

Assessing the Role of Capital Structure, Investment Policy, Profitability, and Growth in Determining Firm Value in Technology Companies Listed on the Indonesia Stock Exchange in 2020-2022

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Abstract

Corporate valuation embodies the market's perception of an enterprise's performance and prospective trajectory, serving as a critical barometer of its financial health, competitive standing, and long-term sustainability. This investigation seeks to elucidate the extent to which determinants such as capital configuration, investment paradigm, profitability metrics, and expansion dynamics influence corporate worth. The inquiry concentrated on technology enterprises listed on the Indonesia Stock Exchange during the period 2020–2022. The sample was delineated via purposive sampling, culminating in 57 discrete observations. Analytical procedures were executed employing multiple linear regression within the SPSS environment. Empirical results revealed that capital architecture, investment disposition, profitability, and growth trajectories all exert a salutary effect on firm valuation. This study augments comprehension of signaling theory, the trade-off paradigm, and the mechanisms through which these variables modulate corporate value. These results offer valuable guidance for managers seeking to maximize shareholder wealth and for investors in assessing the potential of technology sector enterprises.

Keywords: Capital Structure, Firm Growth, Firm Value, Investment Policy, Profitability.

1. Introduction

In today's era of globalisation, many companies in various sectors have gone public, driven by improving economic growth. This opens up opportunities for companies to participate in a broader business environment and more competitive markets. However, this situation also poses risks and challenges that companies must face in their efforts to obtain and maintain business opportunities. Therefore, companies are required to have effective management, sustainable innovation, and the ability to adapt quickly to market dynamics. One of the main indicators of a company's success in facing these challenges is its corporate value, which is the main goal of companies to continuously improve in order to maintain competitiveness and business sustainability (Alfianita & Santosa, 2022).

A firm's valuation constitutes a manifestation of its standing, encapsulating the market's perception of its operational efficacy and prospective avenues for expansion. Augmenting corporate value is imperative, as it signifies the entity's holistic performance and can substantially influence the deliberations of investors seeking to apportion their capital (Sari & Sedana, 2020). An elevated corporate valuation intimates that the enterprise has deployed its resources judiciously, is steered by competent management, and implements strategic



business maneuvers that engender sustained profitability. Moreover, a robust valuation signals the market's sanguine expectations concerning the company's prospective growth trajectory, thereby enticing additional investment. As investor interest grows, companies will find it easier to secure funding, allowing them to grow, innovate, and enhance their market competitiveness. Consequently, enhancing company value is not only an indicator of current success, but also a crucial approach to guarantee the company's longevity and development.

The perception of success by investors is evident in the value of a company, which is mirrored in the stock prices. The IHSG, a composite index that includes all stocks traded on the Indonesia Stock Exchange (IDX), indicates the overall performance of the stock market. In 2021, the technology sector saw exceptional growth, with the IHSG reaching 8,994.44, owing to the appeal and promising business outlook of technology stocks.

The factors are the high interest of information technology service users in welcoming the era of digitalisation and the restrictions on social activities caused by the spread of the Covid-19 virus, which has massively encouraged the development of technological digitalisation. In the 2022 period, the technology sector experienced a significant decline to 5,162.04, but the IDX TECHNO value remained much higher than other sectors. This decline is believed to be caused by global sentiment pressure regarding the increase in the Fed's benchmark interest rate, followed by Bank Indonesia (BI) raising its lending rate, resulting in increased interest burdens for companies in the technology sector. Therefore, to optimise company value, companies must maintain a balanced capital structure and increase investment in more stable assets while reducing investment in riskier assets. In this way, companies can reduce financial risk and improve their financial capabilities so that they can maintain their value.

In the technology sector, there are also companies that have been affected by cases that have resulted in a decline in investor confidence, leading to a decline in company value. Based on data from PT Trans Berita Bisnis (CNBC Indonesia), the President Commissioner of PT Indosterling, Sean William Henley, was involved in a banking crime case related to the default on High-Yield Promissory Notes (HYPN) investment products. This case involves approximately 1,041 customers who invested their funds, with total payment obligations amounting to around Rp 1.8 trillion, but the company and the convicted party were unable to return the funds. The HYPN product promised an annual return of 9%-12%, but since April 2020, the company has failed to meet its payment obligations, and the product was found to lack official approval from the OJK or Bank Indonesia to collect public funds. As a result of this case, TECH's stock price plummeted by nearly 90%, from around Rp 9,500 per share at the end of 2021 to Rp 1,025 per share in 2022. This drastic decline reflects the decline in investor confidence in the company due to the legal and financial risks it faces. This case underscores the importance of good corporate governance, transparency, and legal compliance in managing investment funds to maintain market confidence and preserve the company's value in the technology sector. Non-compliance and legal issues can cause significant losses for investors and reduce the company's market value.

According to Sitohang and Sibarani (2023) and Suzan and Ramadhani (2023), the factors that can influence company value are information asymmetry, media exposure, managerial ownership, and intellectual capital. Additionally, company value is also influenced by several factors, including liquidity, leverage, dividend policy, and company size (Nuradawiyah & Susilawati, 2020). According to research by Dwianto et al. (2023) and Puspitawati (2022), the variables that most influence company value are capital structure, investment decisions, profitability, and company growth. Companies that are able to manage their capital structure well, make the right investment decisions, demonstrate high

profitability, and have good growth potential tend to increase their value in the eyes of investors.

A company's financial architecture is delineated by the proportionate amalgamation of equity and debt employed to underwrite its operations and long-term initiatives. Equity encompasses instruments such as common stock, preferred stock, retained earnings, and reserves, whereas debt typically comprises both long-term and short-term borrowings. The capital configuration embodies the manner in which a firm allocates its enduring sources of financing to sustain business activities, with the objective of attaining financial efficiency and optimizing corporate valuation. Capital structure is pivotal, as an optimal or suboptimal configuration exerts a direct influence on the firm's fiscal position, which consequently impacts its overall value (Alfianita & Santosa, 2022). An optimal capital structure can help companies reduce financial risk while increasing flexibility in fund management. Thus, companies can maintain financial stability and increase competitiveness in the market through proper capital management.

The nexus between a firm's capital configuration and its valuation is of considerable import, as it affords the prospect of curtailing the aggregate cost of capital via an optimal structural composition, thereby precipitating an appreciation in share prices and, ultimately, augmenting the enterprise's overall worth (Syamsudin et al., 2020). An optimal capital structure enables firms to effectively utilize debt to enhance their profitability and competitiveness in the industry. By maintaining a solid capital structure, companies can manage the trade-off between risk and return, leading to a favourable impact on their market worth.

Several previous studies have examined the effect of capital structure on company value. These studies include research conducted by Syamsudin et al. (2020), Purwanti (2020), Lanjas and Sisharini (2021), Trianti (2021), Dwianto et al. (2023), and Rohman and Fitriyah (2024), which state that capital structure has a positive effect on company value. However, these studies contradict those conducted by Rahayu and Darim (2020), Cordiaz (2021), and Irawati et al. (2022), which state that capital structure has a negative effect on company value. The inconsistency in the results of these studies indicates a gap, making it important to conduct further research. Another variable that affects company value is investment policy.

An investment policy constitutes a directive or resolution to allocate capital into one or multiple assets with the objective of realizing future gains. Investment entails a present commitment of financial or other resources aimed at securing prospective returns. Allocative decisions regarding capital deployment to investment proposals must be meticulously appraised in relation to anticipated risks and prospective yields. The overarching aim of investment decisions is to enhance corporate valuation, advance shareholder welfare, and generate superior returns (Putri & Puspitasari, 2022).

Investment strategies play a crucial role in determining a company's worth as they can lead to improved operational effectiveness, productivity, and potential profit opportunities. Making the right investments can result in increased cash flow and overall company value, subsequently driving up stock prices and making the company more attractive to investors. On the contrary, poor investment choices may diminish a company's value through risks of loss and ineffective allocation of resources. Making sound investment decisions can ultimately boost a company's profit margins and expansion prospects, thereby enhancing its overall value (Misrah & Arifin, 2024). Effective execution of an astute investment policy not only amplifies the enterprise's valuation but also fortifies investor confidence in management's aptitude to steward the company's resources judiciously.

Numerous antecedent studies have examined the impact of investment policy on corporate valuation. Such investigations include research undertaken by Syamsudin et al. (2020), Oktiwiati and Nurhayati (2020), Dwianto et al. (2023), Rahmanuzzahr et al. (2024), and Misrah and Arifin (2024), which state that investment policies have a positive impact on company value. However, this contradicts the research conducted by Amaliyah and Herwiyanti (2020), Hasanah (2023), and Suteja et al. (2023), which states that investment policy has a negative effect on company value. The inconsistency in the results of this research indicates a gap, making it important to conduct this research again. Another variable that affects company value is profitability.

Profitability constitutes a metric for evaluating the earnings a firm generates and represents a critical determinant for sustaining its operations. A robust profitability ratio can capture the interest of investors seeking to allocate capital to the enterprise. Heightened investor engagement, in turn, propels stock valuations upward, thereby enhancing the firm's overall worth (Kammagi & Veny, 2023).

The nexus between corporate valuation and profitability is pronounced, as substantial earnings signify financial efficacy and the firm's ability to create value for its shareholders. Enterprises that consistently generate profits tend to attract greater investor interest, thereby elevating share prices and augmenting the company's overall market capitalization (Syamsudin et al., 2020). In essence, profitability serves as a pivotal barometer for evaluating a firm's financial health and sustainability, thereby shaping market perceptions and impacting the enterprise's overall valuation.

Several previous studies also have examined the impact of profitability on company value. These studies include research conducted by Purwanti (2020), Syamsudin et al. (2020), Oktiwiati and Nurhayati (2020), Lanjas and Sisharini (2021), Trianti (2021), and Rahmanuzzahr et al. (2024), which state that profitability has a positive effect on company value. However, these studies contradict those conducted by Widati (2022) and Rohman and Fitriyah (2024), which suggest that an increase in profitability may actually decrease the overall value of a company. The conflicting results of these studies highlight a significant gap in the literature, implying the need for additional investigation. Another factor that can impact company value is the rate of company growth.

Business expansion refers to the enhancement or favourable alteration in a company's magnitude and capability, typically determined by a rise in overall assets, revenue, or earnings annually. This progress showcases the company's skill to enhance its resources and operational undertakings, enabling it to amplify its business scope and competitiveness within the industry. The emphasis is on fluctuations in total assets as the primary gauge, as these assets are utilised to execute operational tasks and mirror the company's evolution across time (Lanjas & Sisharini, 2021).

The correlation between corporate growth and firm valuation is particularly salient, as positive growth signals promising prospects and robust future performance. Enterprises that consistently expand their assets and revenues tend to garner greater investor confidence, thereby driving share price appreciation and enhancing overall market value (Prastyatini, 2024). Corporate growth conveys an affirmative signal to both internal and external stakeholders, including shareholders and creditors, indicating the firm's capacity to generate enhanced profits and sustain long-term operational viability.

Numerous antecedent studies have looked into the impact of corporate growth on firm valuation. These studies include research conducted by Lanjas and Sisharini (2021), Hasanah (2023), Dwianto et al. (2023), Purwani and Fitriyani (2023), and Rohman and Fitriyah (2024), which state that company growth has a positive effect on company value. However,

these studies contradict those conducted by Irawati et al. (2022) and Putri et al. (2024), which state that company growth has a negative impact on company value. The inconsistency in the results of these studies indicates a gap, making it important to conduct further research.

This research examines a sample of technology-sector firms listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. The selection of technology companies is predicated on the sector's relative novelty on the IDX and its rapid expansion during the 2020–2022 period. In light of this context and the inconsistencies observed in prior studies, the present investigation seeks to analyze the effects of Capital Structure, Investment Policy, Profitability, and Corporate Growth on firm valuation.

2. Literature Review

2.1. The Effect of Capital Structure on Company Value

The trade-off theory posits that an optimal capital structure is achieved by balancing the merits and drawbacks associated with debt utilization. Businesses may opt for debt if the benefits exceed the drawbacks. Companies often aim to lower their tax burden by raising their debt level, as this can result in tax reduction. Consequently, an ideal capital structure can boost company worth by cutting down on tax expenses and boosting earnings. However, excessive reliance on debt may exacerbate financial distress and agency costs, thereby diminishing corporate value. Consequently, it is essential for firms to adopt an appropriate capital structure to preserve or enhance their valuation (Syamsudin et al., 2020).

Previous studies conducted by Syamsudin et al. (2020), Purwanti (2020), Lanjas and Sisharini (2021), Taufiq & Trianti (2021), Dwianto et al. (2023), and Rohman and Fitriyah (2024) indicate that capital structure has a positive impact on company value. According to Mudjijah et al. (2019), an optimal capital structure, i.e., a balance between equity and debt, can increase company value because the company can efficiently utilise external funds to support operational activities and investments. This is also supported by the tax shield benefits of using debt, which can reduce tax burdens and increase company cash flow, thereby increasing company value. This means that companies that are able to manage their capital structure well will gain more trust from investors, which is reflected in increased share prices and company market value.

According to both theoretical and practical research, it has been established that the way a company structures its capital can impact its overall value. This effect is generally advantageous; for example, a judiciously managed capital structure frequently engenders an appreciation in firm value, whereas mismanagement can produce contrary outcomes. Accordingly, it is imperative for management to deliberate carefully on the composition of debt and equity to maintain an equilibrium that fosters sustained growth in corporate valuation. In view of the foregoing, the hypothesis examined in this study is:

H1: Capital structure has a positive effect on company value

2.2. The Effect of Investment Policy on Company Value

Signalling theory elucidates how the investment choices made by a business can send a message to the market about the calibre and future potential of the company, consequently impacting its overall worth. In line with this theory, investment strategies act as a form of endorsement for forthcoming profits and expansion of the company, thus driving up stock prices - an essential measure of a company's value (Putri & Puspitasari, 2022). This theory shows that companies send signals, particularly to investors and creditors, that they will grow in the future. Investment policies/decisions serve as signals to investors through the increase

in company assets resulting from investment activities. Since investment decisions are marked by asset growth, the increase in assets signifies that management has made sound investment decisions, which in turn signals to investors. This will impact the company's financial performance and, consequently, its value.

Prior investigations by Syamsudin et al. (2020), Oktiwiati and Nurhayati (2020), Dwianto et al. (2023), Rahmanuzzahr et al. (2024), and Misrah and Arifin (2024) indicate that investment policies exert a positive influence on corporate valuation. This implies that the greater the returns generated from a firm's investment activities, the higher its overall value. Accordingly, company management must devise and implement strategic investment policies to optimize firm valuation and enhance investor appeal.

Both theoretical frameworks and empirical evidence underscore the pivotal role of investment strategies in shaping corporate valuation. Favorable outcomes are observed when firms implement well-conceived and appropriate investment strategies, potentially augmenting overall firm value. This effect primarily stems from the capacity of effective investment strategies to allocate corporate resources toward projects yielding high returns and enhancing operational efficiency and profitability. Consequently, investors receive affirmative signals regarding the company's prospective growth, thereby elevating stock prices and market capitalization. In view of the foregoing, the hypothesis posited in this study is that sound investment policies exert a positive influence on corporate value and market performance:

H2: Investment policy has a positive effect on company value.

2.3. The Effect of Profitability on Company Value

Signaling theory posits that corporate management possesses more comprehensive and nuanced information regarding the firm's condition and prospects than investors or other external stakeholders. Owing to this information asymmetry, management must convey signals to the market to mitigate uncertainty and bolster investor confidence. A key manifestation of positive signaling is profitability. Elevated profitability signals that the enterprise is competently managed and possesses promising future prospects (Nuradawiyah & Susilawati, 2020). Such financial performance instills investor confidence that their capital will yield optimal returns. Consequently, investors are incentivized to maintain or expand their holdings by acquiring additional shares, precipitating heightened demand in the stock market. This increased demand drives share prices upward, thereby augmenting the firm's overall valuation. Hence, robust profitability functions not merely as a financial performance metric but also as a strategic communiqué from management to investors, enhancing the firm's market standing and promoting sustained growth in corporate value.

Prior investigations by Purwanti (2020), Syamsudin et al. (2020), Oktiwiati and Nurhayati (2020), Lanjas and Sisharini (2021), Trianti (2021), and Rahmanuzzahr et al. (2024) demonstrate that profitability exerts a positive influence on corporate valuation. These studies indicate that the earnings generated by a firm act as a salient signal to investors, reflecting robust financial health and favorable growth prospects. Consequently, elevated profitability is associated with enhanced firm value, as manifested in rising stock prices.

Empirical evidence and practical observations indicate that a firm's financial performance exerts a direct influence on its overall valuation. This effect is predominantly positive, suggesting that corporate value generally escalates with higher levels of profitability. This relationship arises from the firm's efficiency in generating returns from its resources and investments, which conveys a favorable signal to prospective investors and incentivizes capital allocation to the enterprise. Consequently, heightened demand for shares ensues, driving an appreciation in market value. Hence, the hypothesis for this study is articulated as follows:

H3: Profitability has a positive effect on company value.

2.4. The Effect of Company Growth on Company Value

Signalling theory suggests that companies can communicate positive or negative messages about their future growth potential and financial well-being through their actions and the information they provide to the market, particularly to investors. The growth of a company, typically demonstrated by a rise in total assets, is generally seen as promising news that indicates the company's capability to expand and generate higher revenues in the future (Syahril et al., 2020). Investors who learn about this growth tend to react favourably towards the company, leading to an increase in the demand for its shares. This surge in demand for shares subsequently pushes up share prices in the stock market, ultimately reflecting an uptick in the company's overall worth. Hence, signals of corporate growth play a critical role in shaping investor expectations and influencing market perceptions of the company's calibre and opportunities, thereby bolstering the company's standing in the stock market and facilitating sustained growth in its value.

Previous studies conducted by Lanjas and Sisharini (2021), Hasanah (2023), Dwianto et al. (2023), Purwani and Fitriyani (2023), and Rohman and Fitriyah (2024) state that company growth has a positive effect on company value. These studies explain that companies that are able to maintain stable and sustainable growth demonstrate healthy performance and good expansion potential. This gives investors confidence that the company has long-term profit prospects, thereby increasing demand for shares and overall company value.

Research has shown that there is a correlation between the growth of a company and its value. This correlation is seen as beneficial, as higher levels of growth, such as expanding assets or business operations, tend to lead to an increase in the company's overall value. A company that experiences significant growth is seen as developing and having greater potential for future cash flow, making it more appealing to potential investors. This increased interest from investors typically results in higher share prices and a rise in the company's overall value. Given these insights, the hypothesis being explored in this study is:

H4: Company growth has a positive effect on company value.

3. Methods

The present study employs a quantitative research methodology, centering on the evaluation of technology-sector firms listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. It is posited that corporate valuation may be influenced by determinants such as capital structure, investment strategy, profitability, and corporate growth.

The population comprises all technology-sector enterprises listed on the IDX during the 2020–2022 period. The sample was derived using a non-probability sampling technique, specifically purposive sampling, which entails the selection of units based on predefined criteria to ensure alignment with the research objectives. The procedure for sample selection via purposive sampling is delineated in Table 1.

Table 1. Sample Selection

Criteria	Accumulation
Technology sector companies listed on the Indonesia Stock Exchange (IDX) in 2020-2022	34
Technology sector companies that did not publish their financial reports consecutively in 2020-2022	(15)
Number of Research Samples	19
Year of Research	3
Total Samples	57

Source: Indonesia Stock Exchange (data processed), 2024

Following the sample selection process via purposive sampling, 19 companies that satisfied the established criteria were designated as the study’s sample. Observations were conducted over a three-year period, yielding a total of 57 discrete observations.

This study utilizes both quantitative and qualitative data. The qualitative component comprises the names of technology-sector firms listed on the Indonesia Stock Exchange (IDX) between 2020 and 2022. The dataset employed is secondary in nature, encompassing previously compiled records and archival evidence. Specifically, the data consist of annual financial statements of technology-sector companies listed on the IDX during the 2020–2022 period.

The data employed in this study are derived from secondary sources. Secondary data refers to information that is not directly obtained from the researcher but is collected and compiled by other entities (Sugiyono, 2013). The data for this study were sourced from the annual financial statements of technology-sector firms listed on the Indonesia Stock Exchange (IDX) for the 2020–2022 period, which are publicly accessible via the IDX official website (www.idx.co.id).

Data collection was conducted using the documentation technique, involving the systematic retrieval and recording of information from existing documents. Specifically, the researcher extracted relevant secondary data from the financial reports of technology-sector companies published on the IDX website for the 2020–2022 period.

Data analysis was performed using multiple linear regression via SPSS. The analytical procedures encompassed descriptive statistics, classical assumption tests—including normality, multicollinearity, heteroscedasticity, and autocorrelation assessments—followed by multiple linear regression analysis. Further evaluation included the coefficient of determination (R^2), model adequacy testing (F-test), and partial significance testing (t-test)..

4. Results and Discussion

4.1. Research Results

4.1.1. The Classical Assumption Tests

1) Normality Test

Table 2. Normality Test Results

	Unstandardized Residual
Asymp. Sig. (2-tailed)	0,197

Source: Processed Data, 2025

As presented in Table 2, the Asymp. Sig. (2-tailed) value is 0.197. Since the significance value of the Kolmogorov-Smirnov test exceeds 0.05, it indicates that the data within the regression model do not deviate significantly from a normal distribution. Accordingly, the Kolmogorov-Smirnov test verifies that the normality assumption is satisfied, rendering the regression model normally distributed and appropriate for subsequent analysis.

2) Multicollinearity Test

Table 3. Multicollinearity Test Results

Variables	Tolerance	VIF
Capital Structure (X1)	0,826	1,210
Investment Policy (X2)	0,853	1,173
Profitability (X3)	0,909	1,100
Company Growth (X4)	0,887	1,127

Source: Processed Data, 2025

As illustrated in Table 3, the tolerance values of the independent variables (capital structure, investment policy, profitability, and corporate growth) exceed 0.10, while their corresponding VIF values are below 10. This demonstrates that the regression model is devoid of multicollinearity. Consequently, the independent variables do not exhibit strong intercorrelations, thereby enabling the regression model to yield more precise and dependable results.

3) Autocorrelation Test

Table 4. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,892 ^a	0,795	0,780	0,4005045	1,900

Source: Processed Data, 2025

As presented in Table 4, the Durbin-Watson (DW) statistic is 1.900. With four independent variables ($k = 4$), the lower bound (d_l) is 1.4264 and the upper bound (d_u) is 1.7253, yielding $4 - d_u = 2.2747$. The test result satisfies the condition $d_l < DW < 4 - d_u$, or $1.4264 < 1.900 < 2.2747$, indicating the absence of autocorrelation in the data. Hence, the residuals or model errors are not sequentially correlated, confirming that the assumption of independence is met and that the regression model is valid for subsequent analysis.

4) Heteroscedasticity Test

Table 5. Results of the heteroscedasticity test

Variables	Sig.
Capital Structure (X1)	0,258
Investment Policy (X2)	0,082
Profitability (X3)	0,426
Company Growth (X4)	0,164

Source: Processed Data, 2025

As depicted in Table 5, the significance values for the independent variables (capital structure, investment policy, profitability, and corporate growth) all exceed 0.05. This signifies that the regression model is devoid of heteroscedasticity. In other words, the variance of the residuals (errors) is homogeneous or constant across all values of the independent variables, thereby rendering the model reliable and capable of producing valid inferences.

4.1.2. Coefficient of Determination Test (R^2)

Table 6. Coefficient of Determination Test Results (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,892 ^a	0,795	0,780	0,4005045

Source: Processed Data, 2025

As presented in Table 6, the model's Adjusted R^2 is 0.780, or 78 percent. This indicates that firm value is explicable by the independent variables; capital structure, investment policy, profitability, and corporate growth, to the extent of 78 percent, while the remaining 22 percent is attributable to factors external to the model.

4.1.3. Model Feasibility Test (F-Test)

Table 7 Model Feasibility Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	32,423	4	8,106	50,534	,000 ^b

Source: Processed Data, 2025

As illustrated in Table 7, the significance value for the model adequacy test is 0.000. Given that this value is less than $\alpha = 0.05$, it can be inferred that the regression model is suitable and appropriate for application in this study.

4.1.4. Hypothesis Testing (t-test)

Table 8. Summary of Hypothesis Testing Results

No	Hypothesis	B	Sig.	Conclusion
1	Capital structure has a positive influence on firm value (H1)	2,565	0,000	Hypothesis supported
2	Investment policy has a positive influence on firm value (H2)	0,056	0,018	Hypothesis supported
3	Profitability has a positive influence on firm value (H3)	0,104	0,018	Hypothesis supported
4	Company growth has a positive influence on firm value (H4)	0,109	0,043	Hypothesis supported

Source: Processed Data, 2025

According to the t-test findings provided in table 8, all four proposed hypotheses are confirmed, indicating a statistically significant favorable impact of each factor on company worth. The capital structure (H1) is highlighted as having the most substantial influence, with a highly notable coefficient (B = 2.565, Sig. = 0.000). Similarly, investment policy (H2), profitability (H3), and company growth (H4) display positive and significant impacts, with all of their significance values (Sig.) falling below the standard threshold of 0.05. This validates that enhancements in these areas are linked to an escalation in firm value.

4.2. Discussion

4.2.1. The Influence of Capital Structure on Company Value

The first hypothesis (H1) of this study posits that capital structure exerts a positive influence on firm value. The multiple linear regression results presented in Table 4.6 indicate that the capital structure variable has a significance value below the predetermined threshold ($\alpha = 0.05$) and a positive regression coefficient. Consequently, the first hypothesis (H1) is accepted, demonstrating that capital structure positively affects firm valuation. This suggests that an optimal or judiciously proportioned increase in debt within the capital structure can enhance corporate value. Properly calibrated debt utilization confers advantages such as a reduction in tax obligations (tax shield) (Putri & Puspitasari, 2022). Such financial management conveys a favorable signal to investors regarding the company's debt-handling capabilities and simultaneously augments profitability, thereby elevating overall firm value.

The results of this study corroborate prior research by Syamsudin et al. (2020), Purwanti (2020), Lanjas and Sisharini (2021), Trianti (2021), Dwianto et al. (2023), and Rohman and Fitriyah (2024), which assert that capital structure positively influences firm value. This effect arises from a company's ability to optimize its capital structure, thereby enhancing

profitability. The resultant profit growth attracts investor interest, leading to increased stock prices and an overall augmentation of corporate value.

These findings are also consistent with trade-off theory, which posits that firms must balance the benefits and costs associated with debt when determining their capital structure. According to the theory, firms will continue to leverage debt as long as the tax advantages and protective benefits outweigh the potential bankruptcy and agency costs incurred. Provided that the capital structure remains below the optimal threshold, incremental debt contributes to an increase in firm value. Conversely, exceeding the optimal point may diminish value. Accordingly, this study indicates that companies that maintain an appropriately proportioned debt structure can maximize firm value in accordance with the principles of trade-off theory.

4.2.2. The Influence of Investment Policy on Company Value

The second hypothesis (H2) of this study posits that investment policy exerts a positive influence on firm value. The multiple linear regression results in Table 4.6 indicate that the investment policy variable has a significance value below the predetermined threshold ($\alpha = 0.05$) and a positive regression coefficient. Accordingly, the second hypothesis (H2) is accepted, demonstrating that investment policy positively affects corporate valuation. This suggests that well-conceived and strategic investment policies can substantially enhance firm value. Investment decisions constitute a critical component of business strategy, as they can shape the trajectory of the company's future growth (Dwianto et al., 2023). Effective investment choices bolster operational efficiency, productivity, and profitability, ultimately elevating firm value. This increase is manifested in higher stock prices, thereby attracting investor participation and facilitating sustainable corporate growth.

The findings of this study align with those of Syamsudin et al. (2020), Oktiwiati and Nurhayati (2020), Dwianto et al. (2023), Rahmanuzzahr et al. (2024), and Misrah and Arifin (2024), who assert that investment policy positively influences firm value. This indicates that more substantial investment decisions by management correspond to higher firm valuation. Prudent investment choices enhance the company's potential to generate significant profits, thereby attracting investor interest and stimulating stock price appreciation and overall corporate value. In this manner, investment policy functions as a positive signal to the market, reflecting the company's favorable growth and profitability prospects.

These results are also consistent with signaling theory, which posits the existence of information asymmetry between management, who possess comprehensive knowledge of the company's condition and prospects, and external stakeholders, such as investors, who are less informed. Accordingly, management conveys signals through investment policies to indicate promising future performance, thereby bolstering investor confidence, as evidenced by rising stock prices and enhanced firm value. Strategic and well-executed investment expenditures are interpreted by the market as affirmative indicators that the company is undertaking deliberate actions to enhance its future valuation and operational performance.

4.2.3. The Influence of Profitability on Company Value

The third hypothesis (H3) of this study posits that profitability exerts a positive influence on firm value. The multiple linear regression results presented in Table 4.6 reveal that the profitability variable has a significance value below the predetermined threshold ($\alpha = 0.05$) and a positive regression coefficient. Accordingly, the third hypothesis (H3) is accepted, indicating that higher profitability corresponds to increased firm valuation. Elevated profitability reflects a company's capacity to generate earnings that can be allocated toward growth initiatives, dividend distribution, and risk mitigation, thereby enhancing investor perception of the company as a promising investment. Consequently, investor confidence is

strengthened, stimulating additional investment and driving up stock prices and overall corporate value (Rahmanuzzahr et al., 2024).

These findings corroborate prior research by Purwanti (2020), Syamsudin et al. (2020), Oktiwiati and Nurhayati (2020), Lanjas and Sisharini (2021), Trianti (2021), and Rahmanuzzahr et al. (2024), which similarly assert that profitability positively impacts firm value. Higher profitability increases the company's appeal to investors, resulting in greater demand for shares and, consequently, higher firm valuation.

These outcomes are also consistent with signaling theory, which contends that elevated profitability conveys a positive signal to investors regarding the company's ability to generate returns and enhance value. An increase in profitability, as measured by net profit margin (NPM), signals to the market that the company is effectively managing its resources, generating sustainable profits, and exhibiting favorable growth prospects and business continuity. Investors who perceive such positive signals are more likely to increase their trust and investment in the company, thereby raising share demand, driving up stock prices, and ultimately augmenting firm value.

4.2.4. The Influence of Company Growth on Company Value

The fourth hypothesis (H4) of this study posits that corporate growth exerts a positive influence on firm value. The multiple linear regression results presented in Table 4.6 indicate that the company growth variable has a significance value below the predetermined threshold ($\alpha = 0.05$) and a positive regression coefficient. Consequently, the fourth hypothesis (H4) is accepted, demonstrating that corporate growth positively affects firm valuation. This finding suggests that higher levels of growth enhance firm value, as robust growth reflects the company's capacity to generate substantial future cash flows, thereby conveying a favorable signal to investors regarding its prospective performance (Gita & Yusuf, 2019). Information regarding corporate growth enhances investor confidence, as it signals the potential for higher future returns. As a result, demand for the company's shares escalates, directly elevating both share prices and overall firm value.

These findings are consistent with prior studies by Lanjas and Sisharini (2021), Hasanah (2023), Dwianto et al. (2023), Purwani and Fitriyani (2023), and Rohman and Fitriyah (2024), which indicate that corporate growth positively influences firm valuation. This suggests that greater growth corresponds to higher firm value, highlighting the significance of corporate expansion in enhancing a firm's attractiveness to investors and the market, thereby exerting a favorable impact on its valuation.

Moreover, these results align with signaling theory, which asserts that corporate growth serves as a positive signal or favorable information to investors regarding the firm's future prospects. According to the theory, management, possessing superior knowledge about the company, transmits signals through growth performance to mitigate information asymmetry with external stakeholders such as investors. This growth signal informs investment decisions, thereby increasing demand for shares, driving up stock prices, and ultimately augmenting firm value. Hence, strong corporate growth conveys promising prospects, which in turn propels the enhancement of firm value in the capital market.

4.3. Implications of the Research Findings

This research theoretically contributes to enriching knowledge related to the trade-off theory and signalling theory, as well as the influence of capital structure, investment policy, profitability, and company growth on firm value. The first finding shows that capital structure has a positive effect on firm value. The second finding shows that investment policy also has a positive effect on firm value. The third finding reveals that profitability has a positive effect on

firm value. The fourth finding shows that company growth also has a positive effect on firm value.

This research supports the trade-off theory, which states that companies will determine the optimal capital structure by balancing the benefits and costs of using debt, thereby increasing firm value. In addition, the results of this study also support signalling theory, in which investment policy, profitability, and company growth serve as positive signals from management to the market. These signals indicate that the company has good and sustainable prospects, which ultimately increases investor confidence and reduces the risk of information asymmetry that could decrease firm value.

Practically, the findings of this research can serve as considerations for company management, future researchers, and potential investors. Company management is advised to carefully consider the composition between debt and equity in the capital structure, ensure that investment decisions taken can provide positive signals to investors, improve operational efficiency and financial management to boost profitability, and ensure that the growth achieved results in healthy profits and strong cash flow to increase firm value. For investors, the results of this research can be a consideration in making investment decisions. Furthermore, this research can also serve as a reference for future researchers who are interested in conducting further studies on similar topics.

5. Conclusion

Based on the results of the data analysis, statistical testing, and the preceding discussion, it can be concluded that capital structure, investment policy, profitability, and corporate growth each exert a positive influence on firm value. Companies that manage their capital structure optimally, particularly by maintaining an appropriate proportion of debt, tend to experience an enhancement in firm valuation. Similarly, firms that adopt precise and strategic investment policies possess greater potential to elevate their value. Moreover, profitability demonstrably exerts a positive effect on firm value, indicating that higher profitability correlates with increased corporate valuation. Finally, robust growth rates are interpreted by investors as indicative of promising future prospects, thereby contributing to the augmentation of firm value.

For future research, it is suggested that similar studies be conducted using a broader sample that includes different industrial sectors and a longer observation period to increase generalisability. In addition, future researchers could explore other variables that may influence firm value, such as corporate governance, market share, or environmental, social, and governance (ESG) factors. Employing qualitative or mixed methods approaches may also provide deeper insight into the managerial perspectives and decision-making processes behind financial strategies.

6. References

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