2nd FEBIC: Faculty of Economics and Business International Conference
Universitas Pekalongan, Indonesia
E-ISSN: xxxx.xxxx
.

The Effect of Capital Structure, Firm Size, Investment Opportunity Set, Dividend Policy, and Profitability on Firm Value in LQ45 Index Companies Listed on the Indonesian Stock Exchange Period 2019-2023

Dina Amelia[1*], Mahirun[2]

[1 2] Universitas Pekalongan

*Corresponding Author – Email Addres : dinaameli.18@gmail.com

ABSTRACT

Company value plays an important role in improving shareholder welfare through increases in share prices. In Indonesia, the capital market particularly the Indonesia Stock Exchange (IDX) functions as a place for trading long-term financial instruments such as shares, and is an important source of funding for companies. The purpose of this study is to empirically test the influence of capital structure, company size, investment opportunity set, dividend policy, and profitability on company value. The object of this study is companies listed in the LQ45 index on the Indonesia Stock Exchange during the period 2019–2023. The analytical tool used in this study is multiple linear regression analysis using SPSS software. The sample in this study was determined using purposive sampling technique. Based on the established criteria, a total of 182 LQ45 index companies from 2019-2023 were selected as the sample. The results of this study show that the investment opportunity set with the Price Earning Ratio (PER) indicator, dividend policy with the Dividend Payout Ratio (DPR) indicator, and profitability with the Return on Equity (ROE) indicator, have a significant positive effect on firm value, as measured by Price to Book Value (PBV). Another finding reveals that firm sizewith the Size, has a significant negative effect on firm value (PBV). While the capital structure, with the Debt to Equity Ratio (DER), has a positive but not significant effect on firm value (PBV).

ARTICLE INFO

Keywords:
Capital Structure, Firm Size, Investment Opportunity Set, Dividend policy, profitability, Firm Value

1. Introduction

Firm value is an important indicator that reflects a company's performance and future prospects in the eyes of investors. The higher the firm value, the greater the market's confidence in the company's sustainability and growth potential (Arizki et al., 2024). One of the commonly used proxies for company value is the Price to Book Value (PBV), which describes the extent to which the market values a company's equity. Companies listed in the LQ45 index often attract attention due to their high liquidity and solid financial performance. However, during the period from 2019 to 2023, there have been various significant changes in the company's financial aspects due to the impact of the COVID-19 pandemic and global economic uncertainty. This period is interesting to study because it reflects market dynamics and economic volatility that can influence the relationship between a company's internal factors and its value.

In the Indonesian capital market, stocks included in the LQ45 index are often used as benchmarks, as they are considered to have high liquidity and strong financial performance. The capital market plays an important role in economic activities and serves as a source of funding for companies to maintain their business continuity and growth. Essentially, the capital market is a place where long-term financial instruments such as mutual funds, bonds, stocks, and others are traded (Cahyani et al., 2021). Stocks are one of the most common capital market instruments and are widely recognized by the public (Dessriadi et al., 2022). To date, the Indonesia Stock Exchange (IDX) has issued 44 stock indices, including the LQ45, which is known for its high stability and strong stock performance in terms of growth (Firmansah & Sari, 2024).

Table 1. Business Phenomena of LQ45 Index Companies for the 2019–2023 Period

	Tahun				
Variabel	2019	2020	2021	2022	2023
DER (X)	1,78	2,29	1,84	1,95	2,51
SIZE	7,68	7,76	7,84	8,00	7,91
PER (X)	26,08	13,93	14,25	26,67	16,58
DPR (%)	37,47	39,85	90,74	34,94	52,81
ROE (%)	14,95	11,80	16,27	19,24	10,54
PBV (X)	3,58	3,54	4,16	4,10	3,47

Source : Data prosessed in https://www.idx.co.id/id

Table 1 shows fluctuations in various financial indicators of LQ45 companies during the 2019–2023 period. The DER ratio experienced significant increases in 2020 and 2023 (2.29 and 2.51), followed by a decline in PBV, reflecting higher financial risk due to increased debt. SIZE increased until 2022, indicating asset growth, but declined in 2023, in line with the decrease in PBV. PER dropped sharply in 2020 (13.93), rose in 2022 (26.67), then declined again in 2023 (16.58), indicating uncertain profit expectations. DPR spiked in 2021 (90.74) before falling sharply in 2022, reflecting a shift in profit distribution strategy. Meanwhile, ROE peaked in 2022 (19.24) but dropped significantly in 2023 (10.54), signaling reduced profitability efficiency. These dynamics suggest that changes in financial indicators such as DER, SIZE, PER, DPR, and ROE influence the rise and fall of firm value as reflected in PBV.

Stock price fluctuations in the LQ45 index during the 2019–2023 period indicate that firm value is influenced by various internal factors. Several key factors believed to affect firm value include capital structure, firm size, investment opportunity set, dividend policy, and profitability. However, previous studies have shown inconsistent results. For instance, some studies found that capital structure has a positive effect on firm value, while others reported negative or insignificant effects.

Several prior studies have shown inconsistent results regarding the effects of capital structure, firm size, investment opportunity set (IOS), dividend policy, and profitability on firm value. For instance, DER in some studies was found to have a positive and significant effect on PBV (Oktiwiati & Nurhayati, 2020), yet others found a negative and significant effect (Firmansah & Sari, 2024). PER, as a proxy for IOS, also exhibited conflicting influences: positive and significant (Mahirun et al., 2022), while another study found it not significant (Kolibu et al., 2020). A similar pattern was observed with dividend policy and firm size, which displayed varying effects depending on the context and research period. These discrepancies in findings highlight the existence of a research gap that requires further investigation.

Seeing the variety of findings, as well as the special conditions during the period of 2019–2023 such as economic fluctuations post-pandemic, the researcher feels it is important to conduct a re-study. This period reflects a phase of instability and economic recovery, which has not been widely examined in the recent literature related to LQ45 index companies. Thus, this research has novelty in reassessing the relationship between the internal variables of the company and the company's value in the context of the current dynamic period.

The motivation behind this research is to address these inconsistencies and provide the latest empirical evidence, particularly for companies listed in the LQ45 index. This study aims to analyze how these five factors influence firm value, which is measured using the Price to Book Value (PBV) ratio, using data from the 2019 to 2023 period. This research is expected to make a theoretical contribution to the financial management literature and offer practical insights for companies and investors in optimizing financial policies to enhance firm value.

2. Literature Review

Signaling Theory

The signaling theory explains that companies convey signals to investors through financial information, such as earnings, dividend policies, and capital structure, with the aim of reducing information asymmetry (Isnin Yulia Alfiani Rochman & Sari Andayani, 2023). Positive information encourages investors to increase their investments, which in turn leads to an increase in firm value. A positive signal indicates a favorable investor response, as reflected by high returns. This suggests that the company is capable of managing its resources effectively to generate profits, thereby motivating investors to invest in the company. On the other hand, a negative signal indicates a decline in investor interest due to increasing business risks (Iman & Saleh, 2023) in (Firmansah & Sari, 2024).

Teori Trade-Off

The trade-off theory explains that companies take on debt financing to gain certain benefits. It underlies the relationship between capital structure and firm value. According to this theory, firms must balance the advantages of using debt, such as tax savings, with the increasing risk of bankruptcy if the debt level becomes too high. Therefore, an optimal capital structure is expected to maximize firm value. However, if the proportion of debt is excessive, the company's financial risk will also increase (Mahirun et al., 2022). For this reason, companies need to maintain a balanced capital structure. Debt should still be used to gain tax benefits, but not excessively so as to avoid endangering the company's longterm financial stability. With this balance, companies can maintain investor confidence, stabilize their stock prices, and ultimately increase overall firm value (Umdiana & Claudia, 2020).

Firm Value

Firm value represents investors' perception of a company's level of success, which is often associated with its stock price. The higher the stock price, the higher the firm value. A high firm value can increase investor confidence in the company's performance and future prospects (Amrulloh & Amalia, 2020). An increase in firm value provides optimal welfare for shareholders when the stock price rises. The higher the firm value, the greater the investor confidence in the company's growth potential. This reinforces investors' willingness to invest in the company, which in turn drives up the stock price and further enhances the firm's value (Fuad & Wandari, 2018).

Capital Structure

Measured by the Debt to Equity Ratio (DER), capital structure illustrates the extent to which a company finances its operations through debt compared to equity. Debt includes both long-term and short-term liabilities, while equity consists of retained earnings and shareholders' capital (Siregar et al., 2019). The proportion between long-term debt and equity must be balanced, as it directly affects the company's financial condition. Therefore, it is essential for companies to maintain a healthy capital structure. A well-managed capital structure can enhance firm value, as financing decisions play a crucial role in supporting the company's growth (Dewi et al., 2024).

Firm Size

Firm size is often associated with the company's total assets or operational scale. Large companies are generally assumed to be more stable and attractive to investors. However, some studies have found that excessive size may negatively impact efficiency and firm value (Ramdhonah et al., 2019). Large firms tend to attract more public attention, which leads to more transparent financial reporting. As a result, investors are more likely to trust and invest their capital in larger companies (Ludianingsih et al., 2022).

Investment Opportunity Set (IOS)

IOS is often measured using the Price Earning Ratio (PER), which reflects the company's future investment opportunities. IOS is considered an important indicator because companies with high investment opportunities are viewed as having strong growth potential (Mahirun et al., 2022). IOS represents various investment options currently available and expected to generate greater returns in the future. The investment opportunity set consists of investment choices that are expected to yield high returns as well (Hidayah, 2017).

Dividend Policy

Dividends are a portion of net income distributed to shareholders (owners of equity) (Arizki et al., 2024). Dividend policy refers to a company's decision on whether the profits earned will be distributed to shareholders as dividends or retained by the company to increase capital and finance future reinvestments (Dessriadi et al., 2022). The nominal amount of dividends distributed can be an attraction for stakeholders. The more investors who invest their capital, the higher the stock price tends to rise, ultimately increasing the firm's value.

Profitability

Profitability is a company's ability to generate profit or earnings. When company management is able to efficiently manage operations to produce profits, the operational costs incurred will be lower (Khofiyah et al., 2024). As a result, the profit generated will be higher. The profits earned by a company influence public perception, which in turn affects the firm's value (Suleman & Sumani, 2021). Most investors use profitability ratios as indicators to assess how effectively a company manages its resources. These ratios also serve as one of the main considerations for investors when deciding to invest in a company (Dessriadi et al., 2022).

The Effect of Capital Structure on Firm Value

Capital structure reflects a company's policy in managing funding through debt and equity. Excessive use of debt can increase the risk of bankruptcy, while a lower proportion of debt tends to enhance profitability and firm value (Irawati et al., 2022). DER reflects the extent to which a company uses debt compared to its own equity. According to the Trade-Off Theory, the use of debt can provide tax benefits, but if it is too high, it actually increases financial risk. The research by (Oktiwiati &

Nurhayati, 2020) concluded that capital structure measured by DER has a significant positive effect on PBV, indicating that the use of debt can drive the growth of company value. On the other hand, the studies by (Firmansah & Sari, 2024) and (Siregar et al., 2019) show the opposite results, where DER has a significant negative effect on PBV. Several previous studies, such as those by (Firmansah & Sari, 2024), (Arianti, 2022), and (Siregar et al., 2019), found that capital structure has a negative and significant effect on firm value. Based on this explanation, the first hypothesis is:
H1: Debt to Equity Ratio has a negative and significant effect on Price to Book Value.

The Effect of Firm Size on Firm Value

Firm size reflects the magnitude of total assets, equity, or company value (Zuraida, 2019). Measured from the natural logarithm of total assets. Based on Signaling Theory, large companies are generally more trusted by investors due to their perceived stability, transparency, and promising prospects (Ludianingsih et al., 2022). This trust increases demand for the company's stock, ultimately raising its share price and firm value (Yuniastri et al., 2019). (Zuraida, 2019) and (Hendraliany, 2019) state that company size has a significant positive effect on company value, based on the assumption that larger companies tend to be stable and trusted by investors. However, Ramdhonah et al. (2019) found a negative effect, as larger companies may be less efficient, which actually decreases their attractiveness in the eyes of the market. Previous studies by (Zuraida, 2019), (Hendraliany, 2019), (Irawati et al., 2022) and (Siregar et al., 2019) show that firm size has a positive and significant effect on firm value. Based on this explanation, the second hypothesis is:
H2: Size has a positive and significant effect on Price to Book Value.

The Effect of Investment Opportunity Set on Firm Value

To maximize firm value, companies are required to manage their finances effectively in order to achieve their main objective, which is generating profit. The prospect of future profit growth is a key consideration for potential investors before making investment decisions. Companies with high growth potential generally have a high Investment Opportunity Set (IOS), which indicates ongoing profit growth in the future and signaling that the company has opportunities for expansion and profit potential. Conversely, companies with low growth levels tend to have fewer investment opportunities (Mahirun et al., 2022). In the variable investment opportunity set (IOS) measured by the Price Earning Ratio (PER), (Mahirun et al., 2022) and (Asiah & Simamora, 2023) found a significant positive effect on firm value. A high IOS is considered a signal of growth prospects. However, (Kolibu et al., 2020) reported that PER does not have a significant effect on PBV, indicating that growth potential is not always translated into market value by investors. Based on studies conducted by (Mahirun et al., 2022), (Citra et al., 2020), and (Asiah & Simamora, 2023), IOS has a positive and significant effect on firm value. Based on this explanation, the third hypothesis is:
H3: Price Earning Ratio has a positive and significant effect on Price to Book Value.

The Effect of Dividend Policy on Firm Value

Dividends are often a primary concern for investors as they are considered more certain compared to capital gains. Companies that consistently pay high dividends are usually viewed as having good and stable financial performance, thereby attracting investor interest. Dividend policy can also be a positive signal regarding the company's prospects, which impacts stock prices and increases company value (Siregar et al., 2019). Previous research conducted by (Dessriadi et al., 2022), (Salama

et al., 2019), (Hendraliany, 2019) shows that dividend policy has a positive and significant effect on company value. Based on this description, the fourth hypothesis is:

H4: The Dividend Payout Ratio has a positive and significant effect on Price to Book Value.

The Effect of Profitability on Firm Value

Profitability reflects a company's ability to generate profits and illustrates the efficiency and effectiveness of operational management. For investors, profitability is a key indicator in assessing the prospects and financial health of a company. The higher the level of profitability, the more positive signals the market receives, which can increase investor confidence and impact the increase in company value (Oktiwiati & Nurhayati, 2020). The research conducted by (Kolibu et al., 2020) shows that ROE does not have a significant effect, indicating that the influence of profitability on company value may depend on the sector or company leverage. Based on research conducted by (Ludianingsih et al., 2022), (Siregar et al., 2019), (Hendraliany, 2019), (Firmansah & Sari, 2024), and (Nurhaliza & Azizah, 2023) it shows that profitability has a positive and significant effect on company value. Based on this explanation, the fifth hypothesis is:

H5: Return on Equity has a positive and significant effect on Price to Book Value

3. Method, Data, and Analysis

This study employs a quantitative approach with a causal-comparative design to analyze the influence of capital structure, firm size, investment opportunity set, dividend policy, and profitability on firm value. The research object consists of companies listed in the LQ45 index on the Indonesia Stock Exchange during the 2019–2023 period. The sample was selected using a purposive sampling technique, with criteria including consistent listing in the LQ45 index and availability of complete financial data.

The data used are secondary data obtained from annual reports and the official website of the Indonesia Stock Exchange. Firm value is measured using Price to Book Value (PBV), capital structure with Debt to Equity Ratio (DER), firm size with the logarithm of total assets, IOS with Price Earning Ratio (PER), dividend policy with Dividend Payout Ratio (DPR), and profitability with Return on Equity (ROE). Data analysis was conducted using multiple linear regression with the assistance of SPSS software. Classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation, were performed prior to regression analysis. The F-test and t-test were used to examine the simultaneous and partial effects of the independent variables on firm value.

4. Result and Discussion

This study aims to examine the influence of capital structure, firm size, investment opportunity set (IOS), dividend policy, and profitability on firm value among companies listed in the LQ45 index during the 2019–2023 period. This study selects samples and observation periods. Unlike previous research, which generally used data before the pandemic or in stable economic conditions, this study specifically examines companies included in the LQ45 index during the period of 2019–2023, which includes the COVID-19 pandemic, economic activity restriction policies, and the phase of national economic recovery. The selection of this period adds value as it reflects the highly volatile market conditions, which directly impacts capital structure, dividend policy, and investor perceptions of company profitability and growth. Therefore, the relationships between the variables found in this study not only reflect the dynamics of the company's internal finances but also the market's response

to external economic pressures over the last five years.Thus, this research is expected to provide a new perspective in the literature, particularly regarding how internal company factors interact with company value in the context of economic crises and recovery in Indonesia. The analyzed data show fluctuations in each research variable, including the average values of DER, Size, PER, DPR, ROE, and PBV.

Results of Descriptive Statistical Tests Results

The results of the descriptive statistical test show that the average DER is 1.8873×, with the highest DER value at 16.11× and the lowest at 0.04×. The average firm size is 7.8516, with the highest size value at 9.33 and the lowest at 6.49. The average PER is 23.1864×, with the highest PER at 335.32× and the lowest at -6.78×. The average DPR is 57.6204%, with the highest DPR at 288.46% and the lowest at 1.99%. ROE has an average of 17.9714%, with the highest ROE at 145.09% and the lowest at -0.17%. The average PBV is 3.8110, with the highest PBV at 64.89 and the lowest at 0.39.

Table 2. Descriptive Statistics Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
DER	182	.04	16.11	1.8873	2.50034
SIZE	182	6.49	9.33	7.8516	.62477
PER	182	-6.78	335.32	23.1864	38.48776
DPR	182	1.99	288.46	57.6204	47.37220
ROE	182	-.17	145.09	17.9714	22.33803
PBV	182	.39	64.89	3.8110	9.00624
Valid N (listwise)	182				

Notes : Data processed in 2025.
Source : output SPSS

Results of Classical Assumption Test.

The data testing as a prerequisite for regression was conducted using classical assumption tests as the next step. We found that the normality test showed the data is normally distributed, the autocorrelation test indicated no presence of autocorrelation, and the multicollinearity test confirmed that all variables did not exhibit multicollinearity. Meanwhile, the heteroscedasticity test results showed that none of the variables experienced heteroscedasticity issues.

Table 3. One-Sample Kolmogorov-Smirnov Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		166
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.31415300
Most Extreme Differences	Absolute	.068
	Positive	.068
	Negative	-.066

Test Statistic			.068
Asymp. Sig. (2-tailed)[c]			.060
Monte Carlo Sig. (2-tailed)[d]	Sig.		.068
	99% Confidence Interval	Lower Bound	.061
		Upper Bound	.074
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			
d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 334431365.			

Sources: *Output SPSS* (Data processed in 2025)

Based on the results of the normality test using the Kolmogorov-Smirnov method in the table above, the Asymp. Sig. (2-tailed) value is 0.060, indicating that the data is normally distributed, as the probability value is greater than 0.05.

Table 4. Autocorrelation Test Results

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.732[a]	.536	.523	.63125	2.022
a. Predictors: (Constant), ROE, DER, DPR, PER, SIZE					
b. Dependent Variable: PBV					

Sources : Output SPSS (Data processed in 2025)

The Durbin-Watson value is 2.022, where the number of independent variables (k) is 5 and the number of observations (n) is 168. The upper bound (dU) is 1.8092, and the value of 4-dU is 2.1908. Since the DW value falls between dU and 4-dU (1.8092 < 2.022 < 2.1908), this result indicates that there is no autocorrelation in the regression model.

Table 5. Multicollinearity Test Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.011	.914		-1.105	.271		
	DER	.052	.031	.065	1.698	.091	.576	1.735
	SIZE	-1.470	.425	-.134	-3.463	.001	.557	1.796
	PER	.892	.037	.791	23.951	.000	.763	1.310
	DPR	.077	.028	.086	2.740	.007	.855	1.170

	ROE	**.776**	**.036**	**.678**	**21.302**	**.000**	**.822**	**1.216**
a. Dependent Variable: PBV								

Sources : Output SPSS (Data processed in 2025)

Based on the table above, all variables have Tolerance values greater > 0.1 and VIF < 10, indicating that there is no multicollinearity among the variables.

Table 6. Heteroscedasticity Test Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.943	.575		1.640	.103
	DER	.037	.019	.193	1.887	.061
	SIZE	-.339	.267	-.132	-1.268	.207
	PER	-.009	.023	-.035	-.400	.690
	DPR	.028	.018	.131	1.564	.120
	ROE	-.032	.023	-.119	-1.397	.164
a. Dependent Variable: ABS_RES						

Sources : Output SPSS (Data Processed in 2025)

The output shows no significant relationship between all independent variables and the absolute value of the residuals, as indicated by significance values greater than 0.05. This means it can be concluded that the model is free from heteroscedasticity or that heteroscedasticity is not present.

F-Test Results

Table 7. F-Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	105.981	5	21.196	208.263	.000[b]
	Residual	16.284	160	.102		
	Total	122.265	165			

a. Dependent Variable: PBV
b. Predictors: (Constant), ROE, DER, DPR, PER, SIZE

Sources : *Output SPSS* (Data Processed in 2025)

From the table, it can be seen that the significance value is 0.000, which is less than 0.05. Since the significance value of the F-test is below 0.05 and the calculated F value > F table value (208.263 >

2.27), it can be concluded that the regression model is appropriate for testing the effect of Capital Structure, Firm Size, Investment Opportunity Set, Dividend Policy, and Profitability on Firm Value.

Multiple Linear Regression Test

Table 8. Results of Multiple Linear Regression Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-1.011	.914		-1.105	.271
	DER	.052	.031	.065	1.698	.091
	SIZE	-1.470	.425	-.134	-3.463	.001
	PER	.892	.037	.791	23.951	.000
	DPR	.077	.028	.086	2.740	.007
	ROE	.776	.036	.678	21.302	.000

a. Dependent Variable: PBV

Sources : Output SPSS (Data Processed in 2025)

The regression equation is as follows:

$$Y = 0.065DER - 0.134SIZE + 0.791PER + 0.086DPR + 0.678ROE + e$$

Hypothesis Testing

Table 9. Result Of Hypothesis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-1.011	.914		-1.105	.271
	DER	.052	.031	.065	1.698	.091
	SIZE	-1.470	.425	-.134	-3.463	.001
	PER	.892	.037	.791	23.951	.000
	DPR	.077	.028	.086	2.740	.007
	ROE	.776	.036	.678	21.302	.000

a. Dependent Variable: PBV

Sources : Output SPSS (Data Processed in 2025)

The hypothesis testing results show that DER has a positive but insignificant effect on firm value (PBV), thus H1 is rejected. Firm size has a negative and significant effect, leading to the rejection of H2. PER, DPR, and ROE each have a positive and significant effect on PBV, indicating that H3, H4, and H5 are accepted.

The Effect of Capital Structure on Firm Value

Based on the statistical test results, capital structure (DER) has a positive but not significant effect on firm value (PBV), with a significance value of 0.091 (> 0.05), thus the first hypothesis (H1) is rejected. This is in line with the trade-off theory, which states that excessive debt beyond the optimal level can increase financial risk and reduce investor interest. Although the relationship is positive, the effect is not significant because investors take into account the additional risk from the company's debt burden. These findings are consistent with studies by (N. Baihaqi et al., 2021), (Safaruddin et al., 2023), and (Yulianti & Ramadhan, 2022).

The Effect of Firm Size on Firm Value

Based on the statistical test results, firm size (Size) has a negative and significant effect on firm value (PBV), with a significance value of 0.001 (< 0.05), thus the second hypothesis (H2) is rejected. Although signaling theory suggests that large firms are perceived to have stability and strong prospects, the findings indicate that excessively large firm size may reduce efficiency and decrease firm value. These results indicate that large-scale companies are not always perceived as being more valuable by investors. This could be due to operational inefficiencies, managerial complexity, and the perception that large companies tend to be less dynamic in creating growth. This finding is different from the results of the majority of previous studies, such as (Ramdhonah et al., 2019) and (Irawati et al., 2022), which show a significant positive effect between company size and company value. This difference emphasizes that the relationship between SIZE and PBV is contextual, depending on internal efficiency, industry sector, and macroeconomic conditions. In addition, this analysis has limitations, such as the quality of governance, innovation, or external factors such as government policies and global economic fluctuations, which can also affect investor perceptions of company value. These results are consistent with the studies by (Safaruddin et al., 2023), (Irawan & Kusuma, 2019), and (Putri & Warsitasari, 2024).

The Effect on Investment opportunity set on Firm Value

Based on the statistical test results, the Investment Opportunity Set (IOS), proxied by PER, has a positive and significant effect on firm value (PBV), with a significance value of 0.000 (< 0.05), thus the third hypothesis (H3) is accepted. This finding supports the signaling theory, which states that investment opportunities serve as a positive signal to investors regarding the company's growth prospects. A high PER indicates a healthy financial condition and promising outlook, thereby increasing investor interest and driving up stock prices as well as firm value. These results are consistent with the studies by (Mahirun et al., 2022), (Ananda & Santoso, 2022), and (Asiah & Simamora, 2023).

The Effect on Dividend Policy on Firm value

Based on the statistical test, dividend policy (DPR) has a positive and significant effect on firm value (PBV), with a significance value of 0.007 (< 0.05), thus the fourth hypothesis (H4) is accepted. This supports the signaling theory, which suggests that consistent or increasing dividend payments signal financial stability and strong future prospects to investors. Conversely, reduced or omitted dividends may signal uncertainty. These findings align with studies by (Dessriadi et al., 2022), (Salama et al., 2019) and (Hendraliany, 2019).

The Effect on Profitability on Firm Value

Based on the statistical test, profitability (ROE) has a positive and significant effect on firm value (PBV), with a significance value of 0.000 (< 0.05), thus the fifth hypothesis (H5) is accepted. According to signaling theory, high profitability signals strong financial health and consistent earnings, which can attract investor interest. Profitability is often used by management to convey the company’s

internal condition to the market. These findings are consistent with previous studies by (Ludianingsih et al., 2022), (Mahirun et al., 2022), (Siregar et al., 2019), (Hendraliany, 2019), (Firmansah & Sari, 2024), and (Oktiwiati & Nurhayati, 2020).

5. Conclusion and Suggestion

Conclusion

Based on the analysis of companies listed in the LQ45 index during the 2019–2023 period, it was found that capital structure (DER) has a positive but insignificant effect on firm value. Firm size, on the contrary, shows a negative and significant effect, indicating that large companies are not always perceived as more valuable if not accompanied by efficient asset management. Meanwhile, the investment opportunity set (PER), dividend policy (DPR), and profitability (ROE) have a positive and significant effect, suggesting that growth prospects, profit distribution to shareholders, and the ability to generate earnings are key factors considered by investors in assessing firm value. These findings reinforce the importance of strong financial signals in gaining market confidence.

Suggestion

Based on the research results, there are several recommendations that can be given:

1. For company management, it is advised to pay more attention to the efficiency of debt usage (capital structure), as a high Debt to Equity Ratio (DER) has the potential to decrease the company's value. Management also needs to optimally manage the size of the company so that asset growth does not lead to operational inefficiencies.
2. For investors, the results of this research can serve as a reference in evaluating the fundamental performance of companies, especially in assessing financial ratios that impact the value of the company during unstable economic periods.
3. For future researchers, it is recommended to add macroeconomic variables such as inflation, interest rates, exchange rates, or GDP, in order to see how external factors interact with internal factors in influencing company values. In addition, research can also be focused on sectoral analysis (for example, banking, manufacturing, technology) to observe differences across industries. A longitudinal approach with a longer period can also be used for more stable and in-depth temporal results.

6. Acknowledgement

The author would like to express sincere gratitude to the Institute for Research at Universitas Pekalongan for the support provided in the completion of this research, and to the academic advisor, Prof. Dr. Mahirun, S.E., M.Si.

7. Reference

Amrulloh, A., & Amalia, A. D. (2020). PENGARUH PROFITABILITAS, STRUKTUR MODAL, LIKUIDITAS, UKURAN PERUSAHAAN DAN KEBIJAKAN DIVIDEN TERHADAP NILAI PERUSAHAAN (Studi Empiris pada Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia Periode Tahun 2015-2019). *Jurnal Akuntansi Dan Keuangan*, *9*(2), 167. https://doi.org/10.36080/jak.v9i2.1421

Ananda, W. C., & Santoso, A. B. (2022). Pengaruh Inflasi, Suku Bunga, dan Nilai Tukar Rupiah terhadap Return Saham pada Perusahaan Perbankan yang Terdaftar Di Bursa Efek Indonesia (2018-2020). *J-MAS (Jurnal Manajemen Dan Sains)*, *7*(2), 726. https://doi.org/10.33087/jmas.v7i2.559

Arianti, B. F. (2022). Pengaruh Struktur Modal, Pertumbuhan Penjualan Dan Keputusan Investasi Terhadap Nilai Perusahaan. *Gorontalo Accounting Journal*, *5*(1), 1. https://doi.org/10.32662/gaj.v5i1.1845

Arizki, A., Masdupi, E., & Yolandafitri Zulvia. (2024). Pengaruh Keputusan Investasi, Keputusan

Pendanaan, Dan Kebijakan DividenTerhadap Nilai Perusahaan Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *Journal of Accounting and Taxation*, *3*(2), 156–170. https://doi.org/10.47747/jat.v3i2.1714

Asiah, H. N., & Simamora, S. C. (2023). PENGARUH PRICE EARNING RATIO DAN DEBT TO EQUITY RATIO TERHADAP PRICE TO BOOK VALUE PADA SUB SEKTOR TRANSPORTASI LOGISTIK DAN PENGANTARAN YANG TERDAFTAR DI BEI TAHUN 2020-2021 (PER TRIWULAN). *JIMEN Jurnal Inovatif Mahasiswa Manajemen*, *3*(2), 129–140.

Cahyani, C. P., Permadhy, Y. T., & Aziz, A. (2021). Analisis return saham lq45 di bursa efek indonesia. *Korelasi*, *2*(2020), 349–361.

Citra, H., Felicia, L., & Janlie, Y. (2020). *Pengaruh Leverage , Working Capital Turnover , Kebijakan Dividen , dan Price Earning Ratio Terhadap Nilai Perusahaan Pada Perusahaan Consumer Goods Industry Yang Terdaftar Di Bursa Efek Indonesia*. *4*.

Dessriadi, G. A., Harsuti, H., Muntahanah, S., & Murdijaningsih, T. (2022). Pengaruh Kebijakan Dividen, Leverage dan Profitabilitas terhadap Nilai Perusahaan LQ-45 yang Terdaftar di Bursa Efek Indonesia. *Ekonomis: Journal of Economics and Business*, *6*(1), 195. https://doi.org/10.33087/ekonomis.v6i1.506

Dewi, N. L. R., Novitasari, N. L. G., & Saitri, P. W. (2024). *Pengaruh Intangible Asset , Invesment Opportunity Set , Struktur Modal ,*. *6*(1), 112–128.

Firmansah, I. R., & Sari, I. (2024). *Pengaruh Struktur Modal Dan Profitabilitas Terhadap Nilai Perusahaan Pada Perusahaan LQ45 Sub Sektor Perbankan Yang Terdaftar Di Bursa Efek Indonesia*. *13*(1), 59–66.

Fuad, M., & Wandari, A. (2018). Pengaruh Struktur Modal dan Faktor Eksternal terhadap Nilai Perusahaan (Studi pada PT. Bank Central Asia, Tbk). *Jurnal Manajemen Dan Keuangan*, *7*(1), 32–46. https://doi.org/10.33059/jmk.v7i1.755

Hendraliany, S. (2019). Pengaruh Profitabilitas, Ukuran Perusahaan, Pertumbuhan Perusahaan, Kebijakan Dividen dan Keputusan Investasi Terhadap Nilai Perusahaan. *Jurnal Ekonomika Dan Manajemen*, *8*(1), 47–58.

Hidayah, N. (2017). Pengaruh Investment Opportunity Set (Ios) Dan Kepemilikan Manajerial Terhadap Nilai Perusahaan Pada Perusahaan Property Dan Real Estat Di Bursa Efek Indonesia. *Jurnal Akuntansi*, *19*(3), 420. https://doi.org/10.24912/ja.v19i3.89

Irawan, D., & Kusuma, N. (2019). Pengaruh Struktur Modal Dan Ukuran Perusahaan Terhadap Nilai Perusahaan. *Jurnal AKTUAL*, *17*(1), 66–81. https://doi.org/10.47232/aktual.v17i1.34

Irawati, D. M., Hermuningsih, S., & Maulida, A. (2022). *Al-Kharaj : Jurnal Ekonomi , Keuangan & Bisnis Syariah Analisis Pengaruh Struktur Modal , Ukuran Perusahaan , Dan Pertumbuhan Perusahaan Terhadap Nilai Perusahaan : Studi Kasus pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Sektor Industri Food an*. *4*(3), 813–827. https://doi.org/10.47467/alkharaj.v4i3.741

Isnin Yulia Alfiani Rochman, & Sari Andayani. (2023). Teori Sinyal Dalam Anomali Window Dressing 2022 Dan Penurunan Risiko Kredit Macet Pada Subsektor Perbankan: Studi Kasus Isu Resesi 2023. *Akuntansi*, *2*(3), 109–122. https://doi.org/10.55606/akuntansi.v2i3.334

Khofiyah, Q. A., Mahirun, & Ahliansyah, M. R. (2024). Pengaruh Kepemilikan Manajerial, Kepemilikan Institusional, Profitabilitas dan Likuiditas terhadap Kebijakan Hutang. *PENA JURNAL ILMU PENGETAHUAN DAN TEKNOLOGI*, *38*(1), 1–12.

Kolibu, N. N., Saerang, I. S., Maramis, J. B., Ekonomi, F., Bisnis, D., Manajemen, J., Sam, U., & Manado, R. (2020). *ANALISIS INVESTMENT OPPORTUNITY SET , CORPORATE GOVERNANCE , RISIKO BISNIS , DAN PROFITABILITAS TERHADAP NILAI PERUSAHAAN CONSUMER GOODS DENGAN HIGH LEVERAGE DI BURSA EFEK INDONESIA ANALYSIS OF INVESTMENT OPPORTUNITY SET , CORPORATE GOVERNANCE , BUSINESS* . *8*(1), 202–211.

Ludianingsih, A., Wiyono, G., & Kusumawardhani, R. (2022). Pengaruh Profitabilitas, Likuiditas, Ukuran Perusahaan dan Keputusan Investasi Terhadap Nilai Perusahaan: Studi pada Bank yang Terdaftar di BEI Tahun 2018-2020. *Religion Education Social Laa Roiba Journal*, *4*(3), 437–446. https://doi.org/10.47476/reslaj.v4i3.787

Mahirun, Ayuningrum, A. P., & Prasetiani, T. R. (2022). Pengaruh Kebijakan Deviden, Struktaur Modal, Set Peluang Investasi, Dan Profitabilitas Terhadap Nilai Perusahaan. *JAKA Jurnal Akuntansi, Keuangan Dan Auditing*, *4*(2), 33–47.

N. Baihaqi, Geraldina, I., & Wijaya, S. Y. (2021). *PENGARUH STRUKTUR MODAL TERHADAP NILAI PERUSAHAAN PADA KONDISI KEDARURATAN PANDEMI COVID-19*. *112*, 72–84.

Nurhaliza, N., & Azizah, S. N. (2023). Analisis Struktur Modal, Kepemilikan Manajerial, Pertumbuhan Perusahaan, Dan Profitabilitas Terhadap Nilai Perusahaan. *Jurnal Riset Keuangan Dan Akuntansi*, *9*(1), 31–44. https://doi.org/10.25134/jrka.v9i1.7593

Oktiwiati, E. Dela, & Nurhayati, M. (2020). Pengaruh Profitabilitas, Struktur Modal, Dan Keputusan Investasi Terhadap Nilai Perusahaan. *Mix: Jurnal Ilmiah Manajemen*, *10*(2), 196.

Putri, D. A. S., & Warsitasari, W. D. (2024). Pengaruh Kebijakan Dividen Dan Kinerja Keuangan Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesiatahun 2015-2017. *EL-MAL Jurnal Kajian Ekonomi & Bisnis Islam*, *5*(3), 1052–1066.

Ramdhonah, Z., Solikin, I., & Sari, M. (2019). Pengaruh Struktur Modal, Ukuran Perusahaan, Pertumbuhan Perusahaan, dan Profitabilitas terhadap Nilai Perusahaan. *Indonesian Journal of Strategic Management*, *2*(1), 67–82. https://doi.org/10.17509/jrak.v7i1.15117

Safaruddin, Nurdin, E., & Indah, N. (2023). Pengaruh Struktur Modal Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Akuntansi Dan Keuangan*, *8*(1), 166–179. http://jurnal.unidha.ac.id/index.php/JEBD/article/download/271/192

Salama, M., Rate, P. Van, & Untu, V. N. (2019). Pengaruh keputusan investasi, keputusan pendanaan dan kebijakan dividen terhadap nilai perusahaan pada industri perbankan yang terdaftar di BEI periode 2014-2017. *Emba*, *Vol.7 No.3*(3), 2651–2660.

Siregar, M. E. S., Dalimunthe, S., & Trijuniyanto, R. S. (2019). *PENGARUH PROFITABILITAS, UKURAN PERUSAHAAN, KEBIJAKAN DIVIDEN DAN STRUKTUR MODAL TERHADAP NILAI PERUSAHAAN PADA PERUSAHAAN MANUFAKTUR YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2015-2017*. *10*(2), 356–385.

Suleman, R., & Sumani. (2021). *Effect Of Investment Decision , Capital Structure , Profitability , And Company Size On Company Values*. *XXVI*(01), 134–152.

Umdiana, N., & Claudia, H. (2020). Trade-Off Theory. *Jurnal Akuntansi : Kajian Ilmiah Akuntansi*, *7*, 12–16. https://doi.org/10.4324/9781003016380-3

Yulianti, V., & Ramadhan, Y. (2022). PENGARUH STRUKTUR MODAL, PROFITABILITAS, DAN UKURAN PERUSAHAAN TERHADAP NILAI PERUSAHAAN. *Syntx Literate : Jurnal Ilmiah Indonesia*, *7*(1), 1–12.

Yuniastri, N. P. A., Endiana, I. D. M., & Kumalasari, P. D. (2019). *PENGARUH PROFITABILITAS, KEBIJAKAN DIVIDEN, KEPUTUSAN INVESTASI, STRUKTUR MODAL DAN UKURAN PERUSAHAAN TERHADAP NILAI PERUSAHAAN PADA PERUSAHAAN MANUFAKTUR YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2017-2019*. *Analisa 2011*, 69–79.

Zuraida, I. (2019). PENGARUH STRUKTUR MODAL, UKURAN PERUSAHAAN, PROFITABILITAS DAN KEBIJAKAN DIVIDEN TERHADAP NILAI PERUSAHAAN. *Jurnal Akuntansi Dan Bisnis*, *4*, 529–536.