

ENHANCING COMPANY VALUE: EXPLORING THE IMPACT OF SALES GROWTH, DIVIDEND POLICY, COMPANY SIZE, AND INVESTMENT OPPORTUNITY SET THROUGH CAPITAL STRUCTURE (A STUDY ON THE LQ45 STOCK INDEX FROM 2017 TO 2021)

PALTI MARULITUA SITORUS ¹ and ANNISA ANDI SETYANI ^{2*}

^{1,2} Master of Management, Faculty of Economics and Business, Telkom University, West Java, Indonesia.

*Corresponding Author Email: helloandisetyani@gmail.com

Abstract

The study examines factors affecting company value in the LQ45 index (2017-2021). Analyzing fluctuations in stock prices due to slowed growth, the study investigates how sales growth, dividend policy, company size, and investment opportunities influence company value through capital structure. Using descriptive statistics, panel data regression, and the Sobel test in Eviews 12, the findings show that only company size significantly influences capital structure. For company value, significant positive effects are observed from company size, investment opportunity set, and capital structure, while sales growth and dividend policy have no impact. The Sobel test reveals that capital structure acts as a mediator only between company size and company value.

Keywords: Company Value, Capital Structure, PBV Ratio, Valuation, Corporate Finance.

INTRODUCTION

Investors need company information to assess and determine their profitability (Mudjijah et al., 2019). By analyzing and evaluating a company, investors can avoid the risk of future losses (Krisnando & Novitasari, 2021). According to Nurmindia et al. (2017), A company's value reflects both its current worth and the potential for future wealth growth. Enhancing company value is crucial to attract investors for investment.

The company's stock value, reflecting its overall worth, increases with solid prospects (Windianti & Susetyo, 2021). A high stock price serves as a positive signal, attracting investor interest (Jihadi et al., 2021). Signal theory influences a company's value by conveying its condition through financial reports, interpreted by investors as positive or negative signals (Mudjijah et al., 2019). Sharing signals helps investors evaluate a company's management skills in recognizing future opportunities and comparing company quality

Due to stringent inclusion criteria, the LQ45 stock index in Indonesia, comprising 45 companies with high liquidity, large market capitalization, and strong fundamentals, is crucial for investors, managers, analysts, and the market. From 2017 to 2021, the LQ45 stock index experienced fluctuating stock prices, increasing and decreasing.

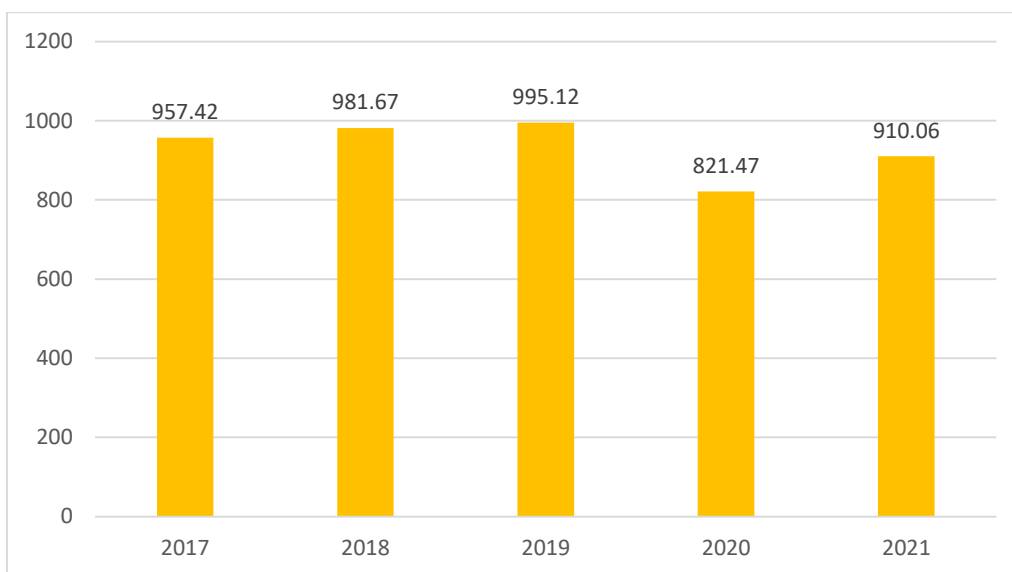


Figure 1: Average Stock Prices of the LQ45 Stock Index for the Years 2017-2021

Figure 1 illustrates the average prices of the LQ45 stock index from 2017 to 2021, with a slight increase until 2019. However, in 2020, prices declined by 17.45% due to the COVID-19 pandemic, impacting companies and causing losses. Nevertheless, in 2021, there was a recovery in the average stock prices of the LQ45 index. The fluctuation in stock prices is closely tied to company performance, where robust performance tends to increase stock prices, and poor performance leads to a decline.

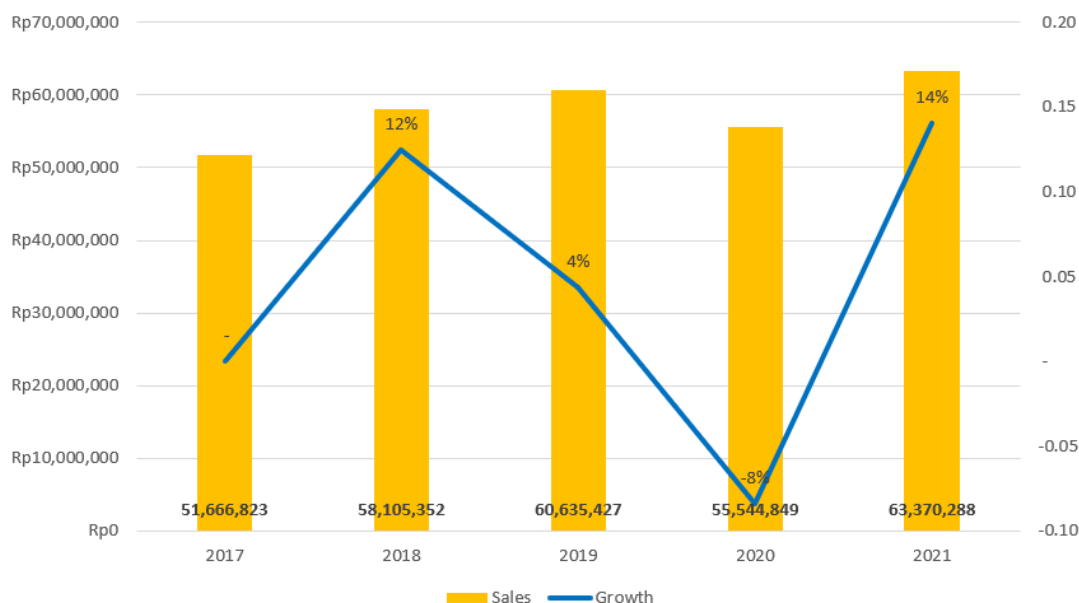


Figure 2: Average Growth Rate of the LQ45 Stock Index for the Years 2017-2021

In 2018, there was a positive growth rate of 12%, and in 2019, sales increased by 4%. However, in 2020, sales declined by -8% due to the severe impact of the COVID-19 pandemic, affecting the construction and property sectors. Nevertheless, 2021 witnessed a notable rebound with a remarkable 14% growth.

This phenomenon illustrates that various factors can influence a company's value. Previous research has explored variables such as sales growth, dividend policy, company size, and investment opportunity set in relation to a company's value through capital structure (Anggraeni et al., 2018; Atiningsih & Wahyuni, 2020; Chabachib et al., 2020; Hauteas & Muslichah, 2019). Proper financing sends a positive signal to investors. Company management should consider the capital structure to maximize shareholder wealth, considering risks, returns, and value. Effective financial decisions reduce capital costs, enhance returns, and increase the company's value (Putri & Asyik, 2019).

This study addresses the fluctuation in LQ45 stock index prices, particularly the 2020 decline due to the COVID-19 pandemic, which impacted company performance and resulted in losses. The research aims to assess the effects of sales growth, dividend policy, company size, and investment opportunity on company value through capital structure. By employing panel data regression and the Sobel test, the study seeks to provide insights for LQ45-listed companies to enhance their value and guide investors in making informed investment decisions.

LITERATURE REVIEW

Signaling Theory

Companies share information with external parties due to information asymmetry, where the company possesses more information than external parties (Dewi & Sujana, 2019). Information asymmetry can lead to adverse selection if the conveyed information is inaccurate, influencing investor decisions. Also, moral hazard arises when management activities that are unknown to shareholders allow for unethical actions or norm violations (Scott, 2015). Brigham & Houston, (2009) state that one effective method to minimize information asymmetry is by signaling to external parties through trustworthy financial information. Such signals are crucial in diminishing uncertainties about the company's prospects, thereby influencing its overall value. When a company needs to convey accurate signals about its value, it can misalign the company's value, causing it to be either overvalued or undervalued.

Bird in The Hand Theory

The Bird in the Hand Theory, developed by Gordon and Lintner in the 1950s and 1960s, suggests a link between a company's value and dividend policy. Given the perceived certainty associated with dividends, investors tend to value dividends more than potential capital gains (Putri & Rachmawati, 2018). The Bird in the Hand Theory posits that investors, preferring certainty over risk, favor receiving dividend payments rather than relying on potential future capital gains (Nwamaka & Ezeabasili, 2017). As the proverb suggests, "A bird in hand is worth more than two in the Bush." In this theory, the "bush" refers to future capital gains, while the "bird in the hand" refers to cash dividends.

Trade-off Theory

Originating from Modigliani and Miller (1963), the trade-off theory explains that companies determine their capital structure by weighing the trade-off between the benefits and costs of using debt (Ariyanti, 2019). Isnawati & Widjajanti (2019), the trade-off theory explores the optimal use of debt in a company's capital structure, weighing the benefits against the associated costs. The trade-off theory posits that an optimal capital structure exists, achieved by balancing the costs of financial distress with the tax benefits of debt. The trade-off theory underscores the balance between tax benefits and costs of financial distress. Debt utilization, offering tax protection and bolstering cash flow, seeks to maximize company value. Nevertheless, the costs of financial distress may counteract tax benefits, diminishing overall company value.

Company Value

Margono & Gantino (2021) state that the company's value is the investors' perception of the company, often associated with stock prices. If a company is considered to have good prospects in the future, the stock value will increase. A high company value boosts market confidence, indicating strong performance and positive prospects. The company's value signals investors to invest capital and indicates its ability to repay debts to creditors (Krisnando & Novitasari, 2021). One way to determine the company value is by using the PBV ratio. The PBV ratio assesses whether a company's stock price is overvalued or undervalued (Surjanto & Sugiharto, 2021). The author chose PBV for its common usage among companies, enabling easy comparisons. The following is the PBV formula (Mudjijah et al., 2019):

$$PBV = \frac{\text{Market price per share}}{\text{The book value per share}}$$

Sales Growth

According to Setiawati & Veronica (2020), sales growth is the increase or decrease in sales from the current year compared to the previous year. High sales growth reflects that the company has successfully implemented its strategies (Afinindy et al., 2021). Barton et al. (1989) state that a company with high sales growth can indicate a high level of company development. Sales growth plays a role in predicting company profits. To enhance competitive advantage, companies will increase sales growth (Isnawati & Widjajanti, 2019). In this research, sales growth is measured using the following formula (Dewi & Sujana, 2019):

$$\text{Sales Growth} = \frac{\text{Total sales for the year} - \text{total sales for the previous period}}{\text{Total sales for the previous period}}$$

Dividend Policy

Dividend policy involves deciding whether to distribute profits to shareholders or retain them for the company's future (Sriyani & Purwasih, 2022). Companies must manage profits effectively by distributing them as dividends or retaining them. According to the Bird in the Hand Theory, investors favor receiving dividends over potential capital gains due to the perceived certainty of dividend payments. The dividend policy is indicated through the

dividend payout ratio (DPR). The formula for DPR is as follows (Mispiyanti & Wicaksono, 2020)

$$\text{DPR} = \frac{\text{Dividends per share}}{\text{Earnings per share}}$$

Company Size

Company size measures a company's success reflected through its total assets (Dewi & Sudiartha, 2017). Company size can be categorized based on scale, where companies are classified as large or small. A large company indicates good growth and development and stable sales conditions (Chabachib et al., 2020). According to the signaling theory, a stable company signals good prospects to investors, increasing their confidence to invest in the company. Here are indicators for measuring company size (Chabachib et al., 2020):

$$\text{Company Size} = \text{Ln}(\text{Total Asset})$$

Investment Opportunity Set

An investment opportunity set combines existing assets and future investment choices with a positive net present value (Anggraeni et al., 2018). The company's tangible assets can be leveraged with future investment choices, representing opportunities with positive present value. This combination enables the company to make value-added investment decisions and portray profitable prospects for corporate growth. (Sugiharto & Hendratno, 2022). Increased investment opportunities and good company performance result in higher cash flows, which can be reinvested to support higher investment opportunities. Market-to-Book Value of Assets (MVBVA) indicates investment opportunity set. Here is the formula for MVBVA (Sugiharto & Hendratno, 2022):

$$\text{MVBVA} = \frac{(\text{Total asset} - \text{Total equity}) + (\text{Outstanding shares of stock.} \times \text{Closing price})}{\text{Total asset}}$$

Capital Structure

The funding sources of a company are divided into two, namely internal and external. Internal funding comes from retained earnings, while external funding can be from loans (debt financing) or equity raised by issuing new shares. Therefore, corporate funding can be illustrated through the capital structure because the capital structure represents the proportion of debt to the company's total equity. According to the perspective of the trade-off theory, a company can borrow up to a certain limit. With an optimal capital structure, a company can optimize the balance between risk and the rate of return (Mudjijah et al., 2019). The capital structure in this study is measured using the Debt to Equity Ratio (DER). The formula for DER is as follows (Syanita & Sitorus):

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Hypothesis Development

The Influence of Sales Growth on Capital Structure

The higher the sales growth, the greater the company's need for additional funding (Setiawati & Veronica, 2020). According to Brigham & Houston (2009), the better the company's sales level, the more significant the loan amount obtained. The company will tend to increase debt when financing operational activities to ensure continuous sales growth, increasing the capital structure due to additional debt (Isnawati & Widjajanti, 2019).

H₁: Sales growth has a significant positive effect on capital structure.

The Influence of Dividend Policy on Capital Structure

If dividends are too large, retained earnings decrease. This reduces the company's ability to use internal funds. The company must seek external sources such as issuing new shares or bonds to meet fund needs. This choice influences the capital structure, where issuing new shares increases equity, while bonds increase debt. If earnings are primarily used to distribute dividends, debt will finance investment needs (Mispiyanti & Wicaksono, 2020).

H₂: Dividend policy has a significant positive effect on capital structure.

The Influence of Company Size on Capital Structure

The larger the company, the greater the need for funds for operational investment. Large companies are more confident in obtaining funding, making it easier for them to secure loans from external sources. Therefore, creditors consider a large company size positive for providing loans to support its operations (Afinindy et al., 2021). As a result, the capital structure increases due to additional debt to support the company's operations

H₃: Company size has a significant positive effect on capital structure.

The Influence of Investment Opportunity Set on Capital Structure

Investment choices depend on the investment opportunities available to the company. The greater the opportunity, the more profitable investments and reduced risks (Kebon & Suryanawa, 2017). With high growth potential, the company has significant investment opportunities, thus requiring substantial funds (Chabachib et al., 2020). These funds can be obtained through debt financing, thereby increasing the capital structure.

H₄: Investment opportunity set has a significant positive effect on capital structure.

The Influence of Sales Growth on Company Value

According to Barton et al. (1989), a company with high sales growth can indicate a high level of development for that company (Dewi & Sujana, 2019). In signal theory, companies with sales growth tend to provide information to attract investor interest. This is because companies send positive signals through sales growth, considered by investors as an indication of good prospects in the future (Paramitha & Putra, 2020). Thus, if a company's sales growth is high, investors are interested in investing, leading to an increase in stock prices and company value.

H5: Sales growth has a significant positive effect on company value.

The Influence of Dividend Policy on Company Value

According to the bird in the hand theory, investors prefer companies that pay dividends rather than those that only promise capital gains in the future (Mispiyanti & Wicaksono, 2020). Therefore, a high dividend payout is a positive signal to investors and enhances investor confidence in the company. The more dividends are distributed, the more the company is considered good performance. Good performance is interpreted as the company's ability to generate profits, which can increase stock prices and reflect the company's value.

H6: Dividend policy has a significant positive effect on company value.

The Influence of Company Size on Company Value

Company size affects company value because larger companies have higher assets, potentially gaining profits that can impact company value (Margono & Gantino, 2021). Larger companies attract investor interest and encourage investment. This has the impact of increasing demand for stocks, ultimately raising stock prices and the company's value. The signal theory states that stable companies signal positively to investors, increasing confidence for further investment.

H7: Company size has a significant positive effect on company value.

The Influence of Investment Opportunity Set on Company Value

Investors have confidence in companies with significant investment policies, which will increase the demand for the company's stocks (Septiana & Riswandari, 2020). This is because the company's investment policy is carried out to achieve returns within a specific period, resulting in company growth (Putri & Setiawan, 2019). Investment expenditures provide a positive signal for the company's future growth, thereby increasing stock prices as an indicator of the company's value. If the investment opportunity set produces a high net present value, it will attract investor interest, thus influencing stock prices and the company's value.

H8: Investment opportunity set has a significant positive effect on company value.

The Influence of Capital Structure on Company Value

Companies must understand the interconnection of risk, return, and value in the capital structure to make effective financial decisions. Sound financial decisions can reduce capital costs, leading to higher returns. Therefore, companies need to control the capital structure as it will affect the company's financial condition (Putri & Asyik, 2019). Hence, companies must have an optimal capital structure to balance risk and the rate of return (Mudjijah et al., 2019). With an optimal capital structure, the company can maximize its value.

H9: Capital structure has a significant positive effect on company value.

The Influence of Sales Growth on Company Value through Capital Structure

Companies that can increase sales volume will generate higher revenue and profit, enabling them to cover operational costs (Dewi & Sujana, 2019). Growing companies have promising prospects and tend to have low debt due to increased sales. However, companies may increase current liabilities to support growth, affecting the capital structure and enhancing the company's value due to increased business activity (Isnawati & Widjajanti, 2019).

H₁₀: Sales growth has a significant positive effect on company value through capital structure.

The Influence of Dividend Policy on Company Value through Capital Structure

Shareholders desire high dividends, which can reduce the company's retained earnings, hindering its investment capability (Husna & Satria, 2019). High dividend payouts increase the company's debt because internal funds have been allocated for dividends, prompting it to seek additional funds through debt for its operational needs. The increase in debt will enlarge the capital structure. If the benefits of increased debt outweigh the costs, the capital structure becomes optimal, and the company's value increases.

H₁₁: Dividend policy significantly positively affects company value through capital structure.

The Influence of Company Size on Company Value through Capital Structure

According to Brigham and Houston, company size is a factor influencing the capital structure, as larger companies tend to have more loans to optimize the company's value and minimize the company's cost of capital (S & Machali, 2017). The use of debt is recommended for large companies with good stability. Leveraging can enhance the company's sales level, leading to increased profitability. When the company's profitability improves, stock prices rise, and the company's value increases (Chabachib et al., 2020).

H₁₂: Company size significantly positively affects company value through capital structure.

The Influence of Investment Opportunity Set on Company Value through Capital Structure

Investment opportunities depict favorable future profit prospects for the company's growth (Sugiharto & Hendratno, 2022). With high growth potential, a company has significant investment opportunities requiring substantial funds (Chabachib et al., 2020). Debt financing can be utilized to obtain these funds, thereby increasing the company's capital structure. A substantial amount of debt, if used efficiently, can enhance profitability. If a company can use borrowed funds as opportunities to identify and create investment prospects, it can attract investor confidence, ultimately boosting the company's value (Chabachib et al., 2020).

H₁₃: Investment opportunity set significantly positively affects company value through capital structure.

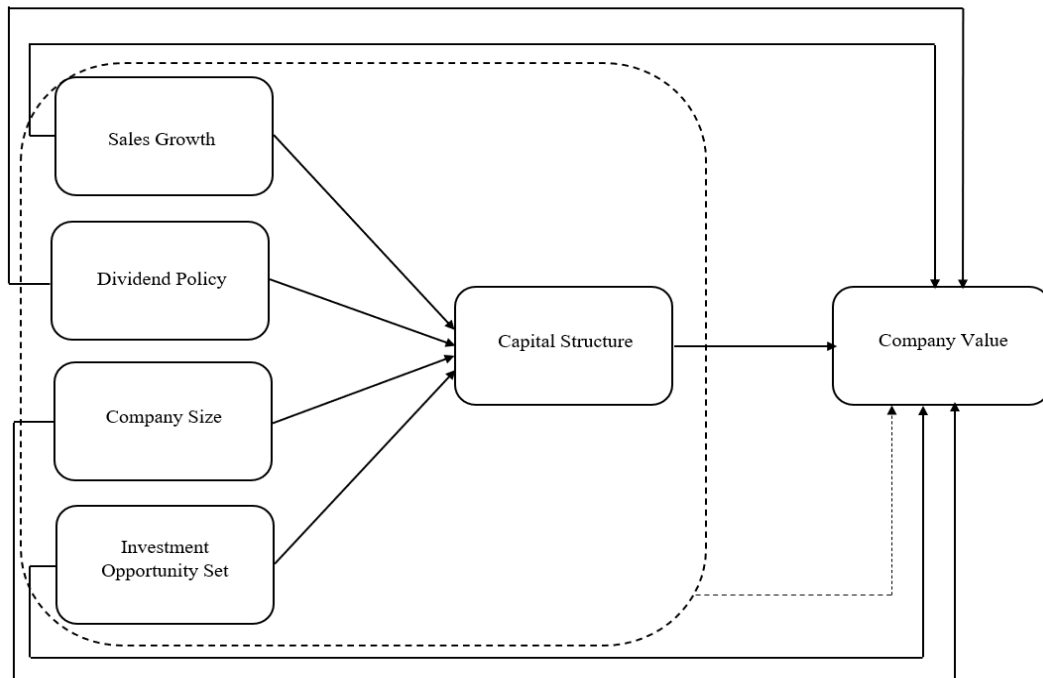


Figure 3: Conceptual Framework

METHODOLOGY

Population and Sample

The population of this study comprises companies listed on the LQ45 stock index registered on the Indonesia Stock Exchange (IDX) during the period 2017-2021. The study employs purposive sampling, a non-probability sampling technique. The following criteria were used to determine the sample in this research:

1. Companies listed in the LQ45 index;
2. Companies included in the LQ45 stock index throughout the years 2017-2021;
3. LQ45 index companies that consistently published annual reports from 2017 to 2021;

Analysis Method

This study employs quantitative data analysis. Additionally, the research will utilize techniques such as descriptive statistics, panel data regression analysis, and the Sobel test. The study uses panel data regression to analyze how independent variables relate to the dependent and intervening variables. This method is chosen because the research involves both cross-sectional and time-series data. Naseem et al. (2020) have previously used panel data regression analysis for a similar purpose. The equation model for the panel data regression is as follows:

1. Capital Structure (Z) = $\alpha + \beta_1\text{Sales} + \beta_2\text{Dividend} + \beta_3\text{Size} + \beta_4\text{IOS} + \epsilon$
2. Company Value (Y) = $\alpha + \beta_1\text{Sales} + \beta_2\text{Dividend} + \beta_3\text{Size} + \beta_4\text{IOS} + \beta_5\text{Capital} + \epsilon$

Furthermore, the Sobel test in this study is employed to examine the strength of the indirect influence of X on Y through Z (Chabachib et al., 2020). The Sobel test computes the standard error of the indirect effect (sab) using the results of tests for the independent variable (X) with the intervening variable (Z) ('a') and the intervening variable (Z) with the dependent variable (Y) ('b'). The standard errors of coefficients 'a' and 'b' are represented by sa and sb, respectively. The Sobel test formula is as follows:

$$sab = \sqrt{b^2sa^2 + a^2sb^2 + sa^2sb^2}$$

The decision-making is conducted based on the following criteria:

1. If the calculated t-value < tabled t-value, then H₀ is accepted;
2. If the calculated t-value > tabled t-value, then H₀ is rejected.

RESULTS

Descriptive Statistics

This study employs the LQ45 stock index as the research object for 2017-2021, with 61 observed companies. The following are the results of the descriptive statistical analysis for each variable:

Table 1: Statistics Descriptive of Research Variables

	Company Value	Sales Growth	Dividend Policy	Company Size	Investment Opportunity Set	Capital Structure
	Y	X ₁	X ₂	X ₃	X ₄	Z
Mean	1.594583	0.111918	132.5493	31.81886	1.279980	1.372488
Median	1.301739	0.078828	0.349999	31.61019	1.076658	0.730452
Maximum	5.788705	0.997472	8061.757	35.05644	3.915352	5.870570
Minimum	0.291732	-0.392333	0.000000	30.30254	0.571655	0.144716
Std. Deviation	1.092722	0.263833	1032.152	1.137511	0.678146	1.390549

Source: Data Processed (2023)

Table 1 displays the descriptive statistics for all variables in the study. By comparing mean values with standard deviation, we observe that company value, size, and investment opportunity set have grouped or less varied data, while sales growth, dividend policy, and capital structure show ungrouped or varied data.

Panel Data Regression Analysis

Before the panel data regression analysis, an appropriate model is chosen through the Chow, Hausman, and Lagrange Multiplier tests. Tests for capital structure and company value equations reveal that the Random Effect Model is used for the first equation, and the Common

Effect Model is used for the second equation. The results of the panel data regression analysis using Eviews 12 for each equation are as follows:

Table 2: Panel Data Regression Analysis First Equation

Variables	Coefficient	t-Statistic	Prob.
Constant	-30.95	-5.98	0.00
Sales Growth (X ₁)	-0.10	-0.73	0.47
Dividend Policy (X ₂)	5.73	3.64	0.99
Company Size (X ₃)	1.02	6.36	0.00
Investment Opportunity Set (X ₄)	0.09	0.66	0.51
Adjusted R-squared	0.38		
F-statistic	10.31		
Prob (F-statistic)	0.00		

Source: Data Processed (2023)

Based on the results of the Random Effect Model in Table 2, the regression model equation for the panel data is as follows:

$$\text{Capital Structure (Z)} = -30,95 - 0,01 + 5,73 + 1,02 + 0,09$$

Based on the equations and table above, it can be explained that:

1. Sales growth does not affect capital structure (H₁ rejected), with a coefficient value of 0.10 and a probability value of 0.47.
2. Dividend policy does not influence capital structure (H₂ rejected) with a coefficient value of 5.73 and a probability value of 0.99;
3. Company size has a significant positive effect on capital structure (H₃ accepted) with a coefficient value of 1.02 and a probability value of 0.00.
4. The investment opportunity set does not impact capital structure (H₄ rejected) with a coefficient value of 0.09 and a probability value of 0.51.
5. Simultaneously, sales growth, dividend policy, company size, and investment opportunity set influence capital structure, as indicated by Prob (F-statistic) of 0.00 in Table 2.

Table 3: Panel Data Regression Analysis Second Equation

Variables	Coefficient	t-Statistic	Prob.
Constant	-4.96	-12.53	0.00
Sales Growth (X ₁)	-0.02	0.45	0.65
Dividend Policy (X ₂)	-8.56	-0.90	0.37
Company Size (X ₃)	1.02	6.36	0.00
Investment Opportunity Set (X ₄)	1.63	110.54	0.00
Capital Structure (Z)	0.07	6.53	0.00
Adjusted R-squared	0.99		
F-statistic	2529		
Prob (F-statistic)	0.00		

Source: Data Processed (2023)

Based on the results of the Common Effect Model in Table 2, the regression equation for the panel data model is as follows:

$$\text{Company Value (Y)} = -4,96 + 0,02 - 8,56 + 0,14 + 1,63 + 0,07$$

Based on the equations and table above, it can be explained that:

1. Sales growth does not significantly affect company value (H_5 rejected) with a coefficient value of -4.96 and a probability value of 0.65;
2. Dividend policy does not have a significant impact on company value (H_6 rejected) with a coefficient value of -8.56 and a probability value of 0.37;
3. Company size has a significant positive effect on company value (H_7 accepted) with a coefficient value of 1.02 and a probability value of 0.00;
4. The investment opportunity set has a significant positive influence on company value (H_8 accepted) with a coefficient value of 1.63 and a probability value of 0.00;
5. Capital structure has a significant positive effect on company value (H_9 accepted) with a coefficient value of 0.07 and a probability value of 0.00;
6. Simultaneously, sales growth, dividend policy, company size, investment opportunity set, and capital structure influence company value, indicated by Prob (F-statistic) of 0.00 in Table 3.

Sobel Test

The Sobel test is conducted to examine the strength of the indirect influence of X on Y through Z (Chabachib et al., 2020). Here is the table of the calculation of the standard error of the indirect effect (sab):

Table 4: Calculation of Standard Error of Indirect Effect

	Sales Growth	Dividend Policy	Company Size	Investment Opportunity Set
	X_1	X_2	X_3	X_4
a	-0.099445411	5.725243	1.015074	0.086854435
b	0.069156672	0.069157	0.069157	0.069156672
sa	0.136935	3.64	0.159713	0.13229
sb	0.01059	0.01059	0.01059	0.01059
b^2	0.004782645	0.004783	0.004783	0.004782645
sa^2	0.018751194	13.2496	0.025508	0.017500644
a^2	0.00988939	32.7784	1.030376	0.007543693
sb^2	0.000112148	0.000112	0.000112	0.000112148
b^2sa^2	8.96803E-05	0.063368	0.000122	8.36994E-05
a^2sb^2	1.10908E-06	0.003676	0.000116	8.46011E-07
sa^2sb^2	2.10291E-06	0.001486	2.86E-06	1.96266E-06
sab	0.009638065	0.261783	0.015505	0.00930097

Source: Data Processed (2023)

After calculating the standard error of the indirect effect (sab), the decision is made by comparing the t-value with the t-table. If the t-value < t-table, H0 is accepted; if the t-value > t-table, H0 is rejected. The t-value is obtained by dividing the value of ab by sab. The t-table uses (0.05, 60) in this study. Here is the table of t-value calculation with the t-table:

Table 5: Result of t-Test Calculation with t-Table

	Sales Growth	Dividend Policy	Company Size	Investment Opportunity Set
	X ₁	X ₂	X ₃	X ₄
ab	-0.006877314	0.395939	0.070199	0.006006564
sab	0.009638065	0.261783	0.015505	0.00930097
t-calculation	-0.71355751	1.512472	4.527449	0.645799684

Source: Data Processed (2023)

Based on Table 5, which presents the results of the t-test comparing t-values with the t-table, the following results are obtained:

1. Sales growth (X₁) does not influence company value (Y) through the capital structure (Z) as the calculated t-value is -0.71, lower than the t-table value of 2.00, leading to the rejection of H₁₀;
2. Dividend policy (X₂) does not affect company value (Y) through the capital structure (Z) as the calculated t-value is 1.51, below the t-table value of 2.0, resulting in the rejection of H₁₁;
3. Company size (X₃) affects company value (Y) through the capital structure (Z) with a calculated t-value of 4.53, surpassing the t-table value of 2.0, confirming the acceptance of H₁₂;
4. Investment opportunity set (X₄) does not influence company value (Y) through capital structure (Z) because the calculated t-value is 0.65, less than the t-table value of 2.0, leading to the rejection of H₁₃.

DISCUSSION

The Influence of Sales Growth on Capital Structure

The panel data regression using the Random Effect Model indicates that sales growth (X₁) does not impact the capital structure (Z) in the LQ45 stock index from 2017 to 2021. The lack of direct influence is attributed to sales growth not directly affecting the management decisions related to the capital structure of companies in the LQ45 stock index during the specified period. Afinindy et al. (2021) state that increased sales growth does not always mean that companies will add debt to the capital structure. Instead, companies tend to focus on improving sales itself. The findings of this study align with the results of research by Afinindy et al. (2021), where sales growth does not impact the capital structure.

The Influence of Dividend Policy on Capital Structure

Using the Random Effect Model, the study finds that dividend policy (X_2) does not impact the capital structure (Z) in the LQ45 stock index from 2017 to 2021. This is because large companies, common in the LQ45 stock index, often prioritize internal funding for investments over external sources due to their stable cash flows (Triyono et al., 2019). Dividend policy and capital structure decisions involve different company groups: financial management manages the capital structure, while the board of directors decides on dividend policy in shareholder meetings. This research aligns with Triyono et al. (2019), where dividend policy does not affect the capital structure.

The Influence of Company Size on Capital Structure

The panel data regression using the Random Effect Model indicates a significant positive influence of company size (X_3) on capital structure (Z) in the LQ45 stock index from 2017 to 2021. This is because larger companies need more significant funding for investments and operations. Large companies have flexibility in accessing funding sources, enabling them to increase the use of debt to optimize their capital structure (Triyono et al., 2019). These findings align with the studies of Triyono et al. (2019), where company size has a significant positive influence on capital structure.

The Influence of Investment Opportunity Set on Capital Structure

The study reveals that the investment opportunity set (X_4) does not significantly impact the capital structure (Z) in the LQ45 stock index from 2017 to 2021. This is attributed to companies with future investment plans opting for diverse financing approaches based on their spending priorities. Investments with potential benefits, particularly in intangible assets, are often not financed through debt. Companies with promising investment opportunities tend to have a high market-to-book equity ratio and low debt levels. Hence, these companies will likely prioritize using internal resources to support their future investments. (Chabachib et al., 2020). These research findings align with Chabachib et al. (2020), indicating that the investment opportunity set does not influence the capital structure.

The Influence of Sales Growth on Company Value

Based on the results of the second equation using the Common Effect Model, it is found that sales growth (X_1) does not significantly impact the company value (Y) in the LQ45 stock index from 2017 to 2021. This is because investors sometimes prioritize sales growth levels in their investment decisions, as high or low sales do not guarantee the expected return on investment. Instead, investors might focus on factors like profitability or the company's overall development when making investment decisions (Afinindy et al., 2021). These research findings align with Afinindy et al. (2021), indicating that sales growth does not influence company value.

The Influence of Dividend Policy on Company Value

The study shows that dividend policy (X_2) does not significantly affect company value (Y) in the LQ45 stock index from 2017 to 2021. This contradicts the bird in the hand theory, suggesting investors prioritize dividend distribution over capital gain. The research indicates that the dividend distribution amount measured by the DPR ratio does not reliably represent shareholder welfare. According to Apriliyanti et al. (2019), increased distributed dividends do not consistently boost the company's value. Instead, the company's value relies more on its ability to generate profits from assets and investment policies. These research findings align with Zuraida (2019), indicating that dividend policy does not influence company value.

The Influence of Company Size on Company Value

Based on the Common Effect Model panel data regression, it is found that company size (X_3) significantly positively influences company value (Y) in the LQ45 stock index (2017-2021). The LQ45 index comprises large and stable companies, instilling confidence in investors and potentially increasing stock prices and company value. This aligns with the signaling theory that investors favor stable companies. This result aligns with Husna & Satria (2019), where company size significantly positively affects company value.

The Influence of Investment Opportunity Set on Company Value

According to the Common Effect Model panel data regression, the investment opportunity set (X_4) significantly and positively affects company value (Y) in the LQ45 stock index (2017-2021). The study measures the investment opportunity set using MVBVA, indicating that LQ45 index companies have access to diverse investment opportunities. Optimizing these opportunities can increase revenue and profit, enhancing the company's value. These research findings align with Chabachib et al. (2020), where the investment opportunity set significantly positively affects company value.

The Influence of Capital Structure on Company Value

In the LQ45 stock index (2017-2021), capital structure (Z) significantly and positively influences company value (Y), indicating that companies have balanced and suitable financing. This positive signal enhances investor confidence, aligning to maximize shareholder wealth by considering risk, return, and value in financial decisions. Effective financial decisions reduce the cost of capital, increase returns, and enhance the company's value (Putri & Asyik, 2019). Investors trust companies with stable capital structures, boosting demand for stocks, which, in turn, raises stock prices and the company's overall value. The findings of this study are consistent with Sari & Sedana (2020), where the capital structure has a significant positive effect on the company's value.

The Influence of Sales Growth on Company Value through Capital Structure

The Sobel test shows that the indirect effect of sales growth (X_1) on company value (Y) through the capital structure (Z) is not significant in the LQ45 stock index for 2017-2021. Capital structure does not mediate the relationship because changes in sales growth do not lead to increased debt for future sales activities in LQ45 companies, and company value depends more

on strategic decisions and market opportunities. Therefore, capital structure does not mediate the relationship between sales growth and company value. These findings are consistent with Afinindy et al. (2021), where sales growth does not affect company value through capital structure.

The Influence of Dividend Policy on Company Value through Capital Structure

The Sobel test reveals that dividend policy (X_2) does not significantly influence company value (Y) through capital structure (Z) in the LQ45 stock index for 2017-2021. Capital structure does not act as a mediator because LQ45 companies prioritize internal funding, mainly retained earnings, over external funds. If companies need to invest and cannot pay dividends, they tend to retain earnings rather than using external funds. Investors in the LQ45 index also prefer capital gain over current dividends. Therefore, capital structure cannot mediate the relationship between dividend policy and company value. These findings align with Musabbihan & Purnawati (2018), where dividend policy does not affect company value through capital structure.

The Influence of Company Size on Company Value through Capital Structure

The Sobel test indicates that company size (X_3) significantly influences company value (Y) through capital structure (Z) in the LQ45 stock index for 2017-2021. Capital structure plays a crucial role as a mediator in the relationship between company size and company value. This occurs because companies in the LQ45 stock index are generally large-scale and require substantial funds for their operations. Large companies find it easier to obtain funds and can leverage more debt to optimize their capital structure (Triyono et al., 2019). Using debt optimally, companies can enhance profitability, attracting investor interest and increasing company value. These findings align with Nurwulandari et al. (2021), where company size influences company value through capital structure.

The Influence of Investment Opportunity Set on Company Value through Capital Structure

The Sobel test reveals that the investment opportunity set (X_4) does not significantly affect company value (Y) through capital structure (Z) in the LQ45 stock index for 2017-2021. This is because there is no direct relationship between the investment opportunity set and capital structure. Given their higher equity than debt, companies in the LQ45 stock index prefer using equity rather than debt to fund future investments. The investment opportunity set can influence company value through revenue growth, profits, and successful investment cash flows. These research findings align with Chabachib et al. (2020), where the investment opportunity set does not influence company value through capital structure.

CONCLUSION AND SUGGESTION

This study uses the LQ45 stock index from 2017 to 2021, employing descriptive statistics, panel data regression, and the Sobel test. The analysis indicates that only company size significantly impacts the capital structure, while sales growth, dividend policy, and investment

opportunity set have no effect. Regarding company value, company size, investment opportunity set, and capital structure show a significant positive influence, while sales growth and dividend policy do not. The Sobel test indicates that capital structure only mediates between company size and company value, with other variables not affecting company value through capital structure. The study suggests future research focus on a single industry on the Indonesia Stock Exchange (IDX) for in-depth analysis. Understanding company performance and regular evaluations are recommended for investors to reduce the risk of losses.

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