DETERMINANTS OF FIRM VALUE: EMPIRICAL EVIDENCE FROM COMPANIES WITH THE LARGEST MARKET CAPITALIZATION

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Abstract

This study aims to examine the effect of profitability, company growth, capital structure, and activity ratios, particularly total asset turnover (TATO), on company value in companies listed on the Indonesia Stock Exchange with the largest market capitalization. Secondary data were obtained from the companies' annual financial reports and analyzed using multiple linear regression. The results of the study indicate that the profitability variable has a positive and significant effect on firm value, while firm growth, total asset turnover, and capital structure do not affect firm value. Additionally, capital structure acts as a moderating variable that influences the relationship between profitability, firm growth, and total asset turnover on firm value.

Keywords: Profitability, Firm Growth, Total Asset Turnover, Capital Structure, Firm Value

INTRODUCTION

Firm value reflects the market's assessment of a company. Information about firm value helps investors understand the potential profits that can be generated from their investments. Firm value is an important factor for stakeholders, as it illustrates shareholder prosperity (Wijayanti, Susanto, & Pramita, 2023). According to Abdelkarim & Almumani (2018) in Widiatmoko, Indarti, & Pamungkas (2020), in general, the benchmark for measuring a company's value is market capitalization or, more broadly, the wealth created by a company, which represents the collective value of a company or its shares. Today, market capitalization has become a universally accepted business valuation indicator.

A company's market capitalization refers to the number of outstanding shares multiplied by the market price per share (Abdelkarim & Almumani, 2018). Generally, companies are categorized into three major market capitalization segments: large-cap, mid-cap, and small-cap. Large-cap companies typically have a market capitalization of $10 billion or more, mid-cap between $2 billion and $10 billion, and small-cap between $250 million and $2 billion (Fidelity, 2025).

In the Indonesian market context, the number of companies listed on the Indonesia Stock Exchange (IDX) exceeded 900 as of November 8, 2023, and currently stands at 903 listed companies. According to the Ernst and Young (EY) Global Initial Public Offering (IPO) Trends 2023 report, the IDX ranked 6th in terms of the number of IPOs, and 9th in terms of total funds raised among global exchanges (IDX, 2023). Throughout 2023, 79 new stocks were listed on the IDX. This addition represents the highest number of new listings in the history of the Indonesian capital market (IDX, 2023). Peningkatan jumlah perusahaan yang terdaftar di BEI, menunjukkan pentingnya bagi The increasing number of companies listed on the IDX underscores the importance for companies to consider their firm value from the perspective of prospective investors in order to remain attractive to them.

Profitability, firm growth, activity ratios, and capital structure are important factors that can influence firm value. In the capital market context, firm value is a key indicator for investors to assess performance and potential returns from investment. Therefore, it is crucial for stakeholders such as investors, financial analysts, and policymakers to understand the factors influencing firm performance and value (Astuti & Lestari, 2024).

High profitability is one of the primary objectives of every company. Indarti & Widiatmoko (2023) state that profitability is the company's ability to generate profits. Companies aiming to achieve this must formulate clear strategies and consider various factors, including costs, revenues, and operational efficiency. Low profitability compels companies to maintain cash flow by reducing expenses (Setyowidi & Indarti, 2024). High profitability enables reinvestment for growth, dividend distribution to shareholders, and an increase in firm value. Based on signaling theory, the higher the profitability, the more positive the market response, which boosts stock prices. A favorable stock price strengthens investor confidence, thereby enhancing firm value. This reasoning is supported by studies showing that profitability positively affects firm value (Rachmat et al., 2019; Fauziah & Sudiyatno, 2020; Wijayaningsih & Yulianto, 2021; Mahardikari, 2021; Husen et al., 2024; Hanantijo & Anggraini, 2023; Hasangapon et al., 2021; Astuti et al., 2024; Taslikah & Budiati, 2023). However, other studies report different findings, such as Bonansius (2022); Nurwulandari, Wibowo, & Hasanudin (2021); Anthony & Wijaya (2023); and Hanantijo & Kinasih (2020), which state that profitability has no significant effect on firm value.

Another factor influencing firm value is firm growth. Companies with higher investment opportunities are expected to experience stronger future growth. A set of investment opportunities reflects the company's growth potential, which impacts reported earnings quality. When investment opportunities are high, firm value rises as more investors are attracted by the expectation of higher future returns (Widiatmoko, Indarti, & Ifada, 2023). As firms grow, they signal positively to investors, thereby increasing trust and enhancing firm value. This is consistent with studies by Bonansius (2022) and Sudiyatno et al. (2021), which found that firm growth significantly and positively affects firm value. However, (Fauziah & Sudiyatno, 2020) found a negative relationship between firm growth and firm value, while Mahardikari (2021) reported no significant effect.

Asset utilization efficiency is another crucial determinant of firm value. Companies that can optimize their assets through effective inventory management, technology use, and waste reduction can lower operating costs and increase revenues. Total assets turnover (TATO) is a financial ratio that measures how efficiently a company uses its assets to generate sales. A high TATO indicates that the company efficiently utilizes its assets and operates effectively (Habiburahman, Ruhadi, & Sumiyati, 2024). High TATO also serves as a positive signal that enhances investor perceptions and confidence, ultimately boosting firm value in the market. This aligns with findings by Hasangapon et al. (2021), who reported that TATO significantly and positively affects firm value. Conversely, Taslikah & Budiati (2023) found no significant relationship between TATO and firm value.

The inconsistent findings described above open opportunities to introduce moderating variables (Baron & Kenny, 1986). Referring to (Bonansius, 2022), this study revisits the analysis by adding activity ratio as an independent variable and measuring profitability using net profit margin, with capital structure as the moderating variable. Capital structure is one of the most critical aspects of corporate financial management that significantly affects firm value. Weston and Copeland (1992) define capital structure or company capitalization as permanent financing represented by long-term debt, preferred stock, and shareholders' equity. Evania & Indarti (2022) argue that minimizing debt levels makes a company more attractive to investors, thereby raising stock prices. Managers, acting as shareholders, not only drive profitability but also prioritize corporate sustainability, helping to reduce agency conflicts. Furthermore, boards of commissioners and audit committees are motivated by institutional shareholders to supervise management effectively using conservative accounting practices (Widiatmoko & Nuswandari, 2023). Thus, capital structure should be understood as an integral part of the overall corporate financial framework.

Prior studies (Rachmat et al., 2019; Sari & Sedana, 2020; Astuti, Mahmudi, & Mulyani, 2024) found that capital structure significantly and positively affects firm value. Efficient capital structures also enable companies to optimize asset utilization, generate significant profits, and support long-term growth strategies. Therefore, it is essential for firms to continuously optimize asset utilization to maximize profitability and sustain strong market value. Research by Bonansius (2022) and Fauziah & Sudiyatno (2020) further shows that capital structure moderates the effect of profitability on firm value. Fauziah & Sudiyatno (2020) also found that capital structure moderates the effect of firm growth on firm value.

This study reexamines the effects of profitability, firm growth, and total assets turnover on firm value, with capital structure as a moderating variable. Its distinct

contribution lies in including the activity ratio as an independent variable and measuring profitability using net profit margin.

LITERATURE REVIEW

Trade-Off Theory

The trade-off theory is a model that explains the relationship between the benefits and costs of using debt by firms. This theory was first introduced by Modigliani and Miller in 1963 in their article *Corporate Income Taxes on the Cost of Capital: A Correction* in the *American Economic Review* (Modigliani and Miller, 1963, in Sudiyatno et al., 2021). According to this theory, firms strive to find a balance between the benefits of debt (such as tax savings from interest expenses) and the costs associated with debt. When a firm successfully reaches this optimal balance, its value will be maximized because the cost of capital is at its lowest level.

Signaling Theory

According to Brigham and Houston (2015), a signal is an action taken by a company to provide indications to investors about how management views the firm's prospects. This signal comes in the form of information about what management has done to realize the owners' objectives. Firm value will increase when the company successfully communicates high-quality information about its condition and prospects.

The Effect of Profitability on Firm Value

High profitability signals that the company has good management and is capable of generating stable cash flows, which can enhance investor confidence and drive stock prices upward, ultimately increasing firm value. In line with signaling theory, good profitability can serve as a positive signal to the market that the company is well-managed and has bright prospects. Studies by Rachmat et al. (2019); Fauziah & Sudiyatno (2020); Wijayaningsih & Yulianto (2021); Mahardikari (2021); Husen et al. (2024); Hanantijo & Anggraini (2023); Hasangapon et al. (2021); Astuti, Mahmudi, & Mulyani (2024); and Taslikah & Budiati (2023) provide evidence that profitability positively affects firm value.

H1: Profitability has a positive effect on firm value

The Effect of Firm Growth on Firm Value

A firm with good growth provides a signal to investors that reported earnings are of good quality, which can increase investor confidence and lead to higher firm value. According to signaling theory, in some cases, firms that show signs of strong growth (such as market expansion or profit increases) can send positive signals to investors, thereby boosting stock prices and overall firm value. Conversely, unstable or risky growth could be a negative signal that reduces firm value. Research by Bonansius (2022) and Sudiyatno et al. (2021) shows that firm growth positively affects firm value.

H2: Firm growth has a positive effect on firm value

The Effect of Total Asset Turnover on Firm Value

A higher ratio indicates that the company is able to generate more sales per unit of asset, demonstrating competitive advantage and operational efficiency. Such a signal can enhance stock prices and investor confidence, ultimately increasing firm value. According to signaling theory, companies with high asset turnover ratios can send positive signals to the market about management's ability to manage assets and operations effectively. This is

supported by Hasangapon et al. (2021), who found that TATO positively affects firm value.

H3: Asset turnover has a positive effect on firm value

The Effect of Capital Structure on Firm Value

Capital structure influences firm value because of the trade-off between tax benefits from debt and the costs associated with debt, such as bankruptcy risk and other financial expenses. This aligns with the trade-off theory, which explains the balance between benefits and drawbacks of debt use, where firms attempt to optimize this balance to maximize value. Studies by Rachmat et al. (2019); Sari & Sedana (2020); and Astuti, Mahmudi, & Mulyani (2024) conclude that capital structure positively affects firm value.

H4: Capital structure has a positive effect on firm value

The Effect of Profitability on Firm Value with Capital Structure as a Moderating Variable

Higher profitability allows companies to optimize their capital structure in line with the trade-off theory, which balances the tax benefits of debt with its associated costs. In this context, capital structure moderates the relationship between profitability and firm value, as an optimal capital structure enhances the effectiveness of debt use to maximize the benefits of high profitability. An optimal capital structure enables firms to more effectively leverage profitability to increase firm value through prudent debt use.

Research by Bonansius (2022) and Fauziah & Sudiyatno (2020) indicates that capital structure can moderate the effect of profitability on firm value.

H5: Capital structure moderates the effect of profitability on firm value

The Effect of Firm Growth on Firm Value with Capital Structure as a Moderating Variable

During periods of rapid growth, the use of debt can accelerate expansion and finance growth projects, albeit with higher risks. Trade-off theory states that firms must balance the benefits of debt use, such as tax shields, with the costs of heightened financial risk, especially bankruptcy costs. An appropriate capital structure can moderate the relationship between firm growth and firm value by enabling firms to use debt to finance growth while avoiding excessive bankruptcy risks. In this way, capital structure strengthens the link between firm growth and firm value.

Research by Fauziah & Sudiyatno (2020) also shows that capital structure can moderate the effect of firm growth on firm value.

H6: Capital structure moderates the effect of firm growth on firm value

The Effect of Total Asset Turnover on Firm Value with Capital Structure as a Moderating Variable

A higher Total Asset Turnover (TATO) indicates greater efficiency in using assets to generate revenue, potentially enhancing firm value. A high TATO reflects strong operational performance, which can improve market perception and stock prices. However, if the company's capital structure is not optimal (e.g., excessive debt), the benefits of high TATO may not fully translate into firm value. According to the trade-off theory, prudent debt use can strengthen the positive effect of TATO on firm value. Increased asset efficiency becomes more effective in enhancing firm value when supported by a capital structure that optimizes the use of debt and equity. Capital structure thus acts as a moderating variable, influencing the extent to which TATO affects firm value.

H7: Capital structure moderates the effect of total asset turnover on firm value

RESEARCH METHOD

Population and Sampling Technique

Population

Stocks with large market capitalization are naturally attractive to investors because such companies are more stable, have high liquidity, and demonstrate strong growth and financial performance. The population in this study consists of the 50 issuers with the largest market capitalization in Indonesia, listed on the stock exchange as of March 2023.

Sampling Technique

The sampling method used in this research is purposive sampling, which is the selection of samples based on certain criteria/requirements determined by the researcher. The following are the criteria established for selecting samples from the Indonesia Stock Exchange (IDX):

1. Companies included in the IDX50 for the March 2023 period and listed on the IDX.
2. Companies in the IDX50 that published financial statements for the years 2020–2024.
3. Companies with complete data.

The results of the sample selection are presented in Table 1. A total of 43 companies met the criteria, resulting in 215 data/observations processed in this study.

Table 1.
Results of Sample Selection

No	Description	Number
1	Companies in the IDX50, March 2023 period	50
2	Companies that did not publish financial statements in 2020–2024	7
	Companies meeting the criteria	43
	Total data/observations (43 × 5)	215

Type and Source of Data

The research design employed in this study is quantitative. The data source is obtained from secondary data. The secondary data used are the annual financial statements from the Indonesia Stock Exchange (IDX) website for the period 2020–2024.

Operational Definition and Measurement of Variables

The operational variables are defined and explained in the table below.

Table 2.
Operational Definition and Measurement of Variables

Variable	Definition	Measurement
Profitability	Profitability is the company's ability to generate profit (Indarti & Widiatmoko, 2023).	$\text{NPM} = \frac{\text{EAT}}{\text{Net Sales}} x\ 100\%$
Firm Growth	Firm growth is the ability to increase company size through asset expansion (Mulyadi, 2021).	$\text{AGR} = \frac{(\text{Total Asset}_t - \text{Total Asset}_{t-1})t}{\text{Total Asset}_{t-1}}$
Total Asset Turnover	TATO is the ratio of net sales to total assets,	$\text{TATO} = \frac{\text{Sales}}{\text{Total Asset}}$

	commonly used in company operations (Hasangapon et al., 2021).	
Firm Value	Firm value is defined as a certain condition achieved by a company, reflecting public trust in the company after undergoing several years of operations (Harmono, 2009).	$\text{PBV} = \frac{\text{Market Price Per Share}}{\text{Book Value Per Share}}$
Capital Structure	Capital structure is defined as the mix of debt and equity as a funding source to achieve the company's management objective of increasing firm value (Fauziah & Sudiyatno, 2020)	$\text{DER} = \frac{Total\ Liabilities}{Total\ Equity}$
Age	Firm age can be measured from the date of establishment (Soleman, Rate, & Maramis, 2022)	$AGE = Year\ of\ Observation - Year\ of\ Company\ Establishment$

RESULT AND DISCUSSION

Normality Test and Classical Assumptions

Based on testing with a sample size of N = 215, the results show that skewness and kurtosis values were above +1.96 and -1.96, indicating that the residual errors in the regression model were not normally distributed. Therefore, outlier elimination was conducted using ZRES greater than -2 or +2, resulting in 62 outlier data points being removed. After eliminating outliers, the test results showed a skewness statistic of 0.196 with a standard error of 0.196, while the kurtosis statistic was -0.633 with a standard error of 0.390. Thus, the Z-score values were 1.41 for Skewness and -1.62 for Kurtosis, meaning the regression model is normally distributed after handling outliers.

Multicollinearity Test

Table 3.
Results of Multicollinearity Test

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Eror	Beta			Tolerance	VIF
(Constant)	1.088	0.186		5.851	0.000		
NPM	3.375	0.480	0.485	7.027	0.000	0.604	1.655
AGR	-0.193	0.346	-0.044	-0.557	0.578	0.453	2.206

TATO	-0.019	0.293	-0.009	-0.066	0.948	0.157	6.354
DER	-0.090	0.058	-0.183	-1.534	0.127	0.203	4.928
AGE	-0.008	0.003	-0.186	-2.982	0.003	0.742	1.349
NPM*DER	0.312	0.101	0.274	3.099	0.002	0.368	2.717
AGR*DER	0.451	0.259	0.155	1.744	0.083	0.364	2.748
TATO*DER	1.646	0.269	0.890	6.112	0.000	0.136	7.373

a. Variabel Dependen: PBV

Source: Processed Secondary Data, 2025

The results of the multicollinearity test are presented in Table 3. Based on the information in the table, all independent variables have a Tolerance value > 0.10 and a VIF value < 10. This indicates that no multicollinearity exists among the independent variables in the research model. Therefore, the regression model meets the classical assumption of multicollinearity and is suitable for further analysis.

Heteroskedasticity Test

The initial heteroskedasticity test indicated symptoms of heteroskedasticity in the variables AGE and Moderation X1. Therefore, a Square Root transformation was applied for retesting. The transformation was specifically applied to the variables that caused heteroskedasticity and the dependent variable. In this study, the SQRT transformation was performed on the AGE and PBV variables. Table 4 presents the results of the second Glejser test after the Square Root transformation. The results show that all independent variables had significance values greater than 0.05. Hence, the second test confirms that the model is free from heteroskedasticity.

Table 4.
Results of the Heteroscedasticity Test

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.289	0.054		5.389	0.000
NPM	-0.027	0.096	-0.029	-0.277	0.782
AGR	0.105	0.069	0.182	1.518	0.131
TATO	0.111	0.059	0.386	1.889	0.061
DER	0.023	0.012	0.346	1.922	0.057
AGE	-0.015	0.008	-0.171	-1.809	0.073
NPM*DER	0.020	0.020	0.132	0.994	0.322
AGR*DER	-0.073	0.052	-0.190	-1.415	0.159
TATO*DER	-0.097	0.054	-0.397	-1.800	0.074

a. Dependent Variable: AbsRes

Source: Processed Secondary Data, 2025

Autocorrelation Test

Based on the first autocorrelation test (model summary), the Durbin-Watson (DW) value was 0.941, with significance level $\alpha = 5\%$, $n = 153$, and $k = 5$. The critical values were $dL = 1.6688$ and $dU = 1.8036$. Since $DW = 0.941 < dL = 1.6688$, it can be concluded that

positive autocorrelation exists. Meanwhile, since 3.059 (4 – DW) > 1.8036 (dU), no negative autocorrelation was found.

Subsequently, data transformation was performed to free the regression model from autocorrelation. This study used the Lag Crocane-Orcutt transformation, which generates new variables from the transformed original variables. One (1) observation was lost due to this transformation, reducing the total observations to 152.

Based on the regression of residual lag, the autocorrelation coefficient (ρ) was 0.526. Thus, the transformation formula became: Y – (0.526 × Lag(Y)), applied to all variables. The final Durbin-Watson test result was DW = 1.954, with dL = 1.6675 and dU = 1.8032. Since dL < DW > dU, the result indicates that the autocorrelation issue has been resolved.

Model Testing

F-Test

The F-test was conducted simultaneously to determine whether the independent variables X1 (NPM), X2 (AGR), X3 (TATO), Z (DER), NPM*DER, AGR*DER, TATO*DER significantly influence the dependent variable Y (PBV).

Table 6 shows that F-statistic = 13.606 (positive) with a significance value (p-value) = 0.000, which is less than 0.05. Thus, NPM, AGR, TATO, DER, and their interaction terms (NPM*DER, AGR*DER, TATO*DER) together have a positive and significant effect on PBV. Therefore, the research model is declared fit.

Coefficient of Determination (R^2 Test)

The R^2 value of 0.432 indicates that 43.2% of the variation in the dependent variable can be explained by NPM, AGR, TATO, DER, NPM*DER, AGR*DER, and TATO*DER. The remaining 56.8% is explained by other variables. Meanwhile, the Adjusted R^2 value of 0.400 provides a more conservative estimate, considering the number of variables in the model, showing that about 40% of the variation in the dependent variable can be effectively explained by the model.

Multiple Linear Regression Test

The moderation regression equation can be seen in Table 5:

Table 5.
Regression Test Results Involving Moderation Variables

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.565	0.054		10.498	0.000
	NPM	0.913	0.174	0.413	5.245	0.000
	AGR	-0.035	0.094	-0.035	-0.372	0.710
	TATO	0.109	0.121	0.139	0.901	0.369
	DER	-0.011	0.024	-0.082	-0.461	0.646
	AGE	-0.039	0.016	-0.178	-2.379	0.019
	NPM*DER	0.076	0.036	0.251	2.135	0.034
	AGR*DER	0.122	0.069	0.179	1.762	0.080
	TATO*DER	0.409	0.111	0.792	3.690	0.000
a. Dependent Variable: PBV						
R^2						0.432

Adjusted R^2	0.400
F_{count}	13.606
Sig. F	0.000

Source: Processed Secondary Data, 2025

PBV = 0.565 + 0.913NPM – 0.035AGR + 0.109TATO – 0.011DER – 0.039AGE + 0.076NPM*DER + 0.122AGR*DER + 0.409TATO*DER + e

The multiple linear regression equation involving the moderation variable in Table 5 shows that the constant value of 0.565 indicates that when all independent variables are zero, the company's PBV is 0.565. The variable NPM (Net Profit Margin) has a positive coefficient of 0.913 with a significance of 0.000, indicating that each 1% increase in NPM will increase PBV by 0.913 times, assuming other variables remain constant. Meanwhile, the variables Asset Growth Rate (AGR), Total Asset Turnover (TATO), and Debt to Equity Ratio (DER) do not show a significant direct effect on PBV, with significance values of 0.710, 0.369, and 0.646, respectively. The variable company age (AGE) shows a significant but negative effect (coefficient -0.039, sig. 0.019), indicating that the older the company, the lower its PBV value.

The interaction regression coefficient NPM*DER is 0.076, meaning that each increase in the interaction between NPM and DER by 1 will increase PBV by 0.076, assuming all other independent variables remain constant. The interaction regression coefficient AGR*DER is 0.122, meaning that each increase in the interaction between AGR and DER by 1 will increase PBV by 0.122. The interaction regression coefficient TATO*DER is 0.409, meaning that each increase in the interaction between TATO and DER by 1 will increase PBV by 0.409, assuming all other independent variables remain constant.

Hypothesis Testing

The hypothesis test results in Table 5 show that the NPM (Net Profit Margin) variable has a positive and significant effect on PBV with a coefficient of 0.913 and a significance value of 0.000 (significant at $\alpha = 1\%$). This indicates that an increase in profitability will increase firm value. This test proves that H1 is accepted.

The AGR (Asset Growth Rate) variable shows no effect on PBV with a coefficient of -0.035 and a significance value of 0.710 (not significant at $\alpha = 10\%$). This test proves that H2 is rejected.

Likewise, the TATO (Total Asset Turnover) variable shows no significant effect with a coefficient of 0.109 and a significance value of 0.369 (not significant at $\alpha = 10\%$), so hypothesis H3 is rejected.

Hypothesis H4, which states that capital structure significantly affects firm value, is rejected. This is because capital structure shows no significant effect on firm value with a coefficient of -0.011 and a significance value of 0.646 (not significant at $\alpha = 10\%$).

Meanwhile, the AGE (Firm Age) variable has a negative and significant effect on PBV with a coefficient of -0.039 and a significance value of 0.019 (significant at $\alpha = 5\%$). This means that the older the company, the lower its PBV value tends to be. This may occur because older companies may face challenges in maintaining market attractiveness or market value growth compared to book value, such as stagnation, inefficiency, or lack of innovation. Thus, longer firm age does not always reflect higher value in the eyes of investors, especially if not accompanied by adaptive strategies to market dynamics.

Effect of Moderation Variables

The moderation variable NPM*DER shows a positive and significant effect on PBV with a coefficient of 0.076 and a significance value of 0.034 (significant at α = 5%), indicating that capital structure strengthens the relationship between profitability and firm value.

The moderation variable AGR*DER shows a positive and significant effect on PBV with a coefficient of 0.122 and a significance value of 0.080 (significant at α = 10%). This suggest that capital structure strengthens the relationship between firm growth and firm value.

The moderation variable TATO*DER shows a positive and significant effect on PBV with a coefficient of 0.409 and a significance value of 0.000 (significant at α = 1%). These results indicate that capital structure strengthens the relationship between asset efficiency and firm value.

Profitability has a positive effect on firm value

The research findings support the signaling theory, namely that companies demonstrating strong financial performance, including high profitability, send a positive signal to investors about the company's health and future prospects. Therefore, the market tends to give higher valuations to such companies. The test results show that profitability has a positive effect on firm value. This explains that companies with higher profitability levels tend to have higher firm value. This finding supports previous studies by Rachmat et al. (2019), Fauziah & Sudiyatno (2020), Wijayaningsih & Yulianto (2021), Mahardikari (2021), Husen et al. (2024), Hanantijo & Anggraini (2023), Hasangapon et al. (2021), Astuti, Mahmudi, & Mulyani (2024), and Taslikah & Budiati (2023), who state that profitability has a positive effect on firm value.

Company growth has a positive effect on firm value

The test results show that company growth does not have a significant effect on firm value. This finding indicates that although theoretically and empirically there is a positive relationship between company growth and firm value, in this study's context, the growth achieved by the company does not directly impact its market value. This may be due to other factors moderating or distorting the relationship, such as macroeconomic conditions, management quality, or risks associated with poorly managed growth. This result is also supported by Mahardikari (2021), who found that company growth does not positively affect firm value.

Asset turnover has a positive effect on firm value

The hypothesis test results indicate that asset turnover does not have a significant effect on firm value. This finding rejects the prediction of signaling theory, which suggests that high asset turnover reflects operational efficiency in asset management, thereby sending a positive signal to investors about firm performance. In some cases, this ratio does not directly translate into firm value if the assets used do not have market value reflecting such efficiency or if the assets are not strategically relevant. This is consistent with findings from Hasangapon et al. (2021) and Mahardikari (2021), who state that the asset turnover ratio does not always show a positive and significant relationship with firm value. This may be due to industry conditions, where asset efficiency is not the main factor influencing firm value. For instance, in capital-intensive industries such as mining or manufacturing, other factors like

capital structure, profitability, and product innovation may have a greater impact on market value than asset turnover itself.

Capital structure has a positive effect on firm value

The trade-off theory states that firms balance the benefits of debt (such as tax shields) with risk costs (such as bankruptcy), so only at a certain level will debt structure positively affect firm value. Based on this study, the results show that capital structure does not have a significant effect on firm value. This indicates that the trade-off theory, which explains that firms balance the tax benefits of debt with bankruptcy risk costs to achieve optimal capital structure, does not apply when firms have not yet reached the optimal level. In such conditions, variations in the composition of debt and equity do not generate value increases, making the trade-off theory insufficient as an empirical explanation. This finding is supported by Sudiyatno et al. (2021), Wijayaningsih & Yulianto (2021), Anthony & Wijaya (2023), and Hanantijo & Kinasih (2020), who found that capital structure does not affect firm value.

Capital structure moderates the effect of profitability on firm value

The trade-off theory explains that firms seek a balance between tax benefits from debt and bankruptcy risk costs, so that the right capital structure can strengthen the effect of profitability on firm value. This aligns with the results of this study, which show that capital structure significantly moderates the effect of profitability on firm value. This means that a sound capital structure can enhance the positive relationship between profitability and firm value. In this context, companies with high profitability and optimal capital structure tend to experience greater increases in firm value compared to those with less optimal structures. This statement is supported by previous studies such as Fauziah & Sudiyatno (2020) and Astuti, Mahmudi, & Mulyani (2024), who state that capital structure is a moderating variable between profitability and firm value.

Capital structure moderates the effect of company growth on firm value

The trade-off theory suggests that companies should seek the optimal balance between the tax benefits of debt and the bankruptcy risk costs that increase with higher debt use. This theory supports the findings of this study, which show that capital structure can significantly moderate the effect of company growth on firm value. During rapid growth, companies tend to require large external funding; when capital structure is properly managed, debt use can provide tax benefits and increase positive financial leverage, thereby amplifying the impact of rapid growth on firm value. Support from previous studies, such as Fauziah & Sudiyatno (2020) and Bonansius (2022), reinforces this finding. They state that capital structure can act as a moderating variable that strengthens the positive relationship between growth and firm value.

Capital structure moderates the effect of total asset turnover on firm value

Within the framework of trade-off theory, the ideal capital structure balances tax benefits from debt use and bankruptcy risk costs. When a firm has an optimal capital structure, asset efficiency (TATO) will more effectively raise firm value due to relatively low capital costs and controlled bankruptcy risk. Thus, firms that manage their capital structure wisely can maximize the use of asset efficiency to increase firm value. This theory is consistent with the findings of this study, which show that capital structure significantly moderates the relationship between TATO and firm value. Support from previous literature, such as Hasangapon et al. (2021), states that TATO positively affects firm value. A balanced

capital structure between debt and equity facilitates the efficient use of assets for business operations while maximizing the benefits of such efficiency.

CONCLUSION

Based on the results of data analysis through the testing of seven proposed hypotheses, this study concludes that profitability has a positive effect on firm value. However, company growth, total asset turnover, and capital structure have no effect on firm value. Nevertheless, capital structure is able to moderate the effect of profitability, company growth, and total asset turnover on firm value.

The limitation of this study lies in the use of secondary financial data (2020–2024) and the analysis of only certain variables (profitability, growth, capital structure, TATO, and firm value) for large companies, so the results do not yet cover external factors or other aspects such as corporate governance, innovation, and risk management, and cannot be generalized to different sectors or capitalizations; it is suggested that future research expand the variables, time span, and sample so that the findings become more comprehensive and generally applicable..

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