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The Influence of Profitability, Debt Policy, and Investment Decisions on Company Value in Lq45 Companies Listed on the Indonesia Stock Exchange Period 2021-2024

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Abstract

This study aims to analyze the influence of profitability, debt policy, and investment decisions on firm value among companies included in the LQ45 index listed on the Indonesia Stock Exchange during the 2021-2024 period. This study employs a quantitative approach with an associative research design. The research population consists of all LQ45 companies listed on the Indonesia Stock Exchange during the 2021-2024 period. Purposive sampling was used, resulting in a sample of 33 companies and a total of 132 observations over the four-year study period. Following data processing and normality testing involving outlier analysis, the final dataset used for analysis consisted of 112 observations. Analytical techniques employed include analysis classical assumption testing, multiple linear regression analysis, partial testing (t-test), simultaneous testing (F-test), and the coefficient of determination test (R^2), using SPSS software. The research results indicate that profitability, proxied by Return on Assets (ROA), has a positive and significant effect on firm value. Meanwhile, debt policy, proxied by the Debt to Equity Ratio (DER), and investment decisions, proxied by the Price-Earnings Ratio (PER), do not have a significant effect on firm value. Simultaneously, profitability, debt policy, and investment decisions collectively influence firm value. However, the coefficient of determination indicates that the ability of these three independent variables to explain variations in firm value remains relatively limited, suggesting that other factors outside the research model also influence firm value.

Keywords: Debt Policy, Firm Value, Investment Decisions, Profitability

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INTRODUCTION

The development of the capital market in Indonesia has significantly contributed to national economic growth by providing funding sources for companies and investment alternatives for the public. In an increasingly competitive business environment, companies are required to improve their financial performance to maintain their business continuity and increase their value. Corporate value is a crucial indicator reflecting investor perceptions of a company's prospects, as it is closely linked to stock prices in the capital market. The higher the company's value, the greater investor confidence in the company's ability to generate profits in the future (Brigham & Houston, 2019; Madiana, 2021). Therefore, efforts to increase corporate value are a primary goal for every public company.

The phenomenon shows that companies included in the LQ45 index, despite being known for their strong fundamentals, large market capitalization, and high stock liquidity, still experienced fluctuations in their company values during the 2021–2024 period. Some companies experienced increased profits following the post-pandemic economic recovery, but this increase was not always accompanied by an increase in company value, as reflected in the Price-to-Book Value (PBV) ratio. This condition indicates that increased profitability does not necessarily increase company value when influenced by other factors, such as financing policies, investment decisions, global economic conditions, changes in interest rates, and investor sentiment. This phenomenon demonstrates that the relationship between financial performance and company value remains an interesting issue for empirical study.

Theoretically, several factors are believed to influence company value, including profitability, debt policy, and investment decisions. Profitability reflects a company's ability to generate profits through the utilization of its assets. The higher the level of profitability, the greater the company's opportunity to gain investor trust, thereby increasing its value (Pratama & Wiksuana, 2016). Furthermore, debt policy is a strategic decision in determining a company's funding structure. Optimal debt use can increase company value through tax benefits, but excessive debt use actually increases the risk of bankruptcy, thus reducing investor confidence (Nasution, 2021). Furthermore, investment decisions are also crucial because they reflect the company's future growth opportunities. Appropriate investment decisions provide positive signals to investors regarding the company's prospects, potentially increasing its value (Gustian, 2020).

However, previous research on the influence of these three variables on firm value remains inconsistent. Hidayat and Triyonowati (2020) found that profitability had

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a positive effect on firm value, while Antri (2018) and Dewi (2019) found that profitability had no significant effect on firm value. Regarding debt policy, Nasution (2020) found an effect on firm value, while Pakekong et al. (2019) obtained different results. Similarly, regarding investment decisions, Gustian (2020) stated that investment decisions influence firm value, while Mardiyati et al. (2015) found that the effect was insignificant. These differences in research findings indicate a research gap that requires further study to gain a more comprehensive understanding of the factors influencing firm value.

The urgency of this research lies in the importance of providing empirical evidence regarding the factors influencing firm value in companies included in the LQ45 index, particularly following the post-pandemic economic recovery period marked by global economic uncertainty and changing capital market conditions. The research findings are expected to provide useful information for investors in developing investment strategies, for company management in formulating effective financial policies, and for academics in developing theories regarding the relationship between profitability, debt policy, investment decisions, and firm value.

The novelty of this research lies in the use of companies included in the LQ45 index for the 2021–2024 period as research objects, representing companies with high levels of liquidity and market capitalization during the economic recovery period. Furthermore, this study integrates three main variables—profitability, debt policy, and investment decisions—into a single research model to explain changes in firm value. This approach is expected to provide a more comprehensive picture than previous research, which generally focused on only one or two variables, thereby enriching the literature on the determinants of firm value in the Indonesian capital market.

Methodology

This study uses a quantitative approach with an associative method to analyze the effect of profitability, debt policy, and investment decisions on company value in companies listed on the LQ45 index on the Indonesia Stock Exchange (IDX) for the 2021–2024 period. The quantitative approach was chosen because the data used are figures derived from the company's financial statements and analyzed using statistical techniques to test the relationship between research variables (Sugiyono, 2022). This study was conducted on companies listed on the LQ45 index on the Indonesia Stock Exchange using secondary data obtained from the official Indonesia Stock Exchange website (www.idx.co.id) and the official websites of each company. The study population consisted of all 45 companies included in the LQ45 index during the 2021–2024 period.

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The sample was determined using a purposive sampling technique based on the criteria of companies consistently being included in the LQ45 index, presenting complete financial reports, and having data that aligns with the research variables. Based on these criteria, 33 companies were selected as samples, with a total of 132 observation data points over four years.

Data collection was conducted using a documentation method by downloading and processing the annual financial reports of the companies that were the research samples. In addition, this study also used a literature study by reviewing books, scientific journals, and relevant previous research as a basis for compiling a theoretical foundation and developing research hypotheses. Data analysis was conducted using the Statistical Package for the Social Sciences (SPSS) application. The analysis stages included descriptive statistics, classical assumption tests consisting of normality, multicollinearity, heteroscedasticity, and autocorrelation tests, followed by multiple linear regression analysis to examine the effect of independent variables on the dependent variable. Next, hypothesis testing was carried out using the t-test to determine the partial effect, the F-test to determine the simultaneous effect, and the coefficient of determination (R^2) to measure the model's ability to explain variations in company value.

RESULTS AND DISCUSSION

Classical Assumption Test

1. Normality Test Results

Table 1. Results of the Kolmogorov – Smirnov Test for Normality of Model Equation 1

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		132
Normal Parametersa,b	Mean	.0000000
	Standard Deviation	5.65768685
Most Extreme Differences	Absolute	.217
	Positive	.217
	Negative	-.152
Test Statistics		.217

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Asymp. Sig. (2-tailed) c			.000
Monte Carlo Sig. (2-Tailed) d	Sig.		.000
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000

In the initial test using the One Sample Kolmogorov-Smirnov Test method, a significance value of 0.000 was obtained. This value is still below the specified limit of 0.05. This condition indicates that the research data in the initial stage did not meet the assumption of normality. To improve this condition, the process of removing outliers that were considered to affect the data distribution was carried out. After the removal, the number of observations changed from 132 data to 112 data. The results of the retest showed a significance value of 0.200. Because this value is greater than 0.05, it can be interpreted that the residual distribution in the research model is in a normal condition. Thus, this research data has met the assumption of normality, so the regression analysis can proceed to the next stage.

Table 2. Results of the Kolmogorov-Smirnov Test for Normality of Equation Model 2

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			112
Normal Parametersa,b	Mean		-.3357809
	Standard Deviation		2.15857686
Most Extreme Differences	Absolute		.070
	Positive		.044
	Negative		-.070
Test Statistics			.070
Asymp. Sig. (2-tailed) c			.200 d
Monte Carlo Sig. (2-Tailed) d	Sig.		.197
	99% Confidence Interval	Lower Bound	.186
		Upper Bound	.207

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2. Multicollinearity Test Results

Table 2. Multicollinearity Test Results

Coefficientsa			
Model		Collinearity Statistics	
		Tolerance	VIF
1	ROA	.756	1,323
	DER	.760	1,316
	PER	.987	1,013

Based on the test results, the profitability variable has a tolerance value of 0.756 and a VIF value of 1.323. The debt policy variable shows a tolerance value of 0.760 with a VIF value of 1.316. Meanwhile, the investment decision has a tolerance value of 0.987 and a VIF value of 1.013. All variables show a tolerance value above 0.10 and a VIF value below 10. These results indicate that there is no excessive relationship between the independent variables in the research model. Based on these results, it can be concluded that the regression model used is free from multicollinearity symptoms so it can be used for further analysis.

3. Heteroscedasticity Test Results

Table 3. Results of Heteroscedasticity Test - Glejser Test

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.555	.082		6.804	.000
	ROA	-.005	.008	-.063	-.593	.554
	DER	.019	.021	.096	.907	.366
	PER	1.126 E-5	.000	.115	1.236	.219

The test results show that the profitability variable has a significance value of 0.554, debt policy of 0.366, and investment decisions of 0.219. All significance values

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are above the 0.05 significance level. This indicates that the three independent variables do not significantly affect the residual value. In other words, the regression model in this study does not experience heteroscedasticity problems. Based on these results, it can be concluded that the research model has met the heteroscedasticity assumption and is suitable for further testing.

4. Autocorrelation Test Results

Table 4. Autocorrelation Test Results – Durbin-Watson Test

Model Summary					
Model		R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	577a	.333	.314	.44979	1,888

a. Predictors: (Constant), LAG_lnx3, LAG_lnx2, LAG_lnx1

b. Dependent Variable: LAG_lny

Source: Secondary data processed using SPSS 27, 2026

The test results show a Durbin-Watson value of 1.888. This value ranges from -2 to +2, indicating that the regression model does not experience autocorrelation. This indicates that the residuals formed in the research model are not interrelated between observations. Therefore, the regression model meets the autocorrelation assumption and can be used for subsequent analysis.

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Multiple Linear Regression Analysis

Table 5. Results of Multiple Regression Analysis

Coefficientsa						
		Unstandardized Coefficients		Standardized Coefficients		
	Model	B	Std. Error	Beta	t	Sig.
	(Constant)	.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 Variable: PBV

Source: Secondary data processed using SPSS 27, 2026

Hypothesis Testing

1. Partial Test (t-Test)

Table 6. Results of the t-Test or Partial Test

Coefficientsa						
		Unstandardized Coefficients		Standardized Coefficients		
	Model	B	Std. Error	Beta	t	Sig.
	(Constant)	.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 Variable: PBV

Source: Secondary data processed using SPSS 27, 2026

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Partial tests are used to determine whether each independent variable individually influences the company's value. The results are determined by looking at the significance value at the 5% or 0.05 level. The test results show that the profitability variable obtained a significance value of 0.006. This value is smaller than 0.05, so it can be interpreted that profitability has a significant influence on the company's value. These results indicate that the better the company's ability to generate profits, the company's value tends to increase. The debt policy variable obtained a significance value of 0.083. Because this value is greater than 0.05, it can be concluded that the debt policy does not have a significant influence on the company's value. This condition indicates that changes in debt levels are not strong enough to influence changes in the company's value. Meanwhile, the investment decision variable has a significance value of 0.980. This value is significantly different above 0.05, indicating that investment decisions do not have a significant influence on the company's value. Based on these results, only the profitability variable is proven to have a partial influence on the company's value.

2. F test

Table 5.1F Test Results or Simultaneous Test

ANOVA						
	Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
	Regression	18,906	3	6,302	2,681	.050b
	Residual	253,881	108	2,351		
	Total	272,787	111			

a. Dependent Variable: PBV

b. Predictors: (Constant), PER, DER, ROA

Source: Secondary data processed using SPSS 27, 2026

Simultaneous test was conducted to determine whether all independent variables collectively influence the company's value. This test was used to assess the overall capability of the research model. The test results yielded a calculated F-value of 2.681 with a significance level of 0.050. This value indicates that the model's significance level is within the 5% threshold. This indicates that profitability, debt policy, and investment decisions collectively influence the company's value. In other words, the regression

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model used in this study can simultaneously explain the relationship between the independent and dependent variables.

Coefficient of Determination Test

The test results show an R Square value of 0.069, while the Adjusted R Square value of 0.043 indicates that profitability, debt policy, and investment decisions are only able to explain changes in the Company's value by 4.3%. Meanwhile, the remaining 95.7% is influenced by other factors outside the research model that are not included in this study. These factors can be Company size, dividend policy, Company growth, market conditions, Company liquidity, or other external factors. These results indicate that Company value is a fairly complex variable because it is influenced by many factors, so the variables in this study only explain a small portion of the change in Company value.

DISCUSSION

The Influence of Profitability on Company Value

Based on the t-test results, the profitability variable, measured by Return on Assets (ROA), obtained a significance value of 0.006, or less than 0.05. These results indicate that profitability has a positive and significant effect on company value. Therefore, the first hypothesis (H1) in this study is accepted.

The results of this study indicate that a company's ability to generate profits is one aspect investors consider when assessing a company. The higher the profit a company can generate through the utilization of its assets, the better investors' perception of the company's future prospects. This will increase investor interest in owning the company's shares, thereby increasing the company's share price and value. For LQ45 companies, high profitability reflects strong operational performance and effective resource management. Investors are generally more interested in companies that consistently generate profits, as they are perceived as having lower risk than companies with low profitability.

The findings of this study support signaling theory, which explains that published earnings information from a company can be a positive signal for investors. When a company demonstrates the ability to generate high profits, investors will perceive the company as having good prospects, thus responding positively to the company's shares, resulting in an increase in the company's value. These results align with research by Hidayat and Triyonowati (2020), which states that profitability has a positive effect on

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company value. Therefore, profitability can be said to be a factor capable of increasing investor confidence and strengthening company value.

The Effect of Debt Policy on Company Value

Based on the t-test results, the debt policy variable proxied by the Debt to Equity Ratio (DER) obtained a significance value of 0.083 or greater than 0.05. These results indicate that debt policy does not have a significant effect on the Company's value. Thus, the second hypothesis (H2) is rejected. The insignificant influence of debt policy indicates that the high or low level of Company debt does not necessarily affect investors' assessment of the Company. Investors not only look at the amount of debt owned by the Company, but also consider the Company's ability to manage and utilize the debt to support business activities. In companies included in the LQ45 index, debt usage is generally within reasonable and controllable limits. Therefore, the presence of debt is not considered a factor that can lower the company's value. Investors focus more on the returns obtained from the use of these funds than the amount of debt itself.

The results of this study indicate that companies with high debt levels do not necessarily have low company values. Conversely, companies with relatively low debt also do not necessarily have high company values. This condition indicates that investors consider other factors such as profit-generating ability, company growth prospects, and industry conditions. The findings of this study were also checked from the journal source Pakekong et al., (2019) and do not support the Trade-off Theory which states that excessive debt increases can increase company risk and reduce company value. In this study, the debt owned by the company has not had a significant impact on changes in company value.

The Influence of Investment Decisions on Company Value

Based on the t-test results, the investment decision variable, proxied by the Price Earnings Ratio (PER), obtained a significance value of 0.980, or greater than 0.05. These results indicate that investment decisions do not significantly influence company value. Therefore, the third hypothesis (H3) is rejected. The results of this study indicate that investment decisions made by companies have not yet become a primary factor influencing company value. Although, in theory, good investment decisions can create opportunities for future growth, investors do not always use the PER indicator as the primary basis for assessing a company.

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During the 2021-2024 study period, investors likely paid more attention to the company's profitability than to the information reflected in the PER. Furthermore, the economic conditions, which are still experiencing various post-pandemic dynamics, may also cause investors to be more cautious in assessing the company's investment prospects. The insignificant influence of investment decisions also indicates that an increase or decrease in PER has not been able to directly change investors' perceptions of the company's value. This may occur because investors consider various other factors such as profitability, income stability, market conditions, and industry prospects before making investment decisions (Mardiyati et al., 2015). The results of this study do not support Signaling Theory, which states that investment decisions can provide positive signals to investors regarding the company's future growth. In this study, the information reflected in PER is not strong enough to influence investors' assessment of the company.

The Influence of Profitability, Debt Policy, and Investment Decisions on Company Value

Based on the F-test results, a significance value of 0.05 was obtained. This value indicates that profitability, debt policy, and investment decisions simultaneously influence company value. Thus, the research model used is able to explain the relationship between the independent and dependent variables in this study. These results indicate that a company's value isn't influenced by a single factor, but rather by the combination of various financial decisions made by the company. Investors tend to view the company's overall condition before assessing it. Therefore, information regarding profitability, debt policy, and investment decisions still play a role in shaping a company's value when analyzed collectively.

However, the results of the coefficient of determination show that the three variables are only able to explain the variation in the Company's value by 4.3%, while the remaining 95.7% is influenced by other factors outside the research model. This indicates that company value is a complex variable influenced by many factors. In addition to profitability, debt policy, and investment decisions, other factors may have a greater influence on company value, such as company size, dividend policy, growth, liquidity, macroeconomic conditions, and market sentiment.

Overall, this study shows that profitability is the most important factor in increasing company value among LQ45 companies in the 2021-2024 period. Meanwhile, debt policy and investment decisions have not been shown to have a significant impact

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individually on company value. Therefore, companies need to focus more on efforts to increase profitability to boost investor confidence and company value in the capital market.

CONCLUSION

Based on the research results, it can be concluded that profitability has a significant effect on firm value, indicating that a company's ability to generate profits is a primary consideration for investors in assessing the company. Meanwhile, debt policy and investment decisions do not have a significant effect on firm value, so these two factors are not yet the primary basis for investor assessments. However, profitability, debt policy, and investment decisions simultaneously influence firm value, indicating that these three variables collectively have a relationship in explaining changes in firm value. However, the research model's ability to explain variations in firm value is still limited, indicating that firm value is also influenced by various factors other than the variables studied.

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