THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

The Effect of Capital Structure, Liquidity, and Firm Size on Firm Value

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Abstract:

This study aims to analyze the effect of capital structure, liquidity and firm size on firm value in companies listed on the LQ45 issuers of the Indonesia Stock Exchange (IDX) for the 2016-2019 period. The population of this research is 96 companies. The sampling method used was purposive sampling, so that the sample used was 24 companies. The data collection method uses the library method and the data analysis method uses the Panel Data Regression analysis method with the help of Eviews 10 software. The results of this study indicate that the capital structure has a positive and significant effect on firm value. Liquidity and firm size have a negative and significant effect on firm value.

Keywords: Capital structure, liquidity, firm size, firm value

1. Introduction

To achieve company goals is to increase firm value. Firm value can describe the condition of the company so that it will influence investment decisions. Investors in making investment decisions tend to see the value of the company. Husnan (2014) defines firm value as the price a prospective buyer is willing to pay when the company is sold.

According to Lutfiana (2015), companies that have gone public want the price of shares to be sold to have a high price, thus attracting investors to invest in the company. Companies that have gone public or have offered shares to the public, company value is defined as investors' perceptions of the company itself (Husnan and Pudjiastuti, 2012).

According to Weston and Copeland (2010) the measurement of firm value consists of Price Earning Ratio (PER), Price to Book Value (PBV) and Tobin's Q. According to Fahmi (2014) Price Earning Ratio comparison between market price per share (price per share) with earnings per share (earnings per share), PER is the ratio used by investors to value the shares of a company. Tobin's Q is calculated by comparing the ratio of the company's stock market value to the book value of the company's equity. Price to Book Value (PBV) describes how much the market appreciates the book value of a company's shares (Weston and Copeland, 2010). The higher this ratio, the more confident the market is with the company's prospects. The indicator used in this study to measure firm value is the ratio of Price to Book Value (PBV).

Figure 1: Graph of Average LQ45 Price to Book Value (PBV) 2016-2019
Source: Processed Data (2020)

Figure 1 above shows the average companies listed on the LQ45 issuers on the IDX in the last 4 years (2016-2019 period). In this graph, we can see that companies that are included in LQ45 issuers experience fluctuations which tend to

decrease every year, there has been a decrease in Price to Book Value (PBV) in 2016-2017 from 9.31 to 8.91 and a very drastic decline in 2017-2018, namely from 8.92 to 6.11. Various economic events, both global and domestic, also colored the LQ45 movement. One of them is the negative sentiment from the United States (US), the Fed which raised its interest rates four times, then followed by Bank Indonesia (BI) who wanted to ahead the curve to avoid the risk of capital flights that could depress the rupiah (Yam CNBC Indonesia, 2018). This certainly makes companies that are included in LQ45 issuers tend to weaken and show indications of problems that should be of concern for further investigation.

Research conducted by Meidiawati and Mildawati (2016) shows that what influences firm value is profitability and capital structure. According to Lubis, *et al* (2017), what can affect company value is liquidity and profitability. Then in research conducted by Henriansyah and Dharmayuni (2016), it is stated that company size, Price Earning Ratio, and profitability together have a positive effect on firm value. But in Rahmawati, *et al* (2015) firm size has no effect, but profitability, capital structure and investment decisions partially have a significant effect.

This research is a development of research conducted by Jayanti (2018) which examines the effect of Profitability, Capital Structure, Liquidity, and Firm Size on Firm Value in the Manufacturing Sector on the Indonesia Stock Exchange 2013-2016. Where the results show that the profitability variable as measured by the Return on Equity ratio and the firm size variable as measured by Ln (Total Assets) has an effect on firm value, while the capital structure variable as measured by the Debt-to-Equity Ratio and liquidity as measured by the Current Ratio does not affect firm value.

2. Theoretical Review

2.1. Pecking Order Theory

The pecking order theory according to Myers and Majluf (1984) states that companies have a certain order of preference for capital used to finance the company's business, because of the potential for information asymmetry between investors and companies, companies will prefer retained earnings to debt. short-term debt over long-term debt and debt to equity (debt over equity).

2.2. Modigliani & Miller's Theory Approach

The theory of approach Modigliani and Miller (MM) Modern capital structure theory began in 1958, when two experts in financial management Prof. Franco Modigliani and Marton Miller proposed a scientific theory about the capital structure of a company that the value of a company is not affected by its capital structure. In other words, how a company will finance its operations means nothing, so the capital structure is irrelevant.

However, this theory is based on several assumptions including no brokerage fees, no taxes, no bankruptcy fees, investors can borrow at the same rate as the company and EBIT is not affected by the use of debt.

2.3. Firm Value

According to Brigham and Houston (2011), firm value is a certain condition that has been achieved by a company as a reflection of public trust in the company after going through a process of activity for several years, namely from the time the company was founded to the present. Increasing the value of the company is an achievement in accordance with the wishes of the owners.

2.4. Capital Structure

The definition of capital structure according to Brigham and Houston (2011) is a collection of funds that can be used and allocated by companies where the funds are obtained from long-term debt and own capital. Meanwhile, according to Hirdinis (2019) Capital structure is the proportion of corporate financing to debt, namely the company's leverage ratio. So, debt is an element of the company's capital structure.

2.5. Liquidity

According to Jogiyanto (2013), liquidity is related to the problem of a company's ability to meet its financial obligations which must be fulfilled immediately. The number of payment instruments (liquid assets) owned by a company at one time is the power to pay for the company concerned. A company that has the power to pay may not be able to fulfill all its financial obligations that must be fulfilled immediately or in other words, the company does not necessarily have the ability to pay. Liquidity can be measured using a ratio, namely the current ratio, which is a measuring tool for liquidity ability, namely the ability to pay debts that must be met immediately with current assets.

2.6. Firm Size

Firm size is the amount of assets owned by a company. According to Prasetyorini (2013) firm size is a scale where the size of the company can be classified according to various ways, including total assets, log size, stock market value and others.

Figure 2: Conceptual Framework
Source: Processed Data (2020)

The hypotheses of this study are

According to research conducted by Gayatri and Mustanda (2013) capital structure has an effect on firm value, this statement is in line with research conducted by Febriana (2016) which has a significant positive effect on firm value. This result can be explained that the use of debt in the capital structure can control the excessive use of free cash flow so that management does not get involved in unprofitable investment projects. The use of debt in the capital structure will provide additional supervision from the creditor so that management works for the benefit of the company. This condition will be responded positively by shareholders as reflected in the increase in share prices. Based on these thoughts, the following hypothesis is obtained:

- H1: Capital Structure Has a Positive Effect on Firm Value

According to Maulitia (2018) Liquidity is a ratio that can be used to measure the extent to which the company's ability to pay off its short-term obligations that are due soon. If the company has the ability to pay off short-term obligations at maturity, the company can be said to be a liquid company. In the results of this study, liquidity has an effect on firm value. These results are in line with research conducted by Luthfiana (2018) which explains that liquidity has a positive and significant effect on firm value.

- H2: Liquidity has a positive effect on firm value.

The bigger the size of the company, the greater the confidence of investors in the company's ability to provide a return on investment (Arifianto, 2016). This is because the larger the size of the company, the more stable the company's condition, of course, investors will prefer to invest in larger companies. The large number of enthusiasts will increase the company's stock price and ultimately increase the company's value and then attract investors to own the company's shares. According to research conducted by Febriana (2016) and Niresh and Velnampy (2014) firm size has a positive and significant effect on firm value. Based on these thoughts, the following hypothesis is obtained:

- H3: Company Size (Size) has a positive effect on firm value.

3. Method

This research is a quantitative research which is a causal explanatory relationship which aims to determine the pattern of the causal relationship between the independent variable and the dependent variable. The use of the causal explanatory method is in accordance with the research objectives, namely to test the hypothesis that tests the relationship and influence between the variables studied. The selection of this type of research is in accordance with the research objectives, namely to determine whether the ratio of capital structure, liquidity, and firm size to firm value at companies that are listed as LQ45 issuers on the Indonesia Stock Exchange 2016-2019 Period.

4. Result

4.1. Descriptive Statistical Analysis

Descriptive analysis describes a summary of research data. The number of variables used in this study were four variables. The descriptive statistics of the data can be seen from the average value (mean), minimum value, maximum value and standard deviation of each variable used in this study (Sugiyono, 2016). The results of descriptive statistical data are presented in **Table 1** below:

	PBV	DER	CR	SIZE
Mean	5.870104	1.163542	204.4774	31.26865
Median	2.095000	0.740000	160.2550	31.20000
Maximum	82.44000	4.340000	527.2330	33.49453
Minimum	0.567169	0.088452	27.96428	29.20392
Std. Dev.	12.86715	1.026976	119.1405	0.963298
Observations	96	96	96	96

Table 1: Descriptive Statistics of Research Variables
Source: Processed Data (2020)

Table 1 above shows the results of the descriptive statistical output of the four research variables:

4.1.1. Observations

This means that the amount of data processed in the study was 96 consisting of 24 companies studied for 4 years. The variables used are PBV, DER, CR, SIZE.

4.1.2. Firm Value (PBV)

The firm value, which is proxied by Price to Book Value (PBV) in table 6.1, has a maximum value of 82.44 and a minimum value of 0.56, means the company has not succeeded in creating value for the shares. The mean value is 5.870104 and the standard deviation is 12.86715. This shows that during the study period, these companies had the ability to assess the stock market on the book value of shares outstanding.

4.1.3. Debt to Equity Ratio (DER)

The capital structure proxied by the Debt-to-Equity Ratio in table 6.1 has a maximum value of 4.34 times which means that the capital structure of companies uses more debt. The minimum value is 0.08 because that year uses equity more than debt. The mean value is 1.163542 and the standard deviation is 1.026976, this shows that the average DER of the company under investigation for its debts can be managed well and the standard deviation is smaller than the average value which means that the data used varies so that it can be said the data is good.

4.1.4. Current Ratio (CR)

Liquidity, which is proxied by the current ratio in table 4.1, has a maximum value of 527.23, meaning that every 1 Rupiah of current debt is guaranteed by 527.23 as many current assets as there are in the company. The minimum value is 27.96 so that the company has the least risk of paying its short-term obligations at maturity using available current assets. The mean value of the CR variable is 204.4774 and the standard deviation value is 119.1405. This shows that the average CR in the company from the study sample is able to meet its short-term obligations of 204.47 times the total current assets owned by the company.

4.1.5. Firm Size (Size)

The size of the company which is proxied by the size variable in **Table 1** has a maximum value of 33.49 and a minimum value of 29.20. The mean value is 31.26865 while the standard deviation value is 0.963298. The standard deviation is smaller than the mean value, which means that the data used in the size variable has a small distribution so that the data deviation can be said to be good.

4.2. Panel Data Regression Result

There are three models that can be used to perform panel data regression. The three models are Pooled OLS / Common Effect, Fixed Effect and Random Effect. According to Basuki and Prawoto (2017) these three models can be explained as follows:

4.2.1. Common Effect Model

The Common Effect Model is the simplest panel data model approach because it only combines time series and cross section data and estimates it using the Ordinary Least Square (OLS) approach.

Dependent Variable: PBVLOG Method: Panel Least Squares Date: 01/13/21 Time: 10:32 Sample: 2016 2019 Periods included: 4 Cross-sections included: 24 Total panel (balanced) observations: 96				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.02082	2.733077	4.764164	0.0000
DER	-0.239879	0.093789	-2.557628	0.0122
CR	-0.000677	0.000852	-0.794625	0.4289
SIZE	-0.373374	0.084744	-4.405899	0.0000
R-squared	0.242920	Mean dependent var		0.928122
Adjusted R-squared	0.218233	S.D. dependent var		0.843395
S.E. of regression	0.745710	Akaike info criterion		2.291813
Sum squared resid	51.15966	Schwarz criterion		2.398661
Log likelihood	-106.0070	Hannan-Quinn criter.		2.335003
F-statistic	9.839862	Durbin-Watson stat		0.370575
Prob(F-statistic)	0.000011			

Table 2: Common Effect Model

Source: Processed Data (2020)

4.2.2. Fixed Effect Model

Fixed effects models use dummy variables to capture intercept differences between companies. This model can also be called the Least Square Dummy Variable (LSDV) technique.

Dependent Variable: PBVLOG				
Method: Panel EGLS (Cross-section weights)				
Date: 01/13/21 Time: 10:32				
Sample: 2016 2019				
Periods included: 4				
Cross-sections included: 24				
Total panel (balanced) observations: 96				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	42.16516	2.536064	16.62622	0.0000
DER	0.131482	0.057261	2.296172	0.0247
CR	-0.000730	0.000314	-2.321951	0.0232
SIZE	-1.318888	0.080023	-16.48133	0.0000
	Effects Specification			
Cross-section fixed (dummy variables)				
	Weighted Statistics			
R-squared	0.982123	Mean dependent var		1.954369
Adjusted R-squared	0.975387	S.D. dependent var		2.223148
S.E. of regression	0.300050	Sum squared resid		6.212051
F-statistic	145.7986	Durbin-Watson stat		2.390705
Prob(F-statistic)	0.000000			
	Unweighted Statistics			
R-squared	0.904491	Mean dependent var		0.928122
Sum squared resid	6.453988	Durbin-Watson stat		2.677075

Table 3: Fixed Effect Model
Source: Processed Data (2020)

4.2.3. Random Effect Model

Random effect is the difference in intercept accommodated by the error terms of each company. The advantage of the random effect model is that it eliminates the problem of heteroscedasticity. This model is also called the Generalized Least Square (GLS) or Error Component Model (ECM) technique.

Dependent Variable: PBVLOG				
Method: Panel EGLS (Cross-section random effects)				
Date: 01/13/21 Time: 10:33				
Sample: 2016 2019				
Periods included: 4				
Cross-sections included: 24				
Total panel (balanced) observations: 96				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	20.45434	4.086501	5.005343	0.0000
DER	-0.127788	0.110615	-1.155253	0.2510
CR	-0.000945	0.000723	-1.306401	0.1947
SIZE	-0.613517	0.131133	-4.678594	0.0000
Effects Specification				
			S.D.	Rho
Cross-section random			0.720505	0.8483
Idiosyncratic random			0.304676	0.1517
	Weighted Statistics			
R-squared	0.218953	Mean dependent var		0.191990
Adjusted R-squared	0.193484	S.D. dependent var		0.352825
S.E. of regression	0.316859	Sum squared resid		9.236778
F-statistic	8.596855	Durbin-Watson stat		1.961465
Prob(F-statistic)	0.000043			
	Unweighted Statistics			
R-squared	0.156373	Mean dependent var		0.928122
Sum squared resid	57.00812	Durbin-Watson stat		0.317808

Table 4: Random Effect Model
Source: Processed Data (2020)

4.3. Selection of Panel Data Regression Model

According to Basuki (2017) to choose the most appropriate model in managing panel data, there are several tests that can be carried out, namely:

4.3.1. Chow Test

Is a test to determine the fixed effect or Common Effect model that is most appropriate to use in estimating panel data. The hypothesis formed in the Chow Test is as follows:

- H0: Common effect model
- H1: Fixed effect model

Hypothesis testing criteria, namely if the probability <0.05 then H0 is rejected and H1 is accepted. Conversely, if the probability > 0.05 then H0 is accepted and H1 is rejected. Here is a test chow test:

Effects Test	Statistic	d.f.	Prob.
Cross-section F	20.962089	(23,69)	0.0000
Cross-section Chi-square	199.474623	23	0.0000

Table 5: Chow Test

Source: Processed Data (2020)

Based on table 4.5, it is known that the hypothesis has a probability value of cross section F smaller than α (5%), which is $0.0000 < 0.05$, so H0 is rejected, meaning that the suitable method for this study is the fixed effect model. Because the results of the Chow H0 test are rejected, the test is continued to the Hausman test, to determine the best model between the fixed effect or random effect.

4.3.2. Hausman Test

The Hausman test is carried out to test whether the data is analyzed using fixed effects or random effects, the test is carried out using the Eviews 10 program. Conducting the Hausman Test The data are also regressed with the random effect and fixed effect models by making the following hypothesis:

- H0: Random effect model
- H1: Fixed effect model

Hypothesis testing criteria, namely if the probability <0.05 then H0 is rejected and H1 is accepted. Conversely, if the probability > 0.05 then H0 is accepted and H1 is rejected. Here is the Hausman test:

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.50511	3	0.0147

Table 6: Hausman Test

Source: Processed Data (2020)

Based on table 4.6, it is known that the hypothesis has a probability value of random cross section smaller than α (5%), which is $0.0033 < 0.05$, so H0 is rejected. So, it can be concluded that the suitable method for the panel data regression model in this study is the fixed effect model.

4.3. Analysis Model Regresi Data Panel

After doing the Chow test and the Hausman test, the results of the most appropriate equation model in this study are the Fixed Effect Model, as follows:

$$PBV = C + 0.131482 \text{ DER} - 0.000730 \text{ CR} - 1.318888 \text{ SIZE}$$

Based on the above equation, it can be explained that:

- A constant of 42.16516 states that if DER, CR and SIZE are worth 0, the PBV value is 42.16516.
- The DER regression coefficient of 0.131482 states that for every 1 addition of the DER factor, the PBV number will increase by 0.131482 assuming that the other factors remain.
- The CR regression coefficient of - 0.000730 states that every 1 addition of the CR factor, the number of PBV will decrease - 0.000730 assuming that the other factors are constant.
- The SIZE regression coefficient of - 1.318888 states that every 1 addition of the SIZE factor, the number of PBV will decrease - 1.318888 assuming that the other factors remain.

4.3.1. Hypothesis Test

The t test is carried out to partially test the independent variable on the dependent variable. The t test results can be seen from the coefficients table in the sig column. The t test can be seen from the p-value which is compared with the significance level $\alpha = 5\%$. If the probability value or significance <0.05 or t count $>$ t table, it can be concluded that the independent or independent variable has an individual influence on the dependent variable.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	42.16516	2.536064	16.62622	0
DER	0.131482	0.057261	2.296172	0.0247
CR	-0.00073	0.000314	-2.32195	0.0232
SIZE	-1.31889	0.080023	-16.4813	0

Table 7: T Test

Source: Processed Data (2020)

Based on Table 7 it can be seen that the t test results by looking at the t-statistic and the probability can be explained as follows:

4.3.1.1. Capital Structure

Capital structure (DER) has an effect on firm value, this can be seen from the t test results in Table 7 which have a t value of 2.296172 and a probability smaller than α (0.05), which is 0.0247. This shows that DER has a positive and significant effect on the PBV of the LQ45 issuers for the 2016-2019 period. Faced with the hypothesis (H1) which states that the Debt-to-Equity Ratio has a positive effect on firm value, the results of this test accept this hypothesis. This shows that every time DER increases, PBV will increase, this result is in line with the pecking order theory according to Myers and Majluf (1984) which states that if a company chooses its funding needs by going into debt, the market will read a signal that the company's management has the ability to pay its obligations regularly.

4.3.1.2. Liquidity

Liquidity (CR) has an effect on firm value, this can be seen from the t test results in Table 7 which have a t value of -2.321951 and the probability is smaller than α (0.05), which is 0.0232. This shows that the Current Ratio (CR) variable has a negative and significant effect on the PBV of the LQ45 issuers for the 2016-2019 period. Faced with the hypothesis (H2) which states that Current Ratio (CR) has a positive effect on firm value, the results of this test reject this hypothesis. This shows that if the CR value is too high, it will have a negative impact on the LQ45 issuers for the 2016-2019 period because it means that the company is experiencing excess idle current assets.

4.3.1.3. Firm size

Firm size (SIZE) has an effect on firm value, this can be seen from the t test results in Table 7 which has a t-count value of -16.48133 and the probability is smaller than α (0.05), which is 0.0000. This shows that the firm size variable (SIZE) has a negative and significant effect on the PBV of the LQ45 issuers for the 2016-2019 period. Faced with the hypothesis (H3) which states that firm size has a positive effect on firm value, the results of this test reject this hypothesis. This shows that if the SIZE value is too high, the company value will decrease, this is in line with the research of Cheryta, et al. (2016) which states that a larger company size is likely to experience increasingly complex problems that can reduce firm value.

5. Discussion

Based on research that has been conducted on three independent variables, namely capital structure, liquidity and company size on the dependent variable, namely firm value. Where the capital structure variable (DER) has a positive and significant effect on firm value. Meanwhile, the liquidity variable (CR) and firm size (SIZE) have a negative and significant effect on firm value. The following is a description of the results of this study:

5.1. The Effect of Capital Structure on Firm Value

Based on the results of the panel data regression test, the capital structure variable on firm value shows that the capital structure has a positive and significant effect on the company value of the LQ45 issuers for the 2016-2019 period. The positive effect means that the company uses debt as a more reliable signal to investors and this is one of the company's intentions, namely being confident in its future prospects. This is in line with the results that the sample companies that are included in the LQ45 issuers for the 2016-2019 period use more debt than capital. According to Kasmir (2014) debt to equity ratio is a financial ratio used to assess debt to company equity. This ratio is used to find out the total funds provided by the borrower (creditor) and the owner of the company.

The results of this study are in line with Fatah, et al (2017), Adam and Taufik (2018), Febriana (2016) which state that capital structure (DER) has a positive and significant effect on firm value. However, it is not in line with the research by Anggarwal, et al (2019) and Sintyana, et al (2019) which state that capital structure (DER) has no effect on firm value.

5.2. Effect of Liquidity on Firm Value

Based on the results of the panel data regression test, the liquidity variable on firm value shows that the current ratio has a negative and significant effect on the company value of the LQ45 issuers for the 2016-2019 period. The negative effect means that the higher the liquidity, the lower the company's value, the assets that have not been sold can cause a high current ratio. According to Jogiyanto (2013) liquidity is related to the problem of a company's ability to meet its financial obligations which must be fulfilled immediately. If the value of the current ratio is too high, it will have a negative impact on the value of the company, because it means that the company has excess idle current assets. This is because the sample companies of LQ45 issuers for the 2016-2019 period have high current ratios indicating an excess of

current assets which can reduce the value of the company because investors are reluctant to invest in companies with low returns.

The results of this study are in line with Wijaya and Purnawati (2014), Sudiani and Darmayanti (2016) who state that liquidity (CR) has a negative and significant effect on firm value. However, it is not in line with the research conducted by Lumoly, et al (2018) and Oktrima (2017) which states that liquidity (CR) has no effect on firm value.

5.3. The Effect of Firm Size on Firm Value

Based on the results of the panel data regression test, the variable firm size on firm value shows that size has a negative and significant effect on the company value of the LQ45 issuers for the 2016-2019 period. The negative effect means that the larger the company size, the lower the firm's value. Each increase in company size by 1 unit, assuming the other independent variables are considered constant, will decrease the firm value (PBV) by 1.318888. This shows that the size of the company as seen from the company's total assets which is too large is considered a negative signal for investors or potential investors.

According to the theory of Jensen & Meckling (1976), firm size that is too large is considered to cause a lack of efficiency in monitoring operational activities and strategies by management, so as to reduce firm value. This condition is caused by differences in interests between shareholders and managers, resulting in a conflict known as agency conflict.

The results of this study are in line with Maulitia (2018) and Ramdhonah, et al (2019) which state that firm size has a negative and significant effect on firm value. However, the results of this study are not in line with research conducted by Sintyana, et al. (2019) Meidiawati and Mildawati (2016) which state that firm size has no effect on firm value.

6. Conclusions and Suggestions

This study aims to determine the condition of the company value of the LQ45 issuers on the Indonesia Stock Exchange for 4 years, 2016-2019 period. As well as testing the independent variables on the dependent variable, namely Debt to Equity Ratio (DER), Current Ratio (CR), and Size to Firm Value (PBV). The sample used in this study were 24 companies, while the conclusions from the discussion are: Debt to Equity Ratio (DER) has a positive and significant effect on Firm Value (PBV) in LQ45 issuers for the 2016-2019 period. Current Ratio (CR) has a negative and significant effect on Firm Value (PBV) in LQ45 issuers for the 2016-2019 period. Size has a negative and significant effect on Company Value (PBV) at LQ45 issuers for the 2016-2019 period.

Based on the above conclusions, several suggestions can be put forward as follows: 1) For Investors, Investors can choose companies that have an optimal capital structure through the use of debt. 2) For the company, the CR and SIZE variables have a negative and significant effect on the PBV ratio. Researcher's suggestion to LQ45 issuers to increase PBV. The following are things that companies need to pay attention to: Debt to Equity Ratio (DER), namely the higher the DER value, the higher the funding received by the company, the greater it will be in financing its operational activities. So that the higher the investors think that the company is good at using its debt. Current Ratio (CR) is a company to be more productive in managing its current assets in order to generate better business prospects. Size, namely the greater the size of the company, the greater the responsibility of the company to investors to be able to better manage and utilize its assets and wealth in order to maintain investor confidence in the company, so that it no longer raises the view of investors that the larger the size of the company is considered to cause a lack of efficiency of monitoring of operational activities and strategy by the management. 3) For further researchers it is recommended to add other variables such as ROA, TATO, Share Price and Corporate Social Responsibility as well as to conduct research in sectors outside of LQ45 issuers and to add the number of samples and different time periods. In addition, it is also expected to use different analytical tools from this research so that the research results can be maximized.

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