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THE EFFECT OF CAPITAL STRUCTURE, SALES GROWTH, AND PROFITABILITY ON FIRM VALUE IN PROPERTY AND REAL ESTATE COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE 2021–2024 PERIOD

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ABSTRACT

This study aims to analyze the effects of Capital Structure, Sales Growth, and Profitability on Firm Value in companies in the property and real estate sector listed on the Indonesia Stock Exchange (IDX) for the period 2021–2024. The study employs a quantitative approach using secondary data obtained from the companies' financial statements and annual reports. The research sample was determined using purposive sampling, resulting in 23 companies with a total of 92 observations. Capital Structure was proxied by the Debt-to-Equity Ratio (DER), Profitability was proxied by Return on Assets (ROA), and Firm Value was proxied by Price-to-Book Value (PBV). Data analysis was conducted using multiple linear regression with the aid of IBM SPSS Statistics. The results show that, when analyzed individually, Capital Structure has a positive and significant effect on Firm Value, whereas Sales Growth and Profitability do not have a significant effect on Firm Value. Thus, Capital Structure is a factor that companies should consider in increasing Firm Value, while Sales Growth and Profitability have not been able to influence Firm Value in the property and real estate sector during the study period.

Keywords: Capital Structure, Sales Growth, Profitability, Firm Value, Debt To Equity Ratio (DER), Return On Assets (ROA), and Price To Book Value (PBV).

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BACKGROUND

Companies prepare financial statements as a means of communicating information about their financial condition, performance, and cash flow position to stakeholders such as investors, creditors, the government, and the public. This information serves as the basis for economic decision-making; therefore, companies are expected to be able to create high corporate value as a reflection of their successful management of resources and future business prospects. The higher the enterprise value, the greater the level of investor confidence in the company's ability to generate sustainable profits.

Corporate value is an indicator that reflects the market's perception of a company's performance. For companies listed on the Indonesia Stock Exchange (IDX), corporate value is generally reflected in the stock price, which is determined by market mechanisms. Investors assess companies based on publicly available information, including financial statements and other data related to the company's business prospects. Therefore, companies must maintain strong financial performance to build investor confidence and maximize corporate value. In recent years, the property and real estate sector has experienced significant growth alongside substantial challenges. Following the COVID-19 pandemic, this sector has begun to show signs of recovery as economic activity picks up, but it still faces various factors such as changes in interest rates, inflation, construction costs, and global economic conditions that affect demand for real estate. The nature of the industry, which requires substantial investment and long-term financing, means that companies in this sector must be able to optimally manage their financing structures and financial performance to continue increasing corporate value.

One factor believed to influence a company's value is its capital structure. Capital structure reflects the mix of debt and equity used to finance a company's operations and investments. An optimal capital structure can improve financing efficiency and provide benefits in the form of a tax shield, thereby increasing the company's value. Conversely, excessive debt can increase financial risk and erode investor confidence in the company.

In addition to capital structure, sales growth is also a factor expected to influence a company's value. Sales growth reflects a company's ability to increase revenue from one period to the next. A high sales growth rate indicates that the company is capable of maintaining its competitiveness, expanding its market share, and increasing its prospects for future profits. These conditions can send a positive signal to investors, thereby increasing investment interest and leading to an increase in the company's value.

Another factor expected to influence a company's value is profitability. Profitability reflects a company's ability to generate profits through the utilization of its assets and capital. Companies with high profitability are generally perceived as having strong operational performance, high efficiency, and promising growth prospects. Thus, profitability is a key piece of information that investors consider when making investment decisions.

Various previous studies have examined the effects of capital structure, sales growth, and profitability on firm value. However, the results of these studies remain inconsistent. Some studies found that capital structure , sales growth, and profitability have a positive effect on firm value, while others indicate that not all of these variables have a significant impact. Differences in company characteristics, industry sectors, research periods, and analytical methods are believed to be the causes of these divergent findings.

Based on this phenomenon and the research gap identified in previous studies, this study was conducted to analyze the effects of capital structure, sales growth, and profitability on firm value among companies in the property and real estate sectors listed on the Indonesia Stock Exchange for the period 2021–2024. This study is expected to contribute to companies in formulating financial policies that can enhance firm value, serve as a basis for investors investment decisions, and enrich the literature in the fields of financial management and capital markets.

Problem Formulation

Based on the background described above, firm value is influenced by various factors related to a company's financial condition and performance. Among these factors, capital structure, sales growth, and profitability are expected to play a significant role in enhancing firm value. However, previous studies have yielded inconsistent findings, necessitating further research. Based on this, the research question for this study is as follows.

1. Does capital structure affect firm value in property and real estate companies listed on the Indonesia Stock Exchange during the 2021–2024 period?
2. Does sales growth affect firm value in property and real estate companies listed on the Indonesia Stock Exchange during the 2021–2024 period?
3. Does profitability affect firm value in property and real estate companies listed on the Indonesia Stock Exchange during the 2021–2024 period?

THEORETICAL FRAMEWORK

This study employs a quantitative method with a causal-associative approach, as it aims to analyze the effects of capital structure, sales growth, and profitability on firm value through statistical testing. The quantitative approach was chosen so that the relationships among variables could be measured objectively based on numerical data obtained from companies' financial statements and annual reports. The population in this study consists of all companies in the property and real estate sector listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The sample was selected using purposive sampling, a method of determining the sample based on specific criteria aligned with the study's objectives. The criteria used include companies that were continuously listed on the Indonesia Stock Exchange throughout the study period, published complete financial statements and annual reports, used the Indonesian Rupiah in the presentation of their financial statements, and did not incur losses during the observation period. Based on this selection process, 23 companies were selected as the research sample, yielding a total of 92 data observations over the four-year observation period. This study utilized secondary data obtained from the companies' financial statements and annual reports published on the official website of the Indonesia Stock Exchange (www.idx.co.id) as well as on each company's official website. The collected data consists of information regarding capital structure, sales growth, profitability, and firm value, which was subsequently processed according to the research requirements. The capital structure variable was measured using the Debt-to-Equity Ratio (DER), a ratio that illustrates the comparison between total debt and total company equity. The sales growth variable was measured based on the percentage change in net sales for the current year compared to the previous year. The profitability variable is measured using Return on Assets (ROA), which indicates the company's ability to generate net income from all of its assets. Meanwhile, the firm value variable is measured using the Price-to-Book Value (PBV) ratio, which is the ratio of the stock price to book value per share and reflects the market's perception of the firm's value. Before hypothesis testing, the research data was first analyzed using descriptive statistics to provide an overview of the characteristics of each research variable. Next, classical assumption tests were conducted, including tests for normality, multicollinearity, heteroscedasticity, and autocorrelation, to ensure that the regression model met the necessary assumptions, thereby producing unbiased and reliable estimates. Data analysis was performed using multiple linear regression analysis with the aid of IBM SPSS Statistics software. The regression model used in this study is formulated as follows.

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$$PBV = \alpha + \beta_1 DER + \beta_2 PP + \beta_3 ROA + \varepsilon$$

Notes:

- PBV = Enterprise Value
- α = Constant
- β_1–β_3 = Regression Coefficients
- DER = Debt-to-Equity Ratio
- PP = Sales Growth
- ROA = Profitability
- ε = Error (random error)

Hypothesis testing was conducted using the (partial) t-test to determine the effect of each independent variable—namely, capital structure, sales growth, and profitability—on firm value. In addition, the (simultaneous) F-test was used to determine whether all independent variables collectively influence firm value. The ability of the regression model to explain the variation in the dependent variable was analyzed using the coefficient of determination (Adjusted R Square/Adjusted R^2). The Adjusted R^2 value indicates the extent to which variations in firm value can be explained by capital structure, sales growth, and profitability, while the remainder is explained by other factors outside the research model.

RESULTS AND DISCUSSION

Characteristics of the Research Sample

This study uses a sample of 23 companies in the property and real estate sector listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The sample was selected using purposive sampling, a method in which the sample is determined based on specific criteria established by the researcher to align with the study's objectives. These criteria include companies that were continuously listed on the Indonesia Stock Exchange throughout the study period, published complete annual financial statements and annual reports , used the Indonesian Rupiah in the presentation of their financial statements, and did not incur losses during the observation period. Based on this selection process, 23 companies were identified that met the research criteria, yielding a total of 92 data observations spanning four years of observation (2021–2024).

The research data consists of secondary data obtained from companies' financial statements and annual reports published on the official website of the Indonesia Stock Exchange (IDX) and on each company's official website. The collected data includes information on capital structure, measured using the Debt-to-Equity Ratio (DER); sales growth; profitability, measured using Return on Assets (ROA); and firm value, proxied by the Price-to-Book Value (PBV) ratio. All collected data was then processed and analyzed using IBM SPSS Statistics to test the effects of capital structure, sales growth, and profitability on firm value through multiple linear regression analysis.

Results of the Coefficient of Determination Test (Adjusted R^2)

The research model has a relatively low ability to explain the relationship between the independent variables and the dependent variable. This is indicated by a correlation coefficient (R) of 0.411, which suggests that the relationship between Capital Structure, Sales Growth, and

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Profitability and Firm Value is moderate. Furthermore, the Adjusted R-Square value of 0.140 indicates that 14.0% of the variation in Firm Value can be explained by the variables Capital Structure, Sales Growth, and Profitability. Meanwhile, the remaining 86.0% is influenced by other variables not included in the research model, such as firm size, liquidity, dividend policy, investment decisions, *good corporate governance*, macroeconomic conditions, and other factors that may affect firm value.

The results of the analysis show an R value of 0.411 and an Adjusted R-Square of 0.140, indicating that Capital Structure, Sales Growth, and Profitability are capable of explaining changes in Firm Value, although their contribution remains relatively limited. Thus, the coefficient of determination is used to measure the extent to which these independent variables can explain variations in Firm Value among companies in the property and real estate sectors listed on the Indonesia Stock Exchange for the period 2021–2024.

Table 1. Coefficient of Determination Test Results

Model Summary

Model	R	R-Square	Adjusted R-Square	Standard Error of the Estimate
1	.411[a]	.169	.140	242.453074

a. Predictors: (Constant), ROA, Sales Growth, DER

Source: Compiled by the researcher, 2026.

Partial Test Results (t-Test)

A partial test (t-test) was conducted to determine the effect of each independent variable individually on Firm Value. Decisions were made by comparing the significance value (Sig.) with a significance level of 5% (α = 0.05). If the significance value is less than 0.05, the hypothesis is accepted; if the significance value is greater than 0.05, the hypothesis is rejected.

Table 2. Results of the Partial Test (t-Test)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-22.999	43.193		-.532	.596
	DER (X1)	255,967	65,858	.379	3,887	<.001
	Sales Growth (X2)	-2,505	17,384	-.014	-.144	.886
	ROA (X3)	120,487	67,162	.175	1,794	.076

a. Dependent Variable: PBV

Source: Compiled by the researcher, 2026.

Based on the results of the partial tests, the Capital Structure variable—proxied by the Debt-to-Equity Ratio (DER)—had a calculated t-value of 3.887 with a significance level of <0.001. Since this significance level is less than 0.05, Hypothesis 1 (H1) is accepted. These results

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indicate that Capital Structure has a positive and significant effect on Firm Value for companies in the property and real estate sector listed on the Indonesia Stock Exchange during the 2021–2024 period.

For the Sales Growth variable, the partial test results show a calculated t-value of -0.144 with a significance level of 0.886. Since this significance level is greater than 0.05, Hypothesis 2 (H2) is rejected. Thus, Sales Growth does not have a significant effect on Firm Value in the property and real estate sector during the study period.

Meanwhile, the Profitability variable, proxied by Return on Assets (ROA), yielded a calculated t-value of 1.794 with a significance level of 0.076. Since this significance level is greater than 0.05, Hypothesis 3 (H3) is rejected. These results indicate that Profitability does not have a significant effect on Firm Value for companies in the property and real estate sector listed on the Indonesia Stock Exchange during the 2021–2024 period.

Results of the Simultaneous Test (F-Test)

A simultaneous test was conducted to determine whether Capital Structure, Sales Growth, and Profitability collectively influence Firm Value. Based on the analysis results, the calculated F-value was 77.175 with a significance level of 0.000. This significance level is lower than the set significance level of 0.05; therefore, the regression model is deemed suitable (a good fit) for explaining the relationship between the independent and dependent variables.

The results of this test indicate that Capital Structure (DER), Sales Growth, and Profitability (ROA) simultaneously have a significant effect on Enterprise Value (PBV). Thus, these three independent variables collectively explain the variation in Enterprise Value among companies in the property and real estate sector listed on the Indonesia Stock Exchange (IDX) during the study period.

Table 4.9 Results of the Simultaneous Test (F-Test)

Table 3. Results of the Simultaneous Test (F-Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,049,294.179	3	349,764.726	5.950	<.001[b]
	Residual	5,172,947.377	88	58,783.493		
	Total	6,222,241.556	91			

a. Dependent Variable: PBV (Y)

b. Predictors: (Constant), DER (X1), Sales Growth (X2), DER (X3)

Source: Compiled by the researcher, 2026.

DISCUSSION

The Effect of Capital Structure on Firm Value

Based on the results of the multiple linear regression test, the capital structure—proxied by the Debt-to-Equity Ratio (DER)—was found to have a positive and significant effect on firm value. This is indicated by a regression coefficient of 255.967, a t-value of 3.887, and a significance level of <0.001, which is less than 0.05. Thus, the first hypothesis (H1) is accepted. These results indicate that an improvement in capital structure will be followed by an increase in firm value for companies in the property and real estate sectors listed on the Indonesia Stock Exchange during the 2021–2024 period.

Capital structure refers to financing decisions regarding the use of debt and equity to fund a company's operations and investments. Optimally managed debt can provide benefits such as tax savings (a tax shield) and enhance a company's ability to expand its business. These factors can boost investor confidence in the company's prospects, thereby increasing its value.

The results of this study support Signaling Theory, which explains that a company's financing decisions serve as signals to investors regarding the company's future prospects. An optimally managed capital structure is perceived as a positive signal because it reflects management's confidence in the company's ability to meet its obligations and generate future cash flows. Consequently, investors respond positively, as reflected in an increase in the company's value.

The Effect of Sales Growth on Firm Value

Based on the results of the hypothesis testing, sales growth does not have a significant effect on firm value. This is indicated by a regression coefficient of -2.505, a t-value of -0.144, and a significance level of 0.886, which is greater than 0.05. Thus, the second hypothesis (H2) is rejected. These results indicate that neither an increase nor a decrease in sales growth has a significant effect on firm value in the property and real estate sector for the 2021–2024 period.

The insignificant impact of sales growth indicates that an increase in sales does not necessarily improve investors' perception of a company's value. In the property and real estate sector, increased sales are often accompanied by rising operating costs, project development costs, and financing costs; thus, higher revenue does not necessarily result in increased profits capable of boosting the company's value.

The results of this study show that investors not only consider the rate of sales growth but also pay attention to a company's ability to generate profits, manage assets, and maintain financial stability. Therefore, sales growth was not the primary factor influencing corporate value during the study period.

The Impact of Profitability on Corporate Value

Based on the results of the regression analysis, profitability—as proxied by Return on Assets (ROA)—does not have a significant effect on firm value. This is indicated by a regression coefficient of 120.487, a t-value of 1.794, and a significance level of 0.076, which is greater than 0.05. Thus, the third hypothesis (H3) is rejected. These results indicate that profitability has not had a significant impact on firm value in the property and real estate sector during the study period.

In theory, high profitability reflects a company's ability to generate profits, thereby increasing investor confidence. However, in the property and real estate sector, investors do not only focus on profitability levels but also consider long-term project prospects, property market conditions, interest rates, and the company's ability to manage its capital structure.

The results of this study show that an increase in profitability does not necessarily directly increase a company's value. This indicates that there are other factors beyond profitability that play a more dominant role in influencing investment decisions in the property and real estate sector.

CONCLUSION

Based on the research results, it can be concluded that Capital Structure, proxied by the Debt-to-Equity Ratio (DER), has a positive and significant effect on Firm Value, proxied by the Price-to-Book Value (PBV) ratio. Conversely, Sales Growth and Profitability, proxied by Return on Assets (ROA), do not have a significant effect on Firm Value. Simultaneously, Capital Structure, Sales Growth, and Profitability have a significant effect on Firm Value. However, the ability of these three variables to explain the variation in Firm Value remains relatively limited, with an Adjusted R-Square value of 0.140; thus, most of the variation in Firm Value is influenced by other factors outside the research model.

Recommendations

Based on the research findings, companies are advised to manage their capital structure optimally to enhance investor confidence and firm value. Investors are also advised to consider various aspects, such as capital structure, financial condition, business prospects, and industry conditions, so that investment decisions are not solely based on sales growth and profitability. Furthermore, future research is expected to expand the scope and time period of the study and include additional variables that may influence firm value, such as firm size, liquidity, dividend policy, corporate governance, the investment opportunity set (IOS), and environmental, social, and governance (ESG) factors. Future research is also advised to employ more comprehensive analytical methods, such as panel data regression, to develop a more robust model.

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