investor expectations. These findings support the research of Setiabudhi (2022) but contradict the findings of Septianingsih et al. (2020), who suggested that firm value does not mediate the relationship between profitability and stock returns.

CONCLUSION

This study's results and discussion highlight the causal relationships of both direct and indirect effects. While all variables significantly affect firm value, they cannot directly increase stock returns without the mediating influence of a good corporate reputation (firm value). Investor confidence, shaped by a company's reputation (firm value), can create a gap between theory and reality regarding liquidity in the hospitality, restaurant, and tourism industries. Since debt is a common source of funding, and companies that can manage their debt obligations are unlikely to face liquidity issues, the traditional comparison of assets to current liabilities may not be the most significant indicator. Contrary to theory, profitability does not directly impact stock returns. This could be because investors look beyond just a company's earnings, recognizing that major companies' performance is not solely measured by profit generation. Leverage, as measured by DAR and DER ratios, also shows minimal direct impact on stock returns. This is likely because the leverage percentages are low, meaning they have little influence on stock price fluctuations.

These findings offer valuable insights for future research, particularly considering the current active capital market. The studied sectors (hotels, restaurants, and tourism) should prioritize firm value as a factor that can influence both profitability and management of current and long-term financial liabilities. This research focuses on a single sector, limiting its generalizability to others. This is an important consideration for further studies. The author's test results provide valuable references and contribute to new theories in this area. The research not only examines frequently used ratios (liquidity, leverage, and profitability) but also introduces the concept of firm value as a mediating variable. Additionally, it delves into the ownership structure and size of business entities, including tourism (hotels and restaurants), a less explored subject in this field.

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DECLARATION OF CONFLICTING INTERESTS
The author emphasizes that any findings in this paper cannot be generalized to all sectors in the capital market because the research focus is only on the tourism sector (hotels and restaurants). This research was carried out using data during the pandemic so that the research results may change in different years.

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