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INCREASE IN COMPANY VALUE BASED ON INVESTMENT DECISIONS, COMPANY SIZE, AND SUSTAINABILITY DEBT WITH PROFITABILITY AS MEDIATION VARIABLES

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ABSTRACT

This study aims to determine the influence of investment decisions, company size, and debt policy on company value with profitability as a mediating variable for publicly listed manufacturing companies on the Indonesia Stock Exchange (IDX) for the period 2019-2023. The data source for this research was obtained from annual financial reports and BEI statistics. The research population consisted of 458 manufacturing companies, and by using purposive sampling techniques, a sample of 113 companies was selected. Data analysis was conducted using the SmartPLS tool. The results of this study prove that the Price Earning Ratio (PER) has a significantly positive effect on profitability, Size has a significantly positive effect on profitability, the Debt to Equity Ratio (DER) has a significantly positive effect on profitability, the Price Earning Ratio (PER) has a significantly positive effect on Price to Book Value (PBV), Size has a significantly positive effect on Price to Book Value (PBV), DER has a significantly positive effect on Price to Book Value (PBV), Return on Equity (ROE) has a significantly positive effect on Price to Book Value (PBV), the Price Earning Ratio (PER) has a significantly positive effect on Price to Book Value (PBV) and Return on Equity (ROE) as an intervening variable, Size does not have an effect on Price to Book Value (PBV) and Return on Equity (ROE) as an intervening variable, and the Debt to Equity Ratio (DER) has a significantly positive effect on Price to Book Value (PBV) and Return on Equity (ROE) as an intervening variable.

Keywords: Price Earning Ratio, Size, Price Earning Ratio, Retrun on Equity, Price to Book Value.

INTRODUCTION

Enhancing a company's value has become a significant challenge in the advancing global economic era. Company valuation is one of the most critical and complex economic concepts in both developed and developing countries. Increasing a company's value is the primary goal of management in implementing business strategies. In this context, investment decisions, firm size, and debt policy play crucial roles in influencing company value. This study focuses on how these variables interact with profitability as a mediating variable.

Investment decisions are strategic steps taken by a company to allocate resources into projects expected to yield future profits, encompassing asset purchases, product development, and market expansion. Research shows that appropriate investment decisions can increase company value by signaling positive growth prospects to investors.

Firm size is also a key factor in determining company value. Larger companies often have better access to resources and markets, making them more attractive to investors. Firm size can affect investment decisions and funding policies and contributes to profit stability and growth. Debt policy relates to how a company finances its operations and investments. The use of debt can increase potential returns for shareholders but also involves higher risk. In the modern world, managers hold the key to a company's success, playing vital roles in operations, marketing, and strategy formulation. The company's goal is to maximize profits (Farid & Akhmadi, 2023).

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With rapid change, managers are required to maintain their positions carefully and manage the company prudently. Good management can enhance performance, fostering investor confidence to invest rather than shift investments to other companies.

The study examines manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, focusing on Price to Book Value (PBV) affected by the COVID-19 pandemic, which led to significant operational cost reductions and financial innovations to sustain income. This study analyzes the capacity of manufacturing companies to increase their value through investment decisions, firm size, and debt policy with profitability as a mediating factor, addressing the research gap highlighted by inconsistent findings from prior studies. Based on this background, the research is titled "Enhancing Company Value Based on Investment Decisions, Firm Size, and Debt Policy with Profitability as a Mediating Variable."

Table 1. Growth in Price to Book Value listed on the IDX

No.	Average Score PBV	Years									
		2019		2020		2021		2022		2023	
		Total	Precent	Total	Precent	Total	Precent	Total	Prercent	Total	Precent
1.	Number of Companies with PBV> 1	180	61,43%	176	58,67%	217	65,96%	217	61,47%	224	57,44%
2.	Number of Companies with <1 PBV	113	38,57%	124	51,33%	112	34,04%	136	38,53%	166	42,56%
3.	Average Company Value PBV> 1	4,462067039		4,267840909		5,190460829		3,78764977		6,8621875	
4.	Average Company Value PBV< 1	0,563628319		0,575806452		0,628839286		0,616764706		0,592590361	

LITERATURE REVIEW

Signaling Theory

Signal theory addresses the asymmetry of information between a company's insiders (such as managers) and external investors. Since insiders typically have better access to the company's financial conditions and future outlook, they can signal positive information to investors, often through annual financial reports or strategic disclosures. This information helps investors make informed decisions and builds confidence in the company's potential for growth. A positive signal, such as increased investment or expansion, can elevate a company's market value by attracting more investor interest. Effective signaling practices, therefore, contribute significantly to the perceived value of the company (Dewi, 2021).

Trade-Off Theory

Trade-off theory explains a company's balancing act between the tax benefits of debt and the risks associated with financial distress. As companies increase their debt, they initially benefit from tax savings. However, excessive debt raises the likelihood of bankruptcy, which can erode company value. According to the theory, companies should leverage debt only up to a point where additional debt no longer provides net benefits. Thus, managers must carefully determine an optimal capital structure to maximize company value. This theory highlights the importance of balancing financial gains and risks in financing strategies to maintain financial health (Nursasmitaa, 2021).

Agency Theory

Agency theory examines a corporation's relationship between shareholders (principals) and managers (agents). This theory suggests conflicts may arise if agents prioritize their interests

over shareholders' goals. The solution often involves aligning the interests of both parties through well-structured contracts that define each party's rights and responsibilities, minimizing agency costs. Agency theory underscores the importance of accountability and transparency within corporate governance. By reducing agency conflicts, companies can ensure that managers work toward maximizing shareholder value, ultimately contributing to the long-term stability and success of the company.

Company Value
Company value is often measured by stock performance, with the Price-to-Book Value (PBV) ratio being a common metric. A high PBV ratio suggests strong investor confidence and reflects the company's growth potential. Determining company value involves assessing various factors, such as capital structure, profitability, and company size. Effective financial management strategies that prioritize profitability and operational efficiency can enhance company value by attracting investors. In general, high company value signals to the market that a company has solid fundamentals, contributing to long-term stability and appealing to both current and prospective shareholders (Muzayin & Trisnawati, 2022).

Profitability
Profitability is the company's capacity to generate earnings relative to its expenses and investments. It is a critical indicator of operational success and long-term viability, often measured by metrics like Return on Assets (ROA) and Return on Equity (ROE). Profitability not only determines a company's financial health but also impacts its attractiveness to investors. High profitability indicates effective management and sustainable growth potential, drawing investors and securing continued financing. Profitability is thus essential for achieving a company's strategic goals and increasing shareholder value, as it assures stakeholders of the company's ability to deliver consistent returns (Rossa et al., 2023).

Price Earning Ratio
Investment decisions are crucial for company growth and involve allocating resources to projects that promise future returns. These decisions include asset acquisition, product development, and market expansion. Investment choices provide signals to investors about a company's growth prospects, often boosting investor confidence. Effective investments can enhance shareholder wealth and increase market valuation by driving innovation and expansion. By strategically selecting investments, companies position themselves for long-term growth, signaling stability and profitability to investors, which can result in a positive impact on company value and competitive positioning (Handayani & Kurnianingsih, 2021).

Firm Size
Firm size reflects a company's total assets, revenue, and market reach, often serving as an indicator of stability and market influence. Larger firms generally have better access to resources, including financing and skilled personnel, which can improve operational efficiency and competitive advantage. As a result, larger firms may achieve higher profitability and be more attractive to investors. Firm size can also influence risk tolerance, as larger firms tend to weather economic fluctuations better than smaller ones. In turn, this stability and capacity for growth contribute to increasing the overall value of the firm, making it more appealing in the market (Jannah, 2022).

Debt Equity Ratio
Debt policy involves a company's strategic choices regarding the use of debt financing. Companies often use debt to fund operations and investments, leveraging the tax benefits it

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provides. However, high debt levels can increase financial risks, as debt obligations must be met regardless of revenue performance. Companies thus face a trade-off between the potential return on equity and the risks of insolvency. Debt policy, influenced by capital structure theories, aims to optimize the amount of debt to maximize profitability without compromising financial stability. Properly managed, a well-structured debt policy can enhance company value and investor confidence (Baihaqi et al., 2021).

The impact of investment decisions on profitability

Investment opportunities encompass a wide range of chances to invest. The existence of these investment opportunities can serve as a positive signal for increasing stock prices and the growth of entities in the future (Hamidah & Umdiana, 2017). Previous research on investment opportunities has been conducted by several researchers, such as the study by (Muthohharoh, 2021), explaining that investment opportunities significantly affect profitability with a positive impact. Thus, the formulation of the hypothesis is as follows.

Hypothesis 1: It is suspected that investment decisions have a positive and significant impact on profitability.

The Relationship between Company Size and Profitability

A large company size indicates that the company possesses many assets. Large companies have broader access to capital markets, giving them a greater opportunity to increase their profitability. The higher the assets owned, the more they will support the company's operational activities, and it is expected to enhance the level of profit generated by the company. (Yulimtinan & Atiningsih, 2021).

Hypothesis 2: It is suspected that the size of the company has a positive and significant impact on the company's value.

The Relationship between Debt Policy and Profitability

Debt to Equity Ratio (DER) is the ratio between total debt and total equity. A high DER value indicates that the company uses a significant amount of debt for its operational activities. High debt will affect the net profit the company will receive because high debt will also incur high-interest expenses, thereby reducing the company's net profit. The smaller the net profit obtained by the company, the smaller the company's ROE will be. Thus, the hypothesis can be formulated as follows:

Hypothesis 3: It is suspected that the debt policy affects profitability.

The Relationship between Investment Decisions and Company Value

Investment decisions are decisions regarding the allocation of capital in the present to obtain results or profits in the future. Investment decisions are an important factor in the financial function of a company. This is because achieving the company's goals can be done through the company's investment activities. Making investment decisions is the most difficult decision for management because it will affect the company's value. (Indriawati et al., 2018). Research results Utami & Darmayanti (2018) investment decisions have a positive and significant impact on the value of the company (Arianti, 2022). Thus, the formulation of the hypothesis is as follows:

Hypothesis 4: It is suspected that investment decisions have a positive and significant impact on the value of the company.

The Relationship between Company Size and Company Value

The size of a company describes the magnitude of a company that can be seen from total assets, sales volume, average sales rate, and average total assets of the company. To access the capital

market, larger companies can easily obtain funding first. In contrast, newer or smaller companies certainly face many difficulties in accessing the capital market. Thus, it can be interpreted that larger companies have a higher level of flexibility and ability to obtain funds more easily from the capital market, as well as a greater opportunity to win competition or survive in the industry. (Alifian & Susilo, 2024). Thus, the formulation of the hypothesis is as follows:

Hypothesis 5: It is suspected that the size of the company affects the value of the company.

The Relationship between Debt Policy and Firm Value

Debt to Equity Ratio illustrates the comparison between total debt and total equity owned by the company. The increase in the debt-to-equity ratio (DER) also means an increase in the interest burden borne by the company. As the DER rises, the company's profitability decreases. The decline in profitability will impact the decrease in the company's stock price (Utami & Prasetiono, 2016). Thus, the hypothesis can be formulated as follows:

Hypothesis 6: It is suspected that the debt policy has a positive and significant impact on the company's value.

The Relationship between Profitability and Company Value

Profitability increases the value of a company; the larger the company, the more valuable it is. Due to their larger overall assets, large companies usually have a more secure financial situation and easier access to funding sources. The influence of profitability on company value is not significant, unlike the research (Amelia & Anhar, 2019), This shows that all of the company's underlying assets are available for use in conducting its operations, a location where the company can easily access financial markets, providing them with access to flexibility and capital. Research (Krisnando & Novitasari, 2021) that capital structure has a beneficial and significant impact on the company's value. The company's stock price will rise because it is taking on more debt to expand the company. Debt will continue to increase as long as the capital structure remains below the ideal level for company expansion (Claudia Sidabalok, 2023). Thus, the hypothesis can be formulated as follows:

Hypothesis 7: It is suspected that profitability has a positive and significant impact on the value of the company.

The Relationship between Company Size and Profitability through Profitability as a Mediating Variable

Profitability serves as an indicator of the level of profit in a company. This ratio explains the overall capability of the company. Companies with high profits can attract investors. By generating high profits, the company also receives broader investment decisions. The presence of a high level of profitability will also lead to a high level of investment. Solichah et al. (2017) stated that the size of the company significantly affects investment decisions, meaning that the larger the value of the company's size, one of which is through assets, the more it influences investors to invest funds in that company (Muthohharoh, 2021). Thus, the determined hypothesis is as follows:

Hypothesis 8: It is suspected that profitability is capable of mediating the investment decision on the company's value.

The Relationship between Company Size and Company Value through Profitability as a Mediating Variable

The size of a company is a scale to measure the magnitude of the company, including total assets, market value of shares, number of employees, and others (Atiningsih dan

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Wahyuni, 2020). The assets of a large company will make the company more stable compared to a small company because it has better control over the market and is considered capable of facing economic competition. The size of the company can determine the value of the company through the level of profit obtained. Large companies demonstrate success in business development and have good prospects. Thus, it makes investors interested in investing in the company (Octaviany et al., 2019). The more assets owned, the more they will support the company's operational activities and increase the company's profits, which will indirectly impact the company's value (Yulimtinan & Atiningsih, 2021). Thus, the hypothesis can be formulated as follows:

Hypothesis 9: It is suspected that profitability is able to mediate the size of the company against the value of the company.

The relationship between Debt Policy and Firm Value through Profitability

Debt to Equity Ratio (DER) has a negative influence on profitability measured by Return on Equity (ROE). In addition, DER also has a negative influence on the value of the company as shown by the research conducted by Nasehah (2012) and Erawati & Sukma (2014). Thus, the hypothesis can be formulated as follows:

Hypothesis 10 : It is suspected that profitability is able to mediate the debt policy towards the value of the company.

Theoretical Framework of Thought

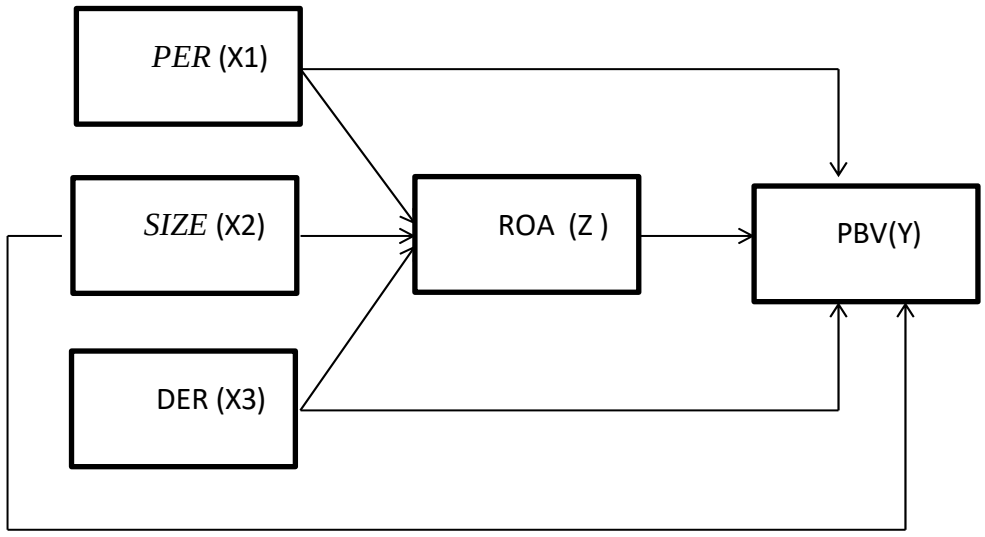


Figure 2.1 Theoretical Framework of Thought

HYPOTHESIS FORMULATION

Hypothesis 1: Investment decisions are presumed to have a significantly positive effect on profitability.
Hypothesis 2: Firm size is presumed to have a significantly positive effect on profitability.
Hypothesis 3: Debt policy is presumed to have a significantly positive effect on profitability.
Hypothesis 4: Investment decisions are presumed to have a significantly positive effect on company value.
Hypothesis 5: Firm size is presumed to have a significantly positive effect on company value.
Hypothesis 6: Debt policy is presumed to have a significantly positive effect on company value.
Hypothesis 7: Profitability is presumed to have a significantly positive effect on company value.

Hypothesis 8: Profitability is presumed to mediate the effect of investment decisions on company value.
Hypothesis 9: Profitability is presumed to mediate the effect of firm size on company value.
Hypothesis 10: Profitability is presumed to mediate the effect of debt policy on company value.

RESEARCH METHODS

Types of Research

This study is quantitative research aimed at analyzing the impact of investment decisions, firm size, and debt policy on company value, with profitability as an intervening variable. Data is derived from secondary sources, specifically the annual financial reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023.

Dependent Variable (Y)

The dependent variable in this research is Company Value (Y), represented by Price to Book Value (PBV). This variable reflects the investors' perception of the company's success and potential for growth.

Independent Variables (X)

The independent variables include:
1. Investment Decisions (X1) - Refers to the choices made by financial managers regarding the allocation of funds.
2. Firm Size (X2) - Represents the scale of a company, typically measured by total assets.
3. Debt Policy (X3) - Measures a company's long-term debt capacity using the Debt to Equity Ratio (DER).

Intervening Variable (Z)

Profitability (Z) serves as the intervening variable, mediating the relationship between the independent variables (investment decisions, firm size, debt policy) and the dependent variable (company value). Profitability is measured using Return on Assets (ROA), indicating the company's ability to generate net income from its assets.

Definition of Operational Variables

Table 2. Variable Operational Definition

No	Nama Variabel	Definisi Variabel	Indikator	Sumber
1.	*Price Book Value* (Y)	A metric reflecting the market's view on a company's value, encompassing its financial performance and future prospects.	$PBV = \frac{Book\ Value\ per\ Share}{Stock\ Market\ Price}$	Deccasari et al., (2023)
2.	Return On Assets (Z)	The ability of a company to generate profits from its business activities over a specific period is known as Return on Assets (ROA). ROA is calculated as net income divided by total assets.	$ROA = \frac{Net\ Profit}{Total\ Asset} x100\%$	(Kansil et.al., 2021)

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3.	*PER* (X1)	Investment decisions are decisions that a financial manager must make to allocate existing funds	$PER = \frac{Market\ share\ price}{Earning\ Per\ Share} x100\%$	(Claudia Sidabalok, 2023)
4.	*Firm Size* (X2)	Company size describes the size of a company	*Size= Ln Total Asset*	(Muthohharoh ., 2020)
5	*DER* (X3)	Evaluate a company's capacity to meet its long-term financial obligations.	$DER = \frac{Total\ Debt}{Total\ Equity} x100\%$	(A'yun et al., 2022)

Source: Journal of previous research 2020-2023

RESEARCH OBJECT, POPULATION AND SAMPLE

Population and Sample

This research will use purposive sampling. The population for this study consists of publicly listed manufacturing companies, totaling 458 companies. The selection of manufacturing companies as the research object is based on the consideration that the number of companies in this industry is the largest compared to other types of companies listed on the Indonesia Stock Exchange (Sugiyono, 2018: 80). From this population, a purposive sample of 113 companies will be taken. The sampling is based on the availability of data for the variables studied over five years, specifically from 2019 to 2023.

The data used includes the necessary information to measure PER, SIZE, DER, ROA, and PBV. Specifically, the data required includes information on:

1. PER data for the years 2019, 2020, 2021, 2022, 2023
2. SIZE data for the years 2019, 2020, 2021, 2022, 2023
3. DER data for the years 2019, 2020, 2021, 2022, 2023
4. ROA data for the years 2019, 2020, 2021, 2022, 2023
5. PBV data for the years 2019, 2020, 2021, 2022, 2023

DATA TYPES AND SOURCES

The type of data used in this study is secondary data. According to Sugiyono (2019), secondary data is a source that does not directly provide data for data collection.

Research Methods

The data source for this research is the financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period of 2019-2023. The research data is obtained from the annual reports available on the Indonesia Stock Exchange, which consists of secondary data. The data is collected by noting the necessary elements found in the financial statements.

Analysis Methods

The data obtained from this research is quantitative, which will be analyzed according to its type. According to Sugiyono (2019), quantitative research is defined as a research method based on positivist philosophy, where the research data consists of numerical figures that will be measured using statistics as a calculation tool, related to the research problem to produce conclusions.

Descriptive Analysis Technique

Descriptive statistics are used to analyze data by describing or illustrating the collected data without intending to draw general conclusions or generalizations (Sugiyono, 2019).

Descriptive analysis can create a visualization of the variables in the study by examining the mean, maximum and minimum values, the number of data points, and the standard deviation.

SmartPLS Analysis

Data analysis is conducted using SmartPLS version 4.0 as a data processing aid. SmartPLS is used in this research due to the limited sample size while the model constructed is quite complex. Structural Equation Modeling (SEM) is employed to address the research issues, as this method is considered superior to other techniques. SEM offers a high level of flexibility, avoiding convoluted assumptions, thus making the analysis method quite robust. To achieve good research results, a large sample is not necessarily required (Harahap, 2019).

Measurement Method (Outer Model)

Validity Test

The validity test is conducted to determine whether the processed research data is valid or not. This test reflects all the research data present for each variable. The validity testing phase includes several assessments, such as convergent validity, discriminant validity, and average variance extracted (AVE). If the test results are deemed valid, further testing can be conducted.

Reliability Test

The reliability test is a series of evaluations performed to assess the reliability of the collected data. It indicates the consistency level of the measurement tools used to assess research data. Reliability is tested through composite reliability, where a variable is considered reliable if the resulting value exceeds 0.7.**Convergent validity**

Convergent validity is an overall metric of a reflective measurement model that measures the extent to which indicators converge, thus explaining item variance. Often referred to as communality, it is assessed by evaluating the average variance extracted (AVE) across all indicators associated with a particular construct.

Structural Model Test (Inner Model)

This test is used to predict the causality of the relationship between variables in the study, the structural model test consists of:

3.7.1 Coefficient of Determination (R2)

The coefficient of determination is a test that is seen from the value of the independent variable as the strength of the research model prediction. The results of the R2 test are used as a basis for describing the level of influence given by the independent variable to the dependent variable. Based on (Hair et al., 2014) the influence is said to be strong if it has a value of 0.75, the model is said to be moderate if it has a value of 0.50 and is said to be low if it has a value of 0.25. The conclusion is that the higher the value of the coefficient of determination, the better the model proposed in a study.

3.7.2 Q2 Predictive Relevance

Predictive relevance is carried out to test how large the observation value is produced by the research model and its indicator estimates. If the value shows a number greater than zero, then the research model is said to have predictive relevance, while if the value shows a number less than zero, then the model is said to not have good predictive relevance.

Hypothesis Testing

Hypothesis testing in this study uses structural equation modeling model analysis with the smartPLS 4.0 program. In SEM testing, in addition to confirming the theory, it also describes whether there is a relationship between independent variables (Haryono & Wardoyo, 2008). The conclusion of the hypothesis test is seen from the path coefficient value obtained in the inner model test. If the t-stat value is greater than the t-table value of 1.96 (α 5%) then it is concluded that the hypothesis proposed in the study is accepted. The research model equation in research is formulated using the formula:

$\eta 1 = \gamma 1\xi 1 + \gamma 1\xi 2 + \gamma 1\xi 3 + \gamma 1\xi 4 + \varsigma 1$

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$\eta 2 = \gamma 1\xi 1 + \gamma 1\xi 2 + \gamma 1\xi 3 + \gamma 1\xi 4 + \gamma 1\xi 5 + \varsigma 1$

Information:
ξ = Ksi; variable lateent eeksoegeen (Independent)
η = Eeta; lateen eendoegeen variables (Dependent)
λx = Lamnda; loading factorial variables latent eksoegen (Independent)
λy = Lamnda; loading factor variable latent Endogenous(Dependent)
γ = Gamma; coefficient of influence of eksoegen variables on Endogenous variables
ς = Zeeta; model error
δ = Deelta; measuring tool on the manifest variable for lateen eksoegen variable
ε = Eepsiloen; measurement error on the manifest variable for latent Endogenous variable.

Model Evaluation

Structural model evaluation is aimed at focusing on predicting relationships between latent variables. With reflective indicators evaluated with convergent and discriminant validity of the indicators and composite reliability for the indicator block. The structural model or inner model is evaluated by looking at the percentage of explained variance by looking at R2 for exogenous latent constructs using the Stonr Gaisser Q-Square test measure and also looking at the magnitude of the structural path coefficient (Manejerial & Vol, 2024). The stability of this is evaluated using the t-statistic test obtained through the bootstrapping procedure, so that the full model compiled is as follows:

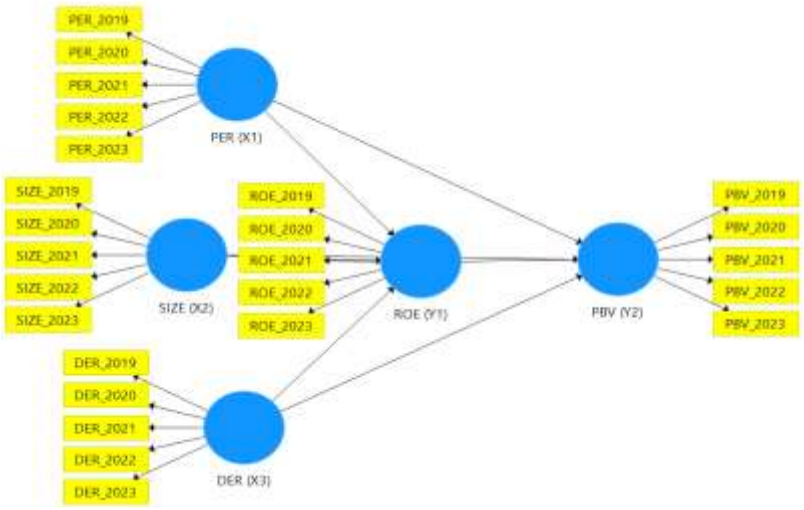


Figure 2. Evaluation of Outer and Inner Loading Models

The outer loading and AVE parameters demonstrate convergent validity. With an outer loading value of more than 0.7, the indicators are valid for measuring their constructs, which can be regarded as optimal.

Table 3. Result Convergent Validity

VARIABLE	OUTER LOADINGS	AVE
PER (X1)	0.869	0.728
	0.877	
	0.868	
	0.812	
	0.839	
SIZE (X2)	0.758	0.673

VARIABLE	OUTER LOADINGS	AVE
	0.883	
	0.833	
	0.889	
	0.728	
DER (X3)	0.826	0.667
	0.872	
	0.886	
	0.765	
	0.723	
ROE (Y1)	0.832	0.700
	0.837	
	0.844	
	0.786	
	0.883	
PBV (Y2)	0.892	0.703

Internal consistency reliability in a construct with reflective indicators can be assessed by looking at the value of Cronbach's Alpha and Composite Reliability. A variable can be considered reliable if the value of Cronbach's Alpha and Composite Reliability is greater than 0.7.

Table 4. Result in Internal Consistency

	Cronbach'Alpha	Composite Reliability
PER (X1)	0.906	0.930
Size (X2)	0.876	0.911
DER (X3)	0.873	0.909
ROE (Z)	0.893	0.921
PBV (Y)	0.894	0.922

Source: Processed Primary Data, 2024

The Composite Reliability (CR) value is recommended to be above 0.7. Therefore, it meets the reliability requirement based on CR because all CR values are >0.7. The recommended Cronbach's Alpha (CA) value is 0.7. It can be seen that all CA values are >0.7, which means they meet the reliability requirement.

Discriminant validity is conducted to test the extent to which the research construct is truly different from other constructs according to empirical standards. The validity test in this study is measured using the Fornell-Larcker matrix and HTMT (heterotrait-monotrait ratio of correlation). A latent variable is considered to meet discriminant validity if the square root of the AVE (diagonal) is greater than all the values of the latent variables and the HTMT value is less than 1.

Table 5. Discriminant Validity

	DER (X3)	*PBV (Y)*	*PER(X1)*	*ROE (Z)*	*SIZE (X2)*
DER (X3)	*1817*				
PBV (Y)	*0.805*	*0.838*			
PER (X1)	*0.839*	*0.691*	*0.853*		

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ROE (Z)	*0.830*	*0.669*	*0.964*	*0.837*	
SIZE (X2)	*0.835*	*0.957*	*0.784*	*0.783*	*0.821*

Source: Processed Primary Data, 2024

The results of the PLS Algorithm model run 1 test show that the outer loading values of all indicators are above 0.7. Therefore, it is concluded that all indicators in this research variable are valid and no indicators were eliminated.

Coefficient Of Determinant *(*R-Square*)*

Table 6. R Square Test Results

	R Square	R Squared Adjusted
PBV (Z)	0.941	0.939
ROE (Y)	0.931	0.929

Source: Processed Primary Data, 2024

The R-Square value from the table above shows that the PBV variable (Y1) is 0.939, which means that DER (X1), PER (X2), and Size (X3) can explain or influence PBV (Y2) by 93.9%, while the remaining 6.1% is influenced by other factors. The R-Square value from Return on Equity (Y2) is 0.929, which means that DER (X1), PER (X2), and Size (X3) can explain or influence Return On Equity (Y1) by 92.9%, while the remaining 7.1% is influenced by other factors.

Effect Size *(*F-Square*)*

Effect size or f square describes the extent of the influence of exogenous variables on endogenous variables, with the criteria of a value of 0.02 meaning weak, a value of 0.15 meaning Debt to Equity Ratio, and a value of 0.35 meaning strong.

Table 7. Effect Size Test Results *(*F-Square*)*

INDICATOR	*DER (X3)*	*PBV (Y)*	*PER (X1)*	*ROE (Z)*	*SIZE (X2)*
DER (X3)		*0.117*		*0.836*	
PBV (Y)					
PER (X1)		*0.132*		*0.074*	
ROE (Z)		*0.019*			
SIZE (X2)		*0.702*		*0.039*	

Source: Processed Primary Data, 2024

Based on the results in the table above, it shows that the independent variable PER (X1) has a weak influence (0.074) on ROE (Z), the independent variable SIZE (X2) has a weak influence (0.039) on ROE (Z), the independent variable DER (X3) has a strong influence (0.836) on ROE (Z), PER (X1) has a weak influence (0.132) on PBV (Y), SIZE (X2) has a strong influence (0.702) on PBV (Y), DER (X3) has a weak influence (0.117) on PBV (Y), and ROE (Z) has a weak influence (0.019) on PBV. (Y).

Hypothesis Testing (Bootstropping)

Bootstropping is a non-parametric procedure that tests the statistical significance of various PLS SEM results such as path coefficients, Cronbach's Alpha values, HTMT, and R^2. The significance of hypotheses in a test can be seen from the P-Values and T-Values, which can be determined through bootstrapping on the path-coefficient and specific indirect effect

tables. With the criteria of a significant P-Value less than 0.05 and a significant value of 5%, a path-coefficient is considered significant if the t-statistic value is greater than 1.96. Then, to determine the influence of the relationship between variables, it can be seen through the path coefficient. If the path coefficient < 0.30, it is said to have a moderate influence; a coefficient value of 0.30-0.60 indicates a strong influence; and if the path coefficient > 0.60, it indicates a very strong influence. The results of the significance test for each hypothesis can be seen in the table below.

Table 8. path coefficients results

	Original Sample (O)	*Sample Mean (M)*	*Standard Deviation (STDEV)*	*T Statistics (O/STEDEV)*	*P Value*
PER (X1) → ROE (Z)	*0.148*	*0.151*	*0.052*	*2.866*	*0.002*
SIZE (X2) → ROE (Z)	*0.153*	*0.160*	*0.065*	*2.341*	*0.010*
DER (X3) → ROE (Z)	*0.679*	*0.671*	*0.067*	*10.173*	*0.000*
PER (X1) → PBV (Y)	*-192*	*-0.189*	*0.048*	*3.964*	*0.000*
SIZE (X2) → PBV (Y)	*0.614*	*0.616*	*0.072*	*8.532*	*0.000*
DER (X3) → PBV (Y)	*0.322*	*O.323*	*0.066*	*4.864*	*0.000*
ROE (Z) → PBV (Y)	*0.129*	*0.127*	*0.0072*	*1.805*	*0.036*
PER (X1) → ROE (Z) → PBV (Y)	*0.019*	*0.018*	*0.011*	*1.698*	*0.045*
SIZE (X2) → ROE (Z) → PBV (Y)	*0.020*	*0.021*	*0.016*	*1.224*	*0.111*
DER (X3) → ROE (Z) → PBV (Y)	*0.088*	*0.085*	*0.049*	*1.779*	*0.038*

DISCUSSION

1. Impact of Investment Decisions on Profitability
   The results of the first hypothesis test indicate that the PER variable has a significant positive effect on ROE, with a path coefficient (O = 0.322), t-value 2.866 > 1.647, and p-value 0.002 < 0.05. Therefore, Ho is accepted and H1 is accepted. This aligns with the research conducted by Putri & Puspitasari (2022), which suggests that increasing investment decisions leads to higher profitability for shareholders. This indicates that investment opportunities directly impact the increase in the company's return on equity (ROE). Companies with high investment opportunities are expected to have bright prospects and will positively influence stock price increases.
2. Impact of Company Size on Profitability
   The results of the second hypothesis test show that the SIZE variable significantly positively affects ROE, with a path coefficient (O = 0.153), t-value 2.341 > 1.647, and p-value 0.010 < 0.05. Thus, it can be concluded that SIZE has a significant positive effect on ROE, consistent with the research by Inda Rosari & Subardjo (2021). Larger companies tend to be more stable and capable of generating profits, having more

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resources for operational activities, which signals a higher potential for larger profits, encouraging investors to invest.

3. Impact of Debt Policy on Profitability
   The results of the third hypothesis test indicate that the DER variable significantly positively affects ROE, with a path coefficient (O = 0.671), t-value 10.173 > 1.647, and p-value 0.000 < 0.05. Therefore, Ho is accepted and H1 is accepted. This aligns with Mursalini et al. (2022), stating that high-growth companies tend to require greater funding from external sources, which drives expansion across various sectors. As companies expand, they often rely on debt, which, while potentially increasing profitability, can also pose risks if overused.
4. Impact of Investment Decisions on Company Value
   The fourth hypothesis test shows that the PER variable significantly affects PBV, with a path coefficient (O = -0.189), t-value 3.964 > 1.647, and p-value 0.000 < 0.05. Thus, PER significantly influences PBV, consistent with Handayani & Kurnianingsih (2021). Higher profit opportunities deter stock sales and attract new funding sources, with effective investment decisions leading to enhanced shareholder confidence.
5. Impact of Size on Company Value
   The fifth hypothesis test shows that SIZE significantly affects PBV, with a path coefficient (O = -0.616), t-value 8.532 > 1.647, and p-value 0.000 < 0.05. Thus, SIZE has a significant positive effect on PBV, supported by Rossa et al. (2023). Larger companies have easier access to funding, which can enhance company value. More significant company size tends to attract more investors due to perceived stability, thus increasing stock demand and market value.
6. Impact of Debt Policy on Investment Decisions
   The sixth hypothesis test indicates that the DER variable significantly positively affects PBV, with a path coefficient (O = -0.066), t-value 4.864 > 1.647, and p-value 0.000 < 0.05. Hence, DER has a significant positive impact on PBV, supported by Imawan & Triyonowati (2021). Increasing debt suggests confidence in future prospects, with companies expanding operations and potentially yielding higher profits, thus attracting investors.
7. Impact of Profitability on Company Value
   The seventh hypothesis test shows that ROE significantly positively influences PBV, with a path coefficient (O = -0.123), t-value 1.805 > 1.647, and p-value 0.036 < 0.05. Therefore, ROE significantly impacts PBV, aligning with Imawan & Triyonowati (2021). Higher profitability correlates with increased company value as strong profits indicate better management efficiency and operational performance.
8. The Role of Profitability in Mediating the Impact of Investment Decisions on Company Value
   The eighth hypothesis test indicates that the PER variable significantly affects both PER and ROE as intervening variables, with a path coefficient (O = 0.018), t-value 1.698 > 1.647, and p-value 0.045 < 0.05. Thus, PER has a significant positive effect on PBV and ROE as intervening variables, consistent with Putri & Puspitasari (2022). Investment opportunities depend on future management expenditures, and profitability reflects the company's growth potential.
9. The Role of Profitability in Mediating the Impact of Company Size on Company Value
   The ninth hypothesis test shows that SIZE does not affect PER and ROE as intervening variables, with a path coefficient (O = 0.02), t-value 1.224 < 1.647, and p-value 0.111 > 0.05. Thus, SIZE does not impact PBV and ROE as intervening variables, supported by Kurniawan & Widyawati (2024). Larger companies have better access to funding but may not outperform competitors, affecting their market value.

10. The Role of Profitability in Mediating the Impact of Debt Policy on Company Value
    The tenth hypothesis test indicates that the DER variable significantly positively affects both PER and ROE as intervening variables, with a path coefficient (O = 0.085), t-value 1.779 > 1.647, and p-value 0.038 < 0.05. Thus, DER has a significant positive impact on PBV and ROE as intervening variables, supported by Rahma & Arifin (2022). High leverage indicates reliance on external funding, which profitability mediates positively affecting company value.

Conclusion

1. Investment Decisions and Profitability: Higher investment levels are positively correlated with profitability (ROA). Appropriate investments enhance operational efficiency and profits.
2. Company Size and Profitability: Larger companies have better access to resources, allowing for operational optimization and increased efficiency, as well as benefiting from economies of scale.
3. Debt Policy and Profitability: Optimal use of debt can increase a company's profitability.
4. Investment Decisions and Company Value: Strategic investment decisions positively impact company value (PBV) and make the company more attractive to investors.
5. Company Size and Company Value: Larger companies tend to be more financially stable, which makes them more attractive to investors due to perceived lower investment risk.
6. Debt Policy and Company Value: Careful debt policy can enhance company value, but thorough analysis is needed to balance the benefits and risks.
7. Profitability and Company Value: Higher profitability is associated with a greater company value, as investors prefer companies that can consistently generate profits.
8. Investment Decisions through Profitability: Investment decisions have a positive impact on company value through profitability as a mediating variable
9. Company Size and Company Value through Profitability: Profitability does not serve as a mediator between company size and company value, even though both factors have an influence.
10. Debt Policy through Profitability: The use of debt can increase company value through profitability, provided it is used effectively for productive investments.

Suggestion

1. For Companies
   Conduct a thorough analysis of each investment project, considering risks, potential returns, and alignment with the company's strategy. Avoid using debt to finance consumption or non-productive assets. Look for opportunities to increase revenue, such as expanding markets, raising selling prices, or launching new products. Leverage economies of scale; the larger the company size, the greater the potential to achieve economies of scale.
2. For Investors
   Conduct an in-depth analysis. Pay attention to financial ratios such as ROA, ROE, DER, and liquidity ratios to assess the company's performance. Study the business model, company strategy, and industry prospects. Use technical analysis to identify stock price trends. Stock investments are generally long-term investments. Avoid making investment decisions based on short-term emotions. Consider company size; companies with high levels of debt have a greater risk of bankruptcy. Understand the relationship between the company's debt policy and healthy debt levels, which tend to be more stable and have better profitability.

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