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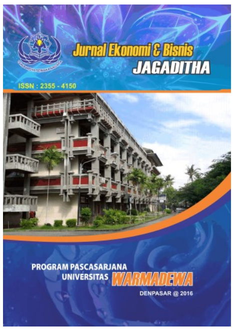

Impact of Investment, Funding, and Profitability on Indonesian Manufacturing Firm Valuation

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Impact of Investment, Funding, and Profitability on Indonesian Manufacturing Firm Valuation

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Abstract: This research seeks to examine the impact of investment decisions, funding choices, dividend policies, company growth, and profitability on the valuation of manufacturing firms listed on the Indonesia Stock Exchange from 2020 to 2022. The analytical approach employed involves multiple linear regression analysis, utilizing annual data collected from manufacturing companies listed on the Indonesia Stock Exchange within the specified timeframe. The research sample consists of 135 selected entities determined through the purposive sampling method. The outcomes of the research reveal that investment decisions exert a negative impact on company value, whereas funding and profitability decisions demonstrate a positive influence on company value. However, dividend policy and company growth do not exhibit a statistically significant effect on company value. These results contribute to a more profound comprehension of the determinants shaping company value within the realm of manufacturing companies in Indonesia. This could serve as a reference for corporate managers when formulating strategic decisions to enhance their company's value. It is anticipated that future research endeavors may build upon this research by incorporating additional variables with potential impacts on company value, such as capital structure.

Keywords: Company growth; company value; dividend policy; funding decisions; investment decisions

Introduction

Company value is a representation of a company's status, involving a distinct evaluation by prospective investors of both favorable and unfavorable financial performances. It serves as a factor for potential investors contemplating the allocation of funds into the company. The depiction of company value is often reflected in the company's share price. Various methods exist to gauge the high value of a company, with one of the instrumental metrics being the price-to-book value (PBV).

The principal goal of a company is to optimize wealth or company value for shareholders (Margaretha, 2014). Consequently, companies are obligated to consider factors influencing company value or share price in their decision-making processes. An elevated company value correlates with an augmentation in the prosperity attained by shareholders.

The phenomenon associated with firm value in 2019 pertains to manufacturing companies within the consumer goods sector. Notably, the share prices of companies in the consumer goods sector experienced a decline. For instance, the share price of PT Unilever Indonesia Tbk (UNVR) decreased by 2.9% to IDR 2,820 per share. Similarly, the shares of PT HM Sampoerna Tbk (HMSP) registered a decline of 3.09%, reaching Rp 2,820 per unit.

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Likewise, the shares of PT Indofood CBP Sukses Makmur Tbk (ICBP) fell 2.13% to Rp 10,350/ unit and the shares of PT Mayora Indah Tbk (MYOR). In 2020, manufacturing companies in the consumer goods sector also experienced a decline in share prices. PT Indofood CBP Sukses Makmur in 2019 experienced a decline in share price and in 2020 also experienced a decline in share price, which fell 7.78% to Rp 9,775 per share. PT Gudang Garam Tbk (GGRM) -5.58% to IDR 41,850, PT HM Sampoerna Tbk (HMSP) -4.38% to IDR 1,530, PT Indofood Sukses Makmur Tbk (INDF) -3.42% to IDR 7,050, and PT Unilever Indonesia Tbk (UNVR) -1.61% to IDR 7,625 per share.

Another phenomenon linked to firm value is the disclosure by PT Hetzer Medical Indonesia Tbk (MEDS) of its financial statements as of December 31, 2022. The reported results align with the expectations of several investors who anticipated a decrease in COVID-19 cases. MEDS witnessed a decline in its performance, with a substantial 99% reduction in net profit. MEDS net profit fell in 2021 and 2022. In 2020 MEDS's net profit reached IDR 38 billion, and fell in 2021 to IDR 27 billion and again experienced a very drastic decline of 99% in 2022 to 237 million. Then another phenomenon related to firm value is where the share price of digital banks has decreased significantly in 2022, the majority of digital banks recorded a red report card. Bank Jago shares experienced a 76% decline in 2022 after experiencing an increase in 2021 of 348%, Bank Neo Commerce experienced a 6.49% decline after experiencing an increase of 882% in 2021. Bank Raya experienced a decrease of 75.58%, despite a notable 79% increase in 2021. Similarly, Allo Bank shares declined by 54.53%, while Aladin Bank saw a decrease of 37.99%, following a remarkable 2,123% increase in 2021. Additionally, Bank Bumi Arta recorded a decline of 65.43%, despite a substantial 876% increase in 2021. The downturn in the performance of digital bank stocks in 2022 reflects the rapid and dynamic market conditions leading to a significant drop in digital bank stock prices.

Several factors influencing firm value include investment decisions, funding choices, dividend policy, company growth, and profitability. Investment decisions delineate how financial managers should allocate funds into investment forms with the potential to yield future profits. The magnitude of investment or the appropriateness of investments made by the company directly correlates with the level of profit or earnings the company is poised to attain. This will encourage high investors to invest in the company so that it can increase the value of the company. research conducted by (Ahmad, et al, 2020) is in line with the research of (Sherine, et al, 2021) and Swingly's research (2019) that investment decisions have a positive effect on firm value, but these results contradict research conducted by (Salama, et al, 2019) that investment decisions have a negative effect on firm value, while (Fitri & Eliada, 2020; Bahrun, et al, 2020; Nadya & Triyani, 2021) that investment decisions have no effect on firm value.

Another factor that can influence firm value is funding decisions. Funding decisions pertain to choices associated with the financial structure of a company, encompassing decisions on corporate funding that involve the utilization of both corporate debt and equity. The attainment of an optimal capital structure, as indicated by (Silalahi, 2014), can contribute to an increase in the profits generated by the company. If the company is wrong in determining the decision to use high debt, it will increase the interest expense that must be paid by the company. research conducted by (Bahrun, et al, 2020; Sherine, et al, 2021) states that funding decisions have a positive effect on firm value, but these results contradict research conducted by (Ahmad, et al, 2020; Salama, et al, 2019) and Swingly (2019) that funding decisions have a negative effect on firm value, as well as research conducted by (Fitri & Eliada, 2020) that funding decisions have no effect on firm value.

Another factor that can impact firm value is dividend policy. Dividend policy involves deciding whether the company's earned profits will be distributed to shareholders as dividends or retained to augment future investment capital (Utami et al., 2018). The dividend policy plays a role in shaping the company's value by influencing the allocation of substantial funds to finance prospective company growth. If the company does not pay large dividends to shareholders, it will affect the decision of shareholders to invest their shares in the company again. Research conducted by (Nadya & Triyani, 2021; Salama, et al, 2019) and (Sintyana & Artini, 2019) states that dividend policy has a positive effect on firm value, research conducted by (Bahrun, et al, 2020; Ahmad, et al, 2020), and (Renly, 2019) that dividend policy has a negative effect on firm value, and research conducted by (Fitri & Eliada, 2020) and (Rafifatul & Yuliastuti, 2020) states that dividend policy has no effect on firm value.

Company growth is characterized by a variation, whether a decrease or increase, in the total assets owned by the company (Nurhasanah, 2017). Companies experiencing substantial growth in total assets are more likely to attract the attention of investors and creditors, indicating the company's capability to generate profits and enhance its value. This underscores the positive correlation between higher company growth and an increase in the company's value. Research conducted by (Ramdhonah, et al, 2019; Rafifatul & Yuliastuti, 2020) and (Amin, 2021) states that company growth has a positive effect on firm value, research conducted by (Bambu, et al, 2022) that company growth has a negative effect on firm value, and the results of research conducted by (Idris & Mayar, 2021) and (Chess & Riani, 2020) that company growth has no effect on firm value.

Furthermore, another factor influencing firm value is profitability. Profitability is a ratio employed to evaluate a company's capacity to generate profits. It holds significance as an indicator for measuring the financial performance of a company, providing a reference point for assessing the company's standing (Sastrawan, 2016). High profitability indicates good prospects for the company, especially in providing returns to shareholders. If the company's profitability is good, the company owners and creditors will see how the company can generate profits from the company's sales and investment. Research conducted by (Ramdhonah, et al, 2019; Rafifatul & Yuliastuti, 2020; Nadya & Triyani, 2021; Sherine, et al, 2021; Swingly, 2019; Sintyana & Artini, 2019; Himawan, 2020) and (Renly, 2019) states that profitability has a positive effect on firm value, but these results contradict research conducted by (Rizqia & Mohamad, 2021) that profitability has no effect on firm value.

This research focuses on manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2020-2022. In light of existing phenomena and observed issues, the authors aim to investigate the impact of investment decisions, funding choices, dividend policy, company growth, and profitability on the valuation of companies listed on the Indonesia Stock Exchange for the specified period of 2020-2022.

Concept and Hypothesis

Signal Theory

Signal Theory proposes a method for companies to convey information to users of financial statements. This signal manifests through actions undertaken by company management, indicating whether the company has favorable or unfavorable prospects. The connection between signaling theory and firm value lies in the notion that a positive signal, such as a good company value, can be indicative of positive prospects, while a negative signal, such as a poor company value, may suggest unfavorable prospects. This is because the motivation for investors to invest is to make a profit, so companies with poor value tend to be avoided by investors.

Overall, the theoretical basis of signaling helps us understand how corporate decisions and actions can influence market perceptions and ultimately affect firm value. In the context of this research, the concept of signaling can be used to identify how factors such as investment decisions, funding decisions, dividend policy, company growth, and profitability can signal to investors about the prospects and value of manufacturing companies listed on the Indonesia Stock Exchange for the period 2020-2022.

The Effect of Investment Decisions on Firm Value

Corporate investment decisions exert a substantial influence on firm value. These decisions encompass the allocation of corporate funds into diverse forms of investment, such as business expansion, new product development, or acquisitions. Prudent investment choices have the potential to enhance the company's outlook for future profits, consequently contributing to an augmentation in the company's value. Investors tend to see smart investment decisions as an indication that the company has strong growth and the potential to deliver high returns. Conversely, investment decisions that are ill-advised or inconsistent with the company's strategy may raise doubts among investors and potentially lower the value of the company. Therefore, it is important for companies to make the right investment decisions to maximize firm value and maintain investor confidence.

Investment decisions involve companies allocating their funds to various assets with the expectation of generating future profits, thereby enhancing the company's value. (Ahmad et al, 2020) assert that an improvement in investment decisions corresponds to an increase in company value. Given this context, the hypotheses for this research are as follows:

H_1 : Investment decisions have a positive effect on firm value.

The Effect of Funding Decisions on Firm Value

Corporate funding decisions play a crucial role in influencing firm value. These decisions are associated with the firm's capital structure, encompassing choices regarding the utilization of debt and equity to finance the firm's operations and investments. An optimal capital structure has the potential to impact the firm's cost of capital, subsequently affecting the firm's overall value. Excessive use of debt may increase the financial risk of the firm as it has to pay high interest, which may decrease the value of the firm. On the other hand, an increase in equity can give a positive signal to investors about the firm's confidence in its projects, which can increase the firm's value. Hence, judicious funding decisions can contribute to an elevation in firm value by establishing an optimal capital structure and mitigating financial risk. The more adept the company is in making sound funding decisions, the greater the enhancement in firm value.

Based on this description, the hypothesis in this research is as follows:

H_2 : Funding decisions have a positive effect on firm value.

The Effect of Dividend Policy on Firm Value

Dividends, as per (Senata, 2016), refer to the allocation of company profits to shareholders, the quantity of which is proportionate to the number of shares owned. The higher the dividends distributed to shareholders, the more positively the issuer or company's performance will be perceived. Ultimately, companies demonstrating strong managerial performance are deemed profitable, leading to a favorable evaluation of the company. Companies that increase dividend payments can be interpreted by investors as a signal of management expectations about the company's future performance so that dividend policy has an influence on firm value. This shows that the better the company distributes dividends, the higher the company's value.

Based on this description, the hypothesis in this research is as follows:

H_3 : Dividend policy has a positive effect on firm value.

The Effect of Company Growth on Firm Value

Company growth is quantified through the expansion of total assets, with prior growth serving as an indicator of future profitability and prospective growth. Companies exhibiting substantial growth in total assets are more likely to attract the interest of investors and creditors. This is indicative of the company's ability to generate profits, subsequently contributing to an increase in the company's value. The higher the company's growth, the more the company's value increases.

Based on this description, the hypothesis in this research is as follows:

H_4 : Company growth has a positive effect on firm value.

The Effect of Profitability on Firm Value

Profitability refers to the company's capability to generate profits, as evidenced by the earnings derived from sales and investment income. Companies demonstrating profitability are highly sought after by investors, as they are perceived to possess the capacity to yield significant profits. This shows that the higher the profitability of a company, the higher the company value.

Based on this description, the hypothesis in this research is as follows:

H_5 : Profitability has a positive effect on firm value.

Method

The research method was carried out in structured stages. First, sample selection was carried out using a purposive sampling method, which resulted in 135 manufacturing companies listed on the Indonesian Stock Exchange. Furthermore, annual data related to investment decisions, funding choices, dividend policy, company growth, profitability and company valuation were collected for the 2020-2022 period. The analysis was carried out through the application of multiple linear regression analysis to evaluate the influence of independent variables on company valuation, followed by interpretation of the results to identify the statistical significance and direction of influence of each independent variable. The research results are presented to provide a deeper understanding of the factors that influence the valuation of manufacturing companies in Indonesia, with implications highlighted for company managers in making strategic decisions to increase company value. Recommendations are also proposed for future research, which include consideration of additional variables such as capital structure, to broaden understanding of the valuation of manufacturing companies in Indonesia.

The population of this research are all manufacturing companies listed on the IDX in 2020-2022, namely 45 companies. In determining the sample in this research using purposive sampling technique, namely determining the sample with the specified criteria. Based on observations made, there are 45 companies that meet the criteria with the following selection process:

Table 1. Research Sample

No	Sample Criteria	Total
1	All manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2020-2022.	239
2	Manufacturing companies that are not consecutively listed on the Indonesia Stock Exchange for the period 2020-2022.	(45)
3	Manufacturing companies that do not report financial statements for the period 2020-2022.	(12)
4	Manufacturing companies that do not present reports in Rupiah (Rp) for the 2020-2022 period.	(29)
5	Manufacturing companies that do not distribute dividends for the period 2020-2022.	(102)
6	Manufacturing companies that are not profitable for the period 2020-2022.	(6)
	Number of samples used	45
	Year of Observation	3
	Number of observations 2020-2022	135

(Source: Recapitulation Data, 2024)

In this investigation, the employed analytical method is the multiple linear regression analysis technique. The utilization of multiple linear regression analysis techniques is aimed at comprehensively assessing the impact of investment decisions, funding choices, dividend policy, company growth, and profitability on the overall value of manufacturing firms listed on the IDX during the period spanning 2020 to 2022. The regression equation model formulated for this research is expressed as follows:

$PBV = \alpha + \beta_1\ PER + \beta\ DER + \beta_{23}\ DPR + \beta_4\ Growth + \beta_5\ ROA + e$ ……. (1)

Description: PBV = Company Value; α= Constant; PER = Investment Decision; DER = Funding Decision; DPR = Dividend Policy; Growth = Company Growth; ROA = Profitability; *e* = *Error* term; β1-β5 = Regression Coefficient.

Result and Discussion

Data analysis in this study used the SPSS application. The first stage of data analysis is the descriptive statistical test. Table 2 shows that from 2020 to 2022, manufacturing companies listed on the Indonesia Stock Exchange.

Table 2. Descriptive Statistical Result

	N	Minimum	Maximum	Mean	Std. Deviation
PER	135	4.1118	11005.6450	103.963647	945.6758935
DER	135	.0673	3.5827	.707555	.5901733
DPR	135	.0002	106.8509	1.312248	9.1613009
GROWT	135	-.4871	1.6761	.102628	.2379901
ROA	135	.0001	.3636	.092056	.0718811
PBV	135	.3370	74.3910	3.789363	9.1617649
Valid N (listwise)	135				

The descriptive statistical analysis, drawn from the findings presented in Table 2, reveals significant variability across key variables. The Firm Value variable illustrates a wide range, while the Investment Decision variable displays substantial diversity, indicating varying degrees of financial activity within the observed firms. Funding decisions and Dividend Policy exhibit more constrained ranges, suggesting relatively stable patterns in financial management practices. Meanwhile, Company Growth and Profitability demonstrate narrower variations, hinting at consistent trends in growth and profitability metrics among the studied manufacturing firms. These insights contribute to a deeper understanding of the financial landscape within the scope of the research, laying the groundwork for further analysis of their implications on firm valuation.

Table 3. Regression Model Feasibility

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.475	1.155		-4.742	.001
	PER	.058	.013	5.958	4.538	.001
	DER	6.706	.923	.432	7.262	.001
	DPR	5.889	1.314	5.888	4.483	.001
	GROWT	4.742	2.354	.123	2.015	.046
	ROA	73.138	7.629	.574	9.587	.001

Based on table 3, the multiple linear regression equation can be written as follows:

PBV = -5.479 - 0.058 (PER) - 6.706 (DER) - 5.889 (DPR) - 4.742 (Growth) - 73.138 (ROA)

The results of the regression analysis provide insights into the relationship between key variables and firm value (PBV). The constant value of -5.479 suggests that when all variables are at zero, the company value is -5.479. The regression coefficients indicate the impact of each variable on firm value. An increase in investment decision (PER) by one unit leads to a decrease in company value by -5.479, while an increase in funding decision (DER) by one unit results in a decrease in company value by 6.706. Similarly, an increase in dividend policy (DPR) by one unit leads to a decrease in firm value by 5.889. Furthermore, an increase in company growth (Growth) by one unit results in a decrease in company value by 4.742, and an increase in profitability (ROA) by one unit leads to a decrease in company value by 73.138. These findings provide valuable insights into the factors influencing firm valuation, aiding in strategic decision-making processes for enhancing company value.

Classic Assumption

Classical assumption test includes normality test, heteroscedasticity, multicollinearity and also autocorrelation. The results of the normality test must show that the model used in the study is normally and well distributed, the Kolmogorov-Smirnov test is used in this study with the results of the model used being well distributed and can be used further. For the heteroscedasticity test, the results can be seen in Table 4 below;

Table 4. The Heteroscedasticity Test

Variable	Sig
PER	.104
DER	.781
DPR	.102
GROWT	.737
ROA	.550

In contrast to the T test or multiple linear regression, to be able to say that a research model is free from heteroscedasticity, the resulting standard of significance must exceed 0.05 and it can be seen that all variables obtained a significance score that exceeds the standard. A research model must also be free from the existence of multicollinearity in Table 5 below are the results of the test:

Table 5. The Multicollinearity Test

Variable	Tolerance	VIF
PER	.993	1.007
DER	.986	1.014
DPR	.973	1.027
GROWT	.933	1.072
ROA	.974	1.027

Based on the results of the multicollinearity test in table 4, it can be seen that all independent variables have a tolerance value > 0.1 and a VIF value < 10, so these results show that there is no multicollinearity or no correlation between the independent variables and the regression model is suitable for use.

Table 6. The Results for The Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.742[a]	.550	.533	6.2640695	2.024

Based on the test results, the Durbin Watson value was obtained at 2.024 with a sample size of 135 (n) and a number of independent variables of 5 (k=5). So the du value is 1.7692. This means that DW is greater than the limit du = 1.7962 and less than 4 - 1.7692 (4 -du), namely the criteria du>DW<4-du is 1.7692<2.024<2.2038. So it can be concluded that the regression model states that there is no autocorrelation.

Based on table 6, it can be seen that the coefficient of determination (*Adjusted* R^2) is 0.533 or 53.3%. This means that the value of the company can be explained by 53.3% by the variables of investment decisions, funding decisions, dividend policy, company growth, and profitability while the remaining 44.7% is influenced by other factors that are not included in the research model.

The findings from Table 3 shed light on the relationship between various variables and firm value. Firstly, the investment decision variable (PER) exhibits a positive effect on firm value, as evidenced by its regression coefficient of 0.058, t-statistic of 4.538, and significance level of <0.001, leading to the acceptance of hypothesis H1. Similarly, the funding decision variable (DER) demonstrates a positive influence on firm value, with a regression coefficient of 6.706, a t-statistic of 7.262, and a significance level of <0.001, supporting the acceptance of hypothesis H2. Furthermore, the dividend policy variable (DPR) positively impacts firm value, as indicated by its regression coefficient of 5.889, t-statistic of 4.483, and significance level of <0.001, corroborating the acceptance of hypothesis H3. Additionally, the company growth variable (Growth) showcases a positive effect on firm value, with a coefficient value of 4.742, a t-statistic of 2.015, and a significance level of 0.046, thereby supporting the acceptance of hypothesis H4. Lastly, the profitability variable (ROA) significantly contributes to firm value, with a coefficient value of 73.138, a t-statistic of 9.587, and a significance level of <0.001, leading to the acceptance of hypothesis H5. These results provide valuable insights into the factors driving firm value, aiding in strategic decision-making processes for firms aiming to enhance their overall value.

The Effect of Investment Decisions on Firm Value

The initial hypothesis (H_1) posits that investment decisions positively impact firm value. Upon examination of the analysis results, it is evident that investment decisions indeed exert a positive influence on firm value. Consequently, H_1 is affirmed or accepted. This means that it shows that the better the decision to place company funds for investment, the profit that will be received in the future will also increase, and provide a positive signal regarding the company's growth in the future g so that it can increase the stock price which is used as an indicator of firm value. This is in line with signal theory that the company is able to generate profits by using company resources efficiently, then the company will gain the trust of potential investors to buy its shares, causing an increase in demand for the company's shares and an increase in company value. The results of this research are in line with research conducted by (Ahmad, et al, 2020; Sherine, et al, 2021) and Swingly (2019) which states that investment decisions have a positive effect on firm value.

The Effect of Funding Decisions on Firm Value

The second hypothesis (H_2) asserts that funding decisions positively influence firm value. Upon scrutinizing the analysis results, it is observed that funding decisions indeed have a positive impact on firm value, leading to the acceptance of H_2. Funding decisions are delineated as choices regarding the composition of funding opted for by the company. the purpose of funding decisions is how companies determine the optimal source of funds to fund various investment alternatives, so as to maximize company value. Funding with debt gives a positive signal that the company will expand its business. Large debt will be used as capital to rotate company activities. Funding funded through debt, the increase in firm value occurs due to the *tax deductible* effect, namely companies that have debt will pay loan interest that can reduce taxable income, which can provide benefits for shareholders. This result in signal theory posits that investors infer that when a company raises its debt proportion, it implies an augmentation in operational funds. If the debt is managed judiciously, it can lead to increased company profits, thereby elevating the company's performance. A heightened performance, in turn, is anticipated to boost the share price, consequently augmenting the overall value of the company. This outcome aligns with the research conducted by (Bahrun et al, 2020) and (Sherine et al, 2021), both of which assert that funding decisions positively impact firm value.

The Effect of Dividend Policy on Firm Value

The hypothesis (H_3) posits that dividend policy positively influences firm value. The analysis results indicate that the dividend policy indeed has a positive impact on firm value, leading to the acceptance of H_3. Dividends represent the allocation of company profits to shareholders, with the amount being proportionate to the number of shares owned. Companies that pay dividends show that the company is profitable and able to prosper shareholders. If the dividends distributed by the company are high, the stock market price will also increase. With the increase in share price, it will increase the value of the company. In signal theory, it is said that the more dividends increase, the higher the confidence of company managers in profit growth and the greater the dividends distributed will bring positive signals to shareholders (Budiawati, 2022). The positive signal regarding dividend distribution will have an impact on the increase in stock price and will be followed by an increase in firm value. This research is in line with research conducted by (Nadya & Triyani, 2021; Sintyana & Artini, 2019; Salama, et al, 2019) which states that dividend policy has a positive effect on firm value.

The Effect of Company Growth on Firm Value

The hypothesis (H_4) asserts that company growth positively impacts firm value. The analysis results reveal that company growth indeed exerts a positive influence on firm value, leading to the acceptance of H_4. When a company experiences substantial total asset growth, it becomes more likely to attract investor attention. This growth signifies the company's ability to generate profits, subsequently increasing its asset base, and ultimately enhancing its overall value. This is in accordance with signal theory, namely companies that have high asset growth will certainly be responded positively by investors so that it will affect the increase in stock prices. The increase in share price also means an increase in firm value. High asset growth will also indicate the quality of the company's financial performance in a healthy condition and has good performance. This research is in line with research conducted by (Amin, 2021; Rafifatul & Yuliastuti, 2020; Ramdhonah, et al, 2019) which state that company growth has a positive effect on firm value.

The Effect of Profitability on Firm Value

Hypothesis (H_5) posits that company growth positively influences firm value. The analysis results indicate that profitability indeed has a positive impact on firm value, leading to the acceptance of H_5. Profitability, defined as the company's capacity to generate profits, plays a crucial role. A higher profit signifies an elevated company value, as substantial profits serve as an indicator of favorable prospects for the company. In this research, it can show that the higher the profitability, the company can generate high profits for shareholders, so that it will make investors interested in investing their shares in companies that provide large profits to shareholders. These results are supported by signal theory which states that companies with high levels of profitability can trigger investors to participate in increasing demand for shares, so that the company's share price will increase and will cause an increase in the company's value (Yuniastri, et al. 2021). This research is in line with research conducted by (Ramdhonah, et al, 2019; Rafifatul & Yuliastuti, 2020; Nadya & Triyani, 2021; Renly, 2019; Sherine, et al, 2021; Swingly, 2019; Sintyana & Artini, 2019) and (Himawan, 2020), which state that profitability has a positive effect on firm value.

Conclusion

Based on the findings from data analysis and subsequent discussion, it is evident that several factors significantly influence the firm value of manufacturing companies listed on the Indonesia Stock Exchange between 2020 and 2022. Firstly, investment decisions positively contribute to firm value, indicating the importance of strategic investment planning for enhancing company worth. Secondly, funding decisions play a crucial role in bolstering firm value, emphasizing the significance of effective financing strategies. Thirdly, dividend policy emerges as a key determinant of firm value, underscoring the impact of dividend distribution policies on investor perceptions and company valuation. Additionally, company growth is identified as a vital driver of firm value, highlighting the importance of sustainable growth initiatives for enhancing market value. Lastly, profitability stands out as a significant factor positively influencing firm value, reflecting the importance of maintaining robust financial performance for investor confidence and company valuation. In summary, these findings collectively emphasize the multifaceted nature of firm valuation, influenced by various strategic decisions and performance metrics, thereby providing valuable insights for corporate managers and investors alike in navigating the dynamic landscape of the stock market.

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