Effect of Investment Decisions and Debt Policy in Company Value

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Abstract: *This study aims to analyze the influence of investment decisions and debt policies on firm value in LQ45 issuers listed on the Indonesia Stock Exchange for the 2022–2024 period. Investment decisions are calculated using the Price Earnings Ratio (PER), debt policy is calculated using the Debt to Equity Ratio (DER), and firm value is calculated using Price to Book Value (PBV). The research method used is causal associative with a quantitative approach and utilizes secondary data. The population in this study consists of 63 LQ45 companies listed on the Indonesia Stock Exchange during 2022–2024. The sample was determined using a purposive sampling technique, resulting in 18 companies with 54 observation data. However, there were 13 outliers, resulting in a final sample of 41 observation data. The results show that both partially and simultaneously, investment decisions (PER) and debt policies (DER) have a positive and significant influence on firm value (PBV).*

INTRODUCTION

The capital market plays a crucial role in supporting national economic growth, both as a means of raising funds for companies and as an investment alternative for the public. Due to its strategic function, the stability and performance of the capital market are often used as indicators of a country's economic condition. The Jakarta Composite Index (JCI) serves as a benchmark for describing capital market movements, where fluctuations reflect economic dynamics and investor confidence. In this regard, the LQ45 index plays a significant role because it consists of leading stocks that have a significant influence on the direction of the JCI and reflect market sentiment towards the national economy.

The LQ45 index is the main index published by the Indonesia Stock Exchange, comprising 45 stocks with high liquidity and market capitalization. Stock selection in this index is based on specific criteria such as transaction value and trading frequency. Due to its credibility, this index is often used as a reference by investors and analysts to monitor the stock market. The Indonesia Stock Exchange also periodically evaluates this index every six months, namely in February and August, to maintain its relevance to market conditions and help investors adjust their investment strategies (Taufani, 2024).

The JCI (Indonesian Stock Exchange Composite Index) movement is heavily influenced by various factors, both domestic and international. Global uncertainty, geopolitical conflicts, and

the ongoing impact of the pandemic are the main drivers of stock market fluctuations. Recently, the JCI plunged sharply, raising investor concerns about the economic situation. Sulaiman (2025) stated that one of the most striking moments occurred on April 8, 2025, when the JCI fell 9.2% in one day. This decline triggered a 30-minute trading halt by the Indonesia Stock Exchange. This incident demonstrated the vulnerability of the Indonesian capital market to global pressures, including foreign economic policies and the weakening rupiah exchange rate.

Prior to the JCI plunge in early 2025, stocks in the LQ45 index had exhibited a fluctuating pattern since 2022, reflecting the economic conditions that were not yet fully stable. Although classified as blue chip stocks, issuers in this index were still impacted by various ongoing economic factors. This is clearly visible in the graph below, which shows the fluctuating trend of LQ45 stock prices over the past few years.

The movement of the LQ45 index from 2022 to 2024 shows a fluctuating trend. The index strengthened sharply in early 2022 and peaked in April at Rp 1,085.44, driven by the strengthening of banking stocks such as BCA and BRI, driven by the post-pandemic economic recovery (Melani, 2022). However, external pressures such as geopolitical uncertainty and the weakening rupiah began to weigh on the index mid-year. In 2023, the LQ45 index was relatively stable, although still volatile, with a significant decline in October to Rp 892.34. The uncertainty continued into 2024, exacerbated by high interest rates in the United States and a decline in global economic growth, causing the LQ45 index to plummet by 15.6% throughout the year (Nabila, 2025). Overall, this trend indicates that the market remains clouded by economic uncertainty, both domestic and global.

This decline in share prices has had a significant impact on company value, particularly for LQ45 issuers. Company value indicates how investors evaluate a company's performance and future potential, typically reflected in stock price movements (Pratama et al., 2024). Financial managers play a strategic role in making decisions to maximize company value to achieve the primary goal of improving shareholder welfare (Febriani & Rahmah, 2021). High company value reflects not only profit potential but also the company's ability to survive amid market uncertainty. In this study, company value is calculated using the Price-to-Book Value (PBV) ratio, which compares the stock market price with the book value per share (Angelina & Amanah, 2021).

Investment decisions are a crucial factor in determining company value because they reflect the company's future growth prospects (Saputro & Andayani, 2021). Strategic investments are believed to increase market confidence and positively impact company value (Agustin & Anwar, 2022). In this study, investment decisions are calculated using the Price-Earnings Ratio (PER), which indicates how much investors are willing to pay for a company's earnings based on future expectations (Windasari et al., 2023). Research conducted by Andivi & Rahmawati (2022) and Hidayah et al. (2024) revealed that investment decisions have a positive impact on firm value. However, this finding contradicts research conducted by Windasari et al. (2023) and Rahma & Arifin (2022), which found that investment decisions have no impact on firm value.

Debt policy also plays a crucial role in influencing firm value. Effective use of debt can be an alternative external funding source that encourages expansion without reducing ownership (Amelia & Sulistyowati, 2021). However, excessive reliance on debt also risks increasing financial burdens and reducing investor confidence. In this study, debt policy is calculated using the Debt-to-Equity Ratio (DER), which compares total debt to the company's equity (Windasari et al., 2023). Research conducted by Milenia & Muid (2022) and Windasari et al. (2023) revealed that debt policy has a positive impact on firm value. However, this finding contradicts research conducted by Saputro & Andayani (2021) and (Lisda & Linggawat, 2023), which found that debt

policy had no impact on company value.

Although the influence of investment decisions (PER) and debt policy (DER) on company value (PBV) has been extensively studied, previous research results have been inconsistent. Some found a significant effect, while others found no significant effect. Furthermore, most previous studies focused solely on specific sectors, such as manufacturing, property and real estate, food and beverage, or mining. However, issuers in the LQ45 index reflect companies with superior performance across various industrial sectors on the Indonesia Stock Exchange. Given the unstable economic situation, further study of investment decisions and debt policy in LQ45 issuers is crucial.

METHOD

This research is a causal associative study using a quantitative approach. It aims to analyze the influence of investment decisions (PER) and debt policy (DER) on firm value (PBV). This method was chosen because it aims to objectively test the causal relationship between variables by utilizing numerical data that is then statistically processed. The data used is secondary data, including audited annual financial reports and stock price information from LQ45 index companies listed on the Indonesia Stock Exchange during the 2022-2024 period.

The focus population of this study consists of all LQ45 index companies listed on the Indonesia Stock Exchange during the 2022-2024 period, a total of 63 companies. The sample was taken using a purposive sampling method with the following criteria: (1) Companies included in the LQ45 index on the Indonesia Stock Exchange during the 2022-2024 period, (2) Companies included in the LQ45 index consecutively on the Indonesia Stock Exchange during the 2022-2024 period, (3) LQ45 companies that presented financial reports in rupiah during the 2022-2024 period, (4) LQ45 companies that did not conduct a stock split during the 2022-2024 period, (5) LQ45 companies that did not experience losses during the 2022-2024 period. Based on these criteria, a research sample of 18 companies was obtained.

Data was collected through documentation of secondary data obtained from the official IDX website, including audited annual financial reports and stock price information from LQ45 index companies for the 2022-2024 period, so that valid, comprehensive, and suitable data for quantitative analysis were obtained. Data analysis techniques consist of descriptive statistical analysis, classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), multiple linear regression analysis, and hypothesis testing including partial tests (T tests), simultaneous tests (F tests), and coefficient of determination tests (R2) using the Statistical Package for the Social Science (SPSS) version 26 application as a statistical analysis tool.H1: Investment decisions have a positive and significant impact on firm value in LQ45 issuers listed on the Indonesia Stock Exchange.

H2: Debt policy has a positive and significant impact on firm value in LQ45 issuers listed on the Indonesia Stock Exchange.

H3: Investment decisions and debt policy simultaneously have a positive and significant impact on firm value in LQ45 issuers listed on the Indonesia Stock Exchange.

RESULT AND DISCUSSION

Multiple Linear Regression Analysis

Table 1. Multiple Linear Regression Test

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	,068	,206		,329	,744
	PER	,101	,012	,686	8,321	,000
	DER	,319	,059	,448	5,437	,000

a. Dependent Variable: PBV

From the test results in table 1, the multiple linear regression equation can be formulated as follows:

PBV = 0,068 + 0,101 PER + 0,319 DER + e

The interpretation of the above equation includes:

1. A constant value (α) of 0.068 indicates that if the investment decision (PER) and debt policy (DER) variables are held constant, the firm's value will be 0.068, or 6.8%, regardless of the influence of these two variables.
2. A value of 0.101 indicates that every 1% increase in investment decisions will trigger a 0.101, or 10.1%, increase in firm value, assuming the independent variables remain constant. This result demonstrates a positive influence between investment decisions (PER) and firm value (PBV).
3. A value of 0.319 indicates that every 1% increase in debt policy will trigger a 0.319, or 31.9%, increase in firm value, assuming the independent variables remain constant. This result demonstrates a positive influence between debt policy (DER) and firm value (PBV).

Hypothesis Testing

Partial Test (T-Test)

Based on Table 1, the results of the partial test (t-test) can be described as follows:

a. Investment decisions (PER) have a calculated t-value of 8.321 > t-table 2.02439 and a significance value of 0.000 < 0.05. Therefore, H01 is rejected and Ha1 is accepted, indicating that investment decisions (PER) have a positive and significant impact on firm value (PBV).

b. Debt policy (DER) has a calculated t-value of 5.437 > t-table 2.02439 and a significance value of 0.000 < 0.05. Therefore, H02 is rejected and Ha2 is accepted, indicating that debt policy (DER) has a positive and significant impact on firm value (PBV).

Simultaneous Test (F Test)

Table 2. Simultaneous Test (F Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40,359	2	20,179	55,737	,000[b]
	Residual	13,758	38	,362		
	Total	54,117	40			

a. Dependent Variable: PBV

b. Predictors: (Constant), DER, PER

The test results in table 2 show that the calculated f value is 55.737 > f table 3.24 and the significant value is 0.000 < 0.05, so H03 is rejected and Ha3 is accepted, which can be interpreted that investment decisions (PER) and debt policy (DER) have a positive and significant influence simultaneously on company value (PBV).

Coefficient of Determination (R2) Test

Table 3. Coefficient of Determination (R2) Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,864[a]	,746	,732	,60170

a. Predictors: (Constant), DER, PER

b. Dependent Variable: PBV

The test results in Table 3 show that the Adjusted R Square value of 0.732, or 73.2% of the company's value (PBV), can be explained by investment decisions (PER) and debt policy (DER). Meanwhile, the remaining 26.8% of the company's value (PBV) can be explained by other aspects not covered in this research.

Discussion

The Effect of Investment Decisions on Company Value

The results of the partial test (t-test) indicate that investment decisions (PER) have a significance level of 0.000, with a positive regression coefficient (1) of 0.101 and a calculated t-value of 8.321. This indicates that Ha1 is accepted, meaning that investment decisions, through the Price Earnings Ratio (PER) indicator, have a positive and significant impact on company value through the Price to Book Value (PBV) indicator. This finding is consistent with research by Putra & Warastuti (2024), Hidayah et al. (2024), and Hartono et al. (2023), which states that investment decisions have a positive and significant impact on company value.

These results align with signaling theory, where a high PER provides a positive signal to investors regarding the company's performance and growth, which then drives an increase in the company's value in the market.

Furthermore, this is consistent with agency theory, which explains that an efficiently managed investment strategy indicates that management consistently prioritizes shareholder interests in an effort to maximize company value. This plays a role in reducing conflicts of interest and information asymmetry between agents (managers) and principals (company owners), thereby strengthening investor confidence and increasing company value.

The Effect of Debt Policy on Company Value

The results of the partial t-test indicate that debt policy (DER) has a significance level of 0.000, with a positive regression coefficient (2) of 0.319 and a calculated t-value of 5.437. This indicates that Ha2 is accepted, meaning debt policy, through the Debt to Equity Ratio (DER) indicator, has a positive and significant impact on company value, through the Price to Book Value (PBV) indicator. This finding is consistent with research by Windasari et al. (2023), Milenia & Muid (2022), and Ayuningtyas et al. (2020), which states that debt policy has a positive and significant impact on company value.

These results support signaling theory, where the use of debt is viewed as a form of management confidence in the company's ability to meet its debt obligations in the future, thereby sending a positive signal to investors and driving increased company value.
Furthermore, in line with agency theory, which views debt as an external disciplinary mechanism that encourages management to be more efficient and responsible in making strategic decisions, this can reduce the potential for conflicts of interest between managers and shareholders while strengthening investor confidence in the company's growth prospects.

The Effect of Investment Decisions and Debt Policy on Firm Value

The results of the simultaneous test (f-test) indicate that investment decisions (PER) and debt policy (DER) simultaneously have a significance level of 0.000, with an f-value of 55.737. This indicates that Ha3 is accepted, meaning that investment decisions, using the Price Earnings Ratio (PER) as an indicator, and debt policy, using the Debt to Equity Ratio (DER), simultaneously have a positive and significant impact on firm value, as calculated using the Price to Book Value (PBV) ratio. This finding is consistent with research by Hartono et al. (2023), Lisda & Linggawat (2023), and Ayuningtyas et al. (2020), which states that investment decisions and debt policy simultaneously have a positive and significant impact on firm value.

Referring to signaling theory, the combination of investment decisions and debt policy indicates a company's financial stability and promising growth prospects. A high PER reflects positive expectations for future earnings, while a manageable DER demonstrates management's confidence in managing the company's liabilities wisely and measurably.

Furthermore, agency theory states that a well-executed combination of investment and debt policies reflects management's consistent prioritization of shareholder interests in an effort to maximize company value. Productive investment decision-making and efficient capital structure management can minimize conflicts between managers and owners, strengthen market confidence, and collectively drive increased company value.

CONCLUSION

The conclusion of this study is that investment decisions (PER) have a positive and significant impact on firm value (PBV). Debt policy (DER) has a positive and significant impact on firm value (PBV). Investment decisions (PER) and debt policy (DER) have a positive and significant simultaneous impact on firm value (PBV). Future researchers are advised to use a longer period or more recent data, consider using alternative indicators to measure firm value using other ratios, consider adding other independent variables, and expand the research object to other sectors.

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