IJAFIBS,12 (3) (2024) pp. 217-229

Published by:TRIGIN Publisher

International Journal of Applied Finance and Business Studies

Journal homepage:www.ijafibs.pelnus.ac.id

The Influence of Investment Decisions, Profitability, Capital Structure, and Company Size on the Value of Property and Real Estate Companies on the IDX

Muhammad Raffi Uz-zaky[1], Suhardi[2], Rita Deseria[3]

[123]Program Studi Manajemen Keuangan, Universitas Pertiba, Indonesia 33125, Indonesia

ARTICLE EI NFO

Article history:

Received Nov 29, 2024
Revised Dec 03, 2024
Accepted Dec 30, 2024

Keywords:

Capital Structure;
Company Size;
Company Values.
Investment Decisions;
Property,
Profitability.

ABSTRACT

This study analyses the influence of investment decisions, profitability, capital structure, and company size on the property and real estate companies on the Indonesia Stock Exchange (2020-2024). Using multiple linear regression on secondary data, the results concluded that investment decisions, profitability, and company size have a significant influence on the value of companies in the property and real estate sectors, while capital structure is insignificant. The capital structure is insignificant, supported by Modigliani-Miller's theory and pandemic policy interventions that reduce debt risk. The findings reinforce the role of signaling theory where profitability is the main signal of investor confidence, while capital structure is irrelevant in the context of emerging markets. Future research recommendations include the integration of sustainability variables (ESG), longitudinal analysis of the impact of post-pandemic debt restructuring, as well as qualitative approaches to unravel the paradox of company size. The practical implications suggest optimizing profitability through operational efficiency and prudence in large-scale business expansion. Future research will need to expand variables such as ESG performance, dividend policies, or environmental risks to answer unexplained variations. Capital structural analysis can be focused on specific conditions (e.g., property cycle phases or high interest rates) using a moderated regression approach. Longitudinal studies are needed to assess the long-term impact of pandemic policies, while qualitative methods (interviews) can uncover the paradox of the negative influence of company size. Inter-sector comparisons and non-linear modeling are also recommended to understand the complexity of variable relationships in asset-heavy contexts such as properties.

Corresponding Author:

Muhammad Raffi Uz-zaky,
Program Studi Manajemen Keuangan,
Univesritas Pertiba,
Jl. Soekarno Hatta No. 456 Bandung - 40266
Email: raffiuzzaky22@gmail.com

1. INTRODUCTION

The competitive landscape in contemporary business is becoming increasingly stringent, driven by the emergence of technological advancements and the widespread adoption of social media as an innovative marketing instrument and a medium for engaging with consumers. Enterprises are now tasked not only with achieving substantial profitability but also with perpetually innovating and devising inventive strategies to maintain their market relevance. Nevertheless, within this rapidly evolving digital epoch, the attainment of significant profits has ceased to serve as the preeminent

metric of a company's resilience. Conversely, the valuation of shares within the capital markets is progressively regarded as a more accurate representation of a company's strength and sustainability prospects. An upward trajectory in stock values signifies the degree of investor confidence and the organization's capacity to navigate prospective business challenges (Melinda et al., 2024).

Companies in the property and real estate sector are one of the sectors that have managed to achieve positive stock value growth. Despite fluctuations due to uncertain risks, such as the pandemic, the property and real estate sectors remain resilient, reflecting investors' optimism towards the industry. This sector experienced significant fluctuations in the performance of stock indices during the period from 2020 to 2024. In 2020, there was a sharp decline due to the COVID-19 pandemic, with the index reaching its lowest point in August (-40.48%), July (-39.88%), and April (-39.84%) compared to the previous year. Although it began to show recovery efforts, the trend continued into 2021, which was marked by a decline in the index of -19.18% in January, -21.48% in February, and -18.58% in March (Sa'diyah and Sulfitri, 2024).

Entering 2023 and 2024, there are starting to be prospects for strengthening driven by two main catalysts, namely the Fed's interest rate cuts and the extension of value-added tax (VAT) incentives. In 2023, the sector's stock index began to move positively, even though it was thin, growing only by 0.41% (Natalia, 2024). This strengthening was especially seen in the first quarter of 2023, which was marked by an increase in the performance of issuers in the property sector, which was reflected in the appreciation of the index by 0.1% (RHB Sekuritas Indonesia, 2024). The outlook for this sector is improving in line with Bank Indonesia's policy of holding interest rates in place throughout 2023 and its potential decline in the future. In 2024, optimism for the property sector is increasing after the government extended the full VAT incentive until the end of the year, which prompted an increase in the property sector index by 3.79% with several companies experiencing a surge in share prices of up to 12% (Dewi, 2024). Moreover, the confidence of investors in the real estate sector continues to be robust, as evidenced by the increase in the investment value within this domain, which reached IDR 29.4 trillion in the initial quarter of 2024, marking a 6% rise compared to the corresponding timeframe in the previous year (Kompas, 2024). The optimism and faith of investors in the property and real estate industries are indicative of the inherent value of the companies operating within this sector. The value of a company signifies its capacity to generate wealth through the attainment of optimal returns for its shareholders, thereby serving as a primary criterion for investors when evaluating business performance (Ningrum, 2022). In other words, the company's value is the main goal that encourages management to maintain optimal performance in each period to create a positive impression on the value of the stock and attract and maintain investor interest.

In the context of signal theory, a company's value is described in how the information communicated to the market can affect investor perception (Qotimah *et al*., 2023). Companies with strong fundamentals are more likely to send positive signals through their financial performance, which then forms market confidence in the success and sustainability of their business (Nora, 2016). The signals can come from various financial complementarities that indicate the health condition and future growth prospects of the company. The study looked at four complementary factors that are suspected to play a role in shaping the company's value, namely investment decisions, profitability, capital structure, and company size. Investment is the activity of investors investing a certain amount of funds or financial resources into a company with the expectation of making profits as future returns (Mubarokah and Indah, 2021). Companies with good growth prospects tend to attract investors to invest or extend their investment period (Goh, 2023). Investment decisions encourage companies to implement effective business strategies in optimally allocating resources, improving financial performance, maximizing profits, and strengthening stock prices. Thus, a high value of the company can be achieved, which ultimately strengthens trust and attractiveness for investors. Therefore, investment decisions greatly affect the value of the company (Ernawati and Rusliati, 2019). However, research by Komala *et al.,* (2021) states that investment decisions have no effect on the value of the company.

Profitability represents a significant financial attribute that is intricately connected to the enhancement of organizational performance. Investigations conducted by Kusumaningrum and

Iswara (2022) demonstrate that profitability exerts a beneficial influence on corporate valuation, as it reflects the firm's ability to generate earnings and serves as a metric for assessing managerial efficacy. Conversely, findings from the research by Farizki et al. (2021) present a conflicting perspective, asserting that profitability does not affect corporate value, given that the variability of profits year over year fails to instill confidence in investors regarding stock returns, thus not contributing directly to an increase in corporate valuation (Farizki et al., 2021). Moreover, capital structure constitutes a pivotal financial element that significantly impacts a firm's value, as it is intimately tied to management's capacity to effectively balance the sources of capital, specifically equity (owner's capital) and liabilities (debt), for operational financing (Utami, 2019). Investors are likely to scrutinize the predominant composition of the capital structure employed; when a firm successfully manages its operations without excessive reliance on liabilities, it mitigates financial risk and enhances corporate value. However, if a firm is overly dependent on liabilities, it faces an increased likelihood of insolvency, consequently diminishing its value. Research conducted by Setiawan et al. (2021) corroborates the assertion that capital structure influences corporate value. In contrast, the study by Muliana and Ahmad (2021) contends that capital structure does not impact corporate valuation.

An additional financial factor that significantly influences a firm's worth is the anticipated scale of the organization as indicated by its total assets. The magnitude of the enterprise signifies its capacity to secure financing, as well as embodies its overall sales, liquidity turnover, and market capitalization (Dewantari et al., 2020). A study conducted by Irawan and Kusuma (2019) established that the size of a company impacts its value. Conversely, Muharrahmah and Hakim (2021) argued that the dimensions of the company do not influence its valuation. In light of the phenomena delineated and the deficiencies identified in extant research findings, this inquiry seeks to analyze the impact of investment choices, profitability, capital structure, and organizational size on the valuation of firms within the property and real estate sector that are publicly traded on the Indonesia Stock Exchange (IDX) from 2020 to 2024, to determine which variables exert the most significant influence on the qualitative assessment of the companies under investigation in the property and real estate domain.

2. RESEARCH METHOD

This research employs a quantitative methodology that examines the impact of corporate resilience within the property and real estate sectors listed on the IDX during the timeframe of 2020-2024, as evidenced by the optimism and confidence of investors regarding the company's value (NP) presented. The study posits that the quality of the company's value is potentially influenced by four financial complementarities identified as independent variables: investment decision (KI), profitability (PF), capital structure (SM), and company size (CS). The research adopts the documentation method for data collection, wherein data is sourced from existing documents. The secondary data utilized consists of financial statements related to the property and real estate sector published on the official website of the Indonesia Stock Exchange, www.idx.co.id, and is partially accessed via the internal website of the companies. The data gathered encompasses financial statements and annual reports from the years 2020-2024.

2.1 Population and Sample

The population in this study is all property and real estate sector companies listed on the Indonesia Stock Exchange during the 2020-2024 period, which totals 94 companies. Property and real estate sector companies are chosen because they are strongly influenced by macroeconomic conditions such as changes in interest rates and inflation, including the pandemic. The phenomenon of the resilience of this sector to bankruptcy in the observed period provides an idea of how companies, through the quality of their company values, can survive in various economic situations. The sample of this study was then selected using a purposive sampling technique where companies in the property and real estate sector were selected as a sample that met the criteria for sample extraction in Table 1. Below are:

Table 1. Stages of Sample Withdrawal Through Elimination of Criteria

No.	Sample Withdrawal Criteria	Sum
1	Listed on the Indonesia Stock Exchange from 2020-2024.	94 companies
2	Have a complete annual financial report that is published continuously for the period 2020-2024 and a minimum of one quarterly report in 2024.	21 companies
3	It does not have a history of losses in each observation year 2020-2024.	16 companies
4	Have annual stock price information on the *Indonesia* Stock Exchange website continuously for the period 2020-2024.	14 companies
	Number of selected samples	14 companies
	Total Research Observation Data	70 observations

Source: Data processed by researchers, 2025

Based on Table 1, the total selected sample that met the sample withdrawal criteria amounted to 14 companies out of 94 companies, so that the total observations produced for 5 years of observation amounted to 70 observations.

2.2 Variable Operational Definition

The first independent variable is investment decisions, which describe the appropriateness of the investment strategies used by managers to achieve optimal levels of return for investors. Investment decisions in the study will be projected using the PER *(Price-Earnings Ratio*) ratio to see the amount of profit as the return earned by investors as shareholders relative to the company's share price (Maria and Birawan, 2022). The formula for the PER ratio is as follows:

$$PER = \frac{Market\ Price\ per\ Share}{Earning\ per\ Share} \quad \text{.....(1)}$$

The second independent variable is profitability, which describes the performance of management in achieving optimal profit levels through the use of resources owned by the company. The company's profitability in this study will rely on a proxy from the ROA *(Return on Assets)* ratio to see the level of the company's ability to generate profits from the use of its assets (Farizki *et al*., 2021). The formula of ROA is as follows:

$$ROA = \frac{Net\ Income\ After\ Tax}{Total\ Asset} \times 100\% \quad \text{.....(2)}$$

The third independent variable is the capital structure used to see the direction of the company's tendency to use funding sources, namely, debt or equity capital. The capital structure is said to be optimal if it can balance the use of these two resources. The company's capital structure in this study will rely on a proxy from the DER *(Debt to Equity Ratio) ratio* to see a comparison of the composition of debt ownership with the company's equity ownership (Irawan and Kusuma, 2019). The low value of the DER ratio characterizes the higher the company's ability to pay all its obligations (Umdiana and Claudia, 2020). The formula of DER is as follows:

$$DER = \frac{Total\ Debt}{Total\ Equity} \times 100\% \quad \text{.....(3)}$$

The fourth independent variable is the size of the company which describes how the scale of the company can affect the value of the company through total asset ownership. The more complex the company's size, the more it is perceived to attract investors because they have more access to develop their business. The size of the company in this study will adopt the *Firm Size formula*, which is as follows:

$$Firm\ Size = Ln(Total\ Asset) \quad \text{.....(4)}$$

Furthermore, the company's value as a dependent variable in this study will use the projection of Tobin's Q formula to see the current financial market estimate of the potential return of each investment made (Wahyuningsih and Widowati, 2016). Tobin's formula q is as follows:

$$Q = \frac{(Market\ Value\ Equity + Debt)}{Total\ Asset} \quad \text{.....(5)}$$

Information:

MVE = Closing Price of Shares X Number of Shares Outstanding at the End of the Year

Debt = (Current Liabilities – Current Assets) + Long-Term Liabilities

2.3 Data Analysis Technique

Broadly speaking, the data analysis technique of this research was carried out by involving several tests consisting of descriptive statistical tests, panel data regression estimation model selection, panel data classical assumption tests, panel data regression analysis, and hypothesis tests. Descriptive statistical test is a technique that summarizes data by presenting main points consisting of *mean, median,* standard deviation, data distribution gap, and other data relevant to the research (Sujarweni, 2014). Furthermore, the best estimation model was selected where according to Gujarati and Porter (2013), among three estimation models from the regression of panel data, namely *the Common OLS Model, the Fixed Effect Model,* and *the Random Effect Model.* There will only be one estimation model used, so the selection tests are carried out, which include Chow testing, the third test, and the LM test according to *the Goodness of Fit rules.*

Next, examine the problems in the regression model by testing classical assumptions. A regression model is considered valid if it meets the assumption of normality (if the observational data is less than 30), does not experience multicollinearity, is free from heteroscedasticity, and does not contain autocorrelation. However, in studies using panel data, normality testing is eliminated when the data has exceeded 30 observations and autocorrelation testing is also eliminated because the panel data model naturally corrects autocorrelation problems that occur in the model. Next, the regression model of the panel data utilizes *the* Eviews 12 software that combines *cross-section* data with *a time series* that observes each observation item over several continuous periods. The panel data regression equations used in this study are:

$$NP_{it} = \alpha + \beta_1 KI_{it} + \beta_2 PF_{it} + \beta_3 SM_{it} + \beta_4 UP_{it} + \varepsilon_{it} \quad \text{.....(6)}$$

Information	:	
NP_{it}	:	Company Values
α	:	Constant Values
β	:	Value of the Regression Coefficient of each Independent Variable
TO	:	Investment Decision
PF	:	Profitability
SM	:	Capital Structure
UP	:	Company Size
ε	:	Standard Error
i	:	Company
t	:	Year

2.4 Hypothesis Testing Techniques

The concluding phase involves hypothesis testing to ascertain the validity of the previously formulated hypothesis aimed at addressing the problem statement by juxtaposing it against a series of hypothesis testing outcomes, both partially and concurrently, while also evaluating the coefficient values. This research investigates several hypotheses pertinent to the valuation of firms within the Indonesian property and real estate sector, specifically: firstly, that investment decisions exert a positive and statistically significant influence on the firm's value; secondly, that profitability bears a positive and statistically significant relationship with the firm's value; thirdly, that the capital structure positively and significantly impacts the firm's value; and fourthly, that the size of the firm has a positive and significant effect on its value.

3. RESULTS AND DISCUSSIONS

3.1 Descriptive statistical analysis

Table 2 below shows the results of the descriptive statistical analysis that has been carried out, which indicates that the data of this study have quite significant variations on several variables. This variation indicates that the data is diverse and indicates differences between the observed samples as the presence of different responses in the study sample.

Table 2*Descriptive Statistical Analysis Results*

		TO	PF	SM	UP
Average	47.3110	31.4938	0.0522	0.4861	28.7190
Middle Value	0.4445	12.1930	0.0430	0.4105	29.0170
Highest Score	959.6070	358.6960	0.2000	1.7430	31.4710
Lowest Score	-0.3830	0.1190	0.0020	0.0010	23.1640
Standard Deviation	175.7055	51.9738	0.0411	0.4038	2.0811
Total Observations (N)			70		

Source: Data processed by researchers, 2025

Based on Table 2, it is clear that the NP variable has a wide distribution of data with outliers indicating the existence of extreme value points in some companies. the IP variable also shows a distribution that is skewed to the right, which indicates a greater value of investment decisions in some companies. On the other hand, the PF variable is more stable with symmetrical data, and a small standard deviation indicates a small variation in profitability values among companies. The SM variable shows a large variation, reflecting the different capital structures between companies. Finally, the UP variable shows a stable and normal distribution with a small standard deviation, indicating a consistent firm size without extreme variation.

3.2 Estimation Model Selection

The first test in estimation model selection is to perform the Chow Test as a test model that determines which is best to choose between the CEM or FEM models. If CEM is selected, it will be continued to the LM test, if FEM is selected, it will be continued to the Hausman test. Table 3. The following presents the results of the Chow test, namely.

Table 3*Chow Test Results*

Effects Test	Prob.
Cross-section F	0.0000
Cross-section Chi-square	0.0000

Source: Data processed by researchers, 2025

The Chow test criteria are based on the comparison of the Prob value with the significance value where if the Prob value is > 0.05 then the selected model is CEM, while if the Prob < 0.05 then the selected model is FEM. Table 3 shows the results of the Chow test of the study where the Prob value is 0.000 < 0.05, then the selected model is FEM and the test is continued to the Hausman test.

Table 4*Hausman Test Results*

Test Summary	Prob.
Random cross-section	0.0150

Source: Data processed by researchers, 2025

The Hausman test criteria are based on the comparison of the Prob value with the alpha significance value of 0.05 where if the Prob value is > 0.05 then the selected model is REM and LM testing must be performed, while if the Prob value is < 0.05 then the selected model is FEM. Table 4 shows the results of the Hausman test of the research where the Prob value is 0.0150 < 0.05, then the selected model is FEM as the best estimation model of the research.

3.3 Test Classic Assumption Data Panel

The first test in testing classical assumptions is to test for symptoms of multicollinearity. Multicollinearity testing is performed to verify whether there is a correlation between independent variables in a regression model, where an ideal regression model should not show a relationship between independent variables. According to Ghozali (2013), the model is assumed not to experience symptoms of multicollinearity if the tolerance value is less than 0.80.

Table 5Multicollinearity Test

	KI	PF	SM	UP
KI	1,000,000	-0.333655	0.207882	-0.191358
PF	-0.333655	1,000,000	-0.368714	0.050663
SM	0.207882	-0.368714	1,000,000	0.100290
UP	-0.191358	0.050663	0.100290	1,000,000

Source: Data processed by researchers, 2025

Based on Table 5, it was obtained that all values of each independent variable had a *tolerance* value of less than 0.80, so it can be concluded that the panel data regression model in this study is free from the symptoms of multicollinearity. Next, heteroscedasticity testing was performed to see if the residual variance between observations in the regression model was non-constant. In this study, the symptoms of heteroscedasticity were observed from the p-value of the variable compared to the significance value of alpha, namely, if the p-value < 0.05, it is assumed that there are no symptoms of heteroscedasticity.

Table 6Heteroskedasticity Test Results

Variable Independent	P- Value
Constants	0.5386
KI	0.7945
PF	0.6703
SM	0.7680
UP	0.5237

Source: Data processed by researchers, 2025

Based on Table 6, the results showed that all p-values of independent variables were greater than the significance value of alpha 0.05. This means that the panel data regression model in this study is free from heteroscedasticity symptoms.

3.4 Panel Data Regression Analysis

Based on the results of the Least *Squares Panel* model estimation with balanced panel data of 70 observations during the 2020–2024 period in 14 cross-sections, it is known that the model has a fairly good ability to explain the dependent variable (Y), as shown by the R-squared value of 0.6009. This means that about 60.09% of the variation in Y can be explained by the independent variables X1, X2, X3, and X4. The results of the F test showed that the model was simultaneously significant (Prob = 0.0000), indicating that together the independent variables had a significant effect on Y. Partially, the variables X1 and X4 had a negative and significant effect on Y, with coefficient values of -0.8089 and -65.5315, respectively. This suggests that an increase in X1 and X4 will significantly lower the value of Y. Meanwhile, X2 showed a positive and significant influence on Y with a coefficient of 778.4766, indicating that an increase in X2 could encourage an increase in Y. X3 showed a positive but insignificant effect at a significance level of 5%, although it can be considered weakly significant at a level of 10%.

Table 7Partial Hypothesis Test Results (t)

Dependent Variable: NP
Method: Panel Least Squares
Date: 04/10/25 Time: 22:10
Sample: 2020 2024
Periods included: 5
Cross-sections included: 14
Total panel (balanced) observations: 70

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1882.833	197.4471	9.535883	0.0000

X1	-0.808853	0.288182	-2.806739	0.0066
X2	778.4766	375.6064	2.072586	0.0422
X3	64.36846	37.27466	1.726869	0.0889
X4	-65.53149	6.817620	-9.612078	0.0000

Root MSE	110.2094	R-squared	0.600869
Mean dependent var	47.31100	Adjusted R-squared	0.576307
S.D. dependent var	175.7055	S.E. of regression	114.3697
Akaike info criterion	12.38550	Sum squared resid	850227.5
Schwarz criterion	12.54610	Log likelihood	-428.4924
Hannan-Quinn criter.	12.44929	F-statistic	24.46345
Durbin-Watson stat	1.598355	Prob(F-statistic)	0.000000

Source: Processed data (2025)

3.5 Simultaneous Hypothesis Test (F)

The justification criterion of the F test can use a comparison between the value of the F calculated with the F table and the value of the Prob (F-statistic) with an alpha significance value of 0.05 which assumes that if the F calculates > F of the table and the value of the Prob (F-statistic) < 0.05 then, showing that all independent variables are capable of influencing the dependent variables simultaneously (Ghozali, 2013; Winantisan et al., 2024). It is known that at a significance level of 5%, the hypothesis built is one-way, and there are 5 variables in total, and the number of observations is 70; the measurement results show that the F value of the table is 2.513. Based on Table 7, it is known that F calculates > F table (24.46345 > 2.513) and the Prob value (F-statistic) < the significance value of alpha (0.0000 < 0.05), which indicates that H0 is rejected. Thus, the variables of Investment Decision (IP), Profitability (PF), Capital Structure (SM), and Company Size (UP) in this study together affect the variables of Company Value (Y). Summary of Coefficient Interpretation can be seen in Table 8.

Table 8. Coefficient Interpretation

Variable	Coefficient	t-Statistics	Probability	Interpretation
C (Intercept)	1882.833	9.536	0.0000	The model constant is statistically significant. The NP value when all X = 0 is 1882.833
TO	-0.808853	-2.807	0.0066	Significant. KI has a negative effect on NP. If KI increases by 1 unit, NP decreases by 0.808853 units.
PF	778.4766	2.072	0.0422	Significant. PF has a positive effect on NP. If the PF increases by 1 unit, the NP increases by 778.4766 units.
SM	64.36846	1.727	0.0889	It is insignificant at the 5% level, but significantly weak at 10%. It has the potential to have a positive influence.
UP	-65.53149	-9.612	0.0000	Very significant. UP has a big negative effect on NP. Each increase in UP of one unit lowers the NP by 65.53149 units.

Source: Processed data (2025)

.

3.6 Determination Coefficient Test (R2)

The criterion for the justification of the determination coefficient can use the adjusted R-squared value range of 0 to 1 where the value that is closer to the value of 1 is assumed to be the higher the ability of the independent variable used in the study to explain the dependent variable (Priadana and Sunarsi, 2021). Based on the *adjusted R-squared* value presented in Table 7, it is known that the resulting Adjusted R-squared value is 0.576307. This value interprets that the variables studied, namely Investment Decision (IP), Profitability (PF), Capital Structure (SM), and Company Size (UP) are able to explain the variables of Company Value in the property and real estate sector by 57.63% and the remaining 42.36% are explained by other variables outside the regression model of this study.

3.7 The Influence of Investment Decisions on Company Value

Investment decisions encourage companies to implement effective business strategies in optimally allocating resources, improving financial performance, maximizing profits, and strengthening stock prices. Thus, a high value of the company can be achieved, which ultimately strengthens trust and attractiveness for investors. Referring to the relationship with signal theory, well-managed investments reflect business prospects both as positive signals sent to investors, thereby triggering an increase in stock value and strengthening investment attractiveness.

Investment decisions play a crucial role in determining the value of property and real estate companies. Research shows that these decisions significantly affect a company's value, with factors such as profitability and capital structure acting as moderators. Investment decisions have a significant positive effect on a company's value, as evidenced by research showing that strategic capital allocation improves market valuation (Efni et al., 2024; Bella et al., 2024). The study (Katti, 2020) found that investment decisions account for around 51.1% of the company's value variability, highlighting the importance of investment decisions in the property sector.

Investment decisions in the property and real estate sectors theoretically have a positive effect on a company's value because they create high-value future cash flow, increase competitive advantages, and take advantage of market cycles and strategic incentives. The Discounted Cash Flow (DCF) theory explains that investments with a positive Net Present Value (NPV)—such as the development of residential or commercial projects in strategic locations—increase the value of a company through the resulting cash flow discount (Myers, 1977). The Purnama et al (2021) study found that investing with an Internal Rate of Return (IRR) was significantly correlated with an increase in Tobin's Q, indicating a positive market response. Positive signaling theory also plays a role: large investments such as mixed-use development is considered an indicator of management's confidence in growth prospects, attracting the interest of institutional investors.

From the perspective of the Resource-Based View (RBV), ownership of property assets in prime locations (e.g. city centers or transit-oriented development / TOD areas) becomes an irreplaceable resource that increases the value of the company. Research by Mousa et al (2021), proves that a portfolio of assets in strategic locations contributes to an increase in the market value of a company. In addition, ESG (Environmental, Social, Governance) based investments, such as LEED-certified green projects or GREEN MARK, increase the attractiveness of global investors. The Hartmann study (2020) shows that companies with sustainable property portfolios have increased their price-to-book ratios by 1.2 times higher than their competitors.

Profitability, proxied by ROA, reflects a company's ability to manage the business and increase profits as a performance indicator. From the perspective of signal theory, increased profits send positive signals to investors regarding the quality of the company's performance, build trust, and contribute to increasing the company's value. This result is in line with research by Dewantari *et al.* (2019) and Kusumaningrum and Iswara (2022), who researched *Food and beverage* companies and found that there was a significant positive influence of profitability on company value.

Profitability has a positive and significant effect on the value of companies in the property and real estate sectors because it reflects the company's ability to generate cash flow, maximize returns for shareholders, and create resilience in the face of market volatility. In theory, *Discounted Cash Flow (DCF)* explains that high profitability (measured through ROA, ROE, or NPM) increases the present value of future cash flows, which is the basis for a company's valuation (Modigliani & Miller, 1958). The market values operational efficiency and profitability. Stable profitability is a signal of investors' confidence in the quality of management and business sustainability. Research by Purnama et al (2021) found that property companies with high ROE experienced a higher increase in stock prices in a year than the industry average. In addition, *the Trade-Off Theory* explains that profitability allows companies to optimize capital structures—for example, using retained earnings for internal funding—thereby reducing reliance on debt and the risk of bankruptcy (Krause & Lahmann, 2023).

From a sectoral perspective, profitability in the property industry is strongly linked to the efficiency of asset management and market timing. Companies with high gross profit margins (e.g. through *premium pricing* strategies in strategic locations or reduced construction costs) tend to

have better resilience during recessions. Hartmann's (2023) study on European real estate companies shows that ESG-based profitability (e.g. energy-efficient projects) increases the *price-to-book ratio* by up to 1.3x because it is considered more sustainable and low-risk. External factors such as regulation and market cycles also reinforce this relationship. Companies with high profitability are more able to take advantage of government incentives (e.g. tax holidays for infrastructure projects) or expand when the market recovers. Analysis of the U.S. property cycle shows that companies with stable ROE during the recessionary phase experience faster stock appreciation during the recovery. Thus, profitability not only reflects historical performance but also becomes a proxy for long-term growth and stability potential, which is directly responded to positively by the market.

3.8 The Influence of Capital Structure on the Value of Companies in the Property and Real Estate Sector

A balanced capital structure can affect a company's value by maintaining financial stability and cost efficiency. The use of controlled debt can reduce financial risk and increase investor confidence, while excessive debt can increase the risk of default and lower the value of the company. From the perspective of Signal Theory, a well-managed capital structure reflects sound financial policies and sends positive signals to investors, which ultimately reinforces the value of the company.

The importance of capital structure to the value of the company is supported by various studies and theoretical frameworks. The basic theory by Modigliani and Miller states that, in a perfect market with no taxes or bankruptcy fees, the capital structure does not affect the value of a company (Saeed, 2013). This perspective is reinforced by empirical findings that show that capital structure has a negligible effect on the value of companies in various sectors, including food and beverage companies (Putri & Ruzikna, 2016; Burhanuddin et al., 2023). Modigliani and Miller's proposition, in an efficient market, the choice of capital structure (debt vs equity) does not affect the value of the company, as investors can replicate the desired risk profile through personal leverage (Saeed, 2013). Irrelevance prevails in conditions of no taxes, bankruptcy fees, and asymmetric information, which are often absent in real-world scenarios (Thakor, 2011). Studies have shown that capital structure does not significantly affect the value of a company, with findings showing negative and insignificant relationships across different sectors (Akhmadi et al., 2022; Burhanuddin et al., 2023).

The capital structure does not have a significant effect on the value of companies in the property and real estate sector on the IDX (2020–2024) due to the dominance of external factors such as market volatility, macroeconomic policies, and investor preferences that ignore leverage in valuations. *The Modigliani-Miller (MM)* theory, assuming a perfect market, states that the value of a company does not depend on the capital structure if there are no taxes or bankruptcy costs (Modigliani & Miller, 1958). The COVID-19 pandemic has had a significant impact on Indonesia's property sector, but companies with high debt levels (DER> 2x) have largely avoided severe impairment due to government intervention. These measures include credit relaxation and installment delays, which reduce the risk of bankruptcy for these companies. The Financial Services Authority (OJK) implemented a policy to ease loan conditions, allowing companies to restructure debt without penalty. The government facilitates deferred payments, which help maintain cash flow for property companies, preventing direct financial pressure. Companies with high DER showed resilience during the pandemic, as restructuring policies helped stabilize their financial performance (Khairunnisa et al., 2022). Research shows that while financial pressures negatively impacted a company's value during the pandemic, interventions helped cushion the blow for companies with large debts (Adaria et al., 2022).

3.9 The Effect of Company Size on the Value of Property and Real Estate Sector Companies

Large companies with all their complexities are perceived to tend to attract investors' trust because they are assumed to promise great prospects, the existence of positive growth, and the ability to use and manage their assets to achieve corporate goals so that it can be said that the size of the company greatly determines the company's value. The findings of this study are consistent

with research by Dewantari *et al.* (2019), as well as Muharramah and Hakim (2021), that company size has succeeded in having a positive and significant influence on company value.

The size of a company positively and significantly affects its value due to several interrelated factors, including competitive advantage, financial performance, and capital structure. Larger companies often benefit from economies of scale, which can increase profitability and investor confidence, ultimately leading to increased company value. Larger companies typically have greater market power, allowing them to negotiate better terms with suppliers and customers. They can invest more in research and development, leading to better innovation and product offerings, which can improve their market position (Rahma, 2024).

Studies show that larger companies often exhibit stronger financial performance, which is an important determinant of a company's value. For example, companies with strong financial metrics are considered less risky by investors, thus attracting more investment (Puri et al., 2024) (Susila et al., 2020). Profitability acts as an intervention variable, where larger companies can increase their size to achieve higher profits, further increasing their value. The relationship between firm size and capital structure can also be explained as larger firms often have more favorable access to capital markets, allowing them to optimize their capital structure, which can increase the value of the company (Panggabean et al., 2021).

4. CONCLUSION

The results of this study conclude that partially, investment decisions, profitability, and company size have a significant influence on the value of companies in the property and real estate sectors listed on the Indonesia Stock Exchange during the period 2020-2024, while capital structure has no effect. The capital structure (SM) is not significant, supported by the Modigliani-Miller theory and policy interventions during the pandemic that reduce debt risk. This model explains 57.63% of NP variations, while the remaining 42.36% is due to external factors such as government policies or ESG performance. These findings are in line with signaling and discounted cash flow theory, where profitability is the main signal of investor confidence, while the size of a large company has the potential to cause cost inefficiencies or operational complexity. Future research will need to expand variables such as ESG performance, dividend policies, or environmental risks to answer unexplained variations. Capital structural analysis can be focused on specific conditions (e.g., property cycle phases or high interest rates) using a moderated regression approach. Longitudinal studies are needed to assess the long-term impact of pandemic policies, while qualitative methods (interviews) can uncover the paradox of the negative influence of company size. Inter-sector comparisons and non-linear modeling are also recommended to understand the complexity of variable relationships in asset-heavy contexts such as properties.

REFERENCES

Alamsyah, M. F., & Malanua, W. (2021). Pengaruh Investment Opportunity Set, Corporate Social Responsibility, Dan Risiko Bisnis Terhadap Nilai Perusahaan. Jurnal Fokus Manajemen Bisnis, 11(2), 154. https://doi.org/10.12928/fokus.v11i2.4228

Bella, S., Apriyanti, N., & Sriwijayanti, H. (2024). Exploring Factors Affecting Property Companies' Value on the Indonesian Stock Exchange. Equator Journal of Management and Entrepreneurship. https://doi.org/10.26418/ejme.v12i1.76296

Desvita Adaria, D., Komalasari, A., Kusumawardani, N., & Andi, K. A. (2022). Pengaruh Financial Distress Terhadap Nilai Perusahaan Sebelum Dan Saat Pandemi Covid-19 (Studi Pada Perusahaan Property dan Real Estate). JABE (Jurnal Akuntansi Bisnis Dan Ekonomi Utama), 8(1), 2131–2142. https://doi.org/10.33197/jabe.vol8.iss1.2022.764

Dewantari, N. L. S., Cipta, W., & Susila, G. P. A. J. (2020). Pengaruh Ukuran Perusahaan Dan Leverage Serta Profitabilitas Terhadap Nilai Perusahaan Pada Perusahaan Food And Beverages Di Bei. Prospek: Jurnal Manajemen dan Bisnis, 1(2), 74. https://doi.org/10.23887/pjmb.v1i2.23157

Dewi, H. K. (2024). Diskon 100% PPN Rumah Diperpanjang, Saham Properti Melesat hingga 12%. Bareksa.Com. https://www.bareksa.com/berita/saham/2024-08-28/diskon-100-ppn-rumah-diperpanjang-saham-properti-melesat-hingga-12

Efni, Y., Marzolina, M., Restuti, S., & Atami, A. P. (2024). Bond Ratings and Company Value: Insights from Indonesia's Real Estate Sector. Journal of Ecohumanism, 3(8). https://doi.org/10.62754/joe.v3i8.5389

Ernawati, E., & Rusliati, E. (2019). Keputusan Investasi dan Pendanaan Terhadap Nilai Perusahaan Sub Sektor Perkebunan.

Farizki, F. I., Suhendro, S., & Masitoh, E. (2021). Pengaruh Profitabilitas, Leverage, Likuiditas, Ukuran Perusahaan Dan Struktur Aset Terhadap Nilai Perusahaan. Ekonomis: Journal of Economics and Business, 5(1), 17. https://doi.org/10.33087/ekonomis.v5i1.273

Fitriawati, F., Chandra, F., & Pratiwi, A. N. (2022). Efektivitas Kebijakan Stimulus Perekonomian Terhadap Kredit Bermasalah (Non Performing Loan) Pada BPR Konvensional Di Bandung Dalam Masa Pandemi. Banking & Management Review, 10(2), 1443–1449. https://doi.org/10.52250/bmr.v10i2.456

Ghozali, I. (2013). Aplikasi Analisis Multivariate dengan Program IBM SPSS 21 Update PLS Regresi (7th ed.). Badan Penerbit Universitas Diponegoro.

Hidayat, R., & Wijaya, A. S. (2019). Pengaruh struktur hutang, struktur aktiva dan struktur modal terhadap kinerja perusahaan pada perusahaan tekstil dan garment yang terdaftar di Bursa Efek Indonesia periode 2015-2018. JEM Jurnal Ekonomi dan Manajemen, 5(2), 133-148.

Irawan, D., & Kusuma, N. (2019). Pengaruh Struktur Modal Dan Ukuran Perusahaan Terhadap Nilai Perusahaan. 17(1), 66–81.

Katti, S. W. B. (2020). Pengaruh Keputusan Investasi Dan Keputusan Pendanaan Terhadap Nilai Perusahaan. 9(1), 30–38. https://doi.org/10.33319/JEKO.V9I1.51

Khairunnisa, T., Lysandra, S., & Munira, M. (2022). Comparative analysis of financial performance in property and real estate companies before and during the covid-19 pandemic. https://doi.org/10.35814/inquisitive.v2i2.3517

Komala, P. S., Endiana, I. D. M., & Kumalasari, P. D. (2021). Pengaruh Profitabilitas, Solvabilitas, Likuiditas, Keputusan Investasi Dan Keputusan Pendanaan Terhadap Nilai Perusahaan. KarmA (Karya Riset Mahasiswa Akuntansi), 1(1).

Kompas. (2024). Kepercayaan Investor Tinggi, Sektor Properti Indonesia Diproyeksi Bertumbuh pada 2024 [Company Blog]. Bakrie Brothers.Com. https://bakrie-brothers.com/id/announcements/investor-confidence-is-high-indonesias-property-sector-is-projected-to-grow-in-2024/

Kusumaningrum, D. P., & Iswara, U. S. (2022). Pengaruh Profitabilitas, Leverage, Dan Ukuran Perusahaan Terhadap Nilai Perusahaan. JIAKU: Jurnal Ilmiah Akuntansi dan Keuangan, 1(3).

Lestari, A. S. A. Suhardi. (2020). Pengaruh keputusan investasi, ukuran perusahaan, dan profitabilitas terhadap nilai perusahaan pada perusahaan food and beverage yang terdaftar di Bursa Efek Indonesia. Jurnal Ekonomi Dan Manajemen STIE Pertiba Pangkalpinang, 6(1), 60-73.

Mahanani, H. T., & Kartika, A. (2022). Pengaruh struktur modal, likuiditas, ukuran perusahaan, dan profitabilitas terhadap nilai perusahaan. 5(1).

Maria, G., & Birawan, I. G. K. (2022). Pengaruh Keputusan Investasi Dan Keputusan Pendanaan Terhadap Nilai Perusahaan (Studi Kasus Pada Perusahaan Sektor Manufaktur Periode 2017-2021). JURNAL ECONOMINA, 1(2), 84–94. https://doi.org/10.55681/economina.v1i2.46

Megawati, F. T., Umdiana, N., & Nailufaroh, L. (2021). Faktor-Faktor Struktur Modal Menurut Trade Off Theory. Jurnal Akuntansi dan Keuangan, 26(1), 55–67. https://doi.org/10.23960/jak.v26i1.255

Melinda, Sutrisno, C. R., & Prasetiani, T. R. (2024). Pengaruh Inflasi, Suku Bunga, Kurs, Roa, Der Terhadap Return Saham (Studi Kasus Pada Subsektor Telekomunikasi Yang Tercatat Di Bursa Efek Indonesia Periode 2018-2021). Journal of Accounting and Management's Student.

Mousa, M., Sági, J., & Zéman, Z. (2021). Brand and Firm Value: Evidence from Arab Emerging Markets. Economies, 9(1), 5. https://doi.org/10.3390/economies9010005

Mubarokah, F., & Indah, N. P. (2021). Pengaruh Keputusan Investasi, Pendanaan, dan Dividen Terhadap Nilai Perusahaan Periode 2014-2018. Coopetition: Jurnal Ilmiah Manajemen, 12(2).

Muharramah, R., & Hakim, M. Z. (2021). Pengaruh Ukuran Perusahaan, Leverage, Dan Profitabilitas Terhadap Nilai Perusahaan. 569.

Myers, S. C. (1977). Determinants of Corporate Borrowing. Journal of Financial Economics, 5(2), 147-175.

Natalia, T. (2024). Masih Murah-Bisa Cuan Besar di 2024, Ini Saham Properti Paling Menarik. CNBC Indonesia. https://www.cnbcindonesia.com/research/20240105070953-128-502912/masih-murah-bisa-cuan-besar-di-2024-ini-saham-properti-paling-menarik

Nora, A. R. (2016). Pengaruh Financial Indicators, Ukuran Perusahaan dan Kepemilikan Institusional terhadap Financial Distress (Studi Empiris pada Perusahaan Properti dan Real Estate yang Terdaftar di BEI) [Skripsi]. Universitas Hayam Wuruk Perbanas.

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).

Nurjanah, T., Suhardi, S., & Afrizal, A. (2019). Pengaruh Current Ratio, Return on Asset, dan Earnings Per Share terhadap Harga Saham Studi Kasus pada Perusahaan Pertambangan Subsektor Batubara yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2018. Jurnal Ekonomi Manajemen, 6(2), 1-15.

Panggabean, M. D., Muda, I., & Bukit, R. B. (2021). Analysis of the Effect of Company Size, Asset Growth, and Capital Structure on the Intrinsic Value of Property and Real Estate Companies in Indonesia. International Journal of Research, 8(5), 146–151. https://doi.org/10.52403/IJRR.20210522

Pasaribu, U. R., Nuryartono, N., & Andati, T. (2019). Pengaruh Faktor Internal Dan Eksternal Perusahaan Terhadap Nilai Perusahaan. Jurnal Aplikasi Bisnis dan Manajemen. https://doi.org/10.17358/jabm.5.3.441

Puri, R. M., Yuliani, Y., & Thamrin, K. M. H. (2024). The Effect Of Company Size And Capital Structure On Firm Value With Profitability As An Intervening Variable. Eduvest, 4(4), 2274–2292. https://doi.org/10.59188/eduvest.v4i4.1359

Putri, J. (2016). Pengaruh Struktur Modal Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur Go Publik (Studi Kasus Sektor Makanan Dan Minuman). 3(2), 1–15. https://www.neliti.com/publications/128631/pengaruh-struktur-modal-terhadap-nilai-perusahaan-pada-perusahaan-manufaktur-go

Qotimah, K., Kalangi, L., & Korompis, C. (2023). Pengaruh Analisa Fundamental Terhadap Return Investasi Pada Saham Second Liner Di Sektor Energi Periode 2019-2022 Yang Terdaftar Di Bursa Efek Indonesia. Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi, 11(3), 12–26. https://doi.org/10.35794/emba.v11i3.48797

Rahma, A. (2024). Ukuran Perusahaan dan Kinerja Keuangan: Faktor Penting dalam Memprediksi Nilai Perusahaan. https://doi.org/10.37481/jmeb.v4i1.648

Sa'diyah, N. H. T., & Sulfitri, V. (2024). Analisis Perbandingan Nilai Indeks Harga Saham Gabungan (Ihsg) Pada 8 Sektor Industri Yang Terdaftar Di Bursa Efek Indonesia Periode 2019-2022 (Perbandingan Periode Covid Dan Pasca Covid). Jurnal Ekonomi Trisakti, 4(2), 21–32. https://doi.org/10.25105/jet.v4i2.19644

Saeed, M. S. (2013). A Note on Corporate Capital Structure Theories. 1(2), 117–124. https://doi.org/10.35536/LJB.2013.V1.I2.A6

Setiawan, M. R., Susanti, N., & Nugraha, N. M. (2021). Pengaruh Struktur Modal, Perputaran Modal Kerja, dan Ukuran Perusahaan Terhadap Nilai Perusahaan. Owner, 5(1), 208–218. https://doi.org/10.33395/Owner.V5i1.383

Sofiatin, D. A. (2020). Pengaruh Profitabilitas, Leverage, Likuditas, Ukuran Perusahaan, Kebijakan Deviden Terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan Manufaktur subsektor Industri dan Kimia yang terdaftar di BEI periode 2014-2018). Prisma (Platform Riset Mahasiswa Akuntansi), 1(1), 47–57.

Spence, M. (1973). Job Market Signaling. The Quarterly Journal of Economics, 87(3), 355. https://doi.org/10.2307/1882010

Susila, G. P. A. J., Heryanda, K. K., & Putra, K. E. S. (2020). The Effect of Company Size and Capital Structure on Company Value. 1–5. https://doi.org/10.2991/AEBMR.K.201212.001

Suwardika, I. N. A., & Mustanda, I. K. (2017). Pengaruh Leverage, Ukuran Perusahaan, Pertumbuhan Perusahaan, Dan Profitabilitas Terhadap Nilai Perusahaan Pada Perusahaan Properti. 6(3).

Tambunan, E. H., Sabijono, H., & Lambey, R. (2019). Pengaruh Keputusan Investasi Dan Kebijakan Hutang Terhadap Nilai Perusahaan Pada Perusahaan Konstruksi Di Bei. Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi, 7(3).

Thakor, A. V. (2011). Fifty Years Since Modigliani and Miller: Is Capital Structure Really Relevant for Firm Value? Social Science Research Network. https://doi.org/10.2139/SSRN.1769009

Umdiana, N., & Claudia, H. (2020). Struktur Modal Melalui Trade Off Theory. Jurnal Akuntansi Kajian Ilmiah Akuntansi (JAK), 7(1), 52. https://doi.org/10.30656/jak.v7i1.1930

Utami, I. (2019). Pengaruh Struktur Modal Terhadap Nilai Perusahaan (Studi Kasus Terhadap Sub Sektor Perdagangan Eceran Yang Terdaftar di BEI Tahun 2011-2015). Jurnal Akuntansi, 3(3).

Wahyuningsih, P., & Widowati, M. (2016). Analisis Roa Dan Roe Terhadap Nilai Perusahaan Dengan Corporate Social Responsibility Sebagai Variabel Moderating (Studi Pada Perusahaan Bumn Yang Terdaftar Di Bei Periode 2010-2013). Jurnal Stie Semarang, 8(3).

Winantisan, R. N. N., Tulung, J. E., & Rumokoy, L. J. (2024). The Effect Of Age And Gender Diversity On The Board Of Commissioners And Directors On Banking Financial Performance In Indonesia For The 2018-2022 Period. 12(1).