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Factors Affecting Firm Value with Capital Structure As A Moderating Variable

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ABSTRACT

This study aims to examine the factors that affect firm value with capital structure as a moderating variable on the compass 100 index. The sample selection used in this study was 37 companies in the compass 100 index using purposive sampling. This study uses the WarpPLS 7.0 application to analyze the data. The results of this study indicate that ROA has a negative effect on firm value, NPM has no effect on firm value, firm size has a negative effect on firm value, and investment decisions have no effect on firm value. Capital structure is able to moderate the effect of ROA on firm value, capital structure is able to moderate the effect of NPM on firm value, capital structure is not able to moderate the effect of firm size on firm value, and capital structure is not able to moderate the effect of investment decisions on firm value.

Keywords: Profitability, Firm Size, Investment Decision, Firm Value, Capital Structure

INTRODUCTION

As business competition intensifies, every organization must strive to ensure its existence. Maintaining the survival of the company is a must to maintain the stability and welfare of its owners (Dewi & Abundanti, 2019). The ever-changing business dynamics cause many companies to need additional funds to develop their business in order to survive (Butar-Butar et al., 2021). Additional funds or obtaining capital for the company can be done with a strategy of obtaining debt or issuing shares that are publicly traded in the capital market (Puspa & Ghoni, 2019). Companies that have traded their shares publicly in the capital market will then be said to be a go public company. Companies that have gone public have the responsibility to maximize the value of the company which can be realized from the company's share price in the market. Firm value can provide maximum shareholder prosperity if the stock price increases (Kurnia, 2019).

Graphics 1. Comparison of Stock Price Index for 2014-2023

The capital market in Indonesia has 42 stock indices, one of which is Kompas 100. Kompas 100 is an index consisting of 100 stocks of public companies that have good fundamentals and performance. Based on the graph above, it shows that the Kompas 100 index in 2014 was the highest compared to the JCI (Jakarta Composite Index) and LQ45 (Liquid 45) indices, but in the following year Kompas 100 decreased compared to the LQ45 index until then in 2018-2023 the Kompas 100 index continued to change so that it was lower than LQ45 and JCI.

Companies that are able to present a stable margin in a significant amount have an attraction for investors because they can provide promising benefits for them. On the other hand, if the company's stock price decreases, this may indicate that the company's performance is less than optimal so that investor confidence in the company to manage the capital entrusted to produce maximum returns will decrease. Therefore, it is important for companies to know what factors can affect company value so that they can maximize factors that increase company value and minimize decreases in company value (Viriany, 2021).

There are several factors that can affect the increase in firm value. First, profitability where companies that have a high level of profit have the ability to develop and run their operations sustainably (Purnamasari, 2018). Research conducted by Elfiana Rahmawati (2023) and Wansani & Mispiyanti (2022) found that profitability variables have a positive effect on firm value. However, according to Jamiah (2023) the profitability variable has no effect on firm value.

Second, firm size where when the company has a large company size, investor confidence to invest is even greater. This is because high company size is closely related to the funding decisions taken to optimize company value (Dina & Wahyuningtyas, 2022). Research conducted by Afni et al., (2023) and Putra et al., (2021) found that the company size ratio has a positive effect on firm value. However, according to Bon & Hartoko (2022) and Kadafi (2020) found that firm size has no effect on firm value.

Third, investment decisions The more companies that make the right investment decisions, the more optimal the company's performance will be. The right investment decision can be seen from the increase in assets that are more than the previous period, if the investment made is successful the company will experience an increase in assets, this activity will certainly attract investors to invest in the company so that the company value increases. (Rafi et al., 2021). Research conducted by A. R. Sari et al., (2022) and Rudiyanto Hartono et al., (2023) found that the investment decision ratio has a positive effect on firm value. However, according to Bahrun & Firmansyah (2020) and Milenia & Muid (2022) investment decisions have no effect on firm value.

Capital structure refers to the balance between total debt and total capital of a company. If the capital structure increases due to a decrease in fixed costs arising from debt interest payments, then this can lead to an increase in the value of the capital structure. A significant increase in capital structure can increase the risk of bankruptcy (Mardevi et al., 2020). So that the capital structure variable is included in this study as a moderating variable.

Research on capital structure moderates profitability, firm size, and investment decisions on firm value conducted by Arsyada et al., (2022) stated that capital structure is able to influence profitability, firm size, and investment decisions on firm value. While research conducted by Mardevi et al., (2020) and Wijoyo & Cindy (2023) stated that capital structure is not able to moderate the influence of profitability variables on firm value.

Based on the phenomena that occur and complemented by several previous research gaps, it still shows inconsistent results. As technology, time, and companies develop, so it is necessary to conduct research again in the latest time period so as to produce research novelty.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Signalling theory

Signaling theory was first introduced by Spence (1978) According to him, the sender (owner of information) provides a signal in the form of information that reflects the condition of a company so that it is useful for the recipient, namely the investor. The information provided by the company has an important value because it basically provides a crucial picture of the company's condition.According to Brigham, E. F., & Houston (2011) signaling is an effort made by the company to provide information to investors regarding the company's management performance in achieving the company's potential. The signal is in the form of data related to the actions taken by the company's management to achieve the company's goals.

Agency theory

Agency Theory according to Jensen (1976) is a concept that reflects the working relationship between parties who give authority, such as owners or shareholders, to parties who receive authority, such as managers, through a cooperation contract. An agency relationship is defined as an agreement between the principal (shareholder) and the agent (manager) in the performance of the principal's duties. In this context, the agent is authorized to make decisions on behalf of the principal. The manager's responsibility, given by shareholders, is to optimize company performance with the aim of increasing company value (Viriany, 2021).

The Effect of ROA on Company Value

In signal theory, if the ROA value is higher, theoretically it reflects the company's good financial performance, and the impact can increase the value of the company's shares (Padmayanti et al., 2019). Greater profits, which are reflected in high ROA, are good news for investors. This statement is supported by research conducted by Dina & Wahyuningtyas (2022) and Tandiawan & Jonnardi (2022) that ROA has a positive effect on firm value. Based on these theoretical concepts, the first hypothesis (H1) can be formulated as follows:

H1: ROA has a positive effect on firm value

NPM Affects Company Value

According to the concept of signal theory, companies can generate positive feedback (good news) from investors if the company conveys positive information (Sunny & Surjadi, 2021). When the company has a high NPM, this shows that the company has good potential and prospects in the future so that investors will be interested in investing because the company's value is considered good in the eyes of investors. This statement is supported by previous research which states that NPM has a positive influence on firm value, namely Setiawan et al., (2021) and Nengsih (2020). Based on this theoretical concept, the second hypothesis (H2) can be formulated as follows:

H2: NPM has a positive effect on firm value

Firm Size Affects Firm Value

Signalling theory on large company size indicates that the company has good company performance, the larger the size of the company will have an impact on increasing company value. This condition will be seen by investors and can increase investor confidence to make investments that are considered profitable (Jaya, 2020). Research conductedDewantari et al., (2019) and Dina & Wahyuningtyas (2022) argue that firm size has a positive effect on firm value. Based on these theoretical concepts, the third hypothesis (H3) can be formulated as follows.

H3: firm size has a positive effect on firm value

Investment Decisions Affect Firm Value

When the company has the ability to make the right investment decisions, the company will produce good performance so that it gives positive signals to investors, which automatically this condition can increase stock prices and company value. Research conducted by Ahmad (2020) and Kurniawan & Mawardi (2017)states that investment decisions have a positive effect on firm value. Based on this theoretical concept, the fourth hypothesis (H4) can be formulated as follows.

H4: investment decisions have a positive effect on firm value

Capital Structure as a Moderator of the Relationship Between ROA and Firm Value

Signal theory suggests that when a company shows strong financial performance, through stable revenue or consistent profit growth, it gives a positive signal to the financial markets. Investors tend to interpret this good performance as a sign that the company is well managed and has favorable prospects. In the context of capital structure, agency theory highlights the use of capital structure related to the importance of using debt in corporate funding. This is because when the company has a high ability to gain profit from asset management, the company will use retained earnings (own capital) in its operational activities. This statement is supported by several studies that capital structure is able to moderate the effect of ROA on firm value, namely Munthe (2018) and Arsyada et al., (2022). Based on the description above, the fifth hypothesis (H5) can be formulated as follows:

H5: Capital structure is able to moderate the relationship between ROA on firm value

Capital Structure as a Moderator of the Relationship Between NPM and Firm Value

Signal theory reveals that the net profit margin ratio shows that the company provides information related to profits made by management to realize the wishes of investors. The higher the ratio will show the company's ability to earn high profits from sales so that it will attract investors to invest by purchasing the issuer's shares, of course this will increase the value of the company. Based on agency theory, companies that have large profits have a large amount of funds and retained earnings. Research conducted by Aswat et al., (2020) and Wijaya & Pancawati (2019)resulted in capital structure being able to moderate NPM on firm value. So that the sixth hypothesis (H6) can be formulated as follows:

H6: Capital structure is able to moderate the effect of NPM on firm value

Capital Structure as a Moderator of the Relationship Between Firm Size and Firm Value.

Based on the theory of sinyaling, the larger the size of a company, it will attract investors to buy shares so that it will increase the company's value. With a large company size, investors will be interested in investing their capital. Based on the agency theory related to capital structure that company size can indirectly affect the company's capital structure, especially in terms of debt repayment. This is supported by research conducted by Sunny & Surjadi (2021) and (Darmawan et al., 2020) which states that capital structure is able to moderate the effect of firm size on firm value. So that the seventh hypothesis (H7) can be formulated as follows:

H7: Capital structure is able to moderate the effect of firm size on firm value

Capital Structure as a Moderator of the Relationship Between Investment Decisions and Firm Value

Based on the theory of sinyalling, investment spending has a positive influence on company growth. With the information that the company has good investment decisions, investors will be interested in investing in the company (Rafi et al., 2021). Good investment and high capital structure affect firm value. Based on agency theory related to capital structure, the composition of the company's capital structure must be proportional to improve investment decisions to encourage company growth. Research conducted by Fitriani & Asyik (2023) and Wardani & Maryanti (2019)) states that capital structure is able to moderate the relationship between the effect of investment decisions on firm value.

H8: Capital structure is able to moderate the effect of investment decisions on firm value.

METHODS

This research was conducted at kompas 100 index companies listed on the IDX during the 2018-2022 period which contains research data, namely profitability as measured by ROA and NPM ratios, firm size, investment decisions, firm value, and capital structure. The type of data used in this study is secondary data. The research variables used in this study can be defined as follows:

1. Profitability
   This ratio measures the company's ability to generate profits at a certain level in the company's sales. Profitability ratio proxied by ROA and NPM. The following are the ROA and NPM formulas according to (Sudana, 2019).

$$\text{Return on Asset (ROA)} = \frac{\text{Earning After Tax}}{\text{Total asset}}\ x\ 100$$

$$\text{Net Profit Margin (NPM)} = \frac{\text{Earning After Tax}}{\text{Sales}}\ x\ 100$$

2. Firm Size
   Firm size is a scale that can describe the size of a company and can be measured by the overall total assets owned by the company(Kumalawati & Primasari, 2020). The following is the formula for measuring firm size according to (Mawar Sharon R. Pantow, Sri Murni, 2015):
   Firm Size = Ln (total asset)

3. Investment decisions
   Investment decisions are company policies related to the allocation of financial resources to the total assets owned by the company in order to get future profits for both the short and long term. The following is the formula for measuring investment decisions according to (Wang et al., 2015).

$$\text{TAG} = \frac{\text{TA}_t - \text{TA}_{t-1}}{\text{TA}_{t-1}}$$

   Keterangan:
   TAG = Total *Asset Growth*
   TA = Total *Asset*
4. Company Value
   In this study, company value is measured by the Price Earning Ratio (PER). Price Earning Ratio (PER) is a ratio that reflects the high level of investor optimism about the company's future performance. The following is the Price Earning Ratio (PER) formula according to (Sudana, 2019).

$$\text{Price Earning Ratio} = \frac{\text{Stock Price}}{\text{Earning per Share}}$$

5. Capital Structure
   Capital structure is equity and debt funding in a company that is calculated based on the relative amount of funding sources. The following is the capital structure formula proxied by Debt to Equity Ratio (DER) according to (Kasmir, 2018)

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equitys}}$$

The population in this study consisted of 100 companies belonging to the compass 100 index group listed on the IDX in 2018-2022. In this study, samples were taken from companies using purposive sampling techniques, with certain criteria to select 37 companies as samples. The data used is in the form of financial reports sampled in the compass 100 index company for the 2018-2022 period obtained from www.idx.co.id and the company's official website.

RESULTS

Descriptive Statistical Test

Table 1. Descriptive Statistics

Variables	Indicators	N	Min	Max	Mean	Std. Dev
Profitability	ROA	185	-0,19	0,47	0,08	0,09
	NPM	185	-0,82	0,58	0,11	0,14
Firm size	Ln (total aset)	185	33,66	29,21	31,16	1,01
Investment Decision	TAG	185	-0,89	1,68	0,08	0,19
Firm Value	PER	185	-120,85	179,14	22,42	28,88
Capital Structure	DER	185	0,07	9,87	1,32	1,47

Source: *Author's compilation*

Based on table 4.2 descriptive statistical test results above, it can be seen that the amount of this study is 185 data. Profitability ratios measured using ROA and NPM. Based on the test results, the minimum value of ROA is located at PT Lippo Karawaci Tbk in 2020, namely -0.19, then the maximum value is located at PT Unilever Indonesia Tbk in 2018 of 0.47. This shows that the ROA sample used ranges from -0.19 to 0.47 with a mean value of 0.08, meaning an average profit of 8%. The standard deviation value is 0.09 so that it can be interpreted that the data is more varied and has a low level of data variation because it is greater than the mean.

The minimum value for NPM is located at PT Lippo Karawaci Tbk in 2020, namely -0.82, then the maximum value is located at PT Semen Indonesia (Persero) Tbk in 2019 of 0.58. This shows that the NPM sample used ranges from -0.82 to 0.58 with a mean value of 0.11, meaning an average profit of 11%. The standard deviation value is 0.14 so that it can be interpreted that the data is more varied because it is greater than the mean.

The firm size variable is measured by the Ln total assets indicator. The minimum value for firm size is located at PT Matahari Department Store Tbk in 2019, namely 29.21. Then the maximum value is located at PT Astra Internasional Tbk in 2019 of 33.66. The average value is 31.16 with a standard deviation of 1.01. The standard deviation value of firm size is lower than the average value, so it can be interpreted that firm size has a low level of data variation.

Investment decision variables as measured by the total asset growth indicator. Based on the calculation of descriptive statistics, the minimum value for the investment decision variable is located at PT Bumi Serpong Damai Tbk in 2022, namely -0.89. Then the maximum value is located at PT Indofood CBP Sukses Makmur Tbk in 2021 of 1.68. The average value is 0.08 with a standard deviation of 0.19. The standard deviation value of investment decisions is higher than the average value, so it can be interpreted that investment decisions have more varied data.

The firm value variable as measured by the PER indicator. Based on the calculation of descriptive statistics, the minimum value for the Price Earning Ratio (PER) variable is located at PT Wijaya Karya (Persero) Tbk in 2022, namely -120.85. Then the maximum value is located at PT Tower Bersama Infrastruktur Tbk in 2018 amounting to 179.14. The average value is 22.42 with a standard deviation of 28.88. The standard deviation value of the company value is higher than the average value, so it can be interpreted that the data is more varied.

Capital structure variables as measured by the DER indicator. Based on the calculation of descriptive statistics, the minimum value for the Debt Equity Ratio (DER) variable is located at PT Mitra Keluarga Karyasehat Tbk in 2018, namely 0.07. Then the maximum value is located in the company PT Matahari Department Store Tbk in 2020 amounting to 9.87. The average value is 1.32 with a standard deviation of 1.47. The standard deviation value of the capital structure is higher than the average value, so it can be interpreted that the capital structure has more varied data. This means that the compass 100 index company in 2018-2022 has an increase in debt.

Data Analysis

This study uses a data processing program or Partial Least Square (PLS) statistical software, namely warpPLS 7.0. WarpPLS, apart from being used as hypothesis testing, can also function in building relationships that do not yet have a theoretical basis (Solimun et al.,

2017). There are 3 algorithms in warpPLS 7.0 software starting from the outer model (measurement model), inner model (structural model), and hypothesis testing.

1. Outer Model

Table 2

Variables	ROA	NPM	FS	KI	NP	SM	SE	P-Value
ROA	(1,000)	0,000	0,000	0,000	0,000	0,000	0,060	<0,001
NPM	0,000	(1,000)	0,000	0,000	0,000	0,000	0,060	<0,001
Firm Size	0,000	0,000	(1,000)	0,000	0,000	0,000	0,060	<0,001
Investment Decision	0,000	0,000	0,000	(1,000)	0,000	0,000	0,060	<0,001
Firm Value	0,000	0,000	0,000	0,000	(1,000)	0,000	0,060	<0,001
Capital Structure	0,000	0,000	0,000	0,000	0,000	(1,000)	0,060	<0,001

Source: *Author's compilation*

Based on table 2 that all variables are valid where all variables have a loading factor value of 1,000 so that they meet the requirements of convergent validity, namely the loading factor value of each indicator> 0,5, all variables can be concluded to be significant because the p-value <0,05.

Table 3

Variables	ROA	NPM	SIZE	KI	NP	SM
Composite reliab.	1,000	1,000	1,000	1,000	1,000	1,000
Cronbach's alpha	1,000	1,000	1,000	1,000	1,000	1,000

Source: *Author's compilation*

The reliability test results show that all Composite reliability values are> 0,70 and Cronbach's alpha> 0,60, which means that this research data is said to be reliable.

2. Inner Model

This structural evaluation tests the coefficient of determination (R^2) and Q-Squared. The coefficient of determination (R^2) serves to explain the variance of the dependent variable. The higher thei R^2 value, the greater the ability of the dependent variable to explain the dependent variable.

Table 4

Variables	Firm Vakue
R-squared	0,161
Q-squared	0,141

Source: *Author's compilation*

The R^2 coefficient in table 4 above is used to show that the R^2 of the endogenous construct of firm value is 0,161. This means that the variance of the endogenous construct of firm value can be explained by 16,1% by the variance of exogenous constructs, namely ROA, NPM, firm size, and investment decisions while the remaining 83,9% can be explained by other variables outside this study.

Further evaluation of structural capital by looking at predictive relevance using Q-squared. The Q-squared value in this study is 0,141 which is greater than 0. This shows that the predictive relevance of this research model is very good.

In the compatibility test model there are 3 tests, namely the Average path coefficient (APC), Average R-squared (ARS), and Average block VIF (AVIF) with the Average path coefficient (APC) and Average R-squared (ARS) criteria p-value <0,05 then for Average block VIF (AVIF) <5 (Solimun et al., 2017). Based on this table, the 3 tests have met the criteria so that they are accepted.

Table 5

	Indeks	P-Value	Kriteria	Keterangan
APC	0,135	0,015	< 0,05	Diterima
ARS	0,161	0,006	< 0,05	Diterima
AVIF	1,736		< 5	Diterima

Source: *Author's compilation*

3. Hypothesis Test Result

Hypothesis testing in this study uses structural capital evaluation on WarpPLS. The test in this study can be seen based on the path coefficient value and significant value (P-value). A positive coefficient value indicates that the independent variable is positively related to the dependent variable. A negative coefficient value indicates that the independent variable is negatively related to the dependent variable. A hypothesis can be accepted or rejected statistically which is calculated through the level of significance (Solimun et al., 2017). The level of significance is usually determined if it meets the criteria of p-value < 0,01 (significance at the 10% level), p-value <0,05 (signifikansi pada tingkat 5%), and p-value <0,01 (significance at the 1% level).

Table 6

No	Hypothesis	Path Coefficient	P-Value
1	ROA-NP	-0,177	0,007
2	NPM-NP	-0,023	0,397
3	FS-NP	-0,176	0,007
4	KP-NP	-0,111	0,063
5	ROA –SMDI	0,204	0,002
6	NPM-SMDI	0,316	< 0,001
7	FS-SMDI	0,029	0,344
8	KP-SMDI	-0,044	0,274

Source: *Author's compilation*

DISCUSSION

The Effect of ROA on Firm Value

The results of hypothesis testing in table 6 show a path coefficient value of -0,177 and a p-value of 0,007 indicating that profitability as measured using ROA has a negative effect on firm value, so hypothesis 1 (H1) in this study is rejected.

The results of this study are not in accordance with the theory, namely signaling theory because ROA is not used by investors as a form of signal in assessing companies in investing.

When ROA increases, it causes the price profit per share to increase, but the increase in ROA cannot determine whether the company's share price has also increased. So that when the increase in earnings per share but not followed by an increase in stock price it causes the company's value to decrease. The results of this study are in line with research from Lita et al., (2019)) and Yunan (2021)which state that ROA has a negative effect on firm value.

The Effect of NPM on Firm Value

The results of hypothesis testing in table 6 show that profitability as measured using NPM has no effect on firm value, this is indicated by a p-value of 0,379 which means that the error rate is greater than 0,05 and the path coefficient is -0,023. Based on the results of the research conducted, it indicates that signaling theory does not occur. The instability of NPM reflects that the company is not effective in earning a return on sales.

Some NPM companies in the sample experienced fluctuations and there were even companies that had negative NPM values. The instability of NPM from year to year causes investors to be unsure of the results that will be obtained in the future. So that it does not affect the value of the company as seen from the stock price. The results of this study are in line with research from Dompak Pasaribu (2017) and S. I. Sari (2021) which states that NPM has no effect on firm value.

The Effect of Firm Size on Firm Value

Based on the results of data processing, this study obtained a path coefficient value of -0,176 and a p-value of 0,007, meaning that firm size has a negative effect on firm value, so hypothesis 3 (H3) in this study is rejected.

This shows that a large company size is considered a negative signal for investors. Large companies tend to set large retained earnings for capital for their operating activities compared to dividends that will be distributed to shareholders. this can affect the decline in stock prices and company value. The results of this study are in line with research Bon & Hartoko (2022) and Wijoyo & Cindy (2023) which state that firm size has a negative effect on firm value.

The Effect of Investment Decisions on Firm Value

Based on the results of data processing, this study obtained a path coefficient value of -0,111 and a p-value of 0,063, meaning that investment decisions have no effect on firm value, so hypothesis 4 (H4) in this study is rejected.

This indicates that signaling theory does not occur. The inaccuracy of company management in making investment decisions causes a high level of risk that will be borne in the future, thus affecting a decrease in investor confidence. Increasing company assets requires large investment costs so that it does not have an impact on increasing or decreasing stock prices. The results of this study are in line with the research of Bahrun & Firmansyah (2020) and Milenia & Muid (2022) which state that investment decisions have no effect on firm value.

Capital structure moderates the effect of ROA on firm value

The results of hypothesis testing in table 6 show that capital structure is able to moderate the effect of ROA on firm value, so hypothesis 5 (H5) is accepted. The results of

data processing obtained Path coefficient value 0,204 and p-value 0,002 < (0,05), so this hypothesis is accepted.

Based on agency theory, companies that have a low capital structure reflect that management has operational efficiency and good risk management so that it can increase ROA and firm value. This condition is a positive signal for investors to invest because they are not worried about paying high interest rates, besides the low level of debt proportion causes a lower level of company risk. The results of this study are in line with the research of Munthe (2018) and Sunny & Surjadi (2021 which state that capital structure is able to moderate ROA on firm value.

Capital Structure Moderates the Effect of NPM on Firm Value

Based on hypothesis testing in table 6, it shows that capital structure is able to moderate the value of NPM on firm value, so the sixth hypothesis (H6) is accepted. The results of data processing obtained a path coefficient value of 0,316 and p-value <0,001.

Based on agency theory, companies that use internal funding as their capital structure will reduce the level of risk, because it reduces the amount of debt in the capital structure. When the management of the capital structure is efficient, this can be a positive signal for investors to be interested in buying high stock prices because they consider the return on their investment to be greater. The results of this study are in line with the research of Aswat et al., (2020) and Wijaya & Pancawati (2019)which state that capital structure is able to moderate the effect of NPM on firm value.

Capital Structure Moderates the Effect of Firm Size on Firm Value

The results of hypothesis testing in table 6 show that capital structure is not able to moderate firm size on firm value. The results of data processing obtained a path coefficient value of 0,029 and a p-value of 0,344 so that this hypothesis is not accepted. The larger the size of the company, the more capital it will require. Large companies will use foreign capital and debt to support their operational activities. The addition of this debt is an added risk for the company because it has to pay interest expense and debt burden.

This condition causes policy differences between managers and shareholders which cause conflicts due to agents who are selfish and do not see the risk when using debt. The results of this study are in line with the research of Aswat et al., (2020) and Afni et al., (2023) which state that capital structure is unable to moderate the effect of firm size on firm value.

Capital structure moderates the effect of investment decisions on firm value

The results of hypothesis testing in table 6 show that capital structure is unable to moderate the effect of investment decisions on firm value with a path coefficient value of -0,044 and a p-value of 0,274 so that the eighth hypothesis is rejected.

Based on agency theory related to capital structure, the composition of the capital structure of ineffective debt will increase the level of risk compared to the benefits, thus weakening the increase in investment decisions to encourage company growth. Because investment decisions are considered to have risks from interest expense and debt that must be paid. When the company is unable to provide positive signals to shareholders, this will also be captured as a negative form by shareholders because shareholders consider the return received from their investment activities to be small, this condition does not affect the

increase in share prices in the company. This research is in line with the research of Oemar (2022) and Wijoyo & Cindy (2023) which states that capital structure is unable to moderate investment decisions on firm value.

CONCLUSION

This study aims to examine the factors that affect firm value with capital structure as a moderating variable on the compass 100 index listed on the Indonesia Stock Exchange for the period 2018-2022. (1) ROA has a negative effect on firm value, (2) NPM has no negative effect on firm value, (3) Firm size has a negative effect on firm value, (4) investment decisions have a negative effect on firm value. (5) Capital structure is able to moderate the effect of ROA on firm value. (6) Capital structure is able to moderate the effect of NPM on firm value. (7) Capital structure is not able to moderate the effect of Firm size on firm value. (8) Capital structure is not able to moderate the effect of investment decision on firm value.

Based on these findings, several suggestions can be proposed. First, for future researchers it can be used as a comparison with the results of previous studies. further research is expected to find more sources of reference, add research periods, other testing software tools, samples, populations, and other factors such as those related to research variables. Second, for academics, it can be used to explore more deeply the measurement of each variable of this study in order to strengthen existing theories, both for teaching materials and further research. Third, for companies, it is hoped that it can be a reference for company managers as a consideration for company management in making effective and efficient business decisions. Fourth, investors can use the results of this study as a basis for making investment decisions in companies included in the compass 100 index listed on the Indonesia Stock Exchange, so that it can be used as a consideration for potential investors before investing in companies including the compass 100 index.

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