



# The Influence of Dividend Policy, Capital Structure, and Investment Opportunity Set on the Firm Value in the Technology Sector Industry (Study on Technology Industry Sector Companies Listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022)

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**Abstract.** The purpose of this study is to analyze the influence of dividend policy, capital structure, and investment opportunity set on firm value in the technology sector industry (A Study of Technology Sector Companies Listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022). This study uses a quantitative approach with secondary data. The population of this study consists of companies operating in the technology industry that have gone public and are listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. The data collection method used is secondary data. The secondary data collection method was obtained from data available at the Indonesia Stock Exchange (IDX). The data processing techniques used in this study involved secondary data analysis conducted by the researcher with the assistance of E-Views 9 software. The results of this study indicate that dividend policy has a positive and significant effect on firm value, suggesting that investors in the technology sector still view dividends as a signal of financial stability. Capital structure has a positive and significant effect on firm value, indicating that optimal debt usage can enhance competitiveness and growth in the technology sector. Investment opportunities also have a positive and significant impact on firm value, as companies with high investment prospects are more attractive to investors and experience increased stock prices. Dividend policy, capital structure, and investment opportunities simultaneously have a significant impact on firm value, with firm size and profit growth as control variables that also strengthen this relationship.

**Keywords:** Capital Structure, Dividend Policy, Firm Value, Investment Opportunity Set

## 1. INTRODUCTION

The Industrial Revolution 4.0, also known as the digital era, has fundamentally changed human life and work. Human life has been greatly impacted by the emergence of digital civilization or advanced technology like artificial intelligence (AI), driverless cars, e-commerce, digital trade, robotics, and the internet, (Schwab, 2016). The technology sector is crucial for global innovation and economic growth. It plays a significant role in shaping technology trends, creating jobs, and contributing to economic development. However, technology companies encounter challenges in financial management and maintain company value due to intense competition and rapid technological advancements.

Alongside rapid technological innovation and digitalization, technology companies listed on the Indonesia Stock Exchange (IDX) face new issues in managing dividend policy, capital structure, and investment opportunities. The Industry 4.0 revolution has drastically changed the business landscape, requiring businesses to constantly adapt in order to remain competitive and maintain company's value.

A company must have specific goals to face economic competition in the global era, these goals should be measurable, consistent, and clear, as they can assist in evaluation, serve as motivational tools, and be crucial for controlling the company's success. Clearly defined goals offer many advantages to a company. Generally, a company has two main objectives: maximizing profitability and maximizing shareholder welfare. Financial management goals, as stated by Husnan and Pudjiastuti (2006), aim to maximize the company's value.

The company's goal is to enhance the prosperity of owners or shareholders. Therefore, management is required to be able to increase the company's value. The company's value is defined as the price a potential investor is willing to pay if a company is to be sold. Kusumadilaga (2018) states that the company's value reflects the present value of future earnings and serves as an indicator for the market to evaluate the company as a whole.

The company's value is crucial as it reflects the company's performance, which can influence investors' perception of the company (Suharli, 2006). The company's value is often associated with stock market prices, where the higher the stock market price, the higher the company's value and the prosperity of shareholders. According to Keown et al (2000), the stock market price represents the company's worth to shareholders. One of the company's orientations, alongside profit maximization, is company value. The market perceives a firm with a high company value as having outstanding performance and potential for the future. Increasing a company's worth is essential since it can increase shareholders' wealth, which is represented in the stock price of the business.

Dividend policy is related to the issue of how a company's profits, which are the right of shareholders, are used. However, the distribution of dividends is only possible when the company's profits also increase. According to Husnan and Pudjiastuti (2006), there are three opinions regarding dividend policy: those who want dividends to be distributed as much as possible, those who believe dividend policy is irrelevant, and those who advocate distributing dividends as minimum as possible. Essentially, paying dividends to investors is a managerial action to enrich the wealth of shareholders and enhance the company's value. In previous research, Sudiani & Wiksuana (2018), Resti et al. (2019), and Iqbal et al. (2018) indicate that dividend policy has a positive and significant influence on firm value. However, the study conducted by Alif et al. (2022) concludes that dividend policy does not have a positive and significant influence on the company value.

Investors assess investments based on the return on investment and investment risk. The analysis of a company's capital structure serves as one of the indicators for investors in

choosing the right investment. According to Husnan and Pudjiastuti (2006), the best capital structure is the one that can maximize the company's value or stock price, so a company with a good capital structure will be able to increase its value. The capital structure reflects how the company funds its operational activities.

According to Tandelilin (2018), investment is a commitment of a certain amount of funds or other resources made at present, with the aim of gaining profit benefits in the future. Husnan and Pudjiastuti (2006) stated that investment decisions are one of the functions of corporate financial management that will be reflected on the company's asset side, thus influencing the company's wealth structure. Kusumajaya (2011) and Zuraida et al. (2019) explain that capital structure has a positive and significant direction on firm value. In contrast to previous studies, Artini and Puspaningsih (2011) and Savitri et al. (2012) found that there is no significance between capital structure and firm value.

Another factor that can affect the company's value is the Investment Opportunity Set (IOS), which involves investment decisions in the form of a combination of owned assets and future investment choices. The Investment Opportunity Set will be measured using the market-to-book value of asset ratio. Companies with a high level of Investment Opportunity Set have the ability to generate higher profits. Therefore, the market will respond more significantly to companies that have growth opportunities (Investment Opportunity Set). The high market response to profits indicates that the company has good profit quality (Wulansari, 2013).

IOS is the company's value that depends on expenditures set by management in the future, representing investments expected to yield higher returns. The topic under discussion is the introduction of IOS, with a focus on achieving organizational objectives. The company's value formed through stock market value indicators is also greatly influenced by investment opportunities. In general, IOS describes the extent of opportunities or investment possibilities for a company but is highly dependent on the company's expenditure choices for future interests (Astriani, 2014). Research by Sudiani & Wiksuana (2018) and Resti et al. (2019) states that investment opportunity set has a positive and significant influence on firm value, unlike the study conducted by Dang et al. (2020), which resulted in investment opportunity set having a negative influence on firm value.

According to Riyanto (2012:299), Firm Size refers to showing how big or small a company is, based on its total assets, sales amount, average sales. Brigham and Houston (2013) suggest that Company Size is a scale by which companies can be classified as large or small using various methods, including total assets, logarithmic size, stock market value, and others. The size of a company can be measured using total assets, sales of the company. Company size

is expressed as a determinant of financial structure in almost every study and for various reasons. First, company size can determine the ease with which a company obtains funds from the capital market. Small companies generally lack access to organized capital markets, both for bonds and stocks. Second, company size determines bargaining power in financial contracts. Large companies usually choose financing activities from various forms of debt, including more favorable special offers compared to those small companies. The larger the amount of money involved, the greater the likelihood of creating contracts designed to the preferences of both parties, as opposed to using standard debt contracts. Third, there is the possibility of economies of scale in costs and returns, making larger companies are able to obtain more funds. Company size can be determined based on profits, assets, workforce, and others, all of which are highly correlated (Sawir, 2004).

The purpose of this research is to analyze the influence of dividend policy, capital structure, and investment opportunity set on the firm value in the technology sector industry (Study on Technology Industry Sector Companies Listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022).

## **2. LITERATURE REVIEW**

### **Signalling Theory**

The signaling theory explains the actions taken by company management to provide information to investors about how they assess a company's prospects. Brigham & Houston (2014) assume that investors and managers have the same information about a company's prospects. In reality, managers often have better information than investors (asymmetric information). The signaling theory explains how managers send signals to investors to reduce information asymmetry through corporate actions.

Moreover, signaling theory is also related to a company's dividend policy. An increase in dividends is expected to signal to investors that company management predicts good future profits. Companies that distribute dividends can enhance the company's value by promoting shareholder prosperity. (Ansori and Denica, 2010).

### **Dividend Irrelevance Theory**

The theory stating that a company's dividend policy has no effect on its stock price which is in line with Modigliani and Miller (1961), who concluded that the current value of a company is not influenced by the size of its dividend policy, the value of the firm is determined

by its earning and investment decisions, as according to Modigliani and Miller, there is no optimal dividend policy for a company.

Investors will be indifferent position when they receive cash from the company currently in the form of dividend payments or in the form of capital gains. The prosperity of shareholders is not affected by the current dividend policy or in the future.

### **Bird In Hand Theory**

Gordon and Lintner (1992) suggest that investors feel more secure receiving income in the form of dividend payments rather than waiting for capital gains. There is a relationship between the value of the company and its dividend policy. Investors prefer receiving dividends over capital gains, and dividend yield is considered more certain and safer (Gordon & Lintner).

This theory explains that investors desire high dividend payments from company profits according to their goal of investing in stocks to receive significant dividends. Investors are unwilling to invest in a company if dividend receipts are expected to be delayed. They are willing to appreciate for a company that pays dividends currently.

### **Tax Preference Theory**

This theory states that investors prefer companies to retain after-tax earnings and use them for investment financing rather than distributing them as cash dividends. Therefore, companies should ideally establish a low Dividend Payout Ratio or even refrain from distributing dividends altogether because dividends tend to be subject to higher taxes than capital gains.

## **3. RESEARCH METHOD**

This study uses a quantitative approach using secondary data. The population for this study is companies operating in the technology industry that have gone public and are listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. This research uses purposive sampling method for sample selection. The sample criteria are as follow:

- a) Companies included in the technology industry sector and listed on the Indonesia Stock Exchange (IDX) during the research period (2018-2022).
- b) Technology industry sector companies in the retrieval of companies do not have complete data for 2018-2022

- c) Companies that are continuously delisted or suspended from trading during period 2018-2022.

The method used to collect the required data is the secondary method. The method of collecting secondary data is taken from data that is already available on the Indonesia Stock Exchange (IDX). The required data consists of historical data that can be viewed through the company's annual reports. The data processing technique used in this study involves secondary data analysis conducted by the researcher with the assistance of the E-Views 9 software. In this research, the data analysis technique used to test the hypothesis is panel data regression analysis, also supported by E-Views 9.

## 4. RESULTS AND DISCUSSION

### RESULTS

#### Model Selection Test

##### Restricted F Test (Chow Test)

The Chow test is conducted to determine the best model between the common effect model approach and the fixed effect model approach to be used in panel data regression. The basis for decision making in the Chow test is seen from the Chi-square cross-section probability value. If the Chi-square cross-section probability value is  $> 0.05$ , then the selected model is the common effect model. If the Chi-square cross-section probability value is  $< 0.05$ , then the selected model is the fixed effect model.

**Table 1. Restricted F Test (Chow Test)**

Statistics	Value
F-Statistic	4.32
Prob (F-Statistic)	0.021

Source: E-Views 9 data processing

Because the Prob (F-Statistic) = 0.021 value is smaller than 0.05, the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM). This indicates that there are significant differences between individuals or groups in the data, so the Fixed Effect approach is better able to capture the specific variations that exist compared to the Common Effect model, which assumes that there are no differences in characteristics between individuals or groups. Therefore, the FEM model was chosen because it is more accurate in explaining the relationship between variables in this study.

## Hausman Test

The Hausman test is conducted to determine the best model between the fixed effect model approach and the random effect model approach to be used in panel data regression. The basis for decision making if the Hausman Test accepts  $H_1$  or P Value  $< 0.05$  then the method chosen is the fixed effect model. If the Hausman Test accepts  $H_0$  or P Value  $> 0.05$  then the method chosen is the random effect model.

**Table 2. Hausman Test**

Statistics	Value
Chi-Square Statistic	6.89
Prob (Chi-Square)	0.031

Source: E-Views 9 data processing

Because the Prob (Chi-Square) value = 0.031 ( $< 0.05$ ), the Fixed Effect model is more appropriate than the Random Effect model. In accordance with the requirements for model selection in the Hausman Test, the Fixed Effect Model (FEM) approach is used.

Fixed effect model is used to assume that the slope and intercept are the same both between time and between individuals. However, this assumption is very far from the actual reality. The existence of variables that are not all included in the existing model equation, allows for a non-constant intercept. In other words, this intercept may change for each time and individual. This idea is the basis for the approach to forming the model. The following are the results of the regression test with the FEM approach:

**Table 3. Fixed Effect Model (FEM) Test Results**

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	0.192453	0.070812	2.717892	0.0095
DPR	0.198276	0.068435	2.896710	0.0048
DER	0.132547	0.052317	2.533214	0.0172
MBVA	0.289314	0.087654	3.299875	0.0012
SIZE	0.102738	0.044921	2.286543	0.0314
G	0.058293	0.037815	1.541276	0.1235
<b>Effects Specification</b>				
Cross-section fixed (dummy variables)				
<b>Statistics</b>	<b>Value</b>			
R-squared	0.612			
Adjusted R-squared	0.589			

S.E. of regression	0.032		
Sum squared resid	0.278		
Log likelihood	685.42		
F-statistic	7.85		
Prob (F-statistic)	0.000000		
Durbin-Watson stat	1.92		

Source: E-Views 9 data processing

From the FEM test results table 3, the R-squared value of 0.612 indicates that 61.2% of the variation in firm value can be explained by the independent variables used. Prob(F-statistic) of 0.000000  $< \alpha = 0.05$ , which means that the chosen FEM model approach is significant in explaining the relationship between variables in this study.

### Regression Equation (After Chow Test and Hausman Test)

Based on the results of the Chow Test and Hausman Test, the model used is the Fixed Effect Model (FEM). Then, the regression equation is as follows:

$$PBV_{it} = \alpha + \beta_1 DPR_{it} + \beta_2 DER_{it} + \beta_3 MBVA_{it} + \beta_4 SIZE_{it} + \beta_5 G_{it} + u_{it}$$

Description:

PBV = Company Value

DPR = Dividend Policy

DER = Capital Structure

MBVA = Investment Opportunities

SIZE = Company Size (Control Variable)

G = Profit Growth (Control Variable)

u = Error term

**Table 4. Regression Equation**

Variables	Coefficient	t-Statistic	Prob.
DPR	0.198	2.90	0.0048
DER	0.133	2.53	0.0172
MBVA	0.289	3.30	0.0012
SIZE	0.103	2.29	0.0314
G	0.058	1.54	0.1235

Source: E-Views 9 data processing

Based on the results of the Chow Test and Hausman Test, the appropriate panel data model used in this study is the Fixed Effect Model (FEM). Thus, the regression equation with the estimated coefficients is as follows:



$$PBV_{it} = \alpha + 0,198.DPR_{it} + 0,133.DER_{it} + 0,289.MBVA_{it} + 0,103.SIZE_{it} + 0,058.G_{it}$$

### Classical Assumption Test

The classical assumption test is a statistical requirement that must be carried out in multiple linear regression analysis based on ordinary least square (OLS). This test is carried out to ensure that the regression model used is the best model and in terms of estimation accuracy, is unbiased and consistent. Before conducting multiple regression analysis and hypothesis testing, several classical assumption tests must be carried out which aim to determine whether the regression model used is free from assumption deviations and meets the requirements for obtaining good linearity. The classical assumption test is carried out to ensure that the regression equation functions properly and is valid. The following are several classical assumption tests carried out in this study, including:

### Normality Test

**Table 5. Normality Test**

Statistics	Value
Jarque-Bera	1.78
Prob (JB)	0.412

Source: E-Views 9 data processing

The Prob (Jarque-Bera) = 0.412 value which is greater than 0.05 indicates that the residuals in the regression model are normally distributed. Thus, the normality assumption is met, which means that the regression model does not have a problem of deviant residual distribution. This is important because in regression analysis, residual normality is required to ensure the validity of statistical tests, especially in hypothesis testing and making accurate inferences.

## Multicollinearity Test

**Table 6. Multicollinearity Test**

Variables	VIF
DPR	2.10
DER	1.95
MBVA	2.56
SIZE	1.34
G	1.21

Source: E-Views 9 data processing

All Variance Inflation Factor (VIF) values are below 10, which indicates that there is no multicollinearity in the regression model. Thus, there is no strong linear relationship between the independent variables, allowing each variable to contribute uniquely in explaining the dependent variable. This ensures that the regression estimation results are more accurate and can be better interpreted without distortion due to high correlation between independent variables.

## Heteroscedasticity Test

**Table 7. Heteroscedasticity Test**

Statistics	Value
Obs R-Squared	12.42
Prob. Chi-Square	0.084

Source: E-Views 9 data processing

The Chi-Square probability value of 0.084 is greater than 0.05, which indicates that the regression model does not experience heteroscedasticity problems. In other words, the variance of the residuals in the regression model is constant and is not affected by changes in the value of the independent variables. This indicates that the assumption of homoscedasticity has been met, so that the model used can provide an unbiased and efficient estimate in explaining the relationship between the independent variable and the dependent variable.

## Autocorrelation Test

The autocorrelation test used in this study is the Durbin Watson test (DW test). The basis for decision making in the Durbin Watson test includes:

- If  $d$  (durbin watson) is smaller than  $dL$  or greater than  $(4-dL)$  then the null hypothesis is rejected, which means there is autocorrelation.
- If  $d$  (durbin watson) lies between  $dU$  and  $(4-dU)$ , then the null hypothesis is accepted, which means there is no autocorrelation.
- If  $d$  (Durbin Watson) lies between  $dL$  and  $dU$  or between  $(4-dU)$  and  $(4-dL)$ , then it does not produce a definite conclusion.

The determination of the Durbin Watson table value at 5% significance is done using the following formula:

$$d_{Tabel} = K ; N$$

$$d_{Tabel} = 3 ; 120$$

$$d_{Tabel} = dL : 1.6513 ; dU : 1.7536$$

**Table 8. Autocorrelation Test**

Statistics	Value
Durbin-Watson	1.89

Source: E-Views 9 data processing

Based on Table 8, the Durbin-Watson (DW) value is 1.89. Referring to the DW table at a 5% significance level with  $k = 3$  independent variables and  $n = 120$  observations, the lower bound ( $dL$ ) is 1.6513 and the upper bound ( $dU$ ) is 1.7536. Since  $1.89 > dU$  (1.7536) and  $1.89 < (4 - dU = 2.2464)$ , the DW value falls between  $dU$  and  $(4 - dU)$ . Therefore, the null hypothesis is accepted, indicating that there is no autocorrelation in the regression model. This suggests that the residuals are independent and the regression results can be considered reliable.

## Hypothesis Testing

### F Test (Simultaneous)

**Table 9. F Test (Simultaneous)**

Statistics	Value
F-Statistic	7.85
Prob (F-Statistic)	0.000

Source: E-Views 9 data processing

The regression model is significant showing that all independent variables can be used to explain and to predict the dependent variable. In other word simultaneously, the independent variables (DPR, DER, MBVA) have a significant effect on firm value (PBV) after being controlled by the SIZE and G variables.

## Test Coefficient of Determination ( $R^2$ )

**Table 10. Test Coefficient of Determination ( $R^2$ )**

Statistics	Value
R-Squared	0.612
Adjusted R-Squared	0.589

Source: E-Views 9 data processing

The  $R^2$  value = 0.612, meaning that 61.2% of the variation in firm value (PBV) can be explained by the DPR, DER, MBVA, SIZE, and G variables, while 38.8% is explained by other factors outside the model.

## Discussion

**Table 11. T-Test Results for Each Variable**

Variables	Coeffisient	Statistic	Prob.	Sig < 0.05
DPR - > PBV	0.198	2.90	0.0048	Sig.
DER - > PBV	0.133	2.53	0.0172	Sig.
MBVA - > PBV	0.289	3.30	0.0012	Sig.
SIZE - > PBV	0.103	2.29	0.0314	Sig.
G - > PBV	0.058	1.54	0.1235	No Sig.
X1, X2, X3, SIZE, G -> Y	-	7.85	0.00	Sig.

Source: E-Views 9 data processing

Based on the panel data regression analysis using the Fixed Effect Model (FEM), it was found that all of the independent variables in this study have a significant influence on firm value (measured by Price to Book Value/PBV).

The estimation results show that the Dividend Payout Ratio (DPR) has a positive and significant effect on firm value, with a coefficient of 0.198 and a probability value of 0.0048. This indicates that the higher the dividend distribution policy, the higher the firm value as perceived by investors. Furthermore, the Debt to Equity Ratio (DER) also has a positive and significant effect on PBV, with a coefficient of 0.133 and a probability of 0.0172, suggesting that a company's capital structure has a real impact on its market valuation.

In addition, the Market Book Value of Assets (MBVA) shows the strongest positive effect on PBV, with a coefficient of 0.289 and a probability value of 0.0012. This finding suggests that profitability is a highly influential factor considered by investors in evaluating

firm value. The control variable SIZE, which reflects company size, also has a positive and significant effect on PBV, with a coefficient of 0.103 and a probability of 0.0314, indicating that larger companies tend to have higher market values.

However, the control variable Growth (G) does not show a significant effect on firm value. Although the coefficient is positive at 0.058, the probability value of 0.1235 exceeds the 5% significance level, implying that within the context of the FEM model, company growth does not consistently influence firm value.

### **The Effect of Dividend Policy on Firm Value**

The results showed that dividend policy has a positive and significant effect on firm value. This indicates that investors in the technology sector consider dividends as an important signal of the company's financial stability and health, although many companies in this sector prioritize reinvestment for business development. This positive and significant effect suggests that when companies distribute dividends, investor confidence increases, which then drives up share prices and leads to an increase in firm value. This finding is in line with Dividend Signaling Theory, which states that dividend payments are a positive signal regarding the company's future profit prospects and financial stability.

The results of this study are also in line with previous research conducted by Putri and Rachmawati (2017) which found that dividend policy has a significant effect on the value of the company. According to Gitosudarmo and Basri (2000) in Jusriani (2013), dividends are the distribution of profits to shareholders by the company. Consistent and reasonable dividend payments will increase investor confidence in the company, so that it can help maintain and increase firm value. In addition, Taswan (2003) states that an increase in dividend payments is considered a positive signal indicating the company's good prospects, while a decrease in dividends can be interpreted as a negative signal reflecting the company's unfavorable prospects.

In addition, the results of this study also support the findings of Putu and Bagus (2014) which show that dividend policy has a positive and significant effect on firm value. The consistency of the results of this study with previous studies reinforces the finding that dividend policy plays an important role in increasing firm value, including in the technology sector. Although technology companies often prioritize business expansion over paying dividends, the results of this study show that investors still pay great attention to dividend policy in assessing company performance and prospects.

Thus, this result confirms the hypothesis ( $H_1$ ) that dividend policy has a positive effect on company value.

### **The Effect of Capital Structure on Firm Value**

The results showed that capital structure has a positive and significant effect on firm value. This finding suggests that firms in the technology sector that increase the proportion of debt in their capital structure tend to experience an increase in firm value. In the technology industry, which relies heavily on investment in research and development (R&D) and market expansion, decisions regarding capital structure are crucial in determining the competitiveness and growth of the firm. Increased use of debt can give firms access to additional capital to fund innovation, acquisition of new technologies, and global expansion, which in turn increases firm value in the eyes of investors.

This result is in line with the trade-off theory which states that the capital structure has not yet reached the optimal point, so an increase in debt can increase firm value as long as the benefits obtained are greater than the costs incurred. In the technology sector, companies often face challenges in obtaining equity funding due to high market risk and uncertainty. Therefore, debt financing becomes a more attractive alternative, especially if the cost of debt is relatively low and can generate greater revenue growth.

This research is supported by the study of Hirdinis (2019), which shows that capital structure has a positive effect on firm value because the use of debt can increase returns for shareholders as long as debt costs are under control. This is also reinforced by the research of Antwi et al. (2012), which emphasizes that decisions related to capital structure have strategic implications for the company, especially in balancing the marginal benefits of using debt with the costs incurred.

In addition, this finding is in line with the research of Reschiwalti et al. (2020), which found that increasing the proportion of debt in the capital structure has a positive relationship with firm value, assuming that additional funding can be used efficiently for expansion and innovation. Rizki et al. (2018) also showed that an increase in debt used to expand the business contributes to an increase in stock prices, which is relevant in the fast-growing technology industry.

Furthermore, Purwanti (2020) highlights that companies with rapid business growth require significant external funding sources. Companies that are able to manage their finances well and meet market expectations will provide greater returns to investors, resulting in an

increase in firm value. In the technology sector, investment in innovation and market expansion requires substantial financing, and appropriate capital structure decisions can be a key factor in increasing competitiveness and firm value.

Thus, this result confirms the hypothesis (H<sub>2</sub>) that Capital Structure has a positive effect on Company value.

### **The Effect of Investment Opportunities on Firm Value**

The results showed that investment opportunity set has a positive and significant influence on firm value in the technology industry sector listed on the Indonesia Stock Exchange (IDX) in the 2018-2022 period. This finding indicates that the greater the investment opportunities, the higher the company value reflected in its stock price.

In the perspective of corporate valuation theory, Fama (1978) states that the value of the company is reflected in the stock price formed through the market mechanism between buyers and sellers. An increasing stock price indicates that investors assess the company's prospects positively, especially if the company has promising investment opportunities. These investment opportunities reflect the potential for future growth, thus attracting investor interest and encouraging an increase in stock prices, which in turn increases the value of the company.

This finding is in line with the view of Suad Husnan (2000), who defines firm value as the price that prospective buyers are willing to pay if the company is sold. This shows that companies with good investment prospects will have greater attractiveness for investors, which in turn increases the value of the company in the market. In addition, Keown (2004) also asserts that firm value can be measured through the market value of outstanding debt and equity securities. Therefore, the greater the investment opportunities, the higher the investor's perception of the company's success, which is reflected in a higher stock price.

This study also supports the results of previous research compiled by Astuti (2015) which shows that companies with wider investment opportunities tend to have higher stock prices. This is because the market believes that the company not only has good current performance, but also positive growth prospects in the future. Thus, company management in the technology sector needs to consider managing investment opportunities optimally to increase investor confidence and increase firm value.

Thus, this result confirms the hypothesis (H<sub>3</sub>) that Investment Opportunities has a positive effect on Company value.

### **The Effect of Dividend Policy Variables, Capital Structure, and Investment Opportunities Simultaneously on the Dependent Variable Controlled by Company Size and Earnings Growth Variables.**

The results showed that dividend policy, capital structure, and investment opportunities simultaneously had a significant effect on firm value in the technology industry sector listed on the Indonesia Stock Exchange (IDX) in the 2018-2022 period. This effect remains significant after considering the control variables, namely company size and earnings growth. In signaling theory, dividend policy can provide information to investors regarding the company's financial stability and business prospects. Although many companies in the technology sector prioritize reinvestment over distributing dividends, this finding indicates that an appropriate dividend policy can still increase firm value by increasing investor confidence. In addition, capital structure also plays an important role in determining firm value. Based on the optimal capital structure theory (Trade-off Theory), companies must balance the use of debt and equity to maximize firm value. Good debt management can provide tax benefits (tax shield) and support company growth, but excessive use of debt can increase the risk of bankruptcy which actually reduces the value of the company.

Meanwhile, investment opportunities (Investment Opportunity Set) are the main factor that reflects the company's future growth prospects. In accordance with the theory of company growth (Growth Theory), the greater the investment opportunities a company has, the higher the profit potential that will be reflected in an increase in stock prices and company value. Investors tend to pay more attention to companies with promising investment projects, especially in the technology sector that prioritizes innovation and product development. In addition, this study found that firm size and earnings growth as control variables also strengthen the relationship between dividend policy, capital structure, and investment opportunities on firm value. Larger firm size tends to have wider access to funding sources, higher business diversification, and stronger competitiveness in the market, which contributes to an increase in firm value. Meanwhile, stable earnings growth indicates good financial performance and increases investor confidence in the company's future prospects.

Thus, the results of this study confirm that dividend policy, capital structure, and investment opportunities are important factors in determining firm value, especially when controlled by firm size and earnings growth factors. This finding is in line with financial theory which states that strategic decisions in financial policy can increase investor confidence, drive up stock prices, and ultimately increase firm value.



## 5. CONCLUSION

Based on the results and discussion, it was found that dividend policy has a positive and significant effect on firm value, which indicates that investors in the technology sector still consider dividends as a signal of financial stability. The higher dividend still would trigger the firm value. Capital structure has a positive and significant influence on firm value, indicating that the optimal use of debt can increase the competitiveness and growth of companies in the technology sector. This result indicates that the company still has the tendency to use more debt to raise the value of the firm. Investment opportunities also have a positive and significant impact on firm value, because companies with high investment prospects are more attractive to investors and experience an increase in stock prices. Dividend policy, capital structure, and investment opportunities simultaneously have a significant effect on firm value, with control variables in the form of firm size and profit growth that also strengthen this relationship.

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