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Liquidity, Growth Opportunities, and Profitability as Determinants of Firm Value: Evidence from Manufacturing Companies from Indonesia

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ABSTRACT
Growth opportunity is a growth opportunity to invest in things that benefit the company. Therefore, a ratio is needed to assess the company's ability to pay all short-term debts with its current assets. This study aims to determine the effect of liquidity and capital structure on company value with profitability as a moderating variable in manufacturing companies and those listed on the Indonesia Stock Exchange in 2022-2024. The methodology in this study is quantitative research with secondary data in the form of financial reports listed on the Indonesia Stock Exchange (IDX) for 2022-2024, and the sample selection technique used is purposive sampling in 11 manufacturing companies. The sample was taken based on predetermined criteria using the purposive sampling method. The data that met the criteria amounted to 10 companies. The results of the F test state that liquidity and Growth opportunity have a simultaneous effect on company value. The regression results above show that liquidity positively affects company value. The greater the liquidity ratio, the more the company can pay short-term debts. It can be concluded that liquidity influences decisions and assessments from external parties in a company so that it can maintain its financial performance and use its resources appropriately to increase its profits.

Keywords: Company Value, Growth Opportunity, Liquidity, Profitability.
JEL Code: G32, G31, C33, M41.

I. Introduction

Companies are established with specific goals and objectives. However, the company's primary goal is the prosperity of shareholders, achieved through increasing the company's value. Investment decisions determine the value of the company itself. Investment is an activity carried out by investing funds at this time with the hope of gaining profits in the future. The form of investment in question is investment made in tangible assets and financial assets. (Saputra, I.G.A. & Kusuma, 2025). Company value is the investor's perception of the company, which is often associated with stock prices. High stock prices also make the company's value high. Company value is significant because with a high company value, it will be followed by high shareholder prosperity. (Bui et al., 2023).

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Shareholder prosperity is reflected by the market price of shares, which reflects investment decisions, funding, and asset management. Several factors that can affect company value include growth opportunities and capital structure. (Hasanudin, 2022). Growth opportunity is the opportunity for a company's growth in the future and is the company's opportunity to invest in things that benefit the company. (Ahmed et al., 2023). Company growth will make investors interested in the company because company growth is a sign that the company has profitable prospects in the future, so investors expect to get a rate of return on the investment they make. Investment opportunities are the value of a company, whose size depends on the expenses set by management in the future; in this case, investment choices are expected to generate greater profits. (Kim et al., 2023). This study measures growth opportunity using the investment opportunity set (IOS). In addition to Growth Opportunity, Liquidity can affect the company's value. Company value is an important thing that the company must always consider because the company's value can describe the condition of the company. (Alathamneh et al., 2025). Maximizing the current company value is agreed upon as the goal of every company. The company's value is reflected in the stock price; the higher the stock price, the higher the company's value. A company certainly wants to be large. For creditors, the company's value is related to the company's liquidity, namely, the company's ability to repay the loan the creditor gave. Investors will assess the company with a low value if the implied company value is not good. (Kartika, Y.E., And Wiagustini, 2024). The gap in this research lies in the absence of comprehensive research on the combined effect of variables such as profitability, liquidity, company size, net working capital, leverage, and growth opportunities on company value in manufacturing companies listed on the Indonesia Stock Exchange (ISX) Index. Previous studies have only focused on a few of these variables or the property sector in general, without considering the context of company value. In addition, previous studies were generally conducted in the global market, with mixed results regarding the relationship between these variables. Differences in research subjects, periods, and data processing techniques further highlight the need for additional research to fill this gap in 2022-2024.

II. Literature Review and Hypothesis Development

Company value plays an important role in investor decisions and views on a company. By achieving the goals and missions set by the company, the company's value will also increase, which is assessed through its stock price. (Yuswandani et al., 2023). The measure of a company's success can be seen from its performance for investors or shareholders. In carrying out its business and operational activities, the company also carries out capital activities. One of the company's capital activities to obtain additional capital is issuing shares to investors, which are traded on the Indonesian Stock Exchange (BEI). In making investments, changes in stock prices are a very important factor for investor decisions. This is because stock prices also reflect the condition of a company. Thus, investors need some information that functions to measure the performance and condition of a company so that they can assess whether the company is worthy of being invested in both the short and long term.

The company must maintain its financial performance in order to increase the value of the company (Mazanec, 2023). The company's financial performance can be seen through several ratios, such as liquidity, profitability, and capital structure. Companies that have a high level of liquidity will show that the condition and performance of the company are getting better, as creditors and investors, because the company is considered capable of fulfilling its obligations promptly, so that the liquidity ratio can affect investors' views on a company (Airout et al., 2023). While in the capital structure, the company must determine the optimal level of funding sources between debt and company capital (retained earnings and common/preferred shares) so that investors' views on the composition of the company's funding remain positive (Oktavia, S. and Ramadan, 2024). Profitability measures how far a company can generate profits from its resources. Increasing company profits can help the company pay off its debts and strengthen the composition of the company's capital structure. With the increase in profits, investor confidence in a company will increase, increasing the company's value in the eyes of investors and other external parties. Profitability is a financial ratio used to

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measure a company's ability to generate profits from the resources owned by the company. The benefits of using the profitability ratio are knowing the amount of profit and performance development generated by the company in a period, and it is used as evaluation material and analysis of the company's projections in the future by management and investors (Al-Nimer & Arabiat, 2024).

Liquidity is a ratio that assesses the company's ability to pay all short-term debts with its current assets. A high liquidity ratio indicates the company can still pay its short-term debts. Investors often use this ratio to see the company's financial condition. (Mariska et al., 2025). To assess a company, one can look at the company's performance. Financial ratios measure a company's performance. These financial ratios are liquidity as measured by the Current Ratio and Quick Ratio, solvency as measured by the Debt to Asset Ratio and Debt to Equity Ratio, and profitability as measured by Gross Profit Margin and Net Profit Margin. Previous research, according to (Nurwulandari, 2021) Stated that liquidity has a significant positive effect on company value. Meanwhile (Astuti & Murwani, 2022)Explained that liquidity hurts company value. The profitability ratio measures the company's ability to generate profit from the resources it has (Jayanti, I. & Devi, 2024). Investors use this ratio to determine how efficiently a company manages its resources to generate the profits it gets. The higher the profitability ratio, the the company can generate maximum profit, which can be used to pay off short-term liabilities, thereby increasing the company's liquidity ratio and impacting the company's value. This is based on research conducted by (Nassim, 2024) The study results showed that profitability moderates the relationship between liquidity and company value. The capital structure shows the composition of the company's funding sources from foreign capital in the form of debt, and the company's capital in the form of retained earnings and common/preferred shares. (Dewi, 2021). Excessive debt additions will result in fewer tax savings benefits due to the large amount of interest that must be paid, so the risk of default on the debt increases. Conversely, excessive use of company capital will impact the risk of failure in business expansion and development, and the risk of disruption of operational activities that the company must bear. (Wieczorek-kosmala & Błach, 2021). Therefore, companies must determine the optimal level of capital structure by considering the risks and benefits obtained to minimize all risks arising from existing capital sources and maintain the stability of the company's value. (Hirdinis, 2019).

Nowadays, the relationship between company value and growth has become an interesting topic as it examines the emerging, imperfect, and widely open world capital market. So, an up-to-date study about the market, especially the company value, is always needed. Growth opportunity is one of the factors that can affect the company's value. A growth opportunity is the opportunity for the company's growth in the future. This opportunity grows if the Company invests in gaining profit for itself. (Pamungkas, Asrifah, et al., 2024). According to (Suaidah, 2020)The number of assets owned by the Company is proportional to the Company's performance, meaning that the increasing number of assets can reflect the increasing condition of the Company's performance. Company value is an investor's view of a company related to its stock price in the capital market. The higher the company's value, the higher the company's stock price, followed by shareholder welfare. The market price of a company's stock will be influenced by various company policies related to funding, investment, and asset management decisions. The company's ability to achieve its goals, as reflected in financial and annual reports, and public trust, are the main factors determining its value. (Nowicki & Ratajczak, 2024). Company value can be reflected through stock prices for companies that issue shares in the capital market. The higher the stock price, the higher the rate of return to investors, which means the higher the company's value related to the company's goals, namely, maximizing shareholder prosperity. According to the definition, the meaning of company value is as follows: "Company value is a certain condition that has been achieved by a company as a picture of public trust in the company after going through a process of activities for several years, namely from when the company was founded until now." Meanwhile, according to Roqijah et al. (, the meaning of company value is as follows: "Company value is the investor's perception of the level of success of managers in managing the company's resources entrusted to them, which is often associated with stock prices." According to Firms & Akhmadi (2021), company value is as follows: "Company value is the selling price of the goods when the goods are to be sold".

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The company's increasing ability to pay its short-term debts will increase its value and provide a positive signal to increase investor confidence in investing. This is based on research conducted by (Pamungkas, Cici, et al., 2024) This shows that liquidity has a positive and significant effect on company value, and research conducted by (Nguyen et al., 2023) This shows that liquidity has a positive, non-significant effect on company value. In the trade-off theory, it is explained that if the capital structure position is still below the optimal point, then the company is still allowed to make additional debts that will increase the company's value because the benefits of tax savings are still greater than the interest burden that must be paid. (Amimakmur et al., 2024). Assuming that the capital structure has not reached its optimal point, the trade-off theory concludes that it positively affects the company's value. This is also supported by research conducted by (Siddik et al., 2017) This states that the capital structure positively and significantly affects the company's value. This section summarizes how literature reviews and hypotheses align with your research aims, emphasizing the study's potential contributions to theory, practice, or policy. Therefore, based on this relationship, the hypothesis proposed in this study is as follows:

H1: Liquidity has a positive effect on company value

H2: Growth opportunity has a positive effect on company value

H3: Profitability has a positive and significant effect on company value

III. Research Method

This study uses company value as the dependent variable, while growth opportunity and profitability are used as independent variables. (Dash et al., 2024) One indicator that can be used to evaluate a company's financial performance is return on assets, which is calculated by dividing total debt by equity. By contrasting total debt and total equity, DER calculates the capital structure. (Hidayat & Pramudya, 2025). By dividing current assets by current liabilities, the current ratio calculates liquidity. (Febriani & Asih, 2025). The company's real number of assets is then converted to the natural logarithm to determine its size. (Zhou et al., 2025). This research is a type of quantitative research. Quantitative research is a research method based on the philosophy of positivism, which is used to research a specific population or sample, data collection using research instruments, and quantitative or statistical data analysis aimed at testing predetermined hypotheses. (Wang et al., 2024). Kell and Oliver in (Grek et al., 2024) Contend that quantitative data can give rise to new hypotheses if it can speak for itself without preconceived notions or prior beliefs shaping the data with secondary data in the form of financial reports listed on the Indonesia Stock Exchange (IDX) website (https://www.idx.co.id/id) for 2022-2024 and the data processing using Microsoft Excel 2019 and the E-Views 12 software with the criteria:

1. listed on the Indonesia Stock Exchange during the period 2022-2024,
2. publishing audited financial reports for 2022-2024 and presented in Rupiah (Rp.),
3. not delisted during 2022-2024,
4. not experiencing losses as much as,
5. The equity balance is not negative, and
6. Its shares are actively traded on the IDX.

Eleven infrastructure businesses were included in this study and listed on the IDX between 2022 and 2024. Infrastructure companies that meet specific requirements for consistent financial reporting, present financial accounts in rupiah, and do not suffer losses from 2022 to 2024 were chosen for this study using a purposive sample technique. The data for this study were examined using a variety of statistical techniques. These include descriptive statistics, traditional assumption tests like heteroscedasticity, multicollinearity,

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normality, hypothesis testing like partial T and simultaneous F statistics, and determination coefficient tests (R2). The study's regression equation is as follows:

$$ROA = \alpha - \beta 1DER + \beta 2CR + \beta 3VALUE + e$$

Description:

ROA	= Profitability
α	= Constant
β1 β2 β3	= Regression Coefficient
DER	= Growth opportunity
CR	= Liquidity
VALUE	= Company Value
e	= Error

The number of samples that meet the criteria is 11. The operationalization of the variables and instruments used in this study is:

Table 1. Operationalization of Variables

Variable	Measurement	Scale
Liquidity (CR)	$\frac{\text{current assets}}{\text{current debt}}$	Ratio
Growth opportunity (DER)	$\frac{\text{Total liability}}{\text{Total Equity}}$	Ratio
Profitability (ROA)	$, \frac{\text{Net profit after tax}}{\text{Total Assets}}$	Ratio
Company Value (PBV)	$\frac{\text{Market price per share}}{\text{book value per share}}$	Ratio

This study proxies liquidity through the Current Ratio (CR). The growth opportunity uses the debt-to-equity ratio (DER). Profitability uses the Return on Asset (ROA) ratio as a moderating variable, and company value is proxied through Price to Book Value (PBV) (Mariska et al., 2025). Statistical Test Results, Hypothesis Testing, and Model Test Conclusions. Model testing is carried out before the classical assumption test to determine the best model in this study. Model testing consists of 3 phases. (Zhao et al., 2025), namely the Chow test, the Hausman test, and the Lagrange multiplier (LM) test. The results of the Chow test state that the probability results obtained are 0.0001, so the selected model is the Fixed Effect Model. Then, in the Hausman test, the results obtained are 0.2976, so the selected model is the Random Effect Model. In the last test, namely the Lagrange multiplier (LM) test, the results obtained were 0.0353 in the Breusch-Pagan test, so the model used in this study was the Random Effect Model. Based on the results of the model test, because the model used is the Random Effect Model (REM), the classical assumption test is not needed because in this model, the Generalized Least Squares (GLS) method will be used, which helps overcome heteroscedasticity and normality. Determination of the Estimation Model between the Fixed Effect Model (FEM) and the Random Effect with the Hausman Test. The Hausman test determines the best regression model: a fixed or random effect model. The hypotheses in Hausman's test are:

H0: Random Effect Model (Prob > 0.05)
H1: Fixed Effect Model (Prob < 0.05)

If the results of the Hausman test state that it accepts the null hypothesis, then the best model to use is the Random Effect model. However, if the results state that it rejects the null hypothesis, the Fixed Effect model is the best. Determination of the Estimation Model between the Common Effect Model (CEM) and the

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Random with Lagrange Multiplier (LM) Test. This test determines the Common Effect or Random Effect model. The hypothesis in the Lagrange Multiplier Test is:

H0: Common Effect Model (Prob > 0.05)
H1: Random Effect Model (Prob < 0.05)

If the LM results state that it accepts the null hypothesis, then the best model to use is the Common Effect model. If the results state that they reject the null hypothesis, then the best model used is the Random Effect model. (Basuki, 2021). Determination of Estimation Model between Common Effect Model (CEM) and Fixed Effect Model (FEM) with Chow Test. The Chow test is a test that determines the best model for the fixed effect and common effect. The hypotheses in the Chow Test are:

H0: Common Effect Model (Prob > 0.05)
H1: Fixed Effect Model (Prob < 0.05)

If the results state that it accepts the null hypothesis, then the best model to use is the Common Effect Model. However, if the results reject the null hypothesis, then the best model used is the Fixed Effect Model, and the test will continue to the Hausman Test.

IV. Results and Discussion

4.1. Descriptive Analysis

Table 2. Result of Descriptive Analysis

	ROA	CR	DER
Mean	3.197739	172.3087	37.52627
Median	2.750000	158.4200	35.09678
Maximum	13.98000	515.5900	83.31032
Minimum	-6.52000	62.08000	7.749878
Std. Dev.	3.577812	70.24544	18.97713
Observation	115	115	115

This data analysis is generally explained by considering the minimum, maximum, average, and standard deviation values. Table 1 provides a summary of the information for 11 samples of companies that have been listed on the IDX from 2022 to 2024. The average business growth rate is 3.197, and the standard deviation. Dev 3.577, which means the distribution of company growth data is different. The maximum value for company growth is 13.980, and the minimum is -0.390. Liquidity has an average of 172.308 with a standard deviation of 70.245, lower than that average, which means the distribution of liquidity data is homogeneous. The maximum liquidity value is 515.590, and the minimum value is 62.0800. Company value has an average of 26.994 with a standard deviation of 3.766. The maximum value of the company value is 32.520, and the minimum value is 15.595.

4.1.1. Normality Test

The normality test in this study is conducted using the Skewness-Kurtosis test. Normality is determined based on the significance value: if the normality value is greater than 0.05, the data is considered to be normally distributed.

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Table 3. Normality Test Results

	Statistic	Prob.
Kewness	0.547819	0.291908
Kewness 3/5	0.541537	0.294069
Kurtosis	1.224933	0.110300
Normality	1.524080	0.466713

Based on the normality test results using the Skewness-Kurtosis method in Eviews12, the normality value is 0.466713, greater than the significance level of 0.05. Therefore, it can be concluded that the residual data is usually distributed

4.1.2. Multicollinearity

Table 4. Multicollinearity Test Result

	ROA	CR	DER
ROA	1.000000	0.360432	-0.211730
CR	0.360432	1.000000	-0.364544
DER	-0.211730	-0.364544	1.000000

Based on the results of the multicollinearity test, the correlation coefficients between the independent variables Profitability, Liquidity, and Growth Opportunity are all less than 0.85. This indicates no strong linear relationship between the independent variables, meaning multicollinearity is absent

4.1.3. Heterocedasticity Test

The heteroscedasticity test in this study was conducted using the Breusch-Pagan-Godfrey method. The test criteria are as follows: heteroscedasticity is absent if the Probability Obs*R-squared value exceeds 0.05. Conversely, if the Probability Obs*R-squared value is less than 0.05, it suggests the presence of heteroscedasticity.

Table 5. Heteroscedasticity Test Results

F-statistic	1.782668	Prob. F(6,108)	0.1093
Obs*R-squared	10.36295	Prob. Chi-Square(6)	0.1102
Scaled explained SS	15.17021	Prob. Chi-Square(6)	0.0190

Based on the results of the heteroscedasticity test using the Breusch-Pagan-Godfrey method in Eviews12, the Probability Obs*R-squared value is 0.1102, greater than 0.05. This indicates that there are no symptoms of heteroscedasticity in the regression model.

4.1.4. Chow Test

Table 6. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	9.325805	(22,86)	0.0000
Cross-section Chi-square	140.248493	22	0.0000

The Chi-Square statistical value obtained from the calculation using Eviews12 is 140.248493, with a probability of 0.0000 (less than 5%). Statistically, this leads to the rejection of H0 and the acceptance of H1, indicating that the appropriate model for estimation is the Fixed Effect Model.

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4.1.5. Hausman Test

Table 7. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq.d.f.	Prob
Cross-section random	29.263921	6	0.0001

The Chi-Square statistical value obtained from the calculation using Eviews12 is 29.263921, with a probability of 0.0001 (less than 5%). Statistically, this results in the rejection of H0 and the acceptance of H1, indicating that the appropriate estimation model is the Fixed Effect Model.

4.1.6. Partial test (t-Test)

Table 8. Test Results of Fixed-Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-63.57808	32.35209	-1.965192	0.0526
CR	0.222787	0.108993	2.044051	0.0440
DER	0.013784	0.006646	2.073968	0.0411
ROA	2.458959	1.220711	2.014366	0.0471
Effects Specification				
Cross-section fixed (dummy variable)				
Root MSE	2.114409	R-squared	0.888034	
Mean dependent var	8.017334	Adjusted R-squared	0.851580	
S.D. dependent var	6.346626	S.E. of regression	2.445055	
Akaike info criterion	4.839775	Sum squared resid	514.1333	
Schwarz criterion	5.531976	Log-likelihood	-249.2871	
Hannan-Quin Criter.	5.120736	F-Statistic	24.36044	
Durbin-Watson stat	2.343662	Prob (F-statistic)	0.000000	

Based on the results of the Fixed Effect Model using Eviews12, the CR variable (X1) has a coefficient value of 0.222787, a t-statistic value of 2.044051, and a probability value of 0.0440 (<5%), indicating that ROA (X1) has a positive and significant effect on Company Value (Y). The DER variable (X2) has a coefficient value of 0.013784, a t-statistic value of 2.073968, and a probability value of 0.0411 (<5%), showing that the DER (X2) also has a positive and significant effect on Company Value (Y). Similarly, the ROA variable (X3) has a coefficient value of 2.458959, a t-statistic value of 2.014366, and a probability value of 0.0471 (<5%), confirming that ROA (X3) has a positive and significant effect on Company Value (Y). Prob. F statistic of 0.000000 (<5%), so together/simultaneously the variables CR (X1), DER (X2), ROA (X3), have a significant effect on the Company Value (Y) variable.

4.1.7. Moderated Regression Analysis Test

The Moderated Regression Analysis (MRA) results are carried out after the model test and/or classical assumption test has been carried out. The following are the MRA results in the table below:

Table 9. Results of MRA Test and Hypothesis Test Dependent Variable: Y (PBV) Method: EGLS Panel (Cross-Section Random Effects)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1 (CR)	0.445612	0.207288	2.149726	0.0419
X2 (DER)	0.320993	0.503550	0.637461	0.5299
Z (ROA)	13.68696	10.12960	1.351184	0.1892
X1Z (CR*ROA)	-7.273441	2.835750	-2.564909	0.0170

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Variable	Coefficient	Std. Error	t-Statistic	Prob.
X2Z (DER*ROA)	-11.42499	10.23619	-1.116137	0.2754
C	0.870909	0.767331	1.134984	0.2676

4.2. Discussion

4.2.1. The Effect of Liquidity on Company Value

Based on Table 8, the Liquidity variable has a coefficient value of 0.222787 and a significance value of 0.0440. Since the significance value is less than 0.05 (0.0440 < 0.05), H1 is accepted, indicating that Liquidity has a positive and significant effect on company value in manufacture companies listed on the Indonesian Stock Exchange (ISX) for the 2022-2024 period, these findings suggest that companies with higher liquidity tend to hold more value, as they have more substantial financial capacity and prefer to maintain liquidity to navigate future uncertainties and investment opportunities.

4.2.2. The Effect of Growth Opportunity on Company Value

Based on Table 8, the Growth Opportunity variable has a coefficient value of 0.013784 and a significance value of 0.0411. Since the significance value is less than the probability threshold of 0.05 (0.0411 < 0.05), H2 is accepted, indicating that Growth Opportunity has a positive and significant effect on cash holding in property and real estate companies listed on the Indonesian Stock Exchange (ISX) for the 2022-2024 period. High liquidity reflects a company's ability to meet its short-term obligations using current assets, suggesting that companies with higher Growth Opportunity levels tend to hold more cash reserves to ensure smooth operational activities.

4.2.3. The Effect of Profitability on Company Value

Based on Table 8, the Profitability variable has a coefficient value of 2.458959 and a significance value of 0.0471. Since the significance value is less than the probability threshold of 0.05 (0.0471 < 0.05), H3 is accepted, indicating that Profitability has a positive and significant effect on Company Value in property and real estate companies listed on the Indonesian Stock Exchange (ISX) for the 2022-2024 period.

V. Conclusion

Based on the results in this study, liquidity influences decisions and assessments from external parties on a company. So that the company can continue to maintain its financial performance and use its resources appropriately to increase its profits, this is because, in the results of this study, the profit generated by the company is not comparable to the sacrifice of company assets to increase profits, so that the assets owned to pay short-term debts will decrease. The company's liquidity capacity will also decrease. However, the composition of the company's funding sources has not been shown to affect the stock price of transportation and logistics companies on the IDX in this study. The limitation of this study is that the independent variables used are few, and the factors that can affect the value of companies in the transportation and logistics sector have not been fully explained. Further research is expected to use other independent variables and/or other moderating variables, as well as increase the research period, to analyze the factors that affect the value of companies in the manufacturing sector. It is expected to expand the sample of companies not only in the manufacturing sector but also to take samples from more sectors, to obtain greater generalizability of research results. Further researchers are expected to increase the number of samples or extend the period to re-prove the hypothesis.

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