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ANALYSIS OF FINANCIAL PERFORMANCE ON COMPANY VALUE WITH FINANCIAL HEALTH AS AN INTERVENING VARIABLE

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Abstract

This study aims to analyze the effect of financial performance with profitability ratio, leverage, and activity on company value with financial health as an intervening variable in manufacturing companies on the Indonesia Stock Exchange for the period 2021-2023. The sampling technique in this study was purposive sampling. The data analysis method in this study applied multiple linear regression analysis, path test, and Sobel test with the help of SPSS software version 30 and Sobel Test Calculation for the Significance of Mediation. The number of companies that meet the criteria is 162 companies with 486 data samples, and outlier handling is carried out on 421 data samples. The results of the study indicate that profitability, leverage, and activity have a significant effect on financial health. Profitability, leverage, and financial health have a significant effect on firm value, while activity has no effect. In addition, financial health mediates the relationship between leverage and firm value, but does not mediate the relationship between profitability or activity and firm value.

Keywords: Profitability, Leverage, Activity, Enterprise Value, Financial Health

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INTRODUCTION

The development of companies in various sectors from year to year shows the demands of each company to be able to compete and innovate in its business focus in order to maintain operational continuity in competitive competition. This competition encourages companies to improve operational performance, both in terms of finance and management. In line with this, the purpose of establishing a company is to obtain optimal profit, ensure the welfare of company owners and shareholders, and optimize the company's value (Muliati, Sunarwijaya, & Adiyandnya, 2021). Therefore, the company needs to adjust the operational continuity stabilization strategy as an effort to maintain the company's value by considering the strategies implemented by other companies as material for innovation and evaluation. This step aims to increase competitiveness in achieving goals between companies. In addition, efficiency and productivity planning also need to be carried out to support increasing the company's value. The implementation of this strategy will have an impact on increasing external trust in the achievements realized by the company and its actual capabilities because these values reflect the company's overall welfare and financial performance (Ardian & Wahyudi, 2023).

In line with the company's efforts to improve operational performance and corporate value, the development of the manufacturing sector on the Indonesia Stock Exchange during the five years (2019-2023) showed significant dynamics. There was a fairly sharp decline in the growth rate in 2020 due to the impact of the COVID-19 pandemic. The Head of the Fiscal Policy Agency of the Ministry of Finance, Mr. Febrio Kacaribu, said that the manufacturing sector remains in the expansion zone, indicating resilience and a sustainable recovery process despite

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the manufacturing slowdown in various countries (www.cnnindonesia.com). However, in 2023, the manufacturing sector will experience another decline. Minister of Finance Sri Mulyani explained that this decline was influenced by the acceleration of the growth of the service industry in the digital era and the decline in labor absorption due to the increasingly widespread adoption of robotic technology in the manufacturing sector (www.cnnindonesia.com).

Assessment of company value can be done through financial performance analysis using financial ratios to reflect the level of financial health of a company. Good financial health not only reflects the stability and ability of the company to meet its financial obligations but also increases the trust of investors and other stakeholders, which ultimately has a positive impact on the value and reputation of the company. Another situation in financial health is when the company is unable to overcome poor financial health, which can result in possible bankruptcy, a condition where the company is unable to meet the funding needs required for its operations (Kusmawati, Sukadana, & Suarjana, 2022).

Based on the background that has been described and previous research that produced several different findings, researchers are interested in conducting further testing on the influence of financial performance on the ratio profitability, leverage, and activity on firm value with financial health as an intervening variable. Financial health analysis using the Altman Z-Score method can provide an indication of bankruptcy risk or financial health in good condition, which has an impact on investor perception and firm value.

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LITERATURE REVIEW

Signaling Theory

According to Spence (1973) in (Ardian & Wahyudi, 2023), signal theory is when the source of information tries to convey data so that it can be used by the recipient of the information. Signal theory comes from the basis that the information gap or information asymmetry received by each party is different.

Financial Performance Analysis

Financial performance is an analysis of assessing a company in the implementation of financial rules based on company policies or objectives. This analysis can be carried out through financial reports, which aim to determine the condition of the company's financial performance (Purwanti, 2021).

Company Values

Company value is a ratio to reflect the level of prosperity of company owners, including shareholders, so that they can interpret the circulation of share prices, which tend to be stable and experience periodic increases.(Yulianto & Widyasari, 2020).

Profitability

The profitability ratio is a tool for testing the level of profit from a company's operational activities using internal resources through capital procurement, asset management, and the sales process of the products produced (Rachmawati & Amanah, 2023).

Leverage

Leverage is a ratio that is one of the considerations for companies regarding investment capacity or procurement of additional resources that contain costs that must be borne by the company (Fadihillah & Utiyati, 2022).

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Activity

The activity ratio is a ratio used in assessing the company's efficiency in using the company's assets. This ratio also functions to analyze the level of efficiency in using the company's resources as a whole (Rachmawati & Amanah, 2023).

Financial Health

Financial health is an analysis of the level of financial health in a company, including the management of capital, assets, liabilities, and the acquisition of operational activities of the company that have been achieved in several periods. Interpretation of this condition in the analysis through published company reports (Rachmawati & Amanah, 2023).

RESEARCH HYPOTHESIS

Based on the background and theoretical basis above, the research hypothesis that can be put forward is as follows:

H1 : Profitability affects financial health

H2 : Leverage affects financial health

H3 : Activities affect financial health

H4 : Profitability affects company value

H5 : Leverage affects company value

H6 : Activities affect company value

H7 : Financial health affects the company's value

H8 : Financial health mediates the relationship between profitability and firm value.

H9 : Financial health mediates the relationship between leverage and firm value.

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H10 : Financial health mediates the relationship between activities and firm value.

RESEARCH METHOD

Research Design

This type of research is quantitative research that uses statistical methods and hypothesis testing. The source of research data is secondary data, in the form of financial and annual reports on the official website of the Indonesia Stock Exchange or the company's official website.

Population and Research Sample

This study uses manufacturing companies on the Indonesia Stock Exchange for the 2021-2023 period. Sampling was carried out using the purposive sampling method, which is a sampling technique based on considerations that focus on certain objectives.

Table 1
Sample Selection Results

No.	Information	Amount
1.	Population of manufacturing companies on the Indonesia Stock Exchange	283
2.	Manufacturing companies not listed on the IDX in 2021-2023	(62)
3.	Companies that do not publish financial reports and present all required data and information in 2021-2023	(23)
4.	Companies that publish financial reports not stated in Rupiah (Rp) in 2021-2023	(36)
Research Sample		162
Total Sample (n x research period)		486
Outlier Data		(65)
Total Research Sample		421

Source: Data Analysis Results, 2025

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Measurement of Variables

This study includes three variables, namely the dependent variable including company value, the independent variable including profitability, leverage, and activity, and the mediating/intervening variable including financial health.

1. Company Values

$$Q = \frac{(EMV+D)}{(TA)}$$

Information:

Q = company value

EMV = *closing price* shares x number of shares outstanding

D = book value of total debt

TA = book value of total assets

2. Profitability

$$\text{Return On Assets} = \frac{\text{Shareholder Income}}{\text{Total Aset}}$$

3. Leverage

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

4. Activity

$$\text{Total Asset Turnover} = \frac{\text{Sale}}{\text{Total Aset}}$$

5. Financial Health

$$Z = 1.2\ X1 + 1.4\ X2 + 3.3\ X3 + 0.6\ X4 + 0.99$$

Information:

Z = Altman Z-Score

X1 = Net Working Capital / Total Assets

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X2 = Accumulated Profit / Total Assets

X3 = EBIT / Total Assets

X4 = Market Value of Equity / Book Value of Total Liabilities

X5 = Sales / Total Assets

In the following zones:

Z greater than 2.99 = Safe zone

Z is between 1.81 and 2.99 = Gray zone

Z is less than 1.81 = Distress zone

Data Analysis

The methods in this study include descriptive statistical analysis, classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests. Furthermore, multiple linear regression analysis to test direct effects, path tests to test direct and indirect effects, and Sobel tests to test the significance of mediation effects. Data analysis was carried out using the SPSS version 30 application and the Sobel Test Calculation for the Significance of Mediation.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 2

Descriptive Statistical Analysis Results

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	421	-0.39967	0.28810	0.0400079	0.07934671
DER	421	0.02043	4,10417	0.9372913	0.80142901
TATTOO	421	0.01133	3.38701	0.9263867	0.53847777
TOBINS	421	0.34128	8.87852	1.3518759	0.97614685
ALTMAN	421	-1.00116	14.90349	3.7174692	3,19158476

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Valid N (listwise)	421				

Source: Data Analysis Results, 2025

The profitability variable has a minimum value of -0.39967 indicating that the company is unable to operate in the long term due to a decrease in profit of -39.97% of the company's total assets. While the maximum value of 0.28810 indicates a good financial condition, and reflects the company's capacity to earn a profit of 28.81% of all its assets.

The leverage variable has a minimum value of 0.02043, indicating that the company uses funding from capital and uses little debt, so its financial risk is low and its capital structure is very conservative. While the maximum value of 4.10417 indicates that the company in 2022 has assets 4.1 times the amount of long-term debt it has.

The activity variable has a minimum value of 0.01133, indicating that the company is less efficient in utilizing its assets in the company's operations. While the maximum value of 3.38701 indicates that each rupiah of assets is able to generate more than three rupiah of sales.

The company value variable has a minimum value of 0.34128, indicating a market value of only 34% of its asset value. This could be due to weak operational performance, high debt, or negative investor perceptions of its business prospects. While the maximum value of 8.87852 means that its market value is almost 9 times the asset value.

The financial health variable has a minimum value of -1.00116, indicating a high risk of bankruptcy. The maximum value of 14.90349 indicates that the company is at a very good level of financial health. The average value of financial health of 3.7174692 can be interpreted that the average company has a good level of financial health because it is greater than 2.99 or above the safe

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zone according to the Altman Z-Score calculation zone limit.

Standard deviation that exceeds the average value indicates that the data has a non-uniform or heterogeneous distribution, because the variation of the data is quite large and the level of deviation is wide. Conversely, if the standard deviation is smaller than the average value, this indicates that the data distribution tends to be good, where the smaller the standard deviation, the closer the data is to the average value.

Multiple Linear Regression Test

Table 3
Multiple Linear Regression Test Results Equation 1

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		Spearman's Rho
	B	Std. Error	Beta			Tolerance	VIF	
(Constant)	3,456	0.260		13,272	0,000			
ROA	19,734	1,547	0.491	12,760	0,000	0.814	1,229	0.278
DER	-1,292	0.146	-0.324	-8,856	0,000	0.897	1,114	0.439
TATTOO	0.737	0.217	0.124	3,401	0.001	0.900	1,111	0.141
F Test			Sig. 0.001	R Square				0.498
Durbin Watson			2,079	Adjusted R Square				0.495

Source: Data Analysis Results, 2025

The calculation results in the table obtained regression equation 1 as follows:

Altman Z-Score = 3.456 + 0.491 ROA - 0.324 DER + 0.124 TATO + e1

$$\text{The value of e1} = \sqrt{1 - R^2} = \sqrt{1 - 0{,}498} = 0{,}709$$

So, we get regression equation 1 as follows:

Altman Z-Score = 3.456 + 0.491 ROA - 0.324 DER + 0.124 TATO + 0.709

Table 4

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Multiple Linear Regression Test Results Equation 2

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		Spearman's Rho
	B	Std. Error	Beta			Tolerance	VIF	
(Constant)	0.135	0.098		1,367	0.172			
ROA	1,680	0.578	0.137	2,907	0.004	0.585	1,708	0.145
DER	0.509	0.050	0.418	10,103	0,000	0.755	1,324	0.071
TATTOO	-0.136	0.070	-0.075	-1,946	0.052	0.876	1,142	0.243
ALTMAN	0.215	0.016	0.702	13,837	0,000	0.502	1,993	0.625
F Test			Sig. 0.001	R Square				0.462
Durbin Watson			2,042	Adjusted R Square				0.457

Source: Data Analysis Results, 2025

The calculation results in the table obtained the following regression equation 2:

Tobin's Q = 0.135 + 0.137 ROA + 0.418 DER - 0.075 TATO – 0.702 Altman Z-Score + e2

The value of e2 $= \sqrt{1 - R^2} = \sqrt{1 - 0{,}462} = 0{,}733$

So, we get regression equation 2 as follows:

Tobin's Q = 0.135 + 0.137 ROA + 0.418 DER - 0.075 TATO – 0.702 Altman Z-Score + 0.733

Classical Assumption Test

1. Normality Test

   Researchers apply the CLT (Central Limit Theorem) theory, which states that if the research sample size is large enough (n>30), then the normality assumption does not need to be considered.

2. Multicollinearity Test

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Based on Tables 3 and 4, it shows that all research variables have a tolerance value ≥ 0.10 and a VIF value ≤ 10, which indicates that there is no significant correlation between independent variables, so that multicollinearity does not occur.

3. Heteroscedasticity Test

   Based on the data in Tables 3 and 4, the Spearman's Rho value shows that all variables do not have a statistically significant relationship with the residual value, so the regression model is free from heteroscedasticity and is suitable for use.

4. Autocorrelation Test

   This study uses the Durbin-Watson test to detect the presence or absence of autocorrelation. Based on tables 3 and 4, it shows that the regression model is free from the autocorrelation test because the Durbin Watson value meets the requirements to pass with DU ≤ DW ≤ 4 – DU.

t-test

Testing is conducted to determine the significance of the direct influence of independent variables on dependent variables. The decision of this test uses a significance level of α of 5% or 0.05, which is as follows:

1. H1 is accepted, because the results of the t-test show that the calculated t value is 12.760 and the significance value is 0.000 < 0.05. This means that profitability has an effect on financial health.
2. H2 is accepted, because the results of the t-test show that the calculated t value is -8.856 and the significance value is 0.000 < 0.05. This means that leverage affects financial health.
3. H3 is accepted, because the results of the t-test show that the calculated t value

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is 3.401 and the significance value is 0.001 < 0.05. This means that activity affects financial health.

4. H4 is accepted, because the results of the t-test show that the calculated t value is 2.907 and the significance value is 0.004 < 0.05. This means that profitability has an effect on company value.
5. H5 is accepted, because the results of the t-test show that the calculated t value is 10.103 and the significance value is 0.000 < 0.05. This means that leverage has an effect on company value.
6. H6 is rejected, because the results of the t-test show that the calculated t value is -1.946 and the significance value is 0.052 > 0.05. This means that activity does not affect the company value.
7. H7 is accepted, because the results of the t-test show that the calculated t value is 13.837 and the significance value is 0.000 < 0.05. This means that financial health has an effect on company value.

F Test

Based on Table 3, regression equation 1 shows the result of f count of 138.027 with a significance value of 0.001. This shows that the Sig. value of 0.001 < 0.05 and the f count value of 138.027 > f table 3.03, so it can be concluded that there is a significant simultaneous influence between the variables of profitability, leverage, and activity on financial health.

Based on Table 4, regression equation 2 shows the result of f count of 89.420 with a significance value of 0.001. This shows that the Sig. value of 0.001 <0.05 and the f count value of 89.420> f table 2.62, so it can be concluded that there is a significant simultaneous influence between the variables of profitability, leverage, activity, and financial health on company value.

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Coefficient of Determination Test (R2)

Based on Table 3, regression equation 1, the coefficient of determination (Adjusted R Square) is 0.495. This means that the large variation in the financial health variable of manufacturing companies on the Indonesia Stock Exchange for the 2021-2023 period can be explained by the ROA, DER, and TATO variables by 49.5% and the remaining 50.5% is influenced by other variables outside the research model.

Based on Table 4, the regression equation 2, the coefficient of determination (Adjusted R Square) is 0.457. This means that the large variation in the company value variable of manufacturing companies on the Indonesia Stock Exchange for the 2021-2023 period can be explained by the ROA, DER, TATO, and Altman Z-Score variables of 45.7% and the remaining 54.3% is influenced by other variables outside the research model.

Track Test

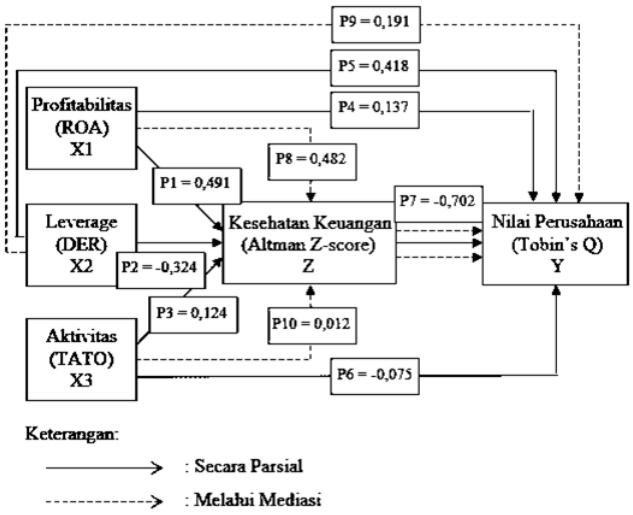

Figure 1
Track Test Results
Source: Data Analysis Results, 2025

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1. The Influence of Profitability (ROA) on Company Value (Tobin's Q) with Financial Health (Altman Z-Score) as an Intervening Variable

   Direct effect 0.137

   Indirect effect 0.491 × 0.702 = 0.344682

   Total effect 0.137 + 0.344682 = 0.481682

2. The Effect of Leverage (DER) on Company Value (Tobin's Q), Financial Health (Altman Z-Score) as an Intervening Variable

   Direct effect 0.418

   Indirect effect -0.324 × 0.702 = -0.227448

   Total effect 0.418 + -0.227448 = 0.190552

3. The Influence of Activity (TATO) on Company Value (Tobin's Q) with Financial Health (Altman Z-Score) as an Intervening Variable

   Direct effect -0.075

   Indirect effect 0.124 × 0.702 = 0.087048

   Total effect -0.075 + 0.087048 = 0.012048

Sobel test

1. The Influence of Profitability (ROA) on Company Value (Tobin's Q) through Financial Health (Altman Z-Score)

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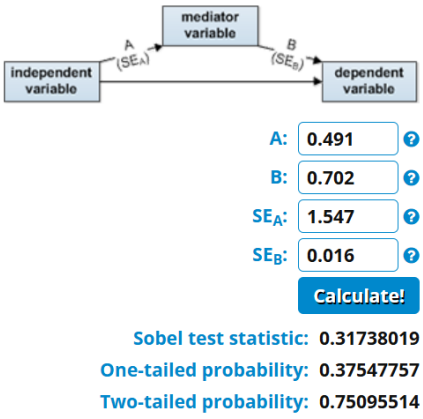

Figure 2
Sobel Test Results Hypothesis 8
Source: Data Analysis Results, 2025

Based on the results of the Sobel test, the t-count value is 0.31738019 with a significance value of 0.75095514. The t-count value is smaller than the t-table value of 1.966, so the proposed hypothesis is rejected.

2. The Effect of Leverage (DER) on Company Value (Tobin's Q) through Financial Health (Altman Z-Score)

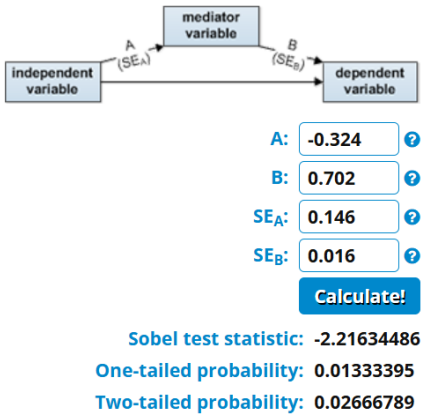

Figure 3
Sobel Test Results Hypothesis 9
Source: Data Analysis Results, 2025

Based on the results of the Sobel test, the t-value is -2.21634486 with a significance value of 0.02666789. This calculation uses absolute values and ignores negative signs due to the limitations of the Sobel method, which

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cannot process negative values. The t-value is greater than the t-table value of 1.966, so the proposed hypothesis is accepted.

3. The Influence of Activity (TATO) on Firm Value (Tobin's Q) through Financial Health (Altman Z-Score)

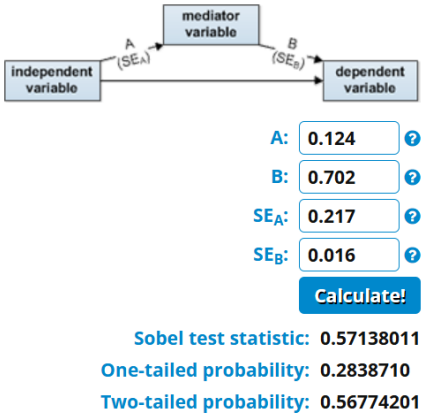

Figure 3.
Sobel Test Results Hypothesis 10
Source: Data Analysis Results, 2025

Based on the results of the Sobel test, the t-value is 0.57138011 with a significance value of 0.56774201. The t-value is smaller than the t-table value of 1.966, so the proposed hypothesis is rejected.

Synthesis of the Topic

The Impact of Profitability on Financial Health

The results of the data analysis that have been carried out show that profitability has an effect on financial health. The direction of this influence is positive, which means that the higher the profitability ratio, the higher the financial health. Conversely, the lower the profitability ratio, the lower the financial health.

Companies with high profitability levels show better ability to generate profits, so that the risk of financial difficulties that can threaten the continuity of

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the company's operations can be minimized. Conversely, companies with low profitability tend to face greater financial risks that ultimately reduce the company's financial health.

The Effect of Leverage on Financial Health

The results of the data analysis that have been carried out show that leverage has an effect on financial health. The direction of this influence is negative, meaning that the higher the leverage ratio, the lower the financial health. Conversely, the lower the leverage ratio, the higher the financial health.

Leverages serve as a signal that influences investor perceptions of the company's financial health. The higher the leverage level, the greater the risk that the company must bear, thus reducing the company's financial health. When the leverage level is low, the company's risk is also lower, and it will maintain the stability of the company's financial health.

The Impact of Activities on Financial Health

The results of the data analysis that have been carried out show that activity affects financial health. The direction of this influence is positive, meaning that the higher the activity ratio, the higher the financial health. Conversely, the lower the activity ratio, the lower the financial health.

Company management with good performance will provide a positive signal to external parties about the company through published financial reports. A high ratio value indicates that the company is running efficiently in utilizing assets for sales activities. This condition reflects good financial health, so that the company is better able to meet its financial obligations and improve the company's financial health.

The Influence of Profitability on Company Value

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The results of the data analysis that have been carried out show that profitability has an effect on company value. The direction of this influence is positive, which means that the higher the profitability ratio, the higher the company value. Conversely, the lower the profitability ratio, the lower the company value.

The increase in the company's profitability is a positive signal that shows the company's ability to generate high and efficient profits from the capital it has. This high profitability provides an illustration that the company has good prospects and is able to distribute dividends to shareholders, thus attracting investors to invest their capital, and the company's value tends to increase.

The Effect of Leverage on Company Value

The results of the data analysis that have been carried out show that leverage affects company value. The direction of this influence is positive, which means that the higher the leverage ratio, the higher the company value. Conversely, the lower the leverage ratio, the lower the company value.

Increased leverage or use of debt by a company is seen as a positive signal by investors regarding the company's future prospects. Management that increases debt shows the company's confidence in being able to manage its obligations and generate sufficient cash flow to pay off the debt. In addition, higher leverage provides an overview of good growth opportunities and efficiency in the use of funds, thus avoiding excessive cash waste and unproductive investments.

The Influence of Activities on Company Value

The results of the data analysis that have been carried out show that activity does not affect the value of the company. The effectiveness of asset use in

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generating sales does not always guarantee an increase in the company's net profit. Although activity ratios such as Total Asset Turnover (TATO) show how quickly a company manages its assets to generate sales, this does not automatically reflect good financial performance if the sales are not followed by adequate profitability. In other words, a company may have a high asset turnover, but if the profit margin is low or operating costs are high, the company's value will not increase.

The Influence of Financial Health on Company Value

The results of the data analysis that have been carried out show that financial health has an effect on the value of the company. The direction of this influence is positive, which means that the higher the financial health ratio, the higher the value of the company. Conversely, the lower the financial health ratio, the lower the value of the company.

Companies with good financial health will try to give positive signals to investors. Good financial health, which is measured using the Altman Z-Score projection and then entering the safe zone, will serve as a strong signal indicating transparent and accurate disclosure of information in financial reports, a stable dividend policy, or careful debt management.

The Influence of Profitability on Company Value through Financial Health

Based on the calculation and testing, it can be concluded that financial health is not able to be an intervening variable. In other words, financial health as an intervening variable is not able to mediate the influence of profitability on company value.

This indicates that the effect of profitability on firm value occurs directly without going through the role of financial health as a mediating variable. High

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profitability tends to increase firm value because it shows the company's ability to generate profits that can attract investors. However, the company's financial health condition does not significantly strengthen or bridge the relationship. In addition, other factors that influence financial health may not be strong enough or relevant to be effective mediators in the relationship between profitability and firm value.

The Effect of Leverage on Company Value through Financial Health

Based on the calculation and testing, it can be concluded that financial health is able to be an intervening variable. In other words, financial health as an intervening variable is able to mediate the influence of leverage on company value.

The test results indicate that companies that have high levels of debt and are worsened/improved by financial health will cause changes in the company's value. A large leverage value means that the burden of debt borne by the company's assets is also heavier. This will cause the company to be at a low level of financial health.

The Influence of Activities on Company Value through Financial Health

Based on the calculation and testing, it can be concluded that financial health is not able to be an intervening variable. In other words, financial health as an intervening variable is not able to mediate the influence of activities on company value.

This may be due to the financial health projected by the Altman Z-Score, which is a model that combines five financial ratios, including the activity ratio (sales to total assets), but its main focus is to predict the risk of bankruptcy or health conditions, not as a direct indicator of company value.

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CONCLUSION

Based on the results of the study, it can be concluded that profitability and activity have a positive and significant effect on the company's financial health, while leverage has a negative and significant effect on financial health. In addition, profitability, leverage, and financial health have a positive and significant effect on company value, while activity does not show a significant effect on company value. Financial health as an intervening variable is proven to be able to mediate the relationship between leverage and company value, while the relationship between profitability and activity with company value is not mediated by financial health. Thus, increasing profitability and activity can strengthen financial health, which further contributes to increasing company value, while proper leverage management is essential to maintaining financial health and overall company value.

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