

THE EFFECT OF FOREIGN OWNERSHIP, INVESTMENT DECISIONS, AND PROFITABILITY ON COMPANY VALUE (STUDY ON COMPANIES LISTED IN THE LQ45 INDEX ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2019-2023)



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Abstract

Firm value reflects investors' perceptions of a company's performance, often indicated by stock price movements and closely tied to how effectively management utilizes resources. This study examines the influence of foreign ownership, investment decisions, and profitability on firm value in companies listed in the LQ45 index on the Indonesia Stock Exchange during the 2019–2023 period. Employing a quantitative approach, secondary data were analyzed using panel data regression and descriptive statistics via Eviews 12. The sample, consisting of 22 companies selected through purposive sampling based on criteria such as consistent listing in LQ45 and data availability, may limit the generalizability of findings. Investment decisions were proxied by capital expenditure to total assets, profitability by return on assets (ROA), and firm value by Tobin's Q, while foreign ownership was measured as the percentage of shares held by foreign investors. The results show that foreign ownership, investment decisions, and profitability collectively influence firm value significantly. Partially, only investment decisions have a positive and significant effect. However, the study does not explicitly control for external shocks such as the COVID-19 pandemic, which may have affected financial performance and investor perception during part of the observation period. Future research should consider incorporating control variables for macroeconomic disruptions, expanding the sample size, or extending the study period. Practically, company management is advised to prioritize sound investment decision strategies to enhance firm value. For investors focusing on LQ45 stocks, attention to firms' investment policies may serve as a reliable basis for valuation assessments.

Keywords: Firm Value, Foreign Ownership, Investment Decisions, Profitability

INTRODUCTION

The Indonesia Stock Exchange (IDX) plays a vital role in facilitating capital market activities by offering investment instruments such as stocks, bonds, and derivatives. One of its key benchmarks, the LQ45 Index launched in 1997 comprises 45 stocks selected based on high liquidity, large market capitalization, and strong fundamentals. This index is widely used by investors, analysts, and fund managers as a performance reference due to its strict selection criteria and consistent monitoring (IDX, 2023).

Companies in the LQ45 are expected to maintain strong fundamentals and high investor appeal, as reflected in indicators such as stock price, market capitalization, and Price to Book Value (PBV). PBV, which compares a company's market price to its book value, serves as a key metric for assessing firm value. A PBV above 1 indicates positive investor perception, while a lower PBV may signal weak fundamentals or undervaluation (Aminah et al., 2023; Ramadhany & Suwaidi, 2021). However, during 2019–2023, the average PBV of LQ45 companies declined significantly from 4.61 to 3.08 highlighting a worrying trend of decreasing firm value.

This decline is supported by falling average stock prices of LQ45 constituents, which dropped by over 40% from 2019 to 2023. For instance, Unilever Indonesia (UNVR) and Semen Indonesia (SMGR) experienced notable decreases in PBV and stock prices due to declining revenues and profits (Kontan, 2021; Pasardana.id, 2022). These trends raise concerns over the sustainability and investor confidence in these firms, especially as stock prices are often used as proxies for firm value (Apriani & Yusnita, 2022).

Various internal factors influence firm value, including foreign ownership, investment decisions, and profitability. Foreign ownership can enhance governance and transparency, potentially increasing firm value (Budiman et al., 2021). However, previous studies have yielded mixed results some showing a positive relationship (Abousamak et al., 2023), while others report no significant impact (Aksan & Gantyowati, 2020). Similarly, investment decisions, often reflected through the Price Earnings Ratio (PER), and profitability (measured by Return on Assets/ROA), are assumed to positively affect firm value but remain subjects of academic debate (Amelia et al., 2024; Fatima et al., 2023; Hidayat & Khotimah, 2022).

Given the inconsistent empirical findings and the downward trend in firm value among LQ45 companies, this study aims to examine the effect of foreign ownership, investment decisions, and profitability on firm value. The research focuses on companies consistently listed in the LQ45 Index from 2019 to 2023, offering timely insights into the financial dynamics of Indonesia's leading public firms.

REVIEW OF LITERATURE

Signaling Theory

Signaling theory, introduced by Spence (1973), describes how firms convey information to reduce asymmetry between insiders and external stakeholders, particularly investors. Managers often use observable indicators—such as financial performance, governance practices, or investment patterns—to project the firm's future prospects. However, the assumption that all signals are interpreted positively can be overly optimistic. For instance, foreign ownership may signal institutional strength, but in some contexts, it

may also raise concerns about foreign control, profit repatriation, or cultural misalignment (Abousamak et al., 2023).

Although prior studies (e.g., Purmalastu et al., 2024; Husniyah et al., 2024) emphasize that foreign ownership, investment decisions, and profitability function as favorable signals, the theory does not always account for investor misinterpretation or short-termism. Moreover, signaling theory tends to idealize rational investor responses, overlooking the complexity introduced by market sentiment, regulatory environments, or information overload. Therefore, while this study draws upon signaling theory to frame its hypotheses, it also acknowledges the contextual and interpretive limitations of these signals in the Indonesian market. Integrating complementary perspectives such as agency theory—especially regarding ownership structure and management alignment—could offer a more nuanced theoretical grounding for firm value formation.

The Influence of Foreign Ownership on Firm Value

Foreign ownership refers to the proportion of a company's shares held by non-domestic investors (Anisah & Hartono, 2022). In emerging markets like Indonesia, the presence of foreign investors is often associated with enhanced corporate governance, better risk management, and a long-term orientation, contributing positively to firm value (Abousamak et al., 2023; Holly et al., 2024). However, foreign ownership can also introduce potential agency conflicts and strategic divergence if control becomes too centralized or misaligned with local market expectations.

While prior research shows a generally positive relationship, the literature is divided regarding causality and contextual variability. Some studies suggest that only when supported by strong institutional frameworks can foreign ownership translate into value creation. Thus, this study not only tests the positive impact of foreign ownership on firm value among LQ45 firms but also seeks to observe whether this relationship holds in the specific institutional and regulatory context of Indonesia during 2019–2023.

H1: Firm value among LQ45-listed entities on the Indonesia Stock Exchange was positively shaped by foreign ownership during the 2019–2023 span.

The Influence of Investment Decisions on Firm Value

Investment decisions are critical to firm growth, as they reflect managerial foresight in allocating resources for future returns (Yanti & Endri, 2024). Sound investment strategies typically lead to asset growth, productivity improvement, and market confidence (Hidayat et al., 2023; Nyagadza et al., 2021). Yet, the impact of investment decisions on firm value is not always straightforward. Overinvestment or poor capital allocation may signal inefficiency or agency problems, particularly in firms with dispersed ownership or weak internal controls.

Despite general agreement on the positive link between investment decisions and firm value (Sherine et al., 2022; Amelia et al., 2024), few studies explore this dynamic in highly volatile or regulated markets. By focusing on LQ45 firms—a proxy for Indonesia's blue-chip segment this research examines whether investment signaling is perceived consistently across firms with relatively high visibility and liquidity.

H2: Firm value among companies listed in the LQ45 Index during 2019–2023 was positively influenced in part by investment-related decisions.

The Influence of Profitability on Firm Value

Profitability is often considered a direct indicator of managerial efficiency and long-term sustainability (Sunaryo, 2020). High profits attract investors seeking stable returns, thereby increasing share demand and firm value (Suzan & Dini, 2022; Cahyaningsih & Rahadiansyah, 2022). Nonetheless, this relationship may be moderated by factors such as dividend policy, growth opportunities, or industry competition. Profitability can also mask structural weaknesses if achieved through short-term cost-cutting rather than value creation. Studies such as Fatima et al. (2023) and Wahyuningrum & Sunarto (2023) confirm the positive association between profitability and firm value, yet there is limited consensus on its consistency across sectors or economic cycles. This study extends previous research by situating profitability within the broader signaling context and assessing its explanatory power for firm valuation in the property and finance-dominated LQ45 index during 2019–2023.

H3: Enhanced profitability contributed positively to the valuation of LQ45-listed firms on the Indonesia Stock Exchange throughout the 2019–2023 timeframe.

RESEARCH METHOD

This study adopts a quantitative and explanatory approach to examine the influence of foreign ownership, investment decisions, and profitability on firm value in companies listed in the LQ45 index during the period 2019–2023. Rather than merely describing patterns, the research aims to explain relationships between variables using statistical analysis. The study employs deductive reasoning, where hypotheses are formulated based on established theoretical frameworks and tested empirically.

The research uses a case study design with individual firms as the unit of analysis. Data are obtained exclusively from secondary sources, specifically annual financial reports available through credible and official platforms. Conducted in a natural, non-manipulated setting, the study ensures that no experimental intervention affects the observed data. Combining time-series and cross-sectional data, the dataset forms a panel structure analyzed using panel data regression techniques via EViews version 12. Variables are measured on a ratio scale, including firm value (proxied by Price to Book Value), foreign ownership (proportion of shares held by foreign investors), investment decisions (Price Earnings Ratio), and profitability (Return on Assets).

Data collection techniques involve documentation and literature review, while the analytical process includes descriptive statistics, classical assumption tests (multicollinearity via VIF and heteroskedasticity), and model selection (Common Effect, Fixed Effect, and Random Effect) using Chow, Hausman, and Lagrange Multiplier tests. Hypothesis testing is conducted using R^2 for explanatory power, F-tests for simultaneous influence, and t-tests for partial effects. This comprehensive method ensures consistency between theoretical grounding, data interpretation, and empirical analysis, thereby enhancing the validity of conclusions and their relevance for stakeholders and future research.

RESULTS AND DISCUSSION

Research Data

This study targets a population comprising 45 firms that were part of the LQ45 index on the Indonesia Stock Exchange between 2019 and 2023. According to Sugiyono (2023), a population refers to a collection of entities either objects or individuals that possess shared characteristics and quantifiable attributes relevant to a study. The sample selection was carried out using a purposive sampling method, a form of non-probability sampling, in which participants are chosen deliberately based on specific, research-relevant criteria while omitting those that fail to meet these standards (Sugiyono, 2023). The criteria used required companies to have remained consistently included in the LQ45 index during the five-year period and to have disclosed complete data necessary for the analysis.

Table 1.
Sample Determination Based on Criteria

No.	Sample Selection Criteria	Amount
1.	Firms that were included in the LQ45 index of the Indonesia Stock Exchange during 2019 to 2023.	67
2.	Throughout 2019 to 2023, several issuers failed to maintain consistent inclusion within the LQ45 index of the Indonesia Stock Exchange.	(45)
3.	For this study, data was unavailable from several companies included in the LQ45 index on the Indonesia Stock Exchange.	(0)
	Total samples that are the object of research	22
	Total observation data during the period 2019-2023 (22 x 5 years)	110

Source: data processed by the author (2025)

Descriptive Statistical Analysis

Table 2.
The outcomes obtained from the descriptive statistical analysis reveal

	Y	X1	X2	X3
Mean	3.692	0.409	24.207	0.091
Std.Dev	9.933	0.272	30.514	0.124
Max	60.671	0.931	216.495	0.835
Min	0.216	0.069	-10.667	-0.029
Count	22	22	22	22

Source: LQ45 Company Annual Report, Data processed by researchers (2025)

Table 2’s descriptive statistics reveal that the firm value variable displays considerable variability, with a mean of 3.692 and a standard deviation of 9.933. The highest recorded firm value was 60.671 by PT Unilever Indonesia Tbk in 2019, while the lowest was 0.216 by Gas Negara Tbk in 2023. In comparison, foreign ownership appears more stable, as its mean of 0.409 exceeds the standard deviation of 0.272. The greatest foreign ownership was held by PT Unilever Indonesia Tbk at 0.931 in 2019, whereas Aneka Tambang Tbk

registered the lowest at 0.069 during the same year. The investment decision variable, with a mean of 24.207 and standard deviation of 30.514, indicates relative homogeneity, peaking at 216.495 for PT Unilever Indonesia Tbk in 2019 and bottoming at -10.667 for Gas Negara Tbk in 2020. Profitability also reflects homogeneity, with a mean of 0.091 and standard deviation of 0.124; Vale Indonesia Tbk recorded the highest profitability at 0.835 in 2019, while Gas Negara Tbk had the lowest at -0.029 in 2020.

Company Value

Table 3
Results of Descriptive Statistical Analysis of Company Value

	2019	2020	2021	2022	2023
Mean	4.606	4.199	3.075	3.504	3.080
Std.Dev	12.615	11.807	7.500	9.318	8.283
Max	60.672	56.792	36.285	44.857	39.828
Min	0.385	0.414	0.306	0.339	0.216
Count	22	22	22	22	22

Source: LQ45 Company Annual Report, Researchers handled the data processing in 2025

As indicated by the summary statistics outlined in the table 3, the firm's value exhibits fluctuating mean values over the years, with the highest mean of 4.606 in 2019 and the lowest mean of 3.080 in 2023. In each year from 2019 to 2023, the mean value of the firm's value is consistently lower than its standard deviation, indicating a heterogeneous or varied data distribution. Specifically, the standard deviations range from 12.615 in 2019 to 8.283 in 2023, confirming significant variability. The maximum and minimum values each year highlight this variation, with Unilever Indonesia consistently holding the highest firm value (ranging from 60.672 in 2019 to 39.828 in 2023), while companies such as BRI and Gas Negara register the lowest values (ranging from 0.385 in 2019 to 0.216 in 2023). This pattern reflects a wide dispersion in firm values across the sample throughout the observed period.

Foreign Ownership

Table 4.
Results of Descriptive Statistical Analysis of Foreign Ownership

	2019	2020	2021	2022	2023
Mean	0.442	0.404	0.384	0.422	0.393
Std.Dev	0.300	0.288	0.260	0.274	0.259
Max	0.931	0.925	0.923	0.923	0.923
Min	0.069	0.081	0.095	0.114	0.097
Count	22	22	22	22	22

Source: LQ45 Company Annual Report, Data processed by researchers (2025)

As indicated by the summary statistics outlined in the table4., the foreign ownership variable exhibits a mean consistently higher than its standard deviation across the years, indicating homogeneous data. Specifically, the mean values were 0.442 (SD=0.300) in 2019, 0.404

(SD=0.288) in 2020, 0.384 (SD=0.260) in 2021, 0.422 (SD=0.274) in 2022, and 0.393 (SD=0.259) in 2023. The maximum and minimum foreign ownership values were consistently observed in Unilever (highest) and different companies each year Aneka Tambang (2019), ANTM (2020), Indofood (2021–2022), and Bank Tabungan Negara (2023). Additionally, the firm value mean showed a fluctuating trend, peaking in 2019 at 0.442 and reaching its lowest in 2021 at 0.384, before rising slightly in the last two years.

Investment Decisions

Table 5
Results of Descriptive Statistical Analysis of Investment Decisions

	2019	2020	2021	2022	2023
Mean	44.909	30.183	16.211	15.794	13.938
Std.Dev	53.062	32.113	8.634	9.703	8.924
Max	216.495	151.932	29.044	33.333	35.638
Min	7.097	-10.667	3.860	3.068	2.914
Count	22	22	22	22	22

Source: LQ45 Company Annual Report, Data processed by researchers (2025)

As indicated by the summary statistics outlined in the table5, the investment decision variable shows a declining mean over the years, with the highest mean of 44.909 in 2019 and the lowest mean of 13.938 in 2023. In 2019, the mean (44.909) was lower than the standard deviation (0.300), indicating high data heterogeneity, with a maximum value of 216.495 from Unilever and a minimum of 7.097 from United Tractors. Similarly, in 2020, the mean (30.183) was lower than the standard deviation (32.133), confirming data heterogeneity; the maximum and minimum values were 151.932 (Unilever) and -10.667 (Gas Negara), respectively. In contrast, from 2021 to 2023, the mean values (16.211, 15.794, and 13.938) exceeded their respective standard deviations (8.634, 9.703, and 8.924), indicating more homogeneous data. The maximum and minimum values for these years were 29.044 and 3.860 (2021, ANTM and Bukit Asam), 33.333 and 3.068 (2022, Unilever and Adaro Energy), and 35.638 and 2.914 (2023, Charoen Pokphand Indonesia and Adaro Energy).

Profitability

Table 6
Results of Descriptive Statistical Analysis of Profitability

	2019	2020	2021	2022	2023
Mean	0.110	0.095	0.078	0.093	0.080
Std.Dev	0.180	0.175	0.072	0.086	0.066
Max	0.835	0.801	0.302	0.293	0.288
Min	0.001	-0.029	0.006	0.008	0.008
Count	22	22	22	22	22

Source: LQ45 Company Annual Report, Data processed by researchers (2025)

As indicated by the summary statistics outlined in the table6, profitability shows a declining mean from 0.110 in 2019 to 0.080 in 2023. In 2019 and 2020, the mean profitability (0.110 and 0.095, respectively) was lower than the standard deviation (0.180 and 0.175), indicating heterogeneous data with maximum values of 0.835 (Vale Indonesia) and 0.801 (Vale Indonesia), and minimum values of 0.001 (Bank Tabungan Negara) and -0.029 (Ga Negara). Conversely, from 2021 to 2023, the mean profitability (0.078, 0.093, and 0.080) exceeded the standard deviation (0.072, 0.086, and 0.066), suggesting more homogeneous data. During these years, the maximum profitability ranged from 0.288 to 0.302 (Unilever), while the minimum remained consistently low between 0.006 and 0.008 (Bank Tabungan Negara).

Classical Assumption Test
Multicollinearity Test

Table 7.
Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	2.142	3.577	N.A
X1	8.652	3.577	1.090
X2	0.000	1.700	1.039
X3	40.843	1.666	1.080

The data were analyzed using Eviews 12 software by the researchers in 2025 Referring to Table 7, none of the centered VIF values for the independent variables exceed 10. This confirms the absence of multicollinearity among the predictors, ensuring that the dataset utilized in this research does not suffer from multicollinearity problem.

Heteroscedasticity Test

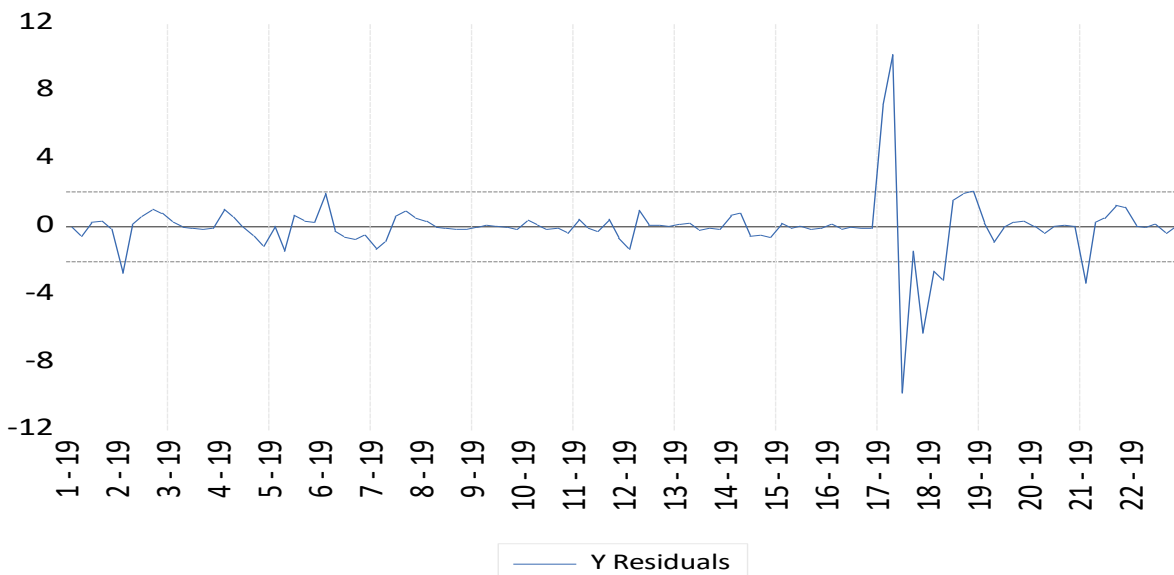


Figure 1.
Heteroscedasticity Test
 The data were analyzed using Eviews 12 software by the researchers in 2025

Referring to Figure 2, all data points remain within the boundaries of -500 and 500. This indicates the absence of heteroscedasticity symptoms, implying that the residual variance across the data is consistent throughout the study.

Regression Model

Chow Test

Table 8.
Chow outcomes of the examination

Effect Test	Statistic	d.f.	Prob.
Cross-section F	70.474	(25.85)	0.000
Cross-section Chi2	320.426	21	0.000

The data were analyzed using Eviews 12 software by the researchers in 2025. Table 8 shows that the Chow test produced a Prob. Cross-Section Chi-Square value of 0.00, which falls below the 0.05 significance level. Consequently, the null hypothesis (H0) is rejected in favor of the alternative hypothesis (H1). This result suggests that the fixed effect model is the most suitable choice for the analysis.

Hausman Test

Table 9.
Hausman outcomes of the examination

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	18.863	3	0.000

The data were analyzed using Eviews 12 software by the researchers in 2025. The results of the Hausman test, presented in Table 9, show a Prob. Cross-Section Chi-Square value of 0.00, which is lower than the 0.05 significance level. This leads to the rejection of the null hypothesis (H0) and acceptance of the alternative hypothesis (H1). Therefore, the fixed effect model (FEM) is preferred. Considering the findings from both the Chow and Hausman tests, this research concludes that the fixed effect model is the most appropriate choice, making the Lagrange Multiplier test unnecessary.

Panel Data Regression Analysis

Table 10.
Fixed Effect Model (FEM) Test Results

Variable	Coefficient	Std. Error	t.Statistic	Prob
C	2.803	1.265	2.215	0.029
X1	-0.349	3.094	-0.112	0.910
X2	0.038	0.008	4.720	0.000
X3	1.093	2.439	0.448	0.655
R ²				0.965
Adj R ²				0.956

Fstat	99.739
Prob F	0.000

The data were analyzed using Eviews 12 software by the researchers in 2025 Referring to Table 10, the panel regression analysis presents a model that investigates how foreign ownership, investment decisions, and profitability influence the firm value of companies listed in the LQ45 index on the Indonesia Stock Exchange (IDX) over the period 2019 to 2023.

$$Y = 2.80 - 0.35 * X1 + 0.04 * X2 + 1.09 * X3 + \varepsilon$$

Description:

- Y : Company Value
- X1 : Foreign Ownership
- X2 : Investment Decision
- X3 : Profitability
- ε : Error

The regression model interpretation is as follows: The constant value of 2.80 represents the firm value when foreign ownership, investment decisions, and profitability are zero. A one-unit decrease in foreign ownership (X1) increases firm value by 0.35 units, indicated by the -0.35 coefficient. Investment decisions (X2) positively affect firm value, with a 0.04-unit increase per unit rise. Profitability (X3) has the strongest impact, where a one-unit increase raises firm value by 1.09 units.

Based on Table 10, an adjusted R-squared of 0.9560 means that 95.60% of the changes in firm value, the dependent variable, can be accounted for by the independent variables examined in this study. The remaining 4.40% of the variation is attributed to factors not included in this research.

Furthermore, since the Prob (F-Statistic) value is 0.00, which is less than the 0.05 threshold, the null hypothesis (H0) is rejected in favor of the alternative hypothesis (H1). This outcome indicates that foreign ownership, investment decisions, and profitability collectively exert a statistically significant influence on firm value.

However, based on the data presented in Table 10, hypothesis 1 (H1) claiming a partial positive effect of foreign ownership on firm value for companies listed in the LQ45 Index from 2019 to 2023 is rejected. This is because its probability value of 0.91 exceeds the 0.05 threshold, indicating no significant effect.

In contrast, hypothesis 2 (H2), which posits that investment decisions partially and positively influence firm value, is accepted since its probability value is 0.00, below 0.05, accompanied by a positive coefficient of 0.03.

Finally, hypothesis 3 (H3), suggesting a partial positive effect of profitability on firm value, is rejected due to a probability value of 0.65, which is above the significance level, showing no statistically significant impact.

The Effect of Foreign Ownership on Firm Value

The t-test probability for the foreign ownership variable, as shown in Table 10, was 0.91, exceeding the significance level of 0.05. This result demonstrates that foreign ownership does not have a significant partial impact on the firm value of companies listed in the LQ45 index on the Indonesia Stock Exchange between 2019 and 2023. Contrary to the original hypothesis that anticipated a positive effect of foreign ownership on firm value, the

findings indicate no such relationship. One possible explanation is that foreign investors generally do not participate actively in management decisions; their role is limited and does not involve direct oversight. Instead, the board of commissioners holds responsibility for supervising and advising management, which weakens the influence of foreign shareholders on firm value. This finding is consistent with the study by Deswarta et al. (2023), which also concluded that foreign ownership lacks a significant impact on firm value.

Table 11.
Relationship between Foreign Ownership and Company Value

Description	Firm Value > 3,693		Firm Value < 3,693		Total	
	Amount	%	Amount	%	Amount	%
X1<0.409	12	11%	65	59%	77	70%
X1>0.409	5	5%	28	25%	33	30%
Total	17	15%	93	85%	110	100%

Researchers processed the data for this study in 2025

Referring to Table 11, out of 110 total samples, 77 (70%) exhibit foreign ownership below the average, while 33 samples (30%) are above average, indicating that foreign ownership is predominantly lower than average. Among the 77 samples with below-average foreign ownership, 12 (11%) have Firm Value above the average, and 65 (59%) fall below it. In contrast, of the 33 samples with above-average foreign ownership, 5 (5%) possess Firm Value above the average, and 28 (25%) are below. Overall, the Firm Value average is 3.693, with 17 samples (15%) exceeding and 93 samples (85%) falling short of this value. These data suggest that the majority of firms with lower foreign ownership also tend to have Firm Values below the average.

The Influence of Investment Decisions on Firm Value

Table 10 shows that, for firms listed in the LQ45 index on the Indonesia Stock Exchange during 2019–2023, investment decisions significantly and positively influence firm value. This is demonstrated by the t-test probability value of 0.00, which is below the 0.05 threshold, alongside a coefficient of 0.03. This finding supports the hypothesis that investment decisions partially and positively influence firm value, consistent with prior studies by Sherine et al. (2022) and Amelia et al. (2024). A positive impact of investment decisions on firm value indicates that appropriate investment choices enhance company performance and profitability, thereby generating favorable responses from investors who seek to invest in the company’s shares, ultimately increasing firm value. This is further corroborated by Melina and Endri (2025), who assert that high and prudent investment decisions motivate companies to boost their investments, attracting investors aiming for maximum returns from future profit growth.

Table 12
Investment Decisions on Firm Value

Description	Firm Value > 3,693		Firm Value < 3,693		Total	
	Amount	%	Amount	%	Amount	%

X1<24,207	1	1%	72	65%	73	66%
X1>24,207	16	15%	21	19%	37	34%
Amount	17	15%	93	85%	110	100%

Researchers processed the data for this study in 2025

Based on the information in Table 12, the investment decision variable is predominantly represented by samples below the average, with 73 samples (66%) falling under this category and only 37 samples (34%) above it. Among the 73 low-investment decision samples, 72 samples (65%) also exhibited below-average firm value, while only 1 sample (1%) had above-average firm value. Conversely, from the 37 samples with above-average investment decisions, 16 samples (15%) had above-average firm value, and 21 samples (19%) remained below the average. Overall, the firm value across all 110 samples averaged 3.693, with only 17 samples (15%) above this mean and the remaining 93 samples (85%) below. These findings suggest that the relationship between investment decisions and firm value is largely concentrated among samples with below-average values in both variables.

The Influence of Profitability on Firm Value

The probability value for profitability, as shown in Table 10, is 0.65, which is greater than the significance threshold of 0.05. This suggests that profitability does not exert a statistically significant individual influence on the firm value of companies listed in the LQ45 index on the Indonesia Stock Exchange during the 2019–2023 period. This outcome contradicts the initial hypothesis, which predicted a positive impact of profitability on firm value. The results imply that these companies might not manage their assets efficiently, leading to inconsistent and volatile profits, as evidenced by their ROA figures. Such instability may weaken investor confidence in the firms' future earning prospects. Consistent with the study by Farizki et al. (2021), this research found no significant impact of profitability on firm value.

Table 13.
Profitability against Firm Value

Description	Firm Value > 3,693		Firm Value < 3,693		Total	
	Amount	%	Amount	%	Amount	%
X1<0,091	5	5%	68	62%	73	66%
X1>0,091	12	11%	25	23%	37	34%
Amount	17	15%	93	85%	110	100%

Researchers processed the data for this study in 2025

From the data presented in Table 13, it can be seen that most of the 110 samples observed exhibit profitability and firm value levels below the average. Specifically, 73 samples (66%) have profitability levels below the mean, of which only 5 samples (5%) show firm value above the average, while the remaining 68 samples (62%) fall below the average firm value. Conversely, among the 37 samples (34%) with above-average profitability, 12 samples (11%) exhibit above-average firm value and 25 samples (23%) fall below. The average firm value recorded is 3.693, with 17 samples (15%) exceeding this benchmark and

93 samples (85%) falling short. These findings indicate that the relationship between profitability and firm value is predominantly represented by firms with below-average performance in both metrics.

CONCLUSION

This study concludes that foreign ownership, investment decisions, and profitability collectively influence firm value among LQ45 companies listed on the Indonesia Stock Exchange during the 2019–2023 period. Descriptive analysis reveals substantial variation in firm value, while foreign ownership, investment decisions, and profitability are relatively stable. Regression analysis indicates that only investment decisions have a significant positive effect on firm value, while foreign ownership and profitability show no individual statistical significance. Together, these variables explain 95.60% of the variance in firm value.

The non-significant impact of foreign ownership and profitability contrasts with many prior studies, suggesting possible contextual factors such as market inefficiencies, passive foreign investor behavior, or profit reinvestment policies that may limit their direct influence on firm value in the Indonesian context. These findings emphasize the need for companies, particularly within the LQ45 index, to strengthen the quality and timing of their investment decisions as a primary driver of value creation. For investors, these results highlight the importance of assessing a firm's investment strategy over ownership structure or profitability alone. Future research should consider incorporating additional moderating variables such as corporate governance, risk management practices, or macroeconomic conditions and expanding the sample across sectors and periods to provide a more comprehensive understanding of what drives firm value in emerging markets like Indonesia.

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