
The Influence of Investment Decisions, Profitability, Company Size and Capital Structure on Company Value in the Pharmaceutical and Cosmetics Sector for the Period 2021-2023

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ABSTRACT

This study aims to analyze the effect of investment decisions (PER), profitability (ROA), company size (Ln Assets), and capital structure (DAR) on company value in the pharmaceutical and cosmetics sector listed on the Indonesia Stock Exchange in 2021-2023. In this study, the dependent variable, namely company value, is proxied through Tobin's Q and the independent variables used are investment decisions (PER), profitability (ROA), company size (Ln Assets), and capital structure (DAR). The data population obtained from the annual financial reports is 45 companies from 15 companies selected from the sample using purposive sampling techniques. The data analysis method used is multiple linear regression analysis through the SPSS program. The results of the study show that the investment decision variable has a positive but not significant effect on company value, for profitability and capital structure have a positive effect on company value, but the results for company size have a negative effect on company value, this indicates that there are other factors that are more dominant in influencing company value. Companies that are too large may experience cost efficiency, difficulty adapting to the market and innovation, or the market that provides lower valuations for large companies.

Keywords: Investment Decisions, Profitability, Company Size, Capital Structure, Company Value

1. INTRODUCTION

The pharmaceutical and cosmetic industry in Indonesia in 2020 experienced the highest industrial growth of other industrial groups, according to the Ministry of Industry, the increase in growth from the pharmaceutical and cosmetic sector reached a Gross Domestic Product growth of 9.39%. When viewed from the development in 2019, the growth of this industry recorded a positive growth of 4.34%, so that the sustainability of

this industrial sector causes the pharmaceutical industry to become the focus of overall industrial development in the national economy. (Ministry of Industry, 2021)



Source: Pharmaceutical Industry Analysis Book, Edition II_rev 3

This growth shows that this sector is able to develop and survive when conditions are difficult due to the COVID-19 pandemic, so that the company is able to adapt to market changes. From here we can see the purpose of the company in maintaining and increasing the company's value is by increasing the company's capacity and competitiveness, being able to carry out the company's operational efficiency in generating profits to attract investors.

Company value is a condition in business to achieve company performance, so it becomes an important thing in investor assessment to see the company's opportunities in the future when the company's stock price increases in the long term. So that investors compete to invest their shares in companies that have very good company performance and company value by investing, investors expect higher profits from the shares when the shares are traded on the stock market.

In order to achieve these objectives, the researcher will conduct an analysis of the influence of investment decisions, profitability, and company size on company value. With the hope that researchers can contribute to academic literature to present strong empirical analysis and references for further research and for investors to choose shares of companies that have high growth potential.

Research by Suteja et al. (2023) explains the negative impact on company value, when investment decisions use the Price Earning Ratio (PER) ratio, the results of the analysis on non-financial sector companies do not affect the company's value at the end of the period. The decline occurred due to the COVID-19 pandemic due to investment activities, but if the company's value proxied by the Tobin's Q method increases.

Kusuma & Mahroji's (2024) research revealed that high profitability provides an increase in value to a business entity, because it is able to generate profits from capital invested by investors in the form of assets to generate profits using the Return of Asset (ROA) method in the coal industry sector, however, the size of the Return of Asset (ROA) in the company does not affect the high or low value of a company and has little impact on income in the telecommunications sector according to (Larasati & Gantino, 2024). In research by Oktani & Benarda (2024), the profitability variable partially has a positive and significant effect on company value. Company value can be influenced by the amount of profitability generated. Companies with good financial performance are companies that disclose all financial, social and environmental in the next annual company report and

show a significant positive relationship between Return of Asset (ROA) and corporate environmental disclosure (Lusiana et al., 2021).

In addition to the Price Earning Ratio (PER), Return of Asset (ROA), other factors that affect the value of the company are the size of the company (Ln Asset) which describes the company's ability to experience growth. The larger the size of the company, the greater the ownership of the company's assets. In the research of Ludianingsih et al. (2022) that company size has a positive effect on company value. And according to Kusumaningrum & Iswara (2022) Company size can also be a benchmark for companies to advance their business, increasing the value of the company becomes a reference for investors to continue investing in the company. Company size is a variable that is measured from the total amount of company assets which are transformed into natural logarithm (Ln).

Research by Martilova (2023) capital structure has a partial and significant influence on company value with a positive correlation direction. Company value can also be influenced by capital structure with the Debt to Asset (DAR) ratio, according to research data from Fajartania & Utiyati (2018) Capital structure has a significant positive influence on company value. That the addition of debt made by the company to expand its business will increase the stock price, so that the company's value will also increase. This is in accordance with the trade-off theory which explains that the use of debt can increase the value of the company as long as the use of debt provides benefits that are not above the optimal value.

The purpose of this study was to determine the contribution of investment decisions with the Price Earning Ratio (PER) ratio, profitability with the Return of Asset (ROA) ratio, the scale of company size measured by Ln Total Assets and capital structure with the Debt to Asset (DAR) ratio. In accordance with the discussion, it can be concluded that the influence of investment decisions, profitability, company size and capital structure on company value in the pharmaceutical and cosmetic sector greatly contributes to increasing value.

For researchers, it can present empirical evidence regarding factors that influence the value of companies in the pharmaceutical and cosmetic sectors and for investors, it can be considered in selecting shares of companies in the pharmaceutical and cosmetic sectors.

2. LITERATURE REVIEW

Corporate value is a condition achieved by a business that reflects investor confidence in the company's performance and prospects. It is an investor's assessment of the company's success, which is often reflected in the stock price. Corporate value is an indicator of how well management manages resources and its relationship to stock price. In the context of corporate value, investment decisions, profitability, company size, and capital structure can serve as important signals.

The importance of unobservable information communication between companies and investors in determining company value can be done with various investment decision factors, profitability, company size and capital structure. These factors are the most important channels for sending signals of company prospects and value. Signaling Theory is an important tool in economic analysis and social interaction, helping to explain how different parties interact under uncertainty and information asymmetry Connelly et al. (2011).. Investments that grow well in long-term projects can provide positive signals about management beliefs. Successful companies will provide positive signals and have

higher company values, while failed companies may experience a decrease in value. Consistent profitability can increase a company's ability to generate profits and manage resources effectively Akuntansi et al. (2024). In utilizing economies of scale, large company size can provide a signal of stability. Likewise, the use of wise debt can indicate growth potential and financial discipline.

Company Values

Company value is a concept that refers to the market's perception of a company's performance as reflected in its stock price. The higher the company's value, the higher the market's positive perception of the company's prospects and performance. Company value is usually measured through indicators such as market value and book value Shima et al (2024). Company value is not only determined by financial performance, but also by factors such as growth prospects, profitability, and risk. This company value is often measured using several indicators such as stock price, market value, or several financial ratios that describe the company's overall performance (Savitri & Pinem 2022).

Another approach used in measuring company value is to use the Tobin's Q indicator, which compares the company's market value to the book value of its assets. If Tobin's Q is greater than one, then the company is considered to have a high value, which reflects the market's perception of the company's growth potential and sustainability in the future. From an investor's perspective, companies with high values tend to be more attractive because they indicate market confidence in the company's stability and growth potential. (Jamaludin, 2024)

Investment Decisions

The right investment decision can have a positive impact on the company, both in terms of increasing efficiency, expanding market share, and creating new products or services that can meet consumer needs. However, investment decisions also have high risks because they involve the allocation of company resources to projects that may not necessarily generate profits according to Miranda et al (2022). Therefore, the investment decision-making process requires careful consideration of various factors such as market prospects, economic conditions, and the level of risk and expected return Ukhriyawati & Malia (2018). In the context of this study, investment decisions are expected to play an important role in influencing the value of the company, especially if the company is able to manage its investments efficiently, it will have a direct impact on the company's growth and shareholder value (Ukhriyawati & Malia, 2018).

Profitability

Profitability is the ability of a company to generate profits or earnings in running its business. Profitability is often measured through indicators such as Return of Assets (ROA), Return of Equity (ROE), and net profit margin which describe how efficient the company is in utilizing assets and equity to generate profits Chen et al. (2018). According to Sudjana & Firanika (2021), profitability is one of the main indicators in assessing a company's financial health, as well as an important factor in attracting investor interest.

Profitability can influence the value of the company, because according to Kusumaningrum & Iswara (2022) the higher the profitability in the company, the better the survival in the future. In addition, profitability can increase investor confidence in investing their capital in the company. The more investors invest their capital, the higher the stock price and the value of the company will increase.

Company Size

Company size can also be a benchmark for companies to advance their business, increasing the value of the company becomes a reference for investors to continue investing in the company. Company size is a variable that is measured from the total amount of company assets which are transformed into natural logarithm (Ln) and Company size can also be interpreted as a scale that can be classified as large or small companies by means of total assets, stock market value and The larger the size or scale of the company, the easier it will be for the company to obtain funding sources, both internal and external. Company size is a reflection of the total assets owned by a company. There are categories of companies, namely small-scale companies and large-scale companies (Kusumaningrum & Iswara, 2022)

Investors no longer consider company size (total assets) in viewing company value. In the study (Martilova, 2023) the entire entity is a large company, so it is no longer relevant for information considerations in considering investment decisions. According to an empirical study by (Octaviani & Purwaningsih, 2024) company size has a positive impact on company value.

Capital Structure

Capital structure is the arrangement of principal in running a business from different sources for the long term of the company. Capital structure relates to the combination of equity shares, preferred stock capital, debentures, long-term loans, retained earnings, and other long-term sources of funds that have been successfully collected by the company. Capital structure is the balance or comparison between retained capital and company ownership with foreign capital in the form of short-term debt or long-term debt. In other words, capital structure is the balance of debt and equity capital owned by the company.

Capital structure in Modigliani & Miller's theory (1963) does not affect the value of the company in conditions without tax, if considering taxes then companies with high debt can get tax benefits from interest expenses so that the value of the company increases. In the trade-off theory Modigliani & Miller (1963) said that companies must balance between the benefits of using debt and risk in determining the right capital structure, because the higher the debt, the greater the risk of bankruptcy which can reduce the value of companies that are not managed properly.

Capital structure has a significant positive effect on firm value. According to Fajartania & Utiyati (2018), the addition of debt made by the company to expand its business will increase the stock price, so that the company's value will also increase. This is in accordance with the trade-off theory which explains that the use of debt can increase the value of the company as long as the use of debt provides benefits that are not above the optimal value. Research by Martilova (2023) capital structure has a partial and significant effect on firm value with a positive correlation direction.

The Relationship between Investment Decisions and Company Value

Effective investment decisions will increase the company's growth potential and, ultimately, the value of the company itself. The right investment can increase operational capacity, develop new products, and expand markets, all of which can contribute to the company's value. The theory of corporate valuation states that profitable investments will

increase expected future cash flows, which will ultimately be reflected in increased stock prices and company value (Syahidah et al., 2024)

Empirical research shows a positive relationship between investment decisions and firm value. For example, research by Syahidah et al (2024) found that companies that make strategic investments experience an increase in their market value. The results of this study are in line with other findings that show that companies with high levels of investment tend to have greater firm value than companies with low levels of investment.

Relationship Between Profitability and Company Value

Profitability is one of the key factors in determining the effectiveness of investment decisions on company value. High profitability indicates that the company has a competitive advantage and operational efficiency, so that investments made in high profitability conditions are more likely to have a significant positive impact on company value. In other words, profitability can strengthen the relationship between investment decisions and company value. (Hairudin et al., 2022)

Empirical studies support the role of profitability as a moderator of the relationship between investment decisions and firm value. For example, research in the service sector shows that companies with high profitability Dendi Uma (2024) experience a more significant increase in firm value from investment decisions than companies with low profitability. This study shows that profitability can increase the impact of investment on firm value.

Relationship Between Company Size and Company Value

Company size is one of the important factors that can affect the value of the company. This size is often measured through total assets, revenue, or number of employees. Several studies have shown that company size has a significant effect on company value, although the results can vary depending on the context and industry.

Based on research by Ekonomi et al (2022), company size has a positive and significant effect on company value. This study shows that larger companies tend to have better access to resources and capital, which allows them to invest in innovation and product development. Thus, large companies can increase their competitiveness and market value. In addition, research by Nurmansyah et al (2023) also supports this finding, stating that company size is positively related to company value because it increases investor confidence.

The Relationship between Capital Structure and Company Value

Capital structure in Modigliani & Miller's theory (1963) that capital structure does not affect the value of the company in tax-free conditions, if considering taxes, companies with high debt can get tax benefits from interest expenses so that the company's value increases. In the trade-off theory, MM said that companies must balance the benefits of using debt and risk in determining the right capital structure, because the higher the debt, the greater the risk of bankruptcy which can reduce the value of companies that are not managed properly. According to research by Fahri et al., (2022) the capital structure of property and real estate companies listed on the Indonesia Stock Exchange has not reached its maximum point, in accordance with the trade-off theory.

Research by Martilova (2023) capital structure has a partial and significant influence on company value with a positive correlation direction. Company value is partially influenced by capital structure positively with the measurement of Debt to Asset Ratio (DAR) Nathania & Karnawati (2023). Research by Sofiani & Siregar (2022) there is a positive relationship with company value using the Debt to Asset Ratio (DAR) ratio if

the company can utilize its debt (DAR) properly to boost profits, it will have a positive impact on company value.

3. RESEARCH METHOD

Types of research

This study uses quantitative research type, with quantitative approach, this study focuses on structured measurement and analysis of numerical data to produce conclusions that can be generalized to a wider population. This study is in the form of numbers and analysis sourced from the company's annual financial report from the Indonesia Stock Exchange, namely (www.idx.co.id) and the company's respective websites.

Research Population

In this study, the population used was 19 companies in the Pharmaceutical and Cosmetics sector listed on the Indonesia Stock Exchange during the 2021-2023 period.

Sampling Techniques

The sampling technique in this study used a purposive sampling technique. This study uses companies in the Pharmaceutical and Cosmetics sector that have been listed on the Indonesia Stock Exchange (IDX) for the period 2021-2023 that publish complete annual financial reports by obtaining positive profits during the three years of the study. Sample data that meets the requirements of audited annual financial reports, the study obtained 15 companies as research samples.

Dependent Variable Measurement

Company Value (Tobin's Q Ratio) Company value in this study is measured using Tobin's Q, with the following formula:

$$\text{Tobin's Q} = \frac{\text{MVE+Debt}}{\text{Total Assets}}$$

MVE = Market Value of Equity

According to Keller (2016), the advantage of the Tobin's Q ratio is that it reflects the company's overall assets, the company's intellectual capital, reflects market sentiment for the company's prospects and overcomes problems in estimating profit levels.

Measurement of Independent Variables

Investment Decision (Price Earning Ratio) This study uses the Price Earning Ratio (PER) which is a measure to determine the market value or price of shares with the following formula:

$$\text{PER} = \frac{\text{Market price per share}}{\text{Earning Per Share}}$$

According to Nanda & Nurfadillah (2022), the Price Earning Ratio (PER) affects the company's value because it is a ratio that can describe the stock price and profit of a company. If the company's Price Earning Ratio (PER) value is high, the stock price will also increase and the company is also experiencing growth.

Profitability (Return of Assets) This study uses Return of Assets (ROA) with the following formula:

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

According to Sudjana & Firanika (2021), profitability is one of the main indicators in assessing a company's financial health, as well as an important factor in attracting investor interest. Company Size (Size) This study uses Size with the following formula:

$$Size = \ln Total\ Assets$$

According to Kusumaningrum & Iswara (2022) Company size can also be a benchmark for companies to advance their business efforts, increasing the value of the company becomes a reference for investors to continue investing their capital in the company. Company size is a variable measured from the total amount of company assets transformed into natural logarithm (Ln).

Capital Structure (Debt to Asset Ratio) This study uses the Debt to Asset Ratio (DAR) with the following formula:

$$DAR = \frac{Total\ Debt}{Total\ Assets}$$

According to Fajartania & Utiyati (2018), company value can be influenced by Debt to Total Assets in financing its operations and investments. Companies do not always have sufficient funds to meet the needs and budgets that have been set, therefore debt is the alternative most often used by companies to meet their needs.

Data analysis

This study uses descriptive statistics, for the classical assumption test using the normality assumption test, multicollinearity test, autocorrelation test and heteroscedasticity. Furthermore, testing the hypothesis using the F test, T test and determination coefficient test (R^2). In this study also, the researcher used multiple linear regression analysis and the multiple regression equation model, namely:

$$TorbinsQ = \alpha + \beta_1 ROA - \beta_2 PER - \beta_3 FS + \beta_4 DAR + e$$

Keterangan:

TorbinsQ	: company value
α	: constant coefficient
$\beta_1, 2, 3, 4$: value change coefficient
ROA	: profitability
FS	: company size
PER	: Infestation Decision
DAR	: capital structure
e	: error estimation

4. RESULTS AND ANALYSIS

Variable	N	Minimum	Maximum	Mean	Std.Deviation
ROA	45	0.000	0.300	0.896	0.078
PER	45	0.000	97.930	23.672	25.401
UKPER	45	15.000	31.000	24.133	4.822
DAR	45	0.000	0.800	0.315	0.220
TOBIN'S Q	45	0.000	2.460	0.598	0.563
Valid N (listwise)	45				

Table 1: Descriptive Statistical Test of Pharmaceutical & Cosmetic Sector

Based on the table above, it has been done using 45 company data to examine the value of companies in the pharmaceutical and cosmetic sectors listed on the Indonesia Stock Exchange during the period 2021-2023 through Tobin's Q showing mixed results. The average Tobin's Q for 3 years is 0.598 or 59.80% indicating that the company's market value is lower than its book value, this means that many companies are still undervalued or the market has not given high valuations to pharmaceutical and cosmetic companies.

The maximum value of 2.46 indicates that there are several companies that are highly valued by the market, while the minimum value of 0.00 indicates significant undervaluation. The standard deviation of Tobin's Q during this period is 0.563, indicating variation in value between companies. The lowest Tobin's Q value was recorded at 0.00 in PT Kalbe Farma Tbk (KLBF) in 2021-2023, while PT Soho Global Health Tbk (SOHO) recorded the highest value of 2.46 in 2021.

Tobin's $Q < 1$ indicates that the company's market value is lower than the value of its assets, which can be a signal that the company is less attractive to investors. This can happen if the company fails to communicate their growth strategy or if they are facing major challenges in the industry. So companies with low Tobin's Q need to communicate their expansion and innovation strategies better to investors.

The profitability of pharmaceutical and cosmetic companies during the 2021-2023 period showed mixed results. The average ROA for 3 years was 0.089 or 8.90% indicating that pharmaceutical and cosmetic companies have a moderate level of profitability. A minimum ROA of 0.00 indicates that there are companies that are not making a profit, while a maximum ROA of 0.30 (30%) indicates that there are companies that are very profitable. The standard deviation of ROA during this period was 0.07859, which shows variation in values between companies and indicates a significant difference in profitability between companies. The lowest ROA value was recorded at 0.00 in PT Kino Indonesia Tbk (KINO) in 2022, while PT Unilever Indonesia (UNVR) recorded the highest value of 0.30 in 2021.

Investment decisions are measured using the Price to Earning Ratio (PER). The average PER is 23.672 with a large standard deviation of 25.40114, indicating that the market has varying expectations of the growth of pharmaceutical and cosmetic companies in the future and the maximum PER of 97.93 indicates that there are companies that are highly valued by the market, while the minimum value of 0.00 indicates that there are companies that do not record profits, so PER cannot be calculated.

The lowest PER value was recorded at PT Mustika Ratu (MRAT) in 2023 with a figure of 0.00, while the highest PER value reached 97.93 at PT Estee Gold Feet Tbk (EURO) in 2022. Furthermore, the PER standard deviation of 0.149 indicates a deviation of the company's value of 25.40114 from the average value. Based on these results, it can be seen that pharmaceutical and cosmetic companies indicate a fair value for healthy company shares because they have good growth prospects in the future. So companies need to optimize their investment strategies so that PER remains attractive to investors without being overvalued which is risky

Company Size Average Size of 24,133 with a standard deviation of 4,822 indicates differences in company size in the research sample and the minimum value of 15.00 and maximum of 31.00 indicates that the sample consists of companies with various business scales indicating variations in company size, so companies with larger sizes tend to have higher stability in facing market risks. Size was obtained with the lowest value of 15.00 at PT Soho Global Health Tbk (SOHO) in 2021-2023, then the highest number of 31 was at PT Kalbe Farma (KLBF) in 2021-2023.

The size of the company is divided into three types, consisting of micro businesses with net assets of 50-500 million, medium businesses 500-10 billion and large businesses more than 10 billion (Nioko & Hendrani, 2024). It is known that the average value of 24,133 shows that the average pharmaceutical and cosmetic company has large total assets and is included in the size of a large-scale company because it has an average total assets of more than 10 billion. This indicates that pharmaceutical and cosmetic companies that are consistently listed on the IDX for the 2021-2023 period have large total assets so that they can support the company's performance.

Capital structure is measured using the Debt to Assets Ratio (DAR) through an analysis of a sample of pharmaceutical and cosmetic companies during the period 2021-2023. The average DAR of 0.3153 (31.53%), with a standard deviation of 0.22063, indicates that most companies have a moderate level of leverage and a maximum value of 0.80 (80%) indicates that there are companies that rely heavily on debt to fund their assets which can be at high risk of solvency, so companies must be careful in managing debt, because leverage that is too high can reduce the value of the company if it is not used productively. However, the minimum value of 0.00 indicates that there are companies that have almost no debt. The minimum value found was 0.00 in PT Unilever Indonesia (UNVR) & PT Kalbe Farma (KLBF) in 2021-2023 and the maximum value obtained was 0.80 in PT Penta Valent Tbk (PEVE) in 2021-2022.

From the results of the Kolmogorov-Smirnov Test on pharmaceutical and cosmetic sector companies, the results showed $0.00 < 0.05$, meaning that it was not normally distributed. So in order to conduct a normality test of the research data consisting of 45 data after outliers. The test results showed the Kolmogorov-Smirnov Z value = 0.828. Based on the Kolmogorov-Smirnov Z value greater than 0.05, it illustrates that the research data has been normally distributed and can be used for further analysis.

The results of the simultaneous F-statistic test = 8.946 with Significance (Sig.) = 0.000 indicate that the regression model simultaneously has a significant effect on company value. Because Sig. < 0.05 , this means that investment decisions, profitability, company size, and capital structure together have a significant impact on company value in the pharmaceutical and cosmetic sectors. Investors can consider these factors when evaluating companies in the pharmaceutical and cosmetic sectors to determine their growth prospects and investment risks.

In the autocorrelation test results, the sig value = $0.071 > 0.05$, so that H_0 is accepted and the regression model does not experience significant autocorrelation, meaning that the relationship between the independent variables and the company's value

is not influenced by systematic patterns in the residuals. This shows that the model used can provide a more objective picture of the factors that influence the value of companies in the pharmaceutical and cosmetic sectors. It is very important for companies to balance investment and profitability so that investment decisions can increase the value of the company.

The results of the multicollinearity test on pharmaceutical and cosmetic companies on independent variables with the condition that the test results are reviewed from the tolerance value > 0.10 and the VIF (Variance Inflation Factor) number < 10 , This means that there is no indication of multicollinearity, so that the independent variables in the regression model (Investment Decisions, Profitability, Company Size, and Capital Structure) can be analyzed without any interference from the relationship that is too strong between variables. The test results show that the tolerance value of the ROA variable is $0.697 > 0.10$, the VIF value of the ROA variable is $1.436 < 10$, the tolerance value of the PER variable is $0.829 > 0.10$, the VIF value of the PER variable is $1.207 < 10$, the tolerance value of the UKPER variable is $0.847 > 0.10$, the VIF value of the UKPER variable is $1.181 < 10$, the tolerance value of the DAR variable is $0.680 > 0.10$, the VIF value of the DAR variable is $1.470 < 10$.

Based on the results of the heteroscedasticity test through the Scatterplot test which has the requirement that the image contains data points spread around the number 0, above and below, without forming a pattern, with an irregular distribution of points. the test results shown in the image show a graph where the points are spread and do not form a pattern so that conclusions can be drawn that are free from heteroscedasticity. In other words, the regression model can be used to analyze the relationship between independent variables (Investment Decisions, Profitability, Company Size, and Capital Structure) to Company Value in a valid and reliable manner.

From the test results, the Adjusted R2 value was obtained at 0.419 (41.9%), meaning that Profitability, Investment Decisions, Company Size, and Capital Structure explain the effect on the value of pharmaceutical and cosmetic sector companies, but profitability tends to contribute more to company value and focuses on increasing operational efficiency. However, the remaining 58.1% is explained by other factors not included in this regression model, such as macroeconomic conditions, industry regulations, technological innovation, or company marketing strategies.

Variable	B	Sig	Hypothesis	Result	Conclusion
Profitability	2.063	0.043	+	+	Accepted
Investment Decisions	-0.005	0.061	+	-	Rejected
Company Size	-0.065	0.000	+	-	Rejected
Capital Structure	1.015	0.007	+	+	Accepted

Table 2: Hypothesis Testing

The table above shows the partial influence of the dependent variable on the dependent variable when the significance result is < 0.05 . There is a sig value of the profitability variable of 0.043 with a coefficient of 2.063, meaning that there is a significant positive influence on the company's value. It is known that the significance

value of the investment decision variable is 0.061 with a coefficient of -0.005, meaning that it has a negative but insignificant influence on the company's value, this means. This means that the investment made has not fully provided a positive impact on increasing the company's value and the company needs to review the effectiveness of the investment, ensuring the allocation of capital to projects that really increase profitability and company value.

The significance value of the company size variable is 0.000 with a coefficient of -0.065, meaning it has a negative and significant influence on company value. This can be caused by large companies that are less efficient in managing their assets or have high operational costs and large companies need to focus more on operational efficiency and avoid excessive expansion that can reduce profitability.

The significance value of the capital structure variable is 0.007 with a coefficient of 1.015, meaning that the capital structure has a positive and significant effect on the company's value. This shows that the use of debt within reasonable limits can increase the company's value, for example by utilizing tax benefits from debt and companies need to optimize the capital structure by utilizing forests strategically without increasing excessive financial risk.

In this study using independent variables to influence dependent variables, When the value is getting closer to 1, it means that the independent variable influences the dependent variable more strongly. However, if it approaches 0, it can be interpreted that the independent variable explains its influence on the dependent variable less.

The research data is the result of statistical software calculations with multiple linear regression equations:

$$5,251\text{Tobin Q} = 1,784\alpha + 2,063\text{ROA} - 0,005\text{PER} - 0,065\text{FS} + 1,015\text{DAR} + 0,459e$$

The regression equation shows that the constant is 1.784, if the independent variable is considered a constant, the company value is 1.784. The profitability coefficient has a positive direction, it will increase Tobin's Q by 2.063, meaning that the higher the company's profitability, the greater the company's value. The investment decision coefficient has a negative direction of -0.005, indicating that the investment made has not had a significant positive impact on the company's value. The company size coefficient has a negative direction of -0.065, meaning that the larger the company size, the company's value actually decreases slightly, this happens because the company is larger, has higher operational costs or is less efficient in managing its assets. The capital structure coefficient has a positive direction of 1.015, meaning that the higher the debt to asset ratio, the higher the company's value, with the use of debt that is managed well so as not to increase financial risk.

The Influence of Investment Decisions on Company Value

According to Suwardjono (2017) if the investment decision is known to have a high PER value, it is a signal to investors that the company has good growth prospects, which contributes to increasing the company's value. Investors tend to be more interested in companies with high PERs, but companies must ensure that financial performance supports the valuation to avoid excessive speculation. According to Wiratno & Yustrianthe (2022) companies with low PERs must improve their financial communication strategies to show their growth prospects, and companies that have varying PERs because of their

dependence on product innovation and R&D investment (Chan, 2001). that investment in debt-funded R&D can increase company value if managed effectively (Jurnal et al., 2023)

In this study, investment decisions have a negative but insignificant effect on company value, this means that the investment made has not fully provided a positive impact on increasing company value. So companies need to review the effectiveness of investments, ensure capital allocation on projects that really increase profitability and company value, then H1 in this study is rejected. This is in line with research by Empiris et al (2021) and research by Anggraini & Andayani (2019).

The Influence of Profitability on Company Value

In this study, the results of the partial test (T test) show that a high ROA value gives a positive signal that the company can manage its assets efficiently to generate profits, which has a positive impact on the company's value (Ross, 1977). Companies with high ROA can increase the company's value by maintaining operational efficiency and product innovation. Companies with low or zero ROA need to explain their growth strategy to investors to avoid negative perceptions in the market.

This is in line with previous research that profitability has a positive and significant effect on company value according to research by Kusuma & Mahroji (2024). High profitability provides an increase in value to a business entity, because this profitability is able to generate profits from capital invested by investors in the form of assets. The positive effect of profitability on the value of a company can be explained by various factors, including high profitability indicating good business prospects, high profitability values are able to increase the value of a company so that they provide a good signal to investors regarding the picture that the company can generate profits and its effectiveness in increasing profits.

But in contrast to research by Larasati & Gantino (2024) Profitability in food and beverage and telecommunications sub-sector companies does not affect the value of the company. The existence of high profitability cannot affect the value of the company because the size of the company's ROA does not have much effect on the high or low value of a company. In telecommunications companies, it only has a small impact on income.

The Influence of Company Size on Company Value

Larger firms have advantages in access to financing and less risk of bankruptcy, which increases their market valuation according to Modigliani & Miller's (1963) trade-off theory and larger firms tend to have better reputations, higher production capacities, and wider access to international markets, which increases firm value in the pharmaceutical and cosmetic industries.

Smaller companies should focus on differentiation and innovation strategies to increase their competitiveness in the market and large companies should optimize operational efficiency and marketing strategies to maintain high company value.

In this study, the results of the partial test (T test) show that the company size variable has a negative and significant effect on company value, this is caused by large companies that are less efficient in managing their assets or have high operating costs, so large companies need to focus more on operational efficiency and avoid excessive expansion that can reduce profitability. This is in line with previous research by Kusumaningrum & Iswara (2022) from the results of the research that has been carried out

in this study shows that company size can be assessed from the total assets owned by the company.

But in another study by Octaviani & Purwaningsih (2024) there is a positive impact between company size and company value. If a company has a large company size, then the company is able to survive and overcome its business problems and the capability to overcome financial problems will be maintained well because investors see the company as capable of managing if the assets owned are large. The large size of the company shows that the entity is developing very well so that the company's value also increases. The size of an entity's debt level has an impact on the value of the company, because errors in the use of debt can lead to high entity debt so that bankruptcy can cause shareholders to have a cautious attitude with high debt levels (Kalbuana, 2021).

The Influence of Capital Structure on Company Value

Optimal use of debt can increase the value of the company, but if it is too high, it can increase the risk of bankruptcy and decrease the value of the company according to the Trade-off theory by Modigliani & Miller (1963). So that it has an impact on pharmaceutical and cosmetic companies, especially companies that invest heavily in R&D often have higher debt to fund innovation, but if managed properly, it can increase the value of the company in the long term. And companies with high debt but low profitability tend to have lower company values because they are considered risky by investors. Therefore, companies must maintain a balance between debt and equity so as not to rely too much on high-risk external funding. Investors tend to be more interested in companies with a healthy capital structure and are not too dependent on debt.

This is in line with previous research by Sofiani & Siregar (2022) on research on food and beverage sector companies. The results indicate that the proper use of debt (DAR) can boost profits so that it has an impact on company value. And previous research also by Fajartania & Utiyati (2018) Based on the results of the study, the capital structure has a significant positive effect on company value. The results of this hypothesis test can be interpreted that the addition of debt by the company to expand its business will increase the stock price, so that the company's value will also increase. This is in accordance with the trade-off theory which explains that the use of debt can increase the value of the company as long as the use of debt provides benefits that are not above the optimal value.

5. CONCLUSION

This study analyzes the effect of investment decisions (PER), profitability (ROA), company size (Ln Total Assets), and capital structure (DAR) on company value in the pharmaceutical and cosmetic sectors. The results of the study indicate that investment decisions (PER) do not have much influence in the pharmaceutical and cosmetic sectors, because PER is not significant, and investors should not only rely on PER in assessing investment potential, but should look at other factors such as profitability and capital efficiency. This indicates that although good investment decisions can increase company value, their influence is not statistically strong enough. Factors such as investment effectiveness, limited research period, or long-term investment returns may affect these results.

Profitability (ROA) has a positive and significant effect on company value. High profitability reflects good financial performance, increases investor confidence, and attracts market interest, thus having a positive impact on company value. Investors should choose stocks with high ROA to get better potential returns.

Company size (Ln Total Assets) has a negative effect on company value, investors should be more selective in choosing pharmaceutical and cosmetic companies. This

indicates that larger companies may face challenges such as cost efficiency, innovation difficulties, or lower market valuations compared to smaller companies.

Capital structure (DAR) has a positive effect on company value. The use of debt in the capital structure can provide tax benefits and provide a positive signal to investors about the company's confidence in managing finances and paying its obligations. And whether the debt is well managed and used for profitable projects.

Based on the findings of this study, some recommendations for further research and company practices are that further research can add other variables that can moderate the relationship between key variables, such as dividend policy, liquidity, leverage, or financing decisions, to provide a more comprehensive picture of the factors that affect company value. The research period should be extended for more than three years in order to capture the long-term impact of investment decisions on company value. Company size can be analyzed more deeply by considering other industrial sectors to see whether the results of this study also apply to different sectors. Pharmaceutical and cosmetic companies need to optimize profitability and capital structure with effective financial strategies, such as increasing operational efficiency, making more strategic investments, and maintaining a balance in the use of debt to maximize company value. Overall, profitability and capital structure factors have a significant contribution to increasing company value, while investment decisions and company size have a more complex influence and need to be studied further.

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