

Factors Affecting the Firm Value of Financial IPO Companies on the Development Board

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Abstract

This study aims to examine and analyze the effects of profitability, liquidity, leverage, firm size, and growth on firm value. The research population consists of companies listed on the Indonesia Stock Exchange (IDX), with the sample selected using a purposive sampling method. During the classical assumption testing process, several extreme observations (outliers) were removed from the initial sample to obtain a regression model that satisfied the required statistical assumptions. Multiple linear regression analysis was employed to test the proposed hypotheses. The simultaneous test results indicate that all independent variables jointly have a significant effect on firm value. However, the partial test results reveal that profitability has a negative and significant effect, while firm size has a positive and significant effect on firm value. In contrast, liquidity, capital structure, and company growth are found to have no significant effect on the market valuation of the firms included in this study.

Keywords: profitability, liquidity, leverage, firm size, growth, firm value, IPO.

Introduction

A firm's value reflects how the market views an organization's ability to generate sustainable economic performance. In the context of an Initial Public Offering (IPO), this valuation can serve as a strategic indicator of the extent of investor confidence in the company's prospects and the effectiveness of its corporate governance following the IPO. The transition from a private to a public company requires greater transparency, financial accountability, and reliable reporting to enable the company to attract the interest of both institutional and retail investors. Thus, understanding the key determinants of post-IPO corporate value is crucial, both academically and practically.

A firm's value represents the market's estimate of its performance effectiveness and future prospects. A high market value is directly proportional to investors' expectations regarding profitability and long-term operational stability. For companies conducting an initial public offering (IPO), transparency and solid performance are essential for building public trust. This phenomenon is particularly relevant for companies on the growth board, which tend to have a high-risk profile but are in an expansion phase. Thus, this study aims to analyze the influence of various factors such as profitability, liabilities, leverage, firm size, and firm growth on firm value among IPO issuers during the 2021–2025 period.

The case of PT Multi Makmur Lemindo Tbk (PIPA) serves as a concrete illustration of the dynamics of a company's value following an IPO. Although it successfully raised fresh capital of Rp97.12 billion in 2023 for expansion purposes (Antaranews, 2023), the company's reputation was subsequently put to the test due to indications of trading manipulation that triggered an investigation by relevant authorities. This negative sentiment eroded market participants' confidence, leading to a plunge in the stock price until it reached the lower auto-reject limit (ARB) (Detik Finance, 2026). Given that market price is the primary reflection of an entity's valuation, this decline demonstrates that fundamental aspects and corporate integrity are crucial determinants in investor perception, particularly for companies newly entering the fashion market.

This phenomenon of extreme declines in corporate value is not limited to PT Multi Makmur Lemindo Tbk (PIPA); it has also significantly affected another Development Board-listed company, PT MDTV Media Technologies Tbk (NETV, formerly Net Visi Media), which went public in 2022. Following its IPO, this non-financial sector issuer actually faced an acute financial crisis due to continuously deteriorating profitability and negative growth. Extremely high debt burdens (leverage) and unaddressed liquidity issues caused the company's equity to turn negative, which ultimately drastically destroyed the stock price and market value of the company on the exchange. This threatened going-concern status forced the company to undertake a massive capital restructuring and be taken over by PT MD Entertainment Tbk (FILM) to save its business continuity (Makmur, 2026; KabarBursa, 2024). The series of events involving the issuers PIPA and NETV

provides a clear illustration that fluctuations in a company's value post-IPO are heavily influenced by the stability of internal fundamental factors

A firm's value is often represented by three key financial ratios: profitability, liquidity, and leverage; however, various empirical findings indicate differing directions of their effects. Research by (Aditya Lutfi & Panuntun (2024); Mirnasari et al. (2024) and Santoso & Junaeni (2022) which uses the Return on Equity (ROE) indicator, consistently confirms that profitability has a significant impact on firm value. On the other hand, the impact of liquidity still yields mixed results; studies by (Donny Felix, 2024; Manda & Sembiring, 2022) conclude that there is a real impact, while Ariani & Diandra (2024) and Santoso & Junaeni (2022), using the Current Ratio (CR) indicator, report that liquidity has no impact. A similar situation occurs with the leverage variable, where research by Maulinda Dewi & Magdalena Sembiring (2022) and Ramadhanti & Sutrisno (2025) shows a significant effect, whereas Santoso & Junaeni (2022) and Tobing et al. (2022), using the Debt to Equity Ratio (DER) indicator, indicate that leverage does not affect firm value

The assessment of a firm's current value does not rely solely on these three financial ratios; it also involves non-financial variables such as firm size and growth. Firm size reflects the scale of resources and asset strength that can create long-term stability; research by Surya Setya Aji Rofi & Cipta Bidhari (2025) and Tiara & Jayanti (2022) confirms that larger firms tend to have higher market values, while Santoso & Junaeni (2022); Utami & Paramita (2024) found that firm size has no effect on that value. Meanwhile, corporate growth signals expansion and opportunities for future profit growth, as demonstrated by Holly et al. (2022) and Novita Parasian Manurung & Diana Hasyim (2024); however, studies by Hartono & Paramitha (2025) and Santoso & Junaeni (2022) indicate that the rate of corporate growth does not affect increases in market valuation.

The novelty and theoretical contribution of this study lie in its focus on post-IPO companies listed on the IDX Development Board—a segment characterized by high information asymmetry and pronounced market volatility compared to the Main Board. Unlike conventional firm value studies that passively examine established corporations using standard financial ratios, this research investigates how traditional fundamentals (ROE, CR, DER, Firm Size, and Growth) act as sensitive signaling indicators specifically during the vulnerable post-listing transition phase. By capturing empirical anomalies—such as the inverse valuation effect of post-IPO profitability—this study extends signaling theory into emerging capital markets and provides investors with a practical early-warning framework to mitigate extreme market value crashes in newly listed, high-growth enterprises.

Based on the background discussion and the gaps in the existing literature described above, this study was designed to conduct an in-depth investigation into the determinants of firm value among post-IPO issuers. Specifically, the study focuses on testing whether a firm's profitability and growth can provide positive signals that enhance market valuation. Furthermore, an analysis is also conducted to identify the extent to which leverage levels and internal liquidity conditions trigger financial pressures that could potentially degrade firm value in the market. Equally important, firm size is analyzed to understand the contribution of operational scale in moderating or influencing the stability of non-financial issuers' value on the Development Board during the observation period.

The market's valuation process for companies that have recently conducted an Initial Public Offering (IPO) is inherently highly complex. This is due to the fact that IPO issuers do not yet have a long track record of public performance, stock price fluctuations tend to be dynamic, and investors are highly sensitive to information transparency. Therefore, the originality of this study lies in the integrative testing of five fundamental financial determinants including profitability, leverage, liquidity, firm size, and firm growth—with a specific focus on non-financial issuers on the Development Board throughout the observation period from 2021 to 2025.

Given this urgency, this study was designed using a descriptive approach to thoroughly investigate the extent to which a company's profitability and growth can send positive signals that boost market valuation. Furthermore, the analysis also aims to identify the sensitivity of leverage levels and internal liquidity conditions in triggering financial stress, as well as how operational scale contributes to influencing the value stability of non-financial issuers on the Development Board during the observation period.

Through a comprehensive examination of the Tobin's Q ratio as an indicator of firm value, this study is expected to enrich the body of empirical literature on the determinants of firm value in emerging market capital markets. In practical terms, the findings of this study have significant implications for public investors in formulating capital allocation and risk management strategies. The resulting determinant ratios can serve as

an early warning system for investors to identify management efficiency in creating value from assets, enabling investors to mitigate the risk of being trapped in extreme post-IPO market value declines, while remaining rational in assessing long-term operational stability before making investment decisions.

Literature Review

Signaling Theory

Referring to signaling theory, management seeks to mitigate information asymmetry by disclosing performance data and internal conditions to align market expectations with the entity's future prospects. According to Purba (2023), a signal is an action that provides the market with an indication of a company's quality. Investors can assess business performance and prospects by examining financial data such as earnings, capital structure, and dividend policy. In the context of IPOs on the Indonesia Stock Exchange, signaling theory is important because investors rely heavily on financial ratios such as profitability, liquidity, leverage, firm size, and growth to assess a firm's value.

Firm Value (Tobin's Q)

A firm's value reflects the capital market's expectations regarding the sustainability of the entity's economic performance; for companies undergoing an Initial Public Offering (IPO), this measurement becomes more complex due to high information asymmetry, making the use of the Tobin's Q proxy superior because it comprehensively integrates the market values of equity and debt against the total replacement value of assets. The use of Tobin's Q as a market value indicator aligns with the latest empirical study by Brighi et al., (2025), which confirms that this ratio is highly sensitive in evaluating how internal and external risk dynamics influence long-term capital market valuation. Furthermore, Khan et al., (2025) also affirm the effectiveness of Tobin's Q because it accurately reflects managerial capacity in optimizing the allocation of financial resources to generate real market value growth, thereby making this proxy the chosen dependent variable to obtain estimates of the value of non-financial IPO companies on the Development Board that are adaptive to capital structure.

Profitability (ROE)

Profitability indicates the extent to which shareholders' invested capital can be managed productively to generate profits for the entity. Opuni-Frimpong et al. (2024) explain that Return on Equity (ROE) is used as an indicator to assess management's efficiency in managing equity, as evidenced by the company's ability to consistently generate net income. Meanwhile, Ferreira da Silva et al. (2025) state that ROE is a measure of financial performance that indicates how effectively a company provides returns to shareholders through the use of its own capital. Therefore, a high ROE reflects the company's success in managing capital to create added value. This also serves as a beneficial indicator for investors regarding the company's potential for sustainability and financial health in the future.

Liquidity (CR)

Liquidity reflects an entity's ability to settle short-term debts through the use of current assets. This metric is measured by the Current Ratio (CR), which compares the total current assets to the company's current liabilities. This ratio indicates the level of financial security of the organization in the short term, with a high CR value indicating better financial resilience to settle current liabilities without incurring the risk of financial difficulties. Thus, the current ratio is often used as a key parameter to measure a company's financial health and its flexibility in supporting daily operational activities (Alaali, 2025; Migliaccio & De Palma, 2023).

Leverage (DER)

The Debt-to-Equity Ratio (DER) is a leverage metric used to measure the balance between a company's total liabilities and its net equity. This ratio indicates the extent to which an entity's operations are financed through external borrowing compared to shareholder investments. The DER indicates the capital structure and the magnitude of potential financial risk borne by the entity, where a high DER value indicates a larger proportion of funding derived from debt and the potential for increased financial burden. Therefore, the DER serves as an analytical tool for assessing the balance of a company's capital structure and management's ability to manage risks arising from the use of long-term debt (Bhatia & Kumari, 2025; Pojanavatee & Kingshott, 2025).

Firm Size

Firm size represents the operational scope and functional complexity of an economic entity. The determination of an organization's size is generally based on total assets or sales volume, which are often transformed into natural logarithms to standardize the data. Fundamentally, entities with a strong capital base possess greater

resilience against market fluctuations and greater ease in mobilizing external funds. It is these characteristics that make firm size a crucial indicator in predicting financial performance and long-term investment prospects (Hossain et al., 2024; Randrianasolo & Semenov, 2025).

Growth

Company growth, as measured by net profit growth, reflects the company's ability to increase net profit from one period to the next as a result of operational efficiency and cost-control strategies. Net profit growth reflects a company's actual financial performance because it accounts for all operating expenses, interest, and taxes, and is therefore often used as an indicator of business sustainability. An increase in net profit growth indicates a company's ability to create added value and maintain financial stability in the long term, particularly in the face of competition and changing economic conditions (Saha, 2025; Serrasqueiro et al., 2023).

The Impact of Profitability on Firm Value

According to signaling theory, high profit growth reflects strong managerial efficiency and financial stability. These conditions create positive sentiment among investors regarding the company's future prospects, thereby boosting its market value, particularly for companies that have recently gone public (IPO). The empirical findings of Aditya Lutfi & Panuntun (2024) and Mirnasari et al., (2024) confirm a positive relationship between profitability and firm value. Increased profitability is viewed as a positive signal that enhances management credibility and signals promising prospects for business sustainability to shareholders.

H1: Profitability affects Firm Value

The Impact of Liquidity on Firm Value

Grounded in signaling theory, robust liquidity acts as an indicator of an enterprise's capacity to preserve financial stability and fulfill its immediate liabilities. Nevertheless, market participants typically place greater strategic emphasis on an organization's earnings generation efficiency rather than the sheer volume of cash reserves or liquid assets it retains on its balance sheet. Research by Manda & Sembiring (2022) and Donny Felix (2024) shows that liquidity has a significant impact on firm value. These findings suggest that an excessive amount of current assets reflects managerial inefficiency in resource allocation, which is met with a negative market response, thereby reducing the entity's valuation.

H2: Liquidity affects Firm Value

The Impact of Leverage on Firm Value

Leverage reflects the extent to which an entity relies on external financing through debt. From a signaling theory perspective, a massive expansion of liabilities without a strong capacity to retain earnings can be interpreted as an indication of financial risk. This has the potential to erode market confidence and reduce net profitability, which ultimately sends a negative signal to investors. The findings of the study by Maulinda Dewi & Magdalena Sembiring (2022); Ramadhanti & Sutrisno (2025) reveal a negative effect of leverage on firm value, such that the higher the level of debt, the greater the risk that could weaken investors' perception of the firm's stability.

H3: Leverage affects Firm Value

The Impact of Firm Size on Firm Value

From a signaling theory perspective, a firm's size serves as a proxy for economic reliability and managerial stability. A large business scale sends a positive signal to the market regarding the low risk of failure, which ultimately strengthens the company's public image. According to the research by Tiara & Jayanti (2022) and Surya Setya Aji Rofi & Cipta Bidhari (2025), a massive business scale is a key determinant in boosting a firm's value. This is due to investors' strong confidence in the stability and profit prospects of organizations with a large asset base.

H4: Firm Size affects Firm Value

The Impact of Growth on Firm Value

Sustained growth is a positive signal for investors because it demonstrates the company's success in expanding its market and increasing revenue. According to signaling theory, increased growth indicates promising business prospects and the ability to create long-term value. The findings of Holly et al. (2022); Novita Parasian Manurung & Diana Hasyim (2024) emphasize that rapid corporate growth can boost a company's value. This phenomenon reflects investor optimism regarding the potential for profits and the operational sustainability of companies with expansive performance.

H5: Growth affects Firm Value.

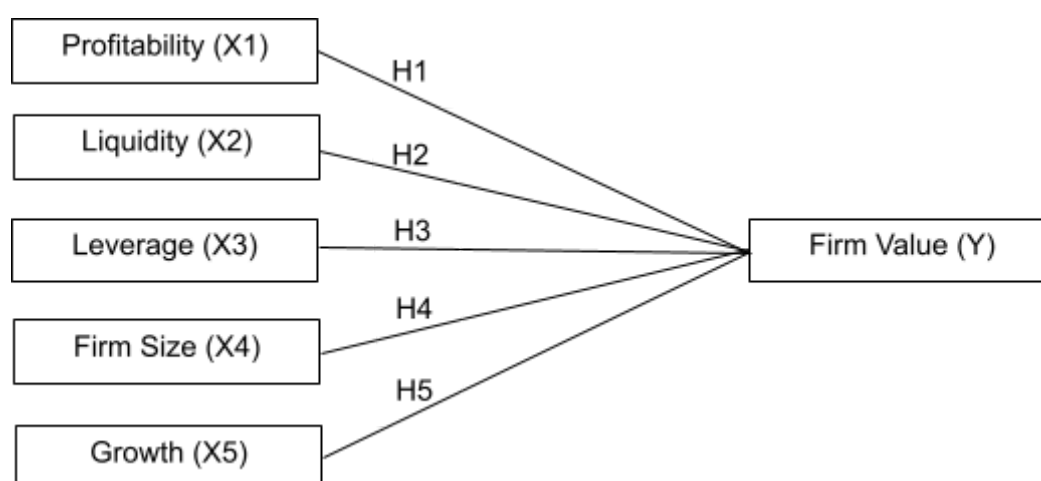


Figure 1. Framework Research

Method

This study is a quantitative research that relies on statistical analysis to test the validity of the research hypotheses. The primary focus of this study is to explain how profitability, liquidity, leverage, firm size, and firm growth correlate with the dependent variable, namely firm value. This approach allows for hypothesis testing through statistical analysis to measure the extent of the influence of these five variables on firm value. This aspect holds particular significance for companies that have recently gone public through an Initial Public Offering (IPO).

The scope of this study includes all non-financial companies that conducted an Initial Public Offering (IPO) on the Indonesia Stock Exchange (IDX) during the 2021–2025 period. To obtain a representative sample, a purposive sampling method was used, with the selection criteria detailed below:

Table 1. Sample Selection Criteria

Description		Total
1.	Non-financial companies listed on the IDX during the 2021-2025	145
2.	Companies with incomplete financial statements	(2)
3.	Companies with negative earnings growth	(66)
Initial sample		77
4.	Outlier data	(8)
Final sample used in study		69
Total observations		69

Source: Processed data, 2026

All research data is sourced from annual financial reports officially published by the Indonesia Stock Exchange via its website (www.idx.com) or through other credible financial information portals. For the purposes of analysis, variables consisting of financial ratios and market values of companies were obtained from the annual reports of public companies that met the sample criteria. All data were collected through systematic documentation methods, focusing on the reporting period from 2021 to 2025.

The following are the definitions of each variable in this study:

Table 2. Operational Variables and Measurement

Num	Variable	Source	Indicator	Type
X1	Profitability	Prastowo (2011)	$ROE = \frac{\text{Earnings After Tax}}{\text{Total Equity}}$	Independent
X2	Liquidity	Prastowo (2011)	$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$	Independent

X3	Leverage	Prastowo (2011)	$DER = \frac{Total\ Liabilities}{Total\ Equity}$	Independent
X4	Firm Size	Santoso & Junaeni (2022)	$Firm\ Size = Ln\ Total\ Assets$	Independent
X5	Growth	Santoso & Junaeni (2022)	$Growth = \frac{Net\ Profit_t - Net\ Profit_{t-1}}{Net\ Profit_{t-1}}$	Independent
Y	Firm Value	Brighi et al. (2025)	$Tobin's\ Q = \frac{MVE + PS + DEBT}{TA}$	Dependent

Results and Discussion

Table 3. Descriptive Statistical Analysis

Variabel	N	Mean	Min	Max	Std. Dev
Tobin's Q	77	3.0800	0.55	35.64	4.73806
ROE	77	0.1266	-0.08	1.97	0.23250
CR	77	4.4910	0.40	18.04	4.43703
DER	77	0.2836	0.04	2.90	2.28075
Firm Size	77	26.7569	24.86	32.20	1.29333
Growth	77	2.6481	0.00	92.42	10.85709

Source: Output SPSS, 2026

Table 3 summarizes the descriptive metrics for the variables evaluated in this research, revealing a mean market valuation (Tobin's Q) of 3.0800 that spans a broad spectrum from 0.55 to 35.64, which underscores a pronounced divergence in how investors appraise the sampled entities. Regarding profitability, the observed firms report an average Return on Equity (ROE) of 0.1266 within a distribution between -0.08 and 1.97, reflecting generally positive equity returns across the board despite a few businesses encountering net deficits during the timeframe. Meanwhile, short-term financial health—captured via the Current Ratio (CR)—shows severe dispersion, moving from a low of 0.40 to a high of 18.04 with an average of 4.4910, which exposes sharp contrasts in corporate liquidity and debt-servicing capabilities. Furthermore, capital structure analysis via the Debt to Equity Ratio (DER) reveals a mean of 0.2836 stretching from 0.04 to 2.90, indicating that while a handful of firms leverage debt heavily, the majority rely safely on equity financing. In terms of physical or operational scale, Firm Size presents a highly uniform pattern across the sample, averaging 26.7569 within a tight boundary of 24.86 to 32.20. Conversely, asset expansion rates (Growth) demonstrate extreme volatility, posting an average of 2.6481 but fluctuating wildly between 0.00 and 92.42, a discrepancy further validated by a substantial standard deviation of 10.85709 that confirms massive disparities in year-over-year corporate expansion.

Table 4. Results of the Test of Classical Assumptions

Classical Assumption Test	Indicators	Result	Conclusion
Normality Test	Kolmogorov-Smirnov (Monte carlo Sig.)	0.521 (> 0,05)	Normally distributed residuals
Multicollinearity Test	Tolerance & VIF	Tolerance > 0,10 VIF < 10	Non-multicollinearity
Heteroscedasticity Test	Sig. Uji Glejser	All variables > 0,05	Non-heteroscedasticity
Autocorrelation Test	Durbin-Watson	2.177 (dU < DW < 4-dU)	Non-autocorrelation

Source: Output SPSS, 2026

To guarantee that the estimated model yields unbiased, efficient, and dependable parameters, the framework must adhere to various standard econometric benchmarks. Consequently, diagnostic assessments encompassing tests for normality, heteroscedasticity, multicollinearity, and autocorrelation—were executed prior to running the main analysis, with the overall structural integrity and model fit documented in Table 4. In the primary phase of data compilation, the unrefined dataset failed to meet these statistical criteria due to non-normally distributed error terms and evident heteroscedastic variances. This distortion necessitated a

data screening protocol to purge extreme anomalies (outliers) from the dataset, thereby shrinking the total observation count (N) from 77 to 69, which successfully brought the remaining data into full alignment with all classical assumption prerequisites for multiple linear regression.

In the data screening process, extreme observations (outliers) were identified and removed using the Standardized Z-Score method (where data points with Z-scores beyond the range of ± 3.0 or calculated via Mahalanobis Distance / Boxplot Inspection were categorized as extreme outliers). Removing these 8 extreme observations restored the statistical normality and homoscedasticity of the residual distribution without compromising the overall representativeness of the Development Board IPO sample.

Table 5. Result of the F-Test (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	55.296	5	11.059	40.616	0.000 ^b
	Residual	17.154	63	0.272		
	Total	72.450	68			

Source: Output SPSS, 2026

The primary purpose of executing the F-test is to evaluate the joint or simultaneous capacity of the independent attributes—specifically profitability (ROE), liquidity (CR), capital structure (DER), firm size (FirmSize), and company growth (Growth)—to predict changes in the dependent construct, which is represented by firm value (Tobin's Q). This statistical diagnostic verifies whether the combined framework provides a meaningful explanation of corporate market valuation or if the observed relationship occurs merely by chance.

According to the empirical evidence presented in the table, the simultaneous assessment confirms that the collective model significantly influences firm value (Tobin's Q), given that the recorded p-value of 0.000 falls well below the standard 0.05 threshold. This finding is further substantiated by the variance ratio, where the empirical F-statistic vastly outstrips the theoretical critical value ($40.616 > 2.36$). Consequently, the data supports the conclusion that profitability, liquidity, capital structure, firm size, and growth rates operate in tandem to exert a statistically significant joint effect on overall market valuation.

Table 6. Results of the Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.874 ^a	0.763	0.744	0.52181

a. Predictors: (Constant), ROE, CR, DER, FirmSize, Growth

b. Dependent Variable: Tobin's Q

Source: Output SPSS, 2026

Based on the data in Table 6, the empirical model registers a correlation coefficient (R) of 0.874, highlighting a highly robust connection between the explanatory variables (ROE, CR, DER, FirmSize, and Growth) and the dependent metric of firm value (Tobin's Q) across both individual and combined levels. Moreover, the structural framework successfully accounts for roughly 74.4% of the fluctuations observed in firm value, as demonstrated by the Adjusted R Square metric of 0.744. This substantial explanatory power confirms that corporate profitability, liquidity, capital structure, organizational scale, and asset growth collectively dictate a primary share of market valuation dynamics. Conversely, the minor residual component of 25.6% is driven by extraneous variables omitted from this research, including dividend payout strategies, institutional governance frameworks, macroeconomic shifts, and various external market disruptions that fell outside the scope of this analysis.

Table 7. Regression test results

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	-2.256	1.806	
	ROE	-1.063	0.076	-0.864
	CR	0.054	0.119	0.044
	DER	-0.072	0.103	-0.067
	FirmSize	0.170	0.067	0.169
	Growth	-0.042	0.038	-0.070

a. Dependent Variable: Tobin's Q

Source: Output SPSS, 2026

Within the framework of this research, Tobin's Q is employed as a proxy for firm value, capturing the company's capacity to generate wealth as perceived by the market. Consequently, an elevated Tobin's Q score signifies superior corporate value, whereas a diminished ratio reflects poor market appreciation and a lower valuation of the enterprise.

Based on Table 7, the following multiple linear regression equation model was obtained:

$$Y = \alpha + \beta_1ROE + \beta_2CR + \beta_3DER + \beta_4Firm\ Size + \beta_5Growth + \varepsilon$$

$$Y = -2.256 - 1.063ROE + 0.054CR - 0.072DER + 0.170Firm\ Size - 0.042Growth + \varepsilon$$

It can be concluded that:

- According to the generated regression model, the intercept (constant) is calculated at -2.256. This negative value indicates that if all independent predictors—namely ROE, CR, DER, FirmSize, and Growth—are held at zero, the projected value for Tobin's Q would drop to -2.256. This constant functions as a baseline metric, representing the fundamental market value of the enterprise when isolated from the collective influence of the explanatory variables included in the framework.
- The regression coefficient for profitability (ROE) stands at -1.063, demonstrating an inverse relationship between a firm's return on equity and its overall market valuation. This statistical outcome implies that under ceteris paribus conditions, where all other variables remain stable, a single-unit increase in ROE is predictably associated with a 1.063-unit reduction in Tobin's Q.
- The financial metric for liquidity (CR) yields a regression coefficient of 0.054, confirming a positive, direct linkage with Tobin's Q. This signifies that, assuming all other structural variables are held constant, a one-unit expansion in the Current Ratio correlates with a 0.054-unit increase in Tobin's Q, suggesting that while higher short-term debt-servicing capacity tends to elevate corporate market appraisal, this specific effect does not reach statistical significance.
- For leverage (DER), the model reports a regression coefficient of -0.072, which reflects an inverse correlation with Tobin's Q. Consequently, keeping all other model components stable, every single-unit increase in the Debt to Equity Ratio triggers a 0.072-unit decline in firm value, hinting that aggressive debt financing strategies may depress investor perception and market valuation, though this outcome lacks statistical significance.
- The empirical coefficient for operational scale (FirmSize) is established at 0.170, validating a positive and constructive relationship with Tobin's Q. This result demonstrates that, with all other explanatory elements remaining unchanged, a one-unit growth in FirmSize is tied to a 0.170-unit appreciation in Tobin's Q, indicating a robust tendency for the capital market to grant superior premium valuations to larger corporations.
- The structural parameter for corporate growth (Growth) registers a regression coefficient of -0.042, illustrating a negative connection with Tobin's Q. This dictates that, under the assumption of stable external variables, a one-unit acceleration in asset growth corresponds with a 0.042-unit deterioration in Tobin's Q, implying that aggressive corporate expansion might be viewed unfavorably by public investors, even though this relationship is not statistically significant.

To determine how profitability, firm size, capital structure, and transfer pricing affect tax avoidance, a partial regression analysis was conducted. The results are shown in Table 8 below.

Table 8. T-test results

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	-2.256	1.806		-1.249	0.216
	ROE	-1.063	0.076	-0.864	-14.023	0.000
	CR	0.054	0.119	0.044	0.457	0.650
	DER	-0.072	0.103	-0.067	-0.700	0.487
	FirmSize	0.170	0.067	0.169	2.552	0.013
	Growth	-0.042	0.038	-0.070	-1.110	0.271

a. Dependent Variable: Tobin's Q

Source: Output SPSS, 2026

The empirical results demonstrate that profitability (ROE), liquidity (CR), leverage (DER), Firm Size, and Growth display distinct influences on market valuation (Tobin's Q). Specifically, profitability exerts a highly significant inverse impact on Tobin's Q ($\beta = -1.063$, $p = 0.000$), revealing an unconventional trend where enhanced equity returns correspond to diminished market value among the observed entities. Conversely, organizational scale yields a constructive and statistically meaningful effect on corporate appraisal ($\beta = 0.170$, $p = 0.013$), indicating that expansion in physical asset size actively drives up market premiums. Meanwhile, the remaining predictors—comprising liquidity ($p = 0.650$), capital structure ($p = 0.487$), and asset growth ($p = 0.271$)—fail to achieve statistical significance. Although current assets generate a positive coefficient, while debt ratios and corporate growth yield negative directions, these three factors ultimately do not serve as meaningful determinants of public valuation within this specific research scope.

Discussion

The Effect of Return on Equity (ROE) on Firm Value

The empirical analysis reveals that Return on Equity (ROE) exerts a statistically significant inverse effect on market valuation (Tobin's Q) ($\beta = -1.063$ and a p -value of 0.000), contrasting with conventional finance literature. Under signaling theory, this inverse relationship among newly listed firms on the Development Board occurs because abnormally high post-IPO ROE is often perceived by market participants as a temporary result of pre-IPO aggressive earnings management or 'window dressing' rather than sustainable operational excellence. Furthermore, in growth-oriented issuers with high information asymmetry, high profitability achieved without strategic asset reinvestment signals heightened operational risk and limited future expansion capacity, prompting rational investors to discount the stock price and ultimately suppress Tobin's Q Aditya Lutfi & Panuntun (2024), Mirnasari et al. (2024), and Santoso & Junaeni (2022).

The Effect of the Current Ratio (CR) on Firm Value

According to the empirical evidence, the Current Ratio (CR) lacks a statistically meaningful impact on market valuation (Tobin's Q), as demonstrated by a regression coefficient of 0.054 and a p -value of 0.650. While the directional link remains positive, short-term liquidity levels do not actively elevate how market participants appraise a firm's value. This outcome implies that investors overlook a company's immediate debt-clearing capacity during their decision-making processes, prioritizing instead the strategic deployment of long-term resources to secure future financial returns. Furthermore, maintaining an inflated liquidity position can trigger negative market perceptions, as it often signals the accumulation of idle liquid assets that are failing to generate operational efficiency. Consequently, these insights reject the proposed research hypothesis and deviate from the prior findings of Donny Felix (2024) and Manda & Sembiring (2022), both of which argued that short-term liquidity serves as a significant determinant of overall corporate value.

The Effect of the Debt-to-Equity Ratio (DER) on Firm Value

According to the empirical findings, the Debt to Equity Ratio (DER) fails to exert a statistically meaningful impact on market valuation (Tobin's Q), as evidenced by a regression coefficient of -0.072 and a p -value of 0.487. While the directional trend is inverse, the degree of financial leverage does not actively diminish how market participants appraise corporate worth. This outcome indicates that shareholders do not view a company's debt proportion as a severe risk factor, provided that the leveraged capital is systematically channeled into productive ventures and corporate expansion. Consequently, the capital market perceives moderate debt utilization as a routine balance-sheet strategy rather than a hazard to long-term financial health. These insights ultimately fail to validate the proposed research hypothesis and contradict the historical evidence presented by Maulinda Dewi & Magdalena Sembiring (2022) and Ramadhanti & Sutrisno (2025), both of which contended that capital leverage operates as a critical determinant of firm value.

The Effect of Firm Size on Firm Value

The empirical analysis in this study demonstrates that organizational scale (FirmSize) exerts a constructive and statistically meaningful influence on market valuation (Tobin's Q), backed by a regression coefficient of 0.170 and a p -value of 0.013. This direct relationship implies that expansions in a corporation's physical asset footprint and operational capacity actively drive up its market premium. Grounded in signaling theory, a more substantial corporate footprint emits a robust, positive signal regarding operational durability, fiscal resilience, and minimized default vulnerabilities. This favorable transparency reinforces shareholder confidence, amplifying buying pressure for the equity and prompting public investors to reward the enterprise with a superior valuation. Consequently, these outcomes validate the proposed hypothesis that firm size dictates variations in Tobin's Q, while corroborating the prior evidence documented by Surya Setya Aji Rofi & Cipta Bidhari (2025) and Tiara & Jayanti (2022).

The Effect of Growth on Firm Value

The empirical results reveal that company growth (Growth) lacks a statistically meaningful impact on market valuation (Tobin's Q), as demonstrated by a regression coefficient of -0.042 and a p-value of 0.271 . While the directional link trends downward, the pace of corporate asset expansion does not actively alter how market participants appraise overall corporate worth. This outcome implies that investors overlook rapid balance-sheet expansion during their valuation processes, prioritizing instead the firm's capacity to translate that growth into sustainable net profitability. Furthermore, aggressive asset growth that is not paired with strong operational efficiency can trigger adverse market reactions, as it often signals escalating capital expenditures that fail to yield proportional economic value. Consequently, these insights reject the proposed research hypothesis and diverge from the prior conclusions of Holly et al. (2022) and Sari & Purbowati (2023), both of which maintained that organizational growth operates as a critical determinant of public market appraisal.

Conclusion

In conclusion, this study demonstrates that among the variables tested, only profitability (ROE), which unexpectedly has a significant negative impact, and firm size (FirmSize), which has a significant positive effect, serve as critical determinants of firm value (Tobin's Q). Conversely, liquidity (CR), capital structure (DER), and company growth (Growth) do not significantly influence market valuation, suggesting that investors prioritize operational scale and earnings sustainability over short-term financial ratios and rapid asset expansion.

Several constraints characterize this investigation. First, a variety of critical external dynamics capable of shaping corporate value could not be quantitatively integrated into the regression framework. Macroeconomic volatility, shifting tax legislation, adjustments in state policies, and general capital market sentiment fell outside the scope of this research, despite their potential to significantly alter movements in Tobin's Q. Additionally, internal organizational elements, such as the structural quality of good corporate governance (GCG) and subjective shareholder assessments regarding industry-specific risk profiles, were omitted from the analysis. As a consequence, the established empirical model might not entirely encompass the multifaceted nature of the drivers behind market valuation.

The empirical outcomes derived from this research can function as a supplementary benchmark for investors and financial market practitioners during portfolio management and decision-making. Market participants are advised to look beyond conventional accounting profitability metrics, like Return on Equity (ROE), and allocate greater attention to organizational scale (FirmSize), which has demonstrated a more reliable signal regarding an enterprise's foundational market stability. Furthermore, stakeholders should carefully weigh qualitative external parameters and systemic market hazards absent from standard financial reports to form more holistic investment strategies and mitigate unexpected capital deficits down the line.

Subsequent investigators are encouraged to broaden this analytical framework by introducing supplementary independent variables capable of clarifying the remaining variance in Tobin's Q left unexplained by this study. Integrating moderating or mediating mechanisms—such as dividend distribution strategies, institutional shareholding structures, or Corporate Social Responsibility (CSR) reporting standards—could yield a more nuanced comprehension of these underlying financial interactions. Lastly, lengthening the longitudinal observation window or expanding the dataset to encompass diverse industry sectors is highly recommended to enhance the cross-industry generalizability and statistical robustness of future academic literature.

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