Fundamental factors and firm value: Is capital structure a mediator or moderator? Evidence from Indonesian food and beverage firms

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Abstract

Evidence on whether financing decisions transmit or condition the effects of fundamental factors on firm value is inconsistent, and few studies test capital structure as both a mediator and a moderator within one model. Drawing on signaling, trade-off, and pecking order theories, this study examines the effects of profitability, firm size, liquidity, and the effective tax rate (ETR) on firm value and the mediating and moderating roles of capital structure. The sample comprises 38 food and beverage companies listed on the Indonesia Stock Exchange during 2021–2025 (190 firm-year observations), selected by purposive sampling. Path analysis was used for direct and indirect effects and the absolute difference method for moderation, with return on assets, the natural logarithm of total assets, the current ratio, ETR, the debt to assets ratio, and price to book value as proxies. Profitability and firm size increase firm value, whereas liquidity reduces it; ETR and capital structure have no significant effect. Higher liquidity is associated with lower leverage, while the other factors do not affect capital structure. Capital structure neither mediates nor moderates these effects at the 5% level. Firm value in this subsector is therefore driven mainly by fundamental factors rather than financing decisions, so managers should prioritize asset productivity and liquidity management.

Keywords: firm value, fundamental factors, capital structure, mediation and moderation, effective tax rate, food and beverage industry

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Introduction

Maximizing firm value is a fundamental objective of business organizations because it increases shareholder wealth. Firm value reflects the market's perception of a company's performance, growth prospects, and ability to generate sustainable earnings, and Brigham and Houston (2021) emphasize that the main goal of financial management is to maximize firm value. Firm value is shaped by internal factors that management can control, including the ability to generate profits, the composition of financing sources, liquidity management, the use of assets in line with business scale, and efficiency in managing tax obligations (Brigham & Houston, 2021). From the perspective of signaling theory, information reflecting a company's financial condition is used by investors to evaluate its prospects, and their assessment is reflected in changes in firm value (Spence, 1973).

The food and beverage industry is a key driver of Indonesia's economic growth. The subsector belongs to the consumer non-cyclicals sector, produces primary needs with relatively stable demand, and accounted for about 40.31% of non-oil and gas manufacturing GDP and about 6.92% of national GDP, with exports of USD41.45 billion and a consistent trade surplus (Kemenperin, 2024). Nevertheless, companies in this subsector face rising raw material costs, exchange rate fluctuations, inflation, changes in purchasing power, and evolving tax policies, which may affect their financial performance, financing policies, and investor perceptions, and thus their firm value.

Profitability reflects management's ability to use assets to generate profits; under the pecking order theory, profitable firms rely on retained earnings rather than debt (Myers & Majluf, 1984), while under signaling theory higher profitability attracts investors and increases firm value (Spence, 1973). Firm size reflects a firm's capacity to absorb the risks of financial leverage, and under the trade-off theory larger firms can use debt more freely because of their lower bankruptcy risk (Kraus & Litzenberger, 1973). Liquidity indicates the ability to meet short-term obligations, although excessive liquidity may signal idle assets. The effective tax rate measures the proportion of actual tax expense to pre-tax profit and may affect both net income available to shareholders and financing decisions through

the tax benefits of debt. Capital structure, in turn, may be affected by these factors and may transmit or condition their effects on firm value.

Empirical evidence remains inconsistent. Several studies find that profitability increases firm value (Fitriyani & Anik, 2025; Amelia & Hartono, 2024), whereas others find that its effect depends on factors such as capital structure and firm size (Rahayu & Utami, 2022). The effect of firm size is positive in some studies (Amelia & Hartono, 2024) but depends on profitability or capital structure in others (Kartika Dewi & Abundanti, 2019). Liquidity has been found to affect firm value directly (Fitriyani & Anik, 2025; Riki et al., 2022), although high current assets may also indicate inefficient management (Rahayu & Utami, 2022). Research on the direct effect of ETR on firm value is still limited. In addition, most prior studies position capital structure in a single role, as an independent, mediating, or moderating variable, and studies that test both its mediating and moderating roles within one framework remain scarce.

This study therefore examines the effect of profitability, firm size, liquidity, and ETR on firm value, as well as the dual role of capital structure as a mediating and moderating variable, in food and beverage subsector companies listed on the IDX during 2021–2025. The study contributes by covering the post-pandemic period, by combining the four fundamental factors with capital structure in a single model, and by testing capital structure simultaneously as a mediator and a moderator, thereby providing evidence relevant to the trade-off, pecking order, and signaling theories.

Literature review

Theoretical framework

The trade-off theory, pioneered by Kraus and Litzenberger (1973), holds that the use of debt provides a tax shield but simultaneously creates bankruptcy risk and other financial and agency costs, so that firms set debt at an optimal level by weighing these benefits and costs. Leverage that is too high increases interest burdens and financial risk and may reduce firm value. The pecking order theory developed by Myers and Majluf (1984) states that, because of information asymmetry between managers and investors, firms follow a hierarchy of financing preferences: retained earnings first, then debt, and finally new equity. Firms with

high profitability or liquidity therefore have more internal funds and depend less on external debt. Signaling theory, introduced by Spence (1973), explains that the better-informed party conveys relevant information to reduce information asymmetry; in capital markets, information on profitability, capital structure, liquidity, size, and taxation serves as a signal that investors use to assess risk and prospects, so that information perceived as positive can increase demand for the stock and firm value.

Research variables

Firm value represents the market's valuation of a company, reflecting investors' expectations of its performance, growth potential, and ability to generate future cash flows (Brigham & Houston, 2021), and the main corporate objective is to maximize shareholder wealth through investment and financing decisions that increase market value (Brealey et al., 2022). This study measures firm value using price to book value (PBV). Profitability, measured by return on assets (ROA), reflects management's effectiveness in using all assets to generate net income. Firm size reflects the scale of a firm's resources and is measured by the natural logarithm of total assets to reduce disparities in scale. Liquidity, measured by the current ratio (CR), reflects the ability of current assets to cover short-term liabilities. The effective tax rate (ETR) reflects the actual tax burden borne by a company relative to its pre-tax profit and provides a more precise estimate than the statutory rate (Organisation for Economic Co-operation and Development, 2023). Capital structure, measured by the debt to assets ratio (DAR), reflects the proportion of assets financed by liabilities.

Hypotheses development

Under signaling theory, high profitability conveys information about sound fundamentals and strengthens market confidence in a company's long-term prospects. Kartika Dewi and Abundanti (2019), Suherman (2026), and Yerikho (2023) find that profitability is associated with higher firm value. Firm size reflects a broader resource base, greater flexibility in raising external funds, and higher investor confidence; Rahayu and Utami (2022) and Silvi and Fitriawati (2026) report a positive association between firm size and firm value, although Santoso and Widjaja (2022) find no significant effect. Good liquidity reflects sound short-

term financial health and may strengthen investor confidence; Riki et al. (2022), Suherman (2026), Setyarini (2023), and Yerikho (2023) find that liquidity affects firm value. Efficient tax management can increase net income, and Muslim and Junaidi (2020) find that tax planning measured by ETR is related to firm value, although Mahmudi and Bhelawati (2025) find no significant effect. Accordingly:

H_1: Profitability affects firm value.

H_2: Firm size affects firm value.

H_3: Liquidity affects firm value.

H_4: The effective tax rate affects firm value.

Under the pecking order theory, profitable firms have more retained earnings and depend less on debt, and Rahmah and Hariyono (2025) and Febrianti and Setiawati (2025) find that profitability affects capital structure. Under the trade-off theory, larger firms have lower bankruptcy probability, better access to external financing, and greater creditor confidence, which encourages debt use. Firms with high liquidity have sufficient current assets to meet obligations and thus rely less on debt (Rahmah & Hariyono, 2025; Febrianti & Setiawati, 2025). Under the trade-off theory, firms facing higher effective tax rates have stronger incentives to use debt to obtain the tax shield (Saleem, 2025). Under the trade-off theory, debt at an optimal level can increase firm value through the tax shield, whereas excessive debt increases bankruptcy risk, and Rahayu and Utami (2022), Riki et al. (2022), and Puspitasari and Santoso (2020) find that capital structure affects firm value. Accordingly:

H_5: Profitability affects capital structure.

H_6: Firm size affects capital structure.

H_7: Liquidity affects capital structure.

H_8: The effective tax rate affects capital structure.

H_9: Capital structure affects firm value.

If the fundamental factors shape financing decisions and those decisions in turn affect firm value, capital structure may act as a transmission mechanism. Evidence on this mediating role is mixed: Mubyarto (2020) and Nananjaya and Dana (2023) find that capital structure mediates the effect of profitability and firm

size on firm value, Nurwulandari et al. (2021) and Siahaan et al. (2025) find that it mediates the effect of liquidity, whereas Huanency and Wijaya (2022) and Najiha et al. (2024) find no mediating role. Under the trade-off theory, changes in ETR may also affect financing decisions and, in turn, firm value (Saleem, 2025). Accordingly:

H_{10}: Capital structure mediates the effect of profitability on firm value.
H_{11}: Capital structure mediates the effect of firm size on firm value.
H_{12}: Capital structure mediates the effect of liquidity on firm value.
H_{13}: Capital structure mediates the effect of the effective tax rate on firm value.

The level of debt may also condition how the market responds to fundamental information, because firms with high leverage carry greater risk exposure. Setianingsih and Handayani (2024) find that capital structure moderates the effect of profitability on firm value, whereas Mardevi et al. (2021) find no such effect. Hutagaol et al. (2025) find that capital structure moderates only some of the relationships between profitability, liquidity, firm size, and firm value. Diastanova and Marsoem (2023) find that capital structure moderates the relationship between liquidity and firm value. Wibowo and Trisnawati (2025) find that capital structure moderates the relationship between tax avoidance proxied by ETR and firm value, whereas Tuffahati and Zulaecha (2022) find no moderating effect. Accordingly:

H_{14}: Capital structure moderates the effect of profitability on firm value.
H_{15}: Capital structure moderates the effect of firm size on firm value.
H_{16}: Capital structure moderates the effect of liquidity on firm value.
H_{17}: Capital structure moderates the effect of the effective tax rate on firm value.

Research method

Research design, population, and sample

This study uses a quantitative approach with a causal associative design. The population comprises all food and beverage subsector companies listed on the IDX during 2021–2025. Secondary data consisting of annual financial statements were collected through documentation from the official IDX website and company websites, and year-end closing share prices were obtained from IDX,

IDX Channel, Investing.com, and Yahoo Finance. The sample was determined by purposive sampling, as summarized in Table 1.

Table 1. Sample selection

No.	Criteria	Total
1	Food and beverage subsector companies listed on the IDX during 2021–2025	47
2	Companies that did not consistently publish annual financial statements during the research period	(2)
3	Companies without complete data on ROA, firm size, liquidity, ETR, DAR, and PBV	(6)
4	Companies delisted during the research period	(1)
	Sample companies	38
	Total observations (38 × 5 years)	190

Source: Processed data, 2026.

Variable measurement

The variables are measured as follows:

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

$$\text{Size} = \ln(\text{Total Assets})$$

$$\text{CR} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{ETR} = \frac{\text{Tax Expense}}{\text{Profit before Tax}}$$

$$\text{DAR} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

$$\text{PBV} = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

where book value per share is total equity divided by the number of shares outstanding, and the market price is the year-end closing share price.

Data analysis

Data were analyzed using Jamovi. After descriptive statistics, classical assumption tests were conducted: normality, multicollinearity (tolerance > 0.10

and VIF < 10), heteroskedasticity (Breusch-Pagan, Goldfeld-Quandt, and Harrison-McCabe), and autocorrelation (Durbin-Watson). Direct and indirect effects were estimated using path analysis with two substructures:

$$DAR = \alpha + \beta_1 ROA + \beta_2 Size + \beta_3 CR + \beta_4 ETR + e_1$$
$$PBV = \alpha + \beta_1 ROA + \beta_2 Size + \beta_3 CR + \beta_4 ETR + \beta_5 DAR + e_2$$

Mediation is evaluated from the significance of the indirect effect of each independent variable on PBV through DAR. Moderation is tested using the absolute difference method, in which each interaction term is the absolute difference between the standardized (Z-score) value of an independent variable and the standardized value of DAR:

$$PBV = \alpha + \beta_1 ROA + \beta_2 Size + \beta_3 CR + \beta_4 ETR + \beta_5 DAR$$
$$+\beta_6 \mid Z_{ROA} - Z_{DAR} \mid + \beta_7 \mid Z_{Size} - Z_{DAR} \mid + \beta_8 \mid Z_{CR} - Z_{DAR} \mid + \beta_9 \mid Z_{ETR} - Z_{DAR} \mid + e$$

A moderating effect is supported when the coefficient of the absolute difference term is significant at $p < 0.05$. All hypotheses are tested at the 5% significance level.

Results and discussion

Results

Descriptive statistics

Table 2. Descriptive statistics

Statistic	ROA	Size	CR	ETR	DAR	PBV
N	190	190	190	190	190	190
Mean	0.0759	23.2	2.52	0.238	0.408	2.42
Median	0.0648	25.6	1.77	0.220	0.426	1.60
Standard deviation	0.0647	5.55	2.16	0.140	0.165	3.32
Minimum	-0.129	14.4	0.600	-0.636	0.0859	0.260
Maximum	0.343	31.1	13.3	0.863	0.832	29.8

ROA ranges from -0.129 to 0.343 with a mean of 0.0759, indicating that some companies incurred losses while others converted assets into profit very efficiently. Firm size ranges from 14.4 to 31.1 with a mean of 23.2 below the median of 25.6, indicating a left-skewed distribution with some relatively small firms. CR ranges from 0.600 to 13.3 with a mean of 2.52 above the median of 1.77, indicating that a few highly liquid observations raise the average. ETR ranges from -0.636 to 0.863 with a mean of 0.238; negative values arise when tax expense and pre-tax profit have opposite signs. DAR ranges from 0.0859 to 0.832

with a mean of 0.408, meaning that on average about 40.8% of assets are financed by liabilities. PBV ranges from 0.260 to 29.8 with a mean of 2.42 above the median of 1.60, indicating right skewness caused by several observations with very high valuations.

Classical assumption tests

Table 3. Classical assumption tests

Test	Statistic	p	Conclusion
Shapiro-Wilk	0.989	.136	Normal
Kolmogorov-Smirnov	0.0386	.940	Normal
Anderson-Darling	0.303	.571	Normal
Breusch-Pagan	9.32	.097	No heteroskedasticity
Goldfeld-Quandt	0.954	.587	No heteroskedasticity
Harrison-McCabe	0.512	.609	No heteroskedasticity
Durbin-Watson (autocorrelation 0.00638)	1.94	.706	No autocorrelation

VIF (tolerance): ROA 1.06 (0.941); Size 1.16 (0.860); CR 2.67 (0.374); ETR 1.04 (0.963); DAR 2.56 (0.390).

All normality tests yield p-values above 0.05, so the residuals are normally distributed. All VIF values are below 10 and all tolerance values exceed 0.10, indicating no multicollinearity. All heteroskedasticity tests yield p-values above 0.05, and the Durbin-Watson statistic of 1.94 (p = .706) indicates no autocorrelation. The model therefore satisfies the classical assumptions.

Path analysis

The path model yields SRMR and RMSEA values of 0.000 and CFI, TLI, RNI, and GFI values of 1.000 (baseline model $\chi^2 = 278$; df = 9; $p < .001$). The estimates for Substructure I and Substructure II, together with the indirect effects through DAR, are presented in Table 4.

Table 4. Path coefficients and indirect effects of the path model

Path	Estimate	SE	95% CI	z	p
Panel A. Direct effects on DAR (Substructure I)					
ROA → DAR	-0.0176	0.0467	[-0.109; 0.0739]	-0.378	.706
Size → DAR	-0.0533	0.0487	[-0.149; 0.0421]	-1.095	.274
CR → DAR	-0.7600	0.0495	[-0.857; -0.6631]	-15.359	<.001
ETR → DAR	-0.0413	0.0461	[-0.132; 0.0490]	-0.896	.370
Panel B. Direct effects on PBV (Substructure II)					
ROA → PBV	0.5299	0.0576	[0.417; 0.6428]	9.192	<.001
Size → PBV	0.3910	0.0603	[0.273; 0.5092]	6.485	<.001
CR → PBV	-0.2885	0.0914	[-0.468; -0.1093]	-3.156	.002
ETR → PBV	-0.0532	0.0570	[-0.165; 0.0586]	-0.932	.351
DAR → PBV	-0.0645	0.0895	[-0.240; 0.1110]	-0.720	.471
Panel C. Indirect effects on PBV through DAR					
ROA → DAR → PBV	0.001	0.003	[-0.006; 0.008]	0.335	.738
Size → DAR → PBV	0.003	0.006	[-0.008; 0.015]	0.602	.547
CR → DAR → PBV	0.049	0.068	[-0.084; 0.183]	0.720	.472
ETR → DAR → PBV	0.003	0.005	[-0.007; 0.012]	0.561	.575

Substructure I: $R = 0.781$; $R^2 = 0.610$; $F(4, 185) = 72.3$; $p < .001$. Substructure II: $R = 0.637$; $R^2 = 0.406$; $F(5, 184) = 25.1$; $p < .001$. Indirect effects are the product of the path from each fundamental factor to DAR and the path from DAR to PBV.

In Substructure I, only CR has a significant effect on DAR (β = -0.7600; p < .001); ROA, firm size, and ETR have negative but non-significant coefficients. Together, the four variables explain 61.0% of the variation in DAR. In Substructure II, ROA (β = 0.5299; p < .001) and firm size (β = 0.3910; p < .001) have positive and significant effects on PBV, CR has a negative and significant effect (β = -0.2885; p = .002), while ETR (p = .351) and DAR (p = .471) have no significant effect. The five variables explain 40.6% of the variation in PBV.

Mediation and moderation tests

None of the indirect effects in Table 4 is significant, and all 95% confidence intervals include zero; capital structure therefore does not mediate the effects of profitability, firm size, liquidity, or ETR on firm value. The moderation results are presented in Table 5.

Table 5. Moderation test using the absolute difference method (dependent variable: PBV)

Predictor	Estimate	SE	t	p
Intercept	-0.1080	0.1274	-0.847	.398
ROA	0.5389	0.0638	8.440	<.001
Size	0.3497	0.0681	5.133	<.001
CR	-0.1929	0.1114	-1.732	.085
ETR	-0.0589	0.0588	-1.002	.318
DAR	-0.0451	0.0927	-0.486	.628
|ZROA − ZDAR|	0.0592	0.0991	0.598	.551
|ZSize − ZDAR|	0.1303	0.0893	1.459	.146
|ZCR − ZDAR|	-0.1719	0.0937	-1.834	.068
|ZETR − ZDAR|	0.1015	0.0706	1.438	.152

None of the absolute difference terms is significant at the 5% level, so capital structure does not moderate the effects of profitability, firm size, liquidity, or ETR on firm value. The term for liquidity (|ZCR − ZDAR|; β = -0.1719; p = .068) is significant only at the 10% level, which does not change the hypothesis decision at the 5% level adopted in this study. In summary, H1, H2, H3, and H7 are supported, while H4, H5, H6, H8, H9, H10, H11, H12, H13, H14, H15, H16, and H17 are not supported.

Discussion

Direct effects on firm value

Profitability has a positive and significant effect on firm value. A high ROA reflects the firm's ability to use its assets to generate profits and management's effectiveness, and, consistent with signaling theory, it serves as a positive signal about performance and future prospects that strengthens investor confidence and is reflected in a higher PBV. This finding is consistent with Kartika Dewi and Abundanti (2019) and with Riki et al. (2022), who studied consumer goods companies on the IDX.

Firm size has a positive and significant effect on firm value. Larger total assets indicate broader resources, greater operational capacity, and wider access to financing for investment and expansion. Under signaling theory, firm size conveys information about the company's capacity and prospects, strengthening investor

confidence and market appreciation. The finding is in line with Silvi and Fitriawati (2026) and Suherman (2026), who examined food and beverage companies on the IDX during 2021–2024.

Liquidity has a negative and significant effect on firm value, meaning that higher current ratios are associated with lower PBV in the sample. Although adequate liquidity reflects the ability to meet short-term obligations, a very high level of current assets may indicate idle resources that are not used productively, which reduces the market's assessment of the firm (Rahayu & Utami, 2022). The direction of this effect differs from Suherman (2026), Setyarini (2023), and Yerikho (2023), who report a positive effect of liquidity on firm value in the same subsector.

ETR has no significant effect on firm value. Changes in the effective tax burden relative to profit do not appear to be a primary consideration for investors, who focus instead on profitability, size, liquidity, financing policy, and growth prospects. This result is consistent with Rohmah et al. (2026) and Djajanti and Carolina (2024), but differs from Muslim and Junaidi (2020), possibly because of differences in observation period, firm characteristics, and macroeconomic conditions in the post-pandemic period.

Effects on capital structure and of capital structure on firm value

Profitability has no significant effect on capital structure. The negative coefficient is consistent with the pecking order theory, under which profitable firms rely more on internal funds, but the relationship is not statistically strong, suggesting that firms also consider operational needs, expansion plans, liquidity, funding costs, and business risk when deciding on debt. This finding is consistent with Iskandar and Zaki (2023) and Handayani et al. (2024). Firm size also has no significant effect on capital structure: under the trade-off theory, firms weigh the benefits of debt against financial risk, distress costs, and their ability to meet obligations, so that larger firms with better access to financing do not necessarily use more debt.

Liquidity has a negative and significant effect on capital structure. Firms with higher liquidity have sufficient current assets to support operations and meet short-term obligations, allowing them to rely on internal resources before seeking

external debt, in line with the pecking order theory. This finding is consistent with Rahmah and Hariyono (2025) and Febrianti and Setiawati (2025). ETR has no significant effect on capital structure, suggesting that the tax-shield benefit of debt emphasized by the trade-off theory is not a dominant consideration in financing decisions in this subsector; the result is consistent with Sutantio and Stella (2026) and Marpaung and Hutabarat (2020).

Capital structure has no significant effect on firm value. Under the trade-off theory, debt offers tax savings but also increases costs and financial risk, and the non-significant result indicates that the level of debt use is not a decisive factor in market valuation; investors also consider profitability, firm size, liquidity, growth opportunities, and market conditions. This finding is consistent with Akhmadi et al. (2022) and Rezeki et al. (2023).

Mediating and moderating roles of capital structure

Capital structure does not mediate the effects of any fundamental factor on firm value. For profitability, firm size, and ETR, the first path to DAR is not significant, so no indirect effect can form. For liquidity, although CR significantly reduces DAR, DAR does not significantly affect PBV, so the effect of liquidity on firm value operates directly rather than through financing decisions. These results are consistent with Rohman and Fitriyah (2024), Utami et al. (2024), Alamsyah et al. (2023), and Najiha et al. (2024), and they indicate that investors respond directly to fundamental information rather than through changes in the financing structure.

Capital structure also does not moderate the effects of profitability, firm size, liquidity, or ETR on firm value at the 5% level. Differences in leverage do not strengthen or weaken the market's response to profitability, consistent with Izzah et al. (2023); nor do they change the relationship between firm size and firm value, consistent with Sagita et al. (2023) but different from Maghfirandito and Adiwibowo (2022). For ETR, the result is consistent with Tuffahati and Zulaecha (2022). The interaction for liquidity is significant only at the 10% level, with a negative coefficient suggesting that a larger gap between liquidity and leverage tends to be associated with lower firm value; this indication points in the same direction as Diastanova and Marsoem (2023), who find a moderating role, but it

should be interpreted cautiously, and at the 5% level the result is consistent with Hutagaol et al. (2025).

Conclusion

This study aimed to determine whether profitability, firm size, liquidity, and the effective tax rate (ETR) affect firm value, and whether capital structure transmits or conditions these effects, using 190 firm-year observations from 38 food and beverage companies listed on the Indonesia Stock Exchange during 2021–2025. Profitability and firm size increase firm value, liquidity reduces it, and ETR has no significant effect. Liquidity is the only fundamental factor that significantly affects capital structure, with a negative effect, whereas capital structure has no significant effect on firm value and neither mediates nor moderates the effects of the fundamental factors at the 5% significance level; the indication of moderation for liquidity at the 10% level should be treated as tentative. Firm value in this subsector is therefore determined mainly by the direct effects of fundamental factors rather than by financing decisions. These results support signaling theory and the pecking order theory, show that the tax-shield mechanism of the trade-off theory is not evident, and add emerging-market evidence on the dual role of capital structure tested within a single model. Managers should prioritize asset productivity and manage liquidity so that current assets are not left idle, and should base financing decisions on funding needs and risk rather than on an expectation of raising firm value, while investors should assess profitability, firm size, and liquidity together and treat a high current ratio with caution.

This study has limitations. It covers one subsector over five years, uses one proxy for each construct, and relies on path analysis and the absolute difference method, which may not capture firm-specific heterogeneity or all forms of interaction; the sample also includes observations with negative ETR. Future research may extend the period and sample to other sectors or countries, use alternative proxies such as the debt to equity ratio and Tobin's Q, include growth, business risk, investment decisions, dividend policy, corporate governance, and macroeconomic conditions, apply panel data regression or structural equation

modeling, and re-examine the moderating role of capital structure in the liquidity–firm value relationship.

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