International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

The Influence Of Profitability, Capital Structure, And Investment Decisions On Company Value (A Case Study Of LQ45 Companies Listed On The Indonesia Stock Exchange For The 2021-2024 Period)

Graciella Chrysta Avena Christian[1], Ika Listyawati[2]

[1,2] AKI University Semarang

Corresponding Email:grcllachryst@gmail.com,ika.listyawati@unaki.ac.id

Abstract

Firm value is an important indicator reflecting investor perceptions of a company's performance and prospects. However, research findings on the influence of profitability, capital structure, and investment decisions on firm value remain inconsistent. This study aims to analyze the influence of profitability, capital structure, and investment decisions on firm value in LQ45 companies listed on the Indonesia Stock Exchange for the 2021-2024 period. The study employed a quantitative approach with descriptive methods. The study population comprised all LQ45 companies, while the sample was determined using a purposive sampling technique, resulting in 33 companies with 132 observations. The research data consisted of secondary data obtained through documentation of the companies' annual financial reports. Data analysis was performed using SPSS version 27 through descriptive statistical analysis, classical assumption tests, multiple linear regression, t-tests, F-tests, and coefficients of determination. The results showed that profitability had a positive and significant effect on firm value, while capital structure and investment decisions had no significant effect. Simultaneously, all three variables influenced firm value. This study concluded that profitability was the most influential factor in increasing firm value compared to capital structure and investment decisions in LQ45 companies for the 2021-2024 period.

Keywords: Financial Performance, Village Budget, Financial Ratios.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

INTRODUCTION

The capital market plays a crucial role as a source of corporate funding and as an investment vehicle for the public. In an increasingly competitive business environment, companies are required to maintain financial performance and increase competitiveness to attract investors. Stock prices serve as an indicator of a company's financial condition, investor expectations, and prospects. Therefore, it's crucial for various parties to understand the factors influencing a company's value.

This phenomenon is evident in the movement of the LQ45 index during the 2021-2024 period. According to Investing.com data, the LQ45 index increased in 2022-2023 after being impacted by the Covid-19 pandemic, but declined again in 2024 due to normalizing commodity prices, economic uncertainty leading up to the election, and investors' wait-and-see attitude. This situation indicates that the value of LQ45 companies remains influenced by fundamental factors and investor perceptions.

Company value reflects investors' perceptions of a company's prospects and performance (Brigham & Houston, 2018). One indicator used is Price to Book Value (PBV). Company value is influenced by external factors, such as exchange rates, inflation, and market growth (Kadim et al., 2018), as well as internal factors including profitability, capital structure, and investment decisions.

Although these three factors have been extensively studied, previous research has shown inconsistencies. Astuti et al. (2018) and Lutfia and Panuntun (2024) found that profitability influences firm value, while Nuswandari et al. (2019) and Utami and Widati (2022) obtained different results. Similar inconsistencies were also found in the influence of capital structure according to Suwaisyono (2023), Hopipah (2024), Chasanah (2018), and Dewi et al. (2024), as well as on investment decisions according to Juswandi and Delvianti (2024), Hidayat (2024), Amaliyah and Herwiyanti (2020), and Lukman and Albar (2020).

The discrepancies in these research findings indicate a research gap that still needs to be addressed. Furthermore, the 2021-2024 period represents the post-pandemic economic recovery phase and the transition period leading up to the 2024 elections, making it a relevant period to examine the influence of fundamental factors on company value in companies included in the LQ45 index.

Based on these conditions, this study aims to analyze the influence of profitability, capital structure, and investment decisions on firm value in LQ45 companies listed on the Indonesia Stock Exchange for the 2021-2024 period. This research is crucial for providing empirical evidence regarding the factors influencing firm value during the

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

economic recovery period. The novelty of this study lies in the use of LQ45 companies as research subjects for the 2021-2024 period, reflecting the dynamics of the Indonesian capital market post-pandemic.

METHOD

This study uses a quantitative approach with descriptive methods to examine the effect of profitability, capital structure, and investment decisions on firm value in LQ45 companies listed on the Indonesia Stock Exchange for the 2021-2024 period. Firm value is proxied using Price to Book Value (PBV) referring to Brigham and Houston (2018), while profitability, capital structure, and investment decisions are proxied by Return on Assets (ROA) based on Kasmir (2017), Debt to Equity Ratio (DER) based on Pasaribu and Tobing (2017), and Price Earnings Ratio (PER) based on Juswandi and Delvianti (2024).

The research instrument consisted of secondary data derived from the annual financial reports of LQ45 companies for the 2021-2024 period. Data were collected using documentation methods through publications on the Indonesia Stock Exchange and the companies' official websites. Data analysis was performed using SPSS version 27, including descriptive statistical analysis, classical assumption tests, multiple linear regression analysis, and hypothesis testing using the t-test, F-test, and coefficient of determination (R^2) as proposed by Ghozali (2018).

The study population comprised all companies listed in the LQ45 index on the Indonesia Stock Exchange, as defined by Sugiyono (2019). The sample was determined using a purposive sampling technique based on companies consistently listed on the LQ45 index, publishing complete financial reports, and possessing data relevant to the research requirements during the 2021-2024 period. Based on these criteria, 33 companies were selected, with a total of 132 observational data points.

The research procedure begins with determining the object, variables, and research period, then collecting and selecting data according to sample criteria. The data is then calculated using proxies of PBV, ROA, DER, and PER, then analyzed through descriptive statistical analysis, classical assumption tests, multiple linear regression analysis, and hypothesis testing using SPSS version 27 to obtain research conclusions.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 1 Results of Descriptive Statistical Tests

Descriptive Statistics					
	N	Minimum	Mommaximum	Mean	Std. Deviation
ROA	132	.09	30.20	6.7321	6.32014
DER	132	.13	15.31	2.2397	2.64352
PER	132	-37024.00	1567.57	-353.5191	3321.57616
PBV	132	.29	44.86	3.1912	6.86143
Valid N (listwise)	132				

Based on the results of descriptive statistical analysis, the profitability variable proxied by Return on Assets (ROA) has a minimum value of 0.09, a maximum value of 30.20, an average of 6.7321, and a standard deviation of 6.32014. The capital structure proxied by Debt to Equity Ratio (DER) has a minimum value of 0.13, a maximum value of 15.31, an average of 2.2397, and a standard deviation of 2.64352. The investment decision proxied by Price Earnings Ratio (PER) has a minimum value of -37,024.00, a maximum value of 1,567.57, an average of -353.5191, and a standard deviation of 3,321.57616. Meanwhile, company value, proxied by Price to Book Value (PBV), had a minimum value of 0.29, a maximum value of 44.86, a mean of 3.1912, and a standard deviation of 6.86143. These results indicate that each variable has a different level of data distribution among LQ45 companies during the 2021-2024 study period.

Classical Assumption Test

Table 2 Normality Test Results Before Outliers

One-Sample Kolmogorov-Smirnov Test		
		Unstayourdized Resecondl
N		132
Norml Parametersa,b	Mean	.0000000

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

	Std. Deviation		5.65768685
Most ExtremeDifferences	Aabsolute		.217
	Positive		.217
	Nonotive		-.152
Test Statistic			.217
Asymp. Sig. (2-tailed)c			.000
MonteCarlo Sig. (2-tailed)d	Sig.		.000
	99% ConfidentnceInterval	Lower Bound	.000
		Upper Bound	.000
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors SignificanceCorection.			
d. Lilliefors' method based on 10000 MonteCarlo sasimples with starting seed 624387341.			

Based on the One-Sample Kolmogorov-Smirnov Test on 132 observational data, the Asymp. Sig. value was 0.000 (<0.05), indicating that the residuals were not normally distributed. Therefore, outlier data was removed using the z-score method, resulting in five companies being removed from the sample and the number of observations being reduced from 132 to 112 data.

Table 3 Results of Normality Test After Outliers

One-Sample Kolmogorov-Smirnov Test		
		Unstayourdized Resecondl
N		112
Norml Parametersa,b	Mean	-.3357809
	Std. Deviation	2.15857686
Most ExtremeDifferences	Aabsolute	.070
	Positive	.044
	Nonotive	-.070

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Test Statistic			.070
Asymp. Sig. (2-tailed)c			.200d
MonteCarlo Sig. (2-tailed)e	Sig.		.198
	99% ConfidentnceInterval	Lower Bound	.188
		Upper Bound	.208
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors SignificanceCorection.			
d. This is aLower bound of thetruesignificancence.			
e. Lilliefors' method based on 10000 MonteCarlo sasimples with starting seed 334431365.			

The results of the normality test after removing outliers showed an Asymp. Sig. value of 0.200 (>0.05) for 112 observations. These results indicate that the residuals are normally distributed, thus meeting the normality assumption and confirming the suitability of the regression model for further testing.

Table 4 Multicollinearity Test Results

Coefficientsa			
Model		Collinearity Statistics	
		Tolerance	VIF
1	ROA	.756	1,323
	DER	.760	1,316
	PER	.987	1,013
a. Dependent Vafunble: PBV			

Based on the results of the multicollinearity test, all independent variables have a tolerance value above 0.100 and a VIF value below 10.00. Thus, it can be concluded that there are no symptoms of multicollinearity, so the regression model meets the multicollinearity assumptions.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Table 5 Heteroscedasticity Test Results

Coefficientsa						
Model		Unstayourdized Coeofficents		Stationyourdized Coeofficents	t	Sig.
		B	Std. Error	Beta		
1	(Consta(nt)	.508	.093		5,436	.000
	ROA	.010	.012	.088	.818	.415
	DER	.012	.015	.081	.758	.450
	PER	1.086E-5	.000	.099	1,047	.297
a. Dependent Vafunble: ABS_RES						

Based on the results of the Glejser test, all independent variables have significance values above 0.05, namely profitability (0.415), capital structure (0.450), and investment decisions (0.297). Thus, it can be concluded that the regression model does not experience heteroscedasticity and meets the assumption of homoscedasticity.

Table 6 Autocorrelation Test Results

Model Summary					
Model	R	R Square	Adjusted R Square	Std. EError of theEstimate	Durbin-Watson
1	.608a	.370	.351	.58227	1,837
a. Predictors: (Constant), LAG_PER, LAG_DER, LAG_ROA					
b. Dependent Vafunble: LN_Y					

Based on the results of the Durbin-Watson test, a value of 1.837 was obtained, which is between the du and (4 − du) values. Thus, it can be concluded that the regression model does not experience autocorrelation symptoms, thus fulfilling the autocorrelation assumption and is suitable for use in hypothesis testing.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Multiple Linear Regression Analysis

Table 7 Multiple Linear Regression Test Results

Coefficientsa						
Model		Unstayourdized Coeofficents		Stationyourdized Coeofficents	t	Sig.
		B	Std. Error	Beta		
1	(Consta(nt)	.862	.413		2,090	.039
	ROA	.131	.047	.297	2,779	.006
	DER	.166	.095	.186	1,749	.083
	PER	1.024 E-6	.000	.002	.025	.980
a. Dependent Vafunble: PBV						

Based on the results of multiple linear regression analysis, the equation PBV = 0.862 + 0.131ROA + 0.166DER + 0.000001024PER + e was obtained. These results indicate that profitability (ROA), capital structure (DER), and investment decisions (PER) have positive regression coefficients, which indicates that an increase in each variable tends to increase the company value (PBV), with the influence of investment decisions being relatively very small.

Hypothesis Testing

Table 8 Partial Test (T-Test)

Coefficientsa						
Model		Unstayourdized Coeofficents		Stationyourdized Coeofficents	t	Sig.
		B	Std. Error	Beta		
1	(Consta(nt)	.862	.413		2,090	.039
	ROA	.131	.047	.297	2,779	.006
	DER	.166	.095	.186	1,749	.083
	PER	1.024E-6	.000	.002	.025	.980
a. Dependent Vafunble: PBV						

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Based on the results of the partial test, the profitability variable (ROA) has a significance value of 0.006 (<0.05), so it has a significant effect on company value and H_1accepted. Meanwhile, capital structure (DER) with a significance value of 0.083 (>0.05) and investment decision (PER) of 0.980 (>0.05) do not have a significant effect on company value, so $H_2$and H_3rejected.

Table 9 Simultaneous Test (F Test)

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	ReGresession	18,906	3	6,302	2,681	.050b
	Resecondl	253,881	108	2,351		
	Totall	272,787	111			
a. Dependent Vafunble: PBV						
b. Predictors: (Constant), PER, DER, ROA						

Based on the results of the simultaneous test, the significance value of 0.050 indicates that profitability, capital structure, and investment decisions jointly influence company value.

Coefficient of Determination

Table 10 Test of Determination Coefficient

Model Summary				
Model	R	R Square	Adjusted R Square	Std. EError of theEstimate
1	.263a	.069	.043	1.53322
a. Predictors: (Constant), PER, DER, ROA				
b. Dependent Vafunble: PBV				

Based on the results of the simultaneous test, the significance value of 0.050 indicates that profitability, capital structure, and investment decisions jointly influence company value.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

DISCUSSION

1. The Influence of Profitability on Company Value

The partial test results (t-test) show that the profitability variable, proxied by Return on Assets (ROA), has a significance value of 0.006, lower than the 0.05 level, with a regression coefficient of 0.131. These findings indicate that profitability has a positive and significant effect on firm value. Therefore, the first hypothesis (H_1) accepted.

The results of this study indicate that the higher a company's profitability, the higher its value. High profitability reflects a company's ability to generate profits through effective asset utilization, thereby increasing investor confidence and driving increased company value.

This finding aligns with Signaling Theory, which explains that a company's ability to generate profits serves as a positive signal for investors in assessing its prospects. These findings also support research by Lutfi and Panuntun (2024), which found that profitability has a positive and significant effect on firm value.

2. The Influence of Capital Structure on Company Value

Based on the results of the partial test (t-test), the capital structure variable, proxied using the Debt to Equity Ratio (DER), obtained a significance value of 0.083, greater than 0.05, with a regression coefficient of 0.166. These results indicate that capital structure does not have a significant effect on company value, so the second hypothesis (H_2) rejected.

The results of this study indicate that changes in capital structure have not significantly increased company value. Investors consider not only the use of debt but also profitability, growth prospects, and company condition, so debt size has not become a primary factor in determining company value.

This finding aligns with the Trade-Off Theory, which explains that debt use will only increase firm value if it is at an optimal level. This research also supports research by Dewi et al. (2024), which found that capital structure has no significant effect on firm value.

3. The Influence of Investment Decisions on Company Value

The results of the partial test (t-test) show that the investment decision variable proxied by the Price Earnings Ratio (PER) has a significance value of 0.980, greater than 0.05, with a regression coefficient of 0.000001024. These results indicate that investment decisions do not have a significant effect on company value, so the third hypothesis (H_3) rejected.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

The results of this study indicate that investment decisions proxied by PER have not significantly increased company value. Investors not only use PER as a basis for assessment but also consider profitability, fundamentals, financial performance stability, and company growth prospects.

When linked to Signaling Theory, the information reflected in the PER is not yet a strong enough signal to influence investors' assessment of the company. This study's findings align with those of Lukman and Albar (2020), which concluded that investment decisions do not significantly impact company value.

CONCLUSION

The results of the study indicate that profitability, as measured by Return on Assets (ROA), has a positive and significant effect on firm value in LQ45 companies listed on the Indonesia Stock Exchange for the 2021-2024 period. Conversely, capital structure, as measured by the Debt to Equity Ratio (DER), and investment decisions, as measured by the Price Earnings Ratio (PER), do not significantly influence firm value. Simultaneously, profitability, capital structure, and investment decisions influence firm value. These findings indicate that a company's ability to generate profits remains the most important factor for investors in assessing a company, compared to capital structure and investment decisions.

This study has limitations because it only used companies listed in the LQ45 index for the 2021-2024 period and only tested three independent variables. Therefore, the results cannot fully describe all factors influencing company value. Therefore, further research is recommended to expand the research object and period, and include other variables that could potentially influence company value to obtain more comprehensive results. Practically, the results of this study can provide input for company management to improve profitability in an effort to increase company value, while also providing consideration for investors in evaluating company performance before making investment decisions.

BIBLIOGRAPHY

Astuti, RP, Winarti HS, E., & Subchan. (2018). The influence of capital structure, profitability, and company size on company value with managerial ownership as a moderating variable (Study of manufacturing companies on the Indonesia Stock Exchange 2014–2017). Prima Ekonomika, 9(2), 57–76.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

Brigham, E.F., & Houston, J.F. (2018). Fundamentals of Financial Management (15th ed.). Cengage Learning.

Dewi, NLR, Novitasari, NLG, & Saitri, PW (2024). The influence of intangible assets, investment opportunity set, capital structure, company size, and investment decisions on company value in LQ45 index companies listed on the Indonesia Stock Exchange in 2020–2022. Collection of Accounting Student Research Results (KHARISMA), 6(1), 113–128.

Ghozali, I. (2018). Multivariate Analysis Application with IBM SPSS 25 Program (9th ed.). Diponegoro University Publishing Agency.

Hidayat, R. (2024). Determination of company value based on investment decisions, financing, dividend policy, and company size. Mandiri: Journal of Accounting and Finance, 3(2), 66–75.

Hopipah. (2024). The influence of capital structure, liquidity, and investment decisions on firm value. Indonesian Journal of Economics, Management, and Accounting, 1(6), 616–624.

Investing.com. (2024). Indonesian stock market data. https://www.investing.com

Juswandi, R., & Delvianti. (2024). The influence of investment decisions and financing decisions on company value in mining companies listed on the Indonesia Stock Exchange. Journal of Global Economic Research, 1(1), 32–47.

Kasmir. (2017). Financial Report Analysis. PT RajaGrafindo Persada.

Lukman, I., & Albar, SG (2022). The influence of investment decisions, dividend policy, capital structure, company growth, and company size on company value. Jurnal Impresi Indonesia, 1(3), 298–307.

Lutfia, AA, & Panuntun, B. (2024). Analysis of the influence of profitability ratios ROA, ROE, and NPM on the value of companies listed on the IDX-MES BUMN. Select Management: Journal of Business & Management Students, 3(1), 81–91.

Nuswandari, C., Sunarto, S., Jannah, A., & Ikromudin. (2019). Corporate social responsibility moderates the effect of liquidity and profitability on the firm value. Advances in Economics, Business and Management Research, 86, 87–90.

Pasaribu, D., & Tobing, DNL (2017). Analysis of the influence of capital structure, profitability, dividend policy, and company size on company value in pharmaceutical companies listed on the Indonesia Stock Exchange. Methodist Journal of Accounting and Finance, 1(1), 32–44.

Spence, M. (1973). Job market signaling. Quarterly Journal of Economics, 87(3), 355–374.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

Sugiyono. (2019). Quantitative, Qualitative, and R&D Research Methods. Alfabeta.

Suwaisyono, L. (2023). The influence of financial performance, profitability, and capital structure on company value in LQ45 companies listed on the Indonesia Stock Exchange. Journal of Management Research and Innovation Research, 1(5), 194–209.

Utami, CN, & Widati, LW (2022). The effect of profitability, liquidity, and ownership on firm value. Owner: Research & Accounting Journal, 6(1), 885–893.

Copyright at authors some right reserved this work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.