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The Effect of Investment Opportunity Set and Firm Size on Firm Value: Study on Companies Registered in Jakarta Islamic Index Year 2017-2020, Indonesia

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Abstract:
The following research has the objective of testing the effect of the Investment Opportunity Set and company size with firm value. In carrying out the research, it was carried out on business actors who were on the Jakarta Islamic Index list in the 2017-2020 period. The sample used is as many as 116 companies that are on the Jakarta Islamic Index list in the 2017-2020 period. The use of the sampling technique is purposive sampling. The type of data is in the form of secondary data obtained through the website idx.co.id. Multiple linear regression techniques were used to analyze the data. In this study, the dependent variable is firm value while the independent variable is the Investment Opportunity Set (IOS) and company size. Based on the resulting analysis, the Investment Opportunity Set (IOS) has a positive and significant effect on firm value, and firm size does not influence firm value.

Keywords: Investment opportunity set, firm size, firmvalue

1. Introduction

The global economy shows improvement but continues to be accompanied by a slowdown due to the uncertainty of the impact of the COVID 19 pandemic. The IMF projects that the global economy will grow -4.4 percent in the World Economic Outlook October 2020 report. According to the Fiscal Policy Agency of the Ministry of Finance in the third quarter of 2020, the Indonesian economy is heading towards positive economic growth of 5.05 percent. The Composite Stock Price Index for the fourth quarter of 2020 strengthened by 14.41 compared to the previous quarter. This increase occurred due to investor optimism about the policies being taken by the government. This statement is supported by BEI again winning an award at the 2020 Global Islamic Finance Awards as part of the *Best Islamic Capital Market*. This has shown that the IDX has received international recognition, so that it can maintain its achievements and consistently serve as a benchmark for the development of the Islamic capital market industry in general. Data for August 2020 shows that if the Islamic stock market is able to become dominant with a percentage of up to 63% through the large number of shares on the IDX record, the market value reaches 50%, and the trading value of Sharia shares reaches 50%. Total transactions that occur in shares on the IDX. In addition, the President Director of the IDX, Inarno Djajadi, explained that since the beginning of 2020 there have been 35 initial public offerings which have reached an amount of 4.04 trillion rupiah. net tangible assets ranging from one billion rupiah up to 100 billion rupiah. This has shown that in 2020 there are many companies with minimum assets and in the middle of making use of the capital market as a source of financing(Prima & Winarto, 2020). For small companies that have just joined the capital market, of course, they have a desire to improve the quality of their company, as a way, namely through efforts to increase the value of the company so that the investing party has an interest in investing in the company. According to Wijaya & Suganda (2020)explain that investors in investing consider one of the factors, namely company value. Investors have a tendency and interest in the high value of the company when making decisions for investment. This is supported by Gapensi (1996) which states that the value of the company is proportional to the prosperity of the shareholder, thus the higher the price of shares, the higher the value of the company. Thus, company value can influence investors' decisions to invest in a company.

The statement of financial position presents past financial information, one of which is the value of the company, while the income statement is used to evaluate the company's profit from year to year. On the other hand, according to Putri & Setiawan (2019), the company value is measured based on the current value of the assets owned by the company and the investment value that comes out in the future, not only from financial statements. According to(Harnomo, 2017), the value of a company can also be described by the performance of a business actor, which is reflected in its share price. The share price is formed from the relationship *supply* and *demand* in the capital market, which reflects the value given to the public regarding the performance of the business actor.

The main objective of companies that have *gone public* is to make improvements to their valuation, thereby attracting investors to invest in business actors. To be able to know the development of a company can be seen from the value of the company, if the share price of a company is high value, it will increase the confidence of investors as a picture of the future that the company can achieve success. The success achieved in creating high valuations will certainly give

shareholders expectations of being able to get even greater profits. There are many things that can affect the level of the assessment, including the *Investment Opportunity Set*. According toBrigham & Houston(2014), the *Investment Opportunity Set* can describe whether a company has a *going concern,* which is marked by an increase in profits from the achievement of investment activities.In line with (Wardani & Sirregar, 2009)which states that the *Investment Opportunity Set* is a combination of assets *real* against investment alternatives in the future and has a positive value today.Hidayah(2017)states that the *Investment Opportunity Set is* expected to be able to bring *returns*higher on costs that have been incurred at this time.Companies that have high-value IOS can be considered capable of obtaining high returns. Research conducted by Juarsa et al. (2019)uses the market to book value of equity ratio because this provision describes the capital in a company that reflects the return on existing assets and future investment will exceed the desired return on equity.

According to *Signaling Theory, the* entity will convey reliable financial information signals to investors. A high IOS accompanied by increased ratings will provide a positive outlook for. According to Rizqia et al. (2013)This signal will be considered positive news for those who invest and be able to influence decision making to invest shares in the company.This is also given support from Juarsa et al.(2019)who explained that IOS also had an effect on the company's assessment. Similar to research from Hariyanto & Lestari (2015)measuring IOS using a PER measuring instrument, the results of this study reveal that IOS has a positive and significant effect on company judgment.. Contrary to the research conducted byKolibu et al. (2020)conducted on Consumer Goods companies with High Leverage on the IDX revealed that IOS has no effect on company valuation, this is because companies cannot increase company value because they do not pay attention to investment opportunities that are truly appropriate. This study has similar results by research fromSuryanawa(2017) which proves that IOS has no effect on firm value. Previous research has produced different results about the influence of the *Investment Opportunity Set* on the firm value motivating researchers to return to research in order to determine the consistency of the results of these previous studies.

According to Oggita (2018)), the size of the company explains the large number of assets owned by a business actor, the better the ability of the business actor to face the possible risks that the company will face. The logarithmic value of total assets can be used to measure the measurement against value. The bigger a business institution is, the better access it will get to sources of financing from internal and external parties. According to Santoso & Wuryani (2013)), the size of a company determines the trust of those who will invest, the bigger a business institution is and the more it is known to the public at large and makes it easier to obtain information as a form of information about the company or business institution. Clarity of information about the company increases the value of the company.Putu et al. (2014)explained that if the size of a company is included on a large scale, usually the availability of information for those who invest when making decisions to invest in relation to the size of the company, this encourages the economic growth of the company, so that it is expected to be able to increase its assessment. Besides this, those who invest tend to have an interest in large companies, because they will be less likely to face financial difficulties and have positive economic growth in the future. Thus, a measure of the value of a company is able to provide a description of the quantity of assets owned and an impact on the value of the company.

According to Hirdinis (2019)investors will react positively so as to increase the value of the company if the company is growing, which is shown by the size of the company. The more assets and total sales, the bigger the company. The bigger the company or the wider the scope, the more difficult it is to get internal and external funding. Large companies are considered more sensitive than small companies and have a relatively high transfer of capital. The results of Hirdinis (2019)research regarding capital structuring and measurement of company valuations which are moderated by profit prove that measurement has no effect on its value, this is shown by the results of a significant value on the t test which is 0.038 where this result is below 0.05.

Research conducted by Anugerah & Suryanawa (2019) andOggita (2018)prove that the measurement of the company is positively and significantly related to its value. In line with the implementation of research fromPutu et al. (2014)proved that companies with a larger company size can increase the valuation of the company. The resulting research shows that the path coefficient of measurement on firm value is 0. 105 on the t-statistic 2.008 with a positive path coefficient. A larger company size is able to provide an increase in manufacturing valuation. This is because manufacturing companies have an average size so that it can lead to an impetus to make improvements to the value of the company, compared to small ones because larger-scale companies have a critical view from external and internal and are more optimal in managing business activities. which it runs. However, contrary to research byDewi & Wirajaya (2013),it shows that company measurement has a negative effect on its value. Supported by research fromNurvita & Budiarti (2019)which reveals that firm size has a negative and insignificant effect on the value of business actors. Bhattarai (2020)) conducted a study on the determinants of firm value in Nepal, the results of his research proved that company size at banks in Nepal had no effect on firm value.

Based on the results of the discussion above, the theory and research produced regarding the effect of company size and the *Investment Opportunity Set* on its value are inconsistent, thus providing encouragement for researchers to carry out re-research so that it can be seen the effect of company size and IOS on the value of the company.

2. Literature Review

2.1.Signaling Theory

According toPanggabean & Suratno(2014)signal theory assumes that good information about a company will drive the company's reputation to the market. Investors view companies as organizations that generate growth and profit prospects through desired investments. Management is the information provider of the company, which has more

information than outsiders or investors. Due to investors' distrust of the information provided, there is asymmetric information between company management and investors. The lack of information obtained by third parties about the condition of the company makes investors tend to give low prices on the value of the company to protect their interests. The signal theory according toSurya & Wuryani(2015)explains that an entity must provide reports to third parties, as well as financial information that is directly or indirectly related to the company. According to Morris (2012)management as a manager can provide added value to the company by minimizing investment errors to investors. A method in order to minimize this distortion is to send a number of signals in the form of accurate accounting information to external parties. This matter is considered capable of minimizing something uncertain in the risk as well as describing the success of the company in the future.

2.2.Firm Value

According to Siboni & Pourali(2015)financial reporting is designed to be able to provide the information needed by shareholders in making decisions to invest and finance or not. Shareholders and investors can use company value as accounting information to determine better judgment regarding share purchases. According to Kurniawati (2018)the high value of the company can increase the welfare of shareholders so that they can invest in a company. Research conducted from Handriani & Irianti(2015)revealed that to increase company value, proper financial handling capabilities are needed, if a financial decision is made, it will affect other financial conditions that tend to be firm value.

Firm value is company. Research the view given by parties who will invest in a company which is generally related to the market price of its shares, as something that depends on the price that the investing party is willing to pay, which allows it to be smaller or greater than the value. his book. When a company has many investment opportunities, the share price tends to be high because it will increase shareholder income. According toMajid & Budiarti(2019)high share prices make the company value high.

SC Myers(1977)revealed that the component of firm value consists of real assets which are independently determined by the company's future investment opportunities. The reason is, when a company has real assets such as property and equipment, the company faces many activities that can be exchanged when the real assets are low, in order to reduce agency costs that may arise between managers and shareholders. Apart from real assets, real options are determined by the company's future investment decisions. If the company faces debt risk, the manager takes action on behalf of the shareholders and refuses to invest which can add value to a company, accompanied by the belief that in this case it will be able to increase the interests of the debtor. The company's ability to increase the value of the company can be obtained by selecting various sets of investment opportunities or IOS. The market ratio can be used in measuring the value of the company. A ratio to measure the market value of the company, namely Tobin's Q, because it is said to have the ability to provide the best information, because it includes all company assets, debt and capital stock, common stock and equity.

2.3.Investment Opportunity Set (IOS)

Thecompany's Investment Opportunity Set (IOS) according to Kallapur & Trombley(2001)is an important characteristic of an entity and has a major impact on the way the entity is viewed by stakeholders and shareholders. It is very necessary to differentiate between IOS and growth. The term growth is commonly used to refer to the entity's capability to develop, while investment opportunities are options for investing in projects *Net Present Value* positive. Although certain investment opportunities can also lead to an increase in *firm size*, only a few growth opportunities have *Net Present Value* a positive. An entity may often have growth opportunities, but these opportunities do not have the potential to increase the market value of the company.

According toAdam, metal mining companies disclose reserve information to estimate the value of their investment options. However, because firms in most industries do not publish this information, proxies should be used to measure investment opportunities based on the assumption of a correlation between observable factors and unobservable investment opportunities. These proxies can be divided into four types: by price, by investment, by size of variance and by size of aggregate.

2.4.Firm Size

According to Majid & Budiarti(2019)*Firm Size is* determined from the total assets of an entity's operating activities. The larger the entity, the greater the capital required for operational activities of the entity. Debt from external parties is one of the entity's sources of funding. Therefore, it can be concluded that the larger the entity, the greater the debt of the entity. The withdrawal of debt by a large entity should allow the entity to make a profit in the form of large assets. The value of the assets used by the collateral in order to obtain debt is greater than the asset income received by the entity. Therefore, it proves the lack of solvency of the entity's assets and liabilities. The bankruptcy of the entity is a cause for concern for investors. The high risk of the company increases the possibility that the company will go bankrupt. *Firm size* reflects the total assets owned by the entity. With the expanding scale of the entity, more and more investors are paying attention to company trends. Anugerah & Suryanawa(2019) revealed that this happens because the conditions of large entities tend to be more stable. This situation will remind investors to pay attention to the ownership stock companies, because investors expect the company to get high dividend. The increase in demand for shares will cause the stock price in the capital market to rise.

A larger company has a higher company value. This happens because it is easy for large companies to obtain funds from outside parties. Compared to small companies, transaction costs will be reduced (Al-malkawi, 2008). Pagalung(2003)states that *firm size* is one aspect that explains the advantages of having relatively large assets, these assets

can increase the value of its inventory options by making different investment decisions on entry barriers, thereby preventing and delaying the use of opportunities in competitive opportunities. The concept of calculating the return on investment of a project and costs, so that it is easier to compete and occupy market share.

3. Research Hypothesis

3.1.The Effect of Investment Opportunity Set (IOS) on Firm Value

Entities with a high *Investment Opportunity Set* must also have a high level of investment because the *Investment Opportunity Set is* converted into assets over time. According to Kallapur & Trombley (1999), investment-based IOS proxies are made using a ratio that compares investment with existing assets or with operating results generated by existing assets. *The Investment Opportunity Set* that is determined will determine the company's future performance, if the company chooses the wrong investment option it will interfere with the survival of the entity and will affect the investors' evaluation of the company.

Majid & Budiarti (2019)states that if IOS has a positive and significant effect on the value of the company because the greater the value of the IOS, the value of the company will increase, through various kinds of investing activities, you can get the achievements of the things the company is aiming for. The results of this study are supported by research by Khoeriyah (2020), Putri & Setiawan (2019), and Wijaya & Suganda (2020)which prove that the Firm size significant positive effect on firm value

H1: Investment Opportunity Set (IOS) has a positive effect on the Firm Value

3.2.The Effect Firm Size Firm to Value

Firm size according to Majid & Budiarti(2019)explains the small size of an entity as shown by the average total assets as well as total sales, total sales and total assets. Total assets can be used to measure the *Firm Size*. Large entities will access relatively young when entering the capital market, while the newest and small entities can face many complexities when entering the capital market.

Based on research conducted by Anugerah & Suryanawa (2019), Sari & Sayadi (2020) and Oggita (2018), it can be concluded that firm size has an influence on firm value. Where this is similar to research from Nasution (2020)which revealed *Firm size* has a significant positive effect on the value of a company.

H2: Firm Size has a positive effect on Firm Value

4. Data and Methodology

4.1.Types and Sources of Data

The methods used in the following research are quantitative types. According to Sugiyono(2013).in a quantitative type method, namely by utilizing numerical data in the implementation of statistical analysis. The following research aims to determine the effect of certain variables with other variables. This research is causally related, namely the study finds the effect of the independent variable (X) which affects the dependent variable (Y).

The use of data sources is the type of secondary data that is obtained and management is carried out as a form of need in research. Obtaining data indirectly through the company, but data collected, processed and published from the Indonesia Stock Exchange (IDX) are obtained in the form of data on the idx.co.id website. Secondary type data is used in research in the form of financial reporting from companies that are on the Jakarta Islamic Index list in the 2017-2020 period.

4.2.Population and Sample

The definition of population according to the presentation bySugiyono(2013) is an area of generalization which includes the existence of a quality object or topic and there is a characteristic that the researcher determines in conducting the research and taking a conclusion. In the following research population, namely the financial statements of companies that are on the Jakarta Islamic Index list, there are 127 companies in the period 2017-2020.

The sample is one of the many criteria that describe the population. Sampling from the following companies using purposive sampling. The use of criteria in the study, among others, are as follows:

- Companies that are on the JII list during the 2017-2020 period
- Companies that present complete financial reporting from 2017 to 2020. The
- Company has data related to research variables

4.3.Variable

4.3.1. Independent Variable

Investment Opportunity Set (IOS)

IOS is a combination of company ownership assets and investment options in the future. According to Hidayah(2017),this *Investment Opportunity Set* depends on discretionary expenditures. In the following research, IOS as X1 were measured through the use of the formula:

Market to book value of equity

$$\frac{\text{total assets} - \text{total equity} + \text{number of outstanding share} \times \text{closing price}}{\text{total equity}}$$

4.3.2. Firm Size

Company size according to Anugerah & Suryanawa(2019)reflects the total ownership assets of the company. With an expanding scale, there will be more and more investors who pay attention to the role of a company, the *firm size* becomes X2 in the research conducted and is determined by the formula below:

Ln = (Total Assets)

4.3.3. Dependent Variable

The use of *firm value* as the dependent variable is used in the research that will be conducted. Measurement of the value of the company utilizes the use of Tobin's Q. This measurement method is used because it is considered capable of providing the best information by covering all the assets of the company, debt and capital stock, common stock, and equity. Ratio formula Tobin's Q:

$$Q = \frac{(\text{MVE} + \text{DEBT})}{TA}$$

Description:

Q   : Firm Value
MVE   :The market capitalization (share price at the closing x shares outstanding)
DEBT   :The total debt of the company
TA   :Total assets of the company

5. Research Results

Research will be carried out utilizing the use of multiple linear regression analysis methods, where the equation includes:

$Y = a + b_1X_1 + b_2X_2 + e_i$

Description:

Y   : *Firm Value*
a   : Constant
$b_1...b_2$: The regression coefficient
X_1 : IOS (Investment Opportunity Set)
X_2 : *Firm Size*
e   : Error

5.1. Data Description

Thisresearch was conducted on companies listed in the Jakarta Islamic Index in 2017-2020. The initial sample size of the study was 106 samples, but when testing the sample was not normally distributed, then the researcher added 21 samples from 2020 so that the total sample was 127.The results of the sample testing were abnormal, so the researcher deleted the outlier data so that there are only 116 companies left, then the researchers transform the data with Ln (natural logarithms) on the variable IOS and Firm Value.

5.2. Descriptive Statistics

The results of the descriptive statistical test on the variable IOS obtained a minimum value of 0.199, a maximum value of 2.377 with a mean of 1.051 and a standard deviation of 0.467. Then for the variable Firm Size the minimum value is 29.206, the maximum is 33.495, the mean is 31.33642 and the standard deviation is 0.902. Next the firm value variable obtained a minimum value of 0.002, a maximum of 1.596, a mean of 16.412 and a standard deviation of 0.429.

5.3. Normality Test

		Unstandardized Residual
N		116
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,31612470
Most Extreme Differences	Absolute	,048
	Positive	,048
	Negative	-,037
Test Statistic		,048
Asymp. Sig. (2-tailed)		,200[c,d]

Table 1: One-Sample Kolmogorov-Smirnov Test
Source: Output SPSS 24

In the normality test, its use is used to check if the data in the study has a normal distribution or not. When the

researcher is going to perform a regression analysis, the normality test must first be carried out using the Kolmogorov Smirnov statistical test. If the Sig. which is more than a = 0.05 percent, thus the data is considered to have a normal distribution.

The normality test produced by using SPSS 24 shows that the value of the Asymp Sig is 0.2 above the standard of significance, namely 0.05. So, the model that is made has been normally distributed and can be used for use in the research that will be carried out.

5.4. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,677ᵃ	,458	,449	,318910	1,951

Table 2. Autocorrelation Test
Source: Output Spss 24

The autocorrelation test is designed to test if the linear regression model is correlated to one period or t-1. This test utilizes the use of Durbin Watson (DW). Based on the resulting test, it can be seen in Table 2 if the value of DW is 1.951. The table has n = 116 and K = 2, which has dL value of 1.6622, the value of dU is 1.7327, and the result of 4-dU is 0.2677, and the result of 4-dL is 2,378. It can be concluded that the value of Watson's durbin in 1951 is between dU and 4 – dU. So, from that it can be said that the regression model does not show any autocorrelation symptoms that occurso that further analysis can be carried out.

5.5. Multicollinearity Test

	Model	Tolerance	VIF
1	(Constant)		
	IOS_X1	,992	1,008
	FIRMSIZE_X2	,992	1,008

Table 3: Multicollinearity Test
Source: Output SPSS 24

Multicollinearity test using SPSS 24 shows that the tolerance value for IOS and company size is 0.992 higher than the standard value tolerance is 0.1 and the VIF value on each independent variable is 1.008 lower than VIF, which is 10. It can be concluded that the regression model applied does not have multicollinearity symptoms. Therefore, the model is suitable for prediction purposes.

5.6. Heteroscedasticity Test

			IOS_X1	FIRMSIZE_X2	Unstandardized Residual
Spearman's rho	IOS_X1	Correlation Coefficient	1,000	-,025	-,028
		Sig. (2-tailed)	.	,787	,765
		N	116	116	116
	FIRMSIZE_X2	Correlation Coefficient	-,025	1,000	,000
		Sig. (2-tailed)	,787	.	,996
		N	116	116	116
	Unstandardized Residual	Correlation Coefficient	-,028	,000	1,000
		Sig. (2-tailed)	,765	,996	.
		N	116	116	116

Table 4: Heteroscedasticity Test
Source: Output SPSS 24

Heteroscedasticity test that has been carried out by researchers obtained the significance value of the IOS variable is 0.765 and company size is 0.996, with the value of each of these variables higher than the significance level of 0.05. It can be concluded from the results of this study that the independent variable has no effect on the residuals, so the model developed does not have heteroscedasticity symptoms.

5.7.Analysis of the Coefficient Of Determination (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,677ª	,458	,449	,318910

Table 5: Coefficient of Determination Test
Source: Output SPSS 24

The test results for the coefficient of determination in Table 5 show the R-square value of 0.458 or equivalent to 45.8%. This proves that IOS (X1) and company size (X2) simultaneously affect firm value (Y) by 45.8%. On the other hand, 54.2% is influenced by other variables which are not included in this regression equation.

5.8.F Test

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9,719	2	4,860	47,782	,000ᵇ
	Residual	11,493	113	,102		
	Total	21,212	115			

Table 6: F Test
Source: Output SPSS 24

This study uses the results of the output of the ANOVA to test the feasibility of the model. If the value is sig. lower than 0.05, the variables X1 and X2 affect Y at the same time. The results in table 6 show the sig value. amounting to 0,000. Decision making basis is determined by a significance level of 5% or 0.05. Because the significance value of the results of this analysis is lower than 0.05, the IOS variable and company size work simultaneously on the firm value variable.

5.9.t Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,391	,549		,713	,477
IOS_X1	,161	,034	,411	4,791	,000
FIRMSIZE_X2	-,010	,017	-,048	-,558	,578

Tablel 7: t Test
Source: Output SPSS 24

On testing t aim to be known if the independent variable has a partial influence with the dependent variable. The determination of the t criterion is based on a significant value which has a significant level of 0.05 (α = 5%). The hypothesis is accepted if the sig is less than 0.05, it shows that the independent variable has an influence on the dependent variable.

The test results are shown in Table 7, it can be seen that the effect of the independent variable and the dependent variable in a partial way, among others, is below:

5.9.1. Hypothesis 1 Testing

Theresults of testing the IOS variable in Table 7 show the t value of 4.791 and the value sig. 0.000 less than 0.05. This shows that Hypothesis 1 is accepted, namely IOS has a positive and significant effect on firm value

5.9.2. Hypothesis 2 Testing

Table 7 shows that the negative t value of the test results for the firm size variable (firm value) is -0.558 and the sig value. 0.578 is higher than 0.05. This shows that company size has no effect and is insignificant. This means that hypothesis 2 in this study is rejected.

From the test results in Table 7, it can be seen that the multiple linear regression equation is as follows:

Firm Value = 0.391 + 0.161 IOS -0.010 Firm Size + e

Based on Table 7, the significance value of the IOS variable is 0.000. At a significant level below 0.05, which means that in this case IOS, there is a significant influence on the value of the company. The IOS variable has a positive effect on the company value, which is 0.161, which means that if the IOS increases by 1 (one), then the value can also increase to 0.161 accompanied by the condition that other independent variables are constant. While at the significance level of the company size variable, which is equal to 0.578, which means it is above 0.05. This shows that the size of the company will not have a significant effect on the value of the company, where this variable has a negative effect on the value of the company which is equal to -0.010. If the size of the company increases by 1 and the other independent variables are consistent, then the value of the company can decrease to 0.010.

6. Discussion of Research Results

6.1.Effect of Investment Opportunity Set (IOS) on Firm Value

Based on hypothesis testing using the t-test, the Investment Opportunity Set has an influence on the firm value indicated by a significance value of 0.000 which is below the 0.05 significance level, so that it can be concluded that H1 is accepted by, in other words, IOS has a positive and significant effect on firm value. The greater the investment opportunity, the higher the company value. According to Signal Theory, it emphasizes that companies that have a large Investment Opportunity Set will signal profits, which is good news for investors who can influence investment decisions. Khoeriyah(2020)believes that growing investment opportunities are seen as an option for future investment and can provide an indication to investors. Compared to companies that do not have growth potential, companies with growth potential get a positive response from the market, as seen in the company's published financial reports.

A conclusion can be drawn if, with the increase in IOS, the value of the company will also increase because the company has the opportunity to have a high investment opinion and expect high returns as well. Conversely, when the IOS has decreased, thus the firm's value has a tendency to decrease as well because the signals obtained from the investing party do not have a description of the growth in investment in the company.

The results of this study are consistent with research by Harjanti et al. (2019) and Frederica (2019)prove that the Investment Opportunity Set has a positive impact on company value. However, this contradicts the views ofKolibu et al. (2020)believe that the Investment Opportunity Set does not affect firm value.

6.2.Effect of Firm Size on Firm Value

Based on the hypothesis test using the t-test, firm size has no effect on firm value, it can be seen from the significance value of 0.578 indicating that the significance value exceeds the 0.05 significance level. Thus, the H2 hypothesis is rejected. In other words, firm size does not affect firm value. This means that the size of the company is not taken into account by investors when investing.

The size of the company is estimated based on the total assets owned by the company. Having large total assets does not necessarily attract investors to invest in the company in order to add value to the company. According to Majid & Budiarti (2019), debt from parties is one of the sources of company financing. As the size of the company increases, the company's debt will get bigger so that the company will get big profits in the form of assets. The asset value used to secure debt is higher than the asset income generated by the company. This reflects the lack of solvency of assets and debt, which worries investors. The high risk of the company increases the possibility of the company going bankrupt. Investors pay more attention to the political and economic policies adopted by the Indonesian government, where these policies can have an impact on companies. Investors are optimistic about the government's policy, namely the adoption of the Job Creation Law which is believed to increase domestic investment. In addition, the policy of lowering interest rates during the pandemic provided a stimulus in the form of liquidity injections to maintain state financial stability and help companies survive the crisis period. This makes the size of the company, not a determinant and not a consideration for investors in investing.

Supported by research byBudiharjo (2020) and Khoeriyah (2020) which prove that the size of the company does not have a significant effect on the value of the company. However, it contradicts research fromAnugerah & Suryanawa (2019) which explains that company size has an influence on company value.

7. Conclusion

Can be concluded from the research results that the Investment Opportunity Set has a positive and significant effect on firm value. The greater the Investment Opportunity Set, the greater the company value. The firm size variable has no effect on firm value. This is because the size of the company with high equity is used as collateral for obtaining debt whose value exceeds the profitability of the assets received by the company owned by the company. Investors are concerned about the company's high risk, which increases the chances of bankruptcy.

Suggestions that can be taken from this study for further research are to add other aspects that affect the firm value that is not included in the research model. In addition, future research can add other variables such as liquidity and solvency. Then the next researcher can increase the number of research samples, not limited to the Jakarta Islamic Index. Research topics related to aspects that have an impact on company value still need to be developed and reviewed because there are still other aspects that are believed to affect firm value and require different research time. Variables that do not have a significant effect on firm value need to be reviewed in further research to determine the consistency of the research results.

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