Economic: Journal Economic and Business
Vol. 4, No. 2, April 2025, pp. 212~221

The Effect of Capital Structure, Liquidity, and Firm Size on Firm Value in The Technology Industry Sector Listed on the IDX

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ABSTRAK

Penelitian ini menganalisis pengaruh struktur modal, likuiditas, dan ukuran perusahaan terhadap nilai perusahaan pada sektor teknologi yang terdaftar di Bursa Efek Indonesia selama periode 2019–2023. Dengan menggunakan regresi data panel model efek acak, hasil penelitian menunjukkan bahwa struktur modal yang diukur dengan Debt to Equity Ratio dan likuiditas yang diukur dengan Current Ratio berpengaruh signifikan dan positif terhadap nilai perusahaan. Temuan ini mengindikasikan bahwa perusahaan teknologi yang mampu mengelola leverage dan likuiditas secara efisien cenderung memperoleh penilaian pasar yang lebih tinggi. Sebaliknya, ukuran perusahaan tidak terbukti berpengaruh signifikan terhadap nilai perusahaan di sektor ini. Hasil penelitian ini konsisten dengan Trade-Off Theory dan Liquidity Theory yang menekankan pentingnya penggunaan utang secara optimal serta likuiditas yang memadai untuk meningkatkan nilai perusahaan dan kepercayaan investor. Implikasi praktis dari penelitian ini adalah pentingnya perusahaan teknologi untuk mengoptimalkan struktur modal dan menjaga likuiditas pada tingkat yang sehat. Untuk penelitian selanjutnya, disarankan memasukkan variabel lain seperti profitabilitas dan faktor makroekonomi, serta melakukan studi komparatif antar sektor guna memperkaya pemahaman mengenai penentu nilai perusahaan.

Keyword: Struktur Modal; Likuiditas; Nilai Perusahaan; Sektor Teknologi

ABSTRACT

This study examines the influence of capital structure, liquidity, and firm size on firm value in the technology sector listed on the Indonesia Stock Exchange for 2019–2023. Using panel data regression with the random effects model, the results reveal that both capital structures, as measured by Debt-to-Equity Ratio, and liquidity, as measured by Current Ratio, have a significant and positive effect on firm value. The findings indicate that technology companies that manage their leverage and liquidity efficiently tend to achieve higher market valuations. In contrast, firm size does not have a significant impact on firm value in this sector. The results are consistent with the Trade-Off Theory and Liquidity Theory, which emphasize the importance of optimal debt usage and adequate liquidity for enhancing firm value and investor confidence. These findings have practical implications for technology firms to optimize their capital structure and maintain healthy liquidity levels. For future research, it is recommended to include other variables such as profitability and macroeconomic factors, and to conduct comparative studies across different sectors to enrich the understanding of determinants of firm value.

Keyword: Capital Structure; Liquidity; Firm Value; Technology Sector

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1. INTRODUCTION

The advancement of the technology sector in Indonesia over the past five years has exhibited remarkable acceleration and has emerged as one of the most appealing domains for investors. According to information from the Indonesia Stock Exchange (IDX), the quantity of technology-oriented firms listed on the

exchange has notably surged, increasing from a mere 13 issuers in 2019 to over 30 issuers in 2023. This expansion is propelled by the rising implementation of digital technologies, the proliferation of e-commerce, as well as the demands of both society and enterprises for technology-driven solutions, particularly in light of the COVID-19 pandemic, which has expedited digital transformation across various economic sectors.

The market capitalisation value of the technology sector on the IDX has also experienced a sharp surge. At the end of 2019, the market capitalisation of the technology sector was recorded at around Rp150 trillion, and jumped to more than Rp400 trillion by 2023 (BEI, 2023). This increase in capitalisation reflects not only an increase in the number of companies, but also an increase in the valuation of technology companies, both established and new IPOs. This phenomenon indicates high investor confidence in the prospects for growth and innovation in Indonesia's technology sector. However, behind this impressive growth, technology companies also face major challenges in financial management, particularly regarding capital structure and liquidity. Many technology companies rely on external funding, either through debt or equity, to finance expansion and innovation. Based on the financial statements of several technology issuers on the IDX, the sector's average Debt to Equity Ratio (DER) increased from 0.5 in 2019 to 1.2 in 2023. This increase in DER reflects the tendency of companies to utilise leverage to accelerate growth, but also increases financial risks that must be managed properly.

Liquidity is also an important issue in the technology sector. The average Current Ratio (CR) of technology companies on the IDX has fluctuated in the last five years, with figures ranging from 1.1 to 2.5. Companies that can maintain liquidity at an optimal level tend to find it easier to gain investor confidence and access external financing. However, liquidity that is too high can indicate idle cash that is not optimised for investment, while liquidity that is too low can increase the risk of default. Company size is also a factor that receives special attention in analysing the performance of technology companies. In the last five years, several Indonesian technology companies have experienced very rapid asset growth, for example, PT GoTo Gojek Tokopedia Tbk and PT Bukalapak.com Tbk, which recorded an increase in total assets of more than 100% since the IPO. This growth in company size is often associated with increased capability, competitiveness and ability to withstand market pressures, but can also pose new challenges in organisational management and operational efficiency.

The valuation of firms serves as a pivotal metric for assessing performance and investment allure, thereby drawing the attention of various stakeholders, such as management, investors, and regulatory bodies. The Price to Book Value (PBV) ratio, employed as a gauge of enterprise valuation, exhibits a fluctuating trend within the technology sector. Numerous technology firms have reported PBVs exceeding 10 times, indicating exceptionally high growth anticipations from the market; however, this also entails the danger of potential overvaluation should their financial outcomes fail to align with such optimistic forecasts. Although there have been many studies that discuss the effect of capital structure, liquidity, and firm size on firm value, most of these studies still focus on traditional sectors such as manufacturing, banking, or property. Research that specifically examines the technology sector in Indonesia is still very limited, even though this industry has different characteristics, such as a very fast growth rate, large capital requirements for innovation, and a dynamic business cycle. In addition, previous research results also show inconsistencies, where some studies find a positive effect of capital structure and liquidity on firm value, while other studies find a negative or insignificant effect, especially when the industry context and observation period are different.

Furthermore, most previous studies use relatively short data periods or do not consider fundamental changes that have occurred in the last five years, such as the acceleration of digital transformation due to the COVID-19 pandemic, regulatory changes, and the entry of new technology companies to the IDX. Another research gap is the lack of exploration of the interactions between key financial variables in the context of fast-growing technology companies, so knowledge of the determinants of firm value in this sector is still not comprehensive. This study is relevant because it provides a more comprehensive understanding of the determinants of firm value in the technology sector, which is different from the traditional sector. The results of this investigation are anticipated to aid corporate management in devising optimal financial strategies, as well as assist investors in making more informed investment choices predicated on the prevailing circumstances of the Indonesian technology sector. In light of the identified background and research deficiency, the objective of this study is to empirically examine the impact of capital structure, liquidity, and firm size on firm value within the technology industry listed on the Indonesia Stock Exchange for the period spanning 2019 to 2023. This research also seeks to furnish contemporary empirical evidence pertinent to the current state of the Indonesian technology sector, in addition to offering pragmatic recommendations for corporate management and investors in their financial and investment decision-making processes.

2. LITERATURE REVIEW

Investigations into the factors influencing firm value have been extensively explored within the realm of corporate finance scholarship. Firm value is indicative of the market's assessment regarding the overall

efficacy and future potential of an enterprise. The evaluation of firm value typically employs metrics such as Price to Book Value (PBV) or Tobin's Q, which take into account both the internal dynamics and external influences affecting the organization. In the framework of the Indonesian capital market, comprehending the determinants that affect firm value is of paramount significance, particularly in the rapidly evolving technology sector that captures the attention of investors.

One of the primary elements that has garnered extensive scholarly attention is capital structure, which refers to the mix of debt and equity in corporate financing. Traditional theories of capital structure, such as the Trade-Off Theory, propose that firms endeavor to identify the most advantageous combination of debt and equity to enhance overall firm value. The Trade-Off Theory underscores the advantages associated with debt utilization, particularly in terms of tax benefits (tax shield), while simultaneously acknowledging the heightened risk of bankruptcy that accompanies increased levels of debt. Consequently, firms are required to navigate the trade-offs between the advantages and disadvantages of debt utilization to attain an optimal capital structure.

Alongside Trade-Off Theory, Pecking Order Theory is frequently employed to elucidate corporate behavior in the context of capital structure formulation. Pecking Order Theory posits that firms exhibit a preference for internal funding (retained earnings) as the primary source, followed by debt, and ultimately external equity. This preference is attributable to the information asymmetry that exists between management and investors, whereby the utilization of debt serves as a favorable indicator of management's confidence in the firm’s prospects. Within the technology sector, characterized by a substantial demand for financing to foster innovation and growth, the choice of funding sources assumes a pivotal role in corporate financial strategy.

Liquidity represents a critical element in the assessment of corporate valuation. It pertains to the organization's capacity to meet its immediate financial commitments and is typically evaluated using the Current Ratio (CR). Liquidity Theory states that companies with adequate liquidity levels will be seen as safer by investors and creditors because they can deal with short-term financial risks. High liquidity can also increase market confidence because it reflects management efficiency in managing current assets and liabilities. However, the literature also notes that too high liquidity can signal inefficiency in asset utilisation, so its impact on firm value can be non-linear. Firm size is another variable that is often associated with firm value. Classical economic theory posits that larger enterprises generally enjoy superior access to resources, financing, and markets, which may culminate in an augmented firm value. Furthermore, extensive organizations are perceived as more stable, capable of withstanding greater risks, and possessing a more favorable reputation among investors. Nevertheless, certain research indicates that upon attaining a specific size, the advantages associated with economies of scale may wane or even result in bureaucratic inefficiencies that detrimentally affect firm value.

Previous empirical research provides mixed results related to the effect of capital structure on firm value. Studies by Le et al. (2017) and Warisman (2022) show that optimal DER can increase firm value, especially in the fast-growing technology sector. However, other studies, such as Manurung and Wildan (2023) in the manufacturing sector, found that too high DER reduces firm value due to the increased risk of bankruptcy. This underscores the significance of considering the characteristics of various industries when assessing the optimal capital structure. The influence of liquidity on corporate valuation is also not uniformly applicable across different sectors. Certain research, including that conducted by Lestari and Fitria (2021) and Putri et al. (2022), has demonstrated that liquidity exerts a beneficial effect on firm value within the technology and manufacturing domains. Conversely, Hikmat et al. (2022) and Wijaya & Fitriati (2022) have indicated that excessive liquidity in the manufacturing and real estate sectors can lead to adverse outcomes, as it may signal a deficiency in investment opportunities or ineffective capital distribution. Thus, optimal liquidity management is key in increasing firm value. In other studies, the interaction between liquidity and other financial factors, such as profitability, also affects firm value. Mardianti & Sunandar (2022) and Izfs et al. (2022) show that high liquidity, if supported by good profitability, can have a stronger positive impact on firm value. This confirms the importance of a holistic approach in managing corporate finance, where each financial variable interacts with each other and moderates each other's impact on firm value.

The rapid and dynamic development of the technology sector in Indonesia also brings its challenges in managing capital structure and liquidity. Technology companies often require substantial funding for innovation, research and market expansion. Therefore, funding decisions and liquidity management must be done carefully so as not to cause excessive financial pressure and still be able to attract investors. In this regard, a comprehensive comprehension of both theoretical frameworks and empirical data is imperative to facilitate informed decision-making. Drawing from the aforementioned description, it can be inferred that the investigation into the influence of capital structure, liquidity, and firm size on firm value is of significant relevance, particularly within the technology sector in Indonesia. This research is anticipated to provide contributions on both theoretical and practical fronts, especially by offering strategic recommendations for

corporate management and investors in the evaluation and management of technology firms within the capital market. Furthermore, this study may serve as a scholarly reference for subsequent research endeavors aimed at exploring the determinants of firm value across various sectors.

A. Relationship between Capital Structure and Firm Value

The interplay between capital structure and corporate valuation has garnered significant attention within the domain of corporate finance research. Capital structure pertains to the ratio of debt to equity that an organization employs to support its operational activities. Choices made concerning capital structure can influence investors' assessments of risk and prospective returns, which, in turn, ultimately affect the valuation of the firm.

Research conducted by Safitri and Wulansari (2024) investigates the influence of capital structure and stock price on the valuation of firms within the technology sector that are listed on the Indonesia Stock Exchange (IDX) during the period from 2020 to 2022. The analytical outcomes reveal that capital structure exerts a statistically significant impact on firm value, evidenced by a t-value of -2.297 and a significance level of 0.03. This indicates that variations in capital structure can substantially influence firm valuation. In a study by Ummah (2023), the effects of liquidity, profitability, capital structure, and firm size on firm value are assessed, with findings suggesting that capital structure positively, yet insignificantly, affects the valuation of technology sector firms listed on the IDX. Furthermore, Lestari et al. (2021) determined that capital structure, as measured by the Debt to Equity Ratio (DER), does not significantly affect firm value. The discrepancies in these findings suggest that the interplay between capital structure and firm value may be modulated by a variety of factors, including specific firm attributes, market dynamics, and the temporal scope of the research. While certain studies indicate a significant relationship, others reveal a lack of significance. This underscores the necessity for capital structure decisions to be customized according to the particular context and strategic orientation of the firm.

H1: Capital structure has a significant effect on firm value.

B. Liquidity Relationship with Firm Value

Liquidity serves as a critical metric that signifies an organization's capacity to meet its short-term financial commitments. A robust liquidity position suggests that the enterprise possesses adequate current assets to address its immediate liabilities, potentially enhancing investor trust and, consequently, the overall valuation of the firm. Nevertheless, the correlation between liquidity and firm valuation is not uniformly reliable, particularly within the technological industry landscape in Indonesia.

Research conducted by Putra and Lestari (2016) reveals that liquidity exerts a positive and statistically significant influence on firm value. This finding implies that enterprises characterized by elevated liquidity levels are likely to exhibit enhanced firm value. Conversely, research undertaken by Sudiani and Darmayanti (2016) presents contrasting evidence, indicating that liquidity may have a negative and statistically insignificant impact on firm value. This suggests that excessively high liquidity may not necessarily be regarded favorably by the market or investors. In a further investigation by Lestari et al. (2021), the study determined that liquidity, represented by the Current Ratio (CR), significantly affects firm value, which is proxied by the Price to Book Value (PBV). The discrepancies in research outcomes imply that the interplay between liquidity and firm value may be moderated by a variety of factors, including asset management approaches, capital structure, and prevailing market conditions. Within the technology sector, where investment in research and development and product innovation is paramount, proficient liquidity management emerges as essential for fostering growth and enhancing firm value.

H2: Liquidity has a significant effect on firm value.

C. Relationship between Company Size and Company Value

The magnitude of a firm is a significant variable acknowledged to affect its overall value. The dimensions of a company are typically quantified through total assets, revenue, or employee count, serving as indicators of the organization's operational capacity and stability. Within the framework of Indonesia's technology industry, the correlation between firm size and firm value has been extensively examined in various studies, yielding a range of inconclusive results.

Research conducted by Pramana and Utiyati (2021) investigates the influence of firm size on firm value within technology sector enterprises listed on the Indonesia Stock Exchange (IDX). The findings revealed a positive and statistically significant relationship between firm size and firm value, suggesting that larger companies generally exhibit elevated firm values. Research undertaken by Rahmi et al. (2024) scrutinizes the impact of firm size and leverage on firm value in the technology sector as represented on the IDX. The outcomes indicated that firm size exerts a positive and significant influence on firm value, reinforcing the notion that organizations with greater asset bases typically possess higher valuations.

Research by Aziz and Kartadjumena (2023) delves into the moderating role of firm size in the nexus between leverage and firm value among technology firms on the IDX. The results indicated that firm size mitigates the influence of leverage on firm value, implying that larger firms may possess superior capabilities

in managing the risks linked to leverage. The cumulative insights from diverse studies suggest that firm size significantly affects firm value, particularly within the technology sector. Larger corporations are likely to enjoy enhanced access to resources, advanced technology, and broader markets, which can facilitate improved performance and valuation. Nevertheless, it remains crucial for management to prioritize not merely the augmentation of size but also to ensure that such expansion is accompanied by operational efficiency and sound business strategies.

H3: Company size has a significant effect on firm value.

3. RESEARCH METHOD

This research employs a quantitative methodology to examine the influence of capital structure, liquidity, and firm size on firm value within the technology sector listed on the Indonesia Stock Exchange (IDX) for the period spanning 2019 to 2023. The selection of a quantitative methodology is justified by its capacity to deliver an objective and quantifiable analysis of the interrelations among the investigated variables, as well as its facilitation of statistical hypothesis testing, thereby enabling the extrapolation of findings to a broader population.

The sample population for this investigation comprises all technology sector enterprises that have been listed on the IDX from the years 2019 to 2023. The research sample was identified utilizing a purposive sampling technique based on the following criteria: (1) the entity was consistently listed throughout the observation timeframe, (2) possessed comprehensive and accessible annual financial statements, and (3) did not undergo delisting or suspension during the duration of the study. In accordance with these stipulations, a total of 30 companies were selected as research subjects, yielding an aggregate of 148 observations (unbalanced panel).

The data utilized in this analysis is secondary data acquired from the annual financial reports of the companies, which are published on the official IDX website and other credible sources. The dependent variable in this analysis is firm value, operationalized through Price to Book Value (PBV). The independent variables encompass capital structure, operationalized by the Debt to Equity Ratio (DER), liquidity, measured by the Current Ratio (CR), and firm size, quantified by the natural logarithm of total assets (LN). The analytical framework employed in this study is a panel data regression model with random effects (REM), which can be generally formulated as follows:

$$PTBit = \alpha + \beta 1DERit + \beta 2CRit + \beta 3LNit + ui + \varepsilon it \quad (1)$$

Description:

- PTBit = Firm value (Price to Book Value) of the i-th company in year t
- α = Constant
- $\beta 1, \beta 2, \beta 3$ = Regression coefficient of each independent variable
- DERit = Debt-to-Equity Ratio of the i-th company in year t
- CRit = Current Ratio of the i-th company in year t
- LNit = Company size (natural log of total assets) of the i-th company in year t
- ui = Individual company effect
- εit = Error term

The analytical approach employed involves panel data regression utilizing a random effects framework. This particular model was selected subsequent to the execution of the Hausman test, which aimed to identify the model that most appropriately aligns with the attributes of the research dataset. REM can accommodate individual variations between companies as well as time variations, so that the estimation results become more robust and reliable. Tests were conducted using statistical software such as EViews. Before regression analysis, all data were tested to ensure the absence of classical problems such as multicollinearity, heteroscedasticity, and autocorrelation. A residual normality test is also conducted to ensure that the regression model fulfils the BLUE (Best Linear Unbiased Estimator) assumption. If problems are found in the data, transformations or adjustments are made so that the estimation results remain valid.

The interpretation of the analytical outcomes involves evaluating the regression coefficients, t-statistic values, and the associated probabilities (p-values) for each independent variable. The hypothesis is deemed valid if the p-value is below 0.05, adhering to the 5% significance threshold. Furthermore, the R-squared and Adjusted R-squared metrics serve to determine the extent to which the model accounts for variations in firm value. The conclusive findings from the analysis are utilized to offer pragmatic recommendations for corporate management and investors and serve as a foundation for subsequent research endeavors.

4. RESULTS AND DISCUSSION

This research seeks to examine the influence of capital structure (Debt to Equity Ratio), liquidity (Current Ratio), and firm size (Natural Logarithm of total assets) on firm value (Price to Book Ratio) within

technology sector companies listed on the Indonesia Stock Exchange (IDX) over the period from 2019 to 2023. Employing the Panel EGLS (Cross-section random effects) methodology, this model analyzes panel data from 30 firms over 5 years, resulting in a total of 148 observations. The findings of this study offer an empirical insight into the determinants affecting firm value in a sector characterized by high dynamism and competition such as the technology industry.

According to the regression analysis outcomes, it is evident that the Debt to Equity Ratio (DER) variable presents a positive coefficient of 11.921538 accompanied by a significance level (Prob.) of 0.0001. The t-statistic for DER, calculated at 4.224682, substantially exceeds the critical threshold at the 5% significance level, signifying that DER exerts a considerable positive influence on corporate value. This indicates that an increase in the debt-to-equity ratio correlates with an enhancement in firm value within this industry. It can be deduced that technology enterprises listed on the IDX adeptly manage their debt to augment their firm value.

Table 1. Hypothesis Testing

Dependent Variable: PTB
Method: Panel EGLS (Cross-section random effects)
Date: 04/11/25 Time: 11:23
Sample: 2019 2023
Periods included: 5
Cross-sections included: 30
Total panel (unbalanced) observations: 148
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	18.65270	25.93032	0.719339	0.4731
CR	5.715992	1.907628	2.997531	0.0032
DER	11.921538	2.82482	4.224682	0.0001
LN	3.36E-02	0.001091	0.030788	0.9755
	Effects Specification			
			S.D.	Rho
Cross-section random			87.43255	0.2230
Idiosyncratic random			163.2036	0.7770
	Weighted Statistics			
Root MSE	161.1490	R-squared		0.538641
Mean dependent var	10.59864	Adjusted R-squared		0.519158
S.D. dependent var	161.8258	S.E. of regression		163.37180
Sum squared resid	3843411.	F-statistic		28.791011
Durbin-Watson stat	1.754350	Prob(F-statistic)		0.00000
	Unweighted Statistics			
R-squared	0.524554	Mean dependent var		10.59864
Sum squared resid	4928817.	Durbin-Watson stat		1.368014

The Current Ratio (CR) variable demonstrates a positive and statistically significant influence on firm value, indicated by a coefficient of 5.715992 and a probability value of 0.0032. Furthermore, the t-statistic for CR, which is 2.997531, also reflects significance at the 5% threshold. These findings suggest that elevated liquidity, as evidenced by the firm's capacity to meet short-term liabilities, positively impacts the enhancement of firm value. Robust liquidity fosters investor trust and bolsters the financial stability of the company.

Conversely, the variable representing firm size (LN) exhibits a minimal coefficient of 0.0336 accompanied by a probability value of 0.9755. The exceedingly low t-statistic (0.030788) suggests that firm size does not exert a significant influence on firm value within the technology sector. This phenomenon may be attributable to the inherent traits of the technology industry, which prioritize innovation and rapid expansion over mere asset size or revenue metrics. The Adjusted R-squared value of 0.519158 implies that approximately 51.92% of the variability in firm value is elucidated by the independent variables incorporated in the model, specifically DER, CR, and LN. This figure is relatively substantial for socio-economic studies, particularly within dynamic sectors such as technology. The residual 48.08% is accounted for by factors external to the model.

The F-statistic of 28.791011, accompanied by a probability of 0.0000, suggests that the regression model exhibits significant relevance at the 99% confidence level. This indicates that the combined influence of the DER, CR, and LN variables has a substantial impact on firm value. This finding enhances the robustness of the model employed in this analysis. Additionally, the Durbin-Watson statistic of 1.754350 reveals the absence of any significant autocorrelation issues within the model, thereby affirming the reliability of the estimation results and mitigating potential biases stemming from serial correlation in the residuals. This aspect is crucial for ensuring the integrity of the statistical conclusions drawn.

Table 2. Conclusion of Hypothesis Testing

No	Hipotesis	**Test Results**	Coefficient	t-statistics	Probability	**Conclusion**
1	Capital structure (DER) has a significant effect on firm value	Significant and positive	11.921538	4.224682	0.0001	Accepted
2	Liquidity (CR) has a significant effect on firm value	Significant and positive	5.715992	2.997531	0.0032	Accepted
3	Company size (LN) has a significant effect on firm value	Not significant	0.0336	0.030788	0.9755	Rejected

Based on the aforementioned findings, it can be inferred that capital structure and liquidity constitute the primary determinants influencing firm value within the technology sector listed on the IDX. Enterprises that adeptly manage their capital structure and sustain liquidity at an optimal threshold are likely to exhibit elevated firm value. Conversely, firm size does not emerge as a significant factor in this context. The findings of this research yield practical implications for management within technology firms, particularly concerning funding decisions and the management of current assets. It is recommended that companies focus on the effective utilization of debt and the maintenance of liquidity to enhance firm value in the perception of investors and other stakeholders. This research enriches the corporate finance discourse, particularly within the Indonesian technology sector. Furthermore, this study paves the way for future investigations by incorporating additional variables such as profitability, growth, and external influences, thereby enabling a more holistic comprehension of the factors determining firm value in the contemporary digital landscape.

A. The Effect of Capital Structure on Firm Value

The capital structure, commonly quantified through the Debt to Equity Ratio (DER), has been demonstrated to exert a substantial and affirmative influence on corporate value in this analysis. The regression analysis yields a DER coefficient of 11.921538, accompanied by a t-statistic of 4.224682 and a probability value of 0.0001. These statistical figures suggest that an escalation in DER is significantly correlated with an augmentation in corporate value within the technology sector of the IDX. This observation substantiates that technology firms proficient in debt management are capable of enhancing their market valuation.

Theoretically, this outcome aligns with the Trade-Off Theory, which posits that corporations will weigh the advantages of debt utilization, such as tax benefits, against the disadvantages associated with potential bankruptcy. An optimal debt structure can enhance corporate value, particularly in the technology sector that necessitates considerable investment for innovation and growth. Furthermore, this conclusion is corroborated by Signalling Theory, which posits that the strategic use of debt conveys a favorable signal to the market regarding management's assurance in the organization’s future prospects. This investigation aligns with the findings of Le et al. (2017), who discovered that the Debt-to-Equity Ratio (DER) significantly positively influences the valuation of technology firms in China, particularly those experiencing rapid growth.

Warisman (2022) further illustrates that appropriately managed leverage can augment the worth of technology sector enterprises in Indonesia by affording financial flexibility for innovation. Likewise, Luu (2021) demonstrates that an optimal capital structure enhances investor confidence and fortifies the valuation of companies within the capital markets in Vietnam. Conversely, divergent outcomes were observed by Manurung and Wildan (2023) in Indonesia's manufacturing sector, where excessively high DER detracts from firm value due to heightened bankruptcy risks. This indicates that industry characteristics significantly impact the influence of DER on corporate value; the technology sector exhibits greater risk tolerance and possesses elevated growth potential, leading the market to ascribe greater value to leverage in the context of expansion and innovation.

The interplay between capital structure and corporate valuation is intricate and shaped by a multitude of determinants, encompassing industry dynamics, market conditions, and moderating variables such as profitability. A high DER usually indicates a higher level of debt than equity, which can have both positive and negative implications. Some studies, such as Firaz & M.M. (2022), Yunita et al. (2024), and Sriwulandari (2023) in the manufacturing, consumer goods, food and beverage, and pharmaceutical sectors, found a negative impact of DER on firm value due to increased financial risk and higher debt interest pressure. On the other hand, Suhadi & Wang (2024) and Sunardi (2019) show that in state-owned companies or certain contexts, leverage can increase firm value through tax shield benefits and expansion opportunities.

Profitability represents a significant variable that may influence the interplay between Debt to Equity Ratio (DER) and corporate valuation. Investigations conducted by Dhany et al. (2024) focusing on state-owned financial institutions and Makkulau et al. (2018) within the real estate sector demonstrate that firms exhibiting higher profitability are generally more adept at managing leverage-related risks. Consequently, an elevated DER has the potential to enhance firm value, provided it is complemented by robust profitability. Thus, logically, technology companies that can manage debt well can utilise external funds to accelerate product

development, expand markets, and improve competitiveness. As long as the return on investment is higher than the cost of debt, leverage will drive up firm value. It also shows investors' confidence in management's ability to manage financial risks. In conclusion, the results of this study are in line with modern financial theory and supported by recent empirical research in various developing countries. The implication is that the management of technology companies on the IDX needs to continue to optimise the capital structure to support growth and innovation, without ignoring financial risk. Investors can also use DER information as one of the important indicators in assessing the prospects and value of technology companies in the Indonesian capital market. However, it is important to remember that the optimal capital structure is highly dependent on industry characteristics, market conditions, and internal company factors such as profitability.

B. The Effect of Liquidity on Firm Value

According to the empirical findings, liquidity, as indicated by the Current Ratio (CR), is demonstrated to exert a substantial and affirmative impact on firm value, characterized by a coefficient of 5.715992, a t-statistic of 2.997531, and a probability of 0.0032. This observation implies that firms possessing a more robust capability to meet their short-term financial obligations are likely to be appraised at a higher value by the market and investors. Therefore, enhancing liquidity has the potential to markedly elevate firm value, particularly within the dynamic and intensely competitive landscape of the technology sector.

In theoretical discourse, Liquidity Theory underscores the significance of an organization's capacity to fulfill short-term liabilities as a pivotal indicator of financial well-being. Sufficient liquidity instills a sense of assurance not solely for investors but also for creditors, as they infer that the organization can withstand abrupt financial strains. A robust liquidity position additionally serves as a favorable signal to the market, indicating that the entity's management can effectively oversee current assets and liabilities. This proficiency ultimately enhances market trust in the organization's business outlook, as it is perceived to exhibit sound financial governance and maintain operational steadiness. Within the realm of a highly dynamic and competitive technology sector, the capability to sustain liquidity represents a strategic advantage that can distinguish a firm from its rivals. Empirical evidence supporting this theory can be found in the works of Lestari and Fitria (2021) and Putri et al. (2022), which demonstrate that liquidity positively influences firm value in both the technology and manufacturing domains. The rationale behind this observation is that firms with elevated liquidity levels possess greater financial agility to invest and innovate, allowing them to be more responsive to emerging market opportunities. Furthermore, companies with high liquidity are often more readily able to secure external financing, as they are regarded as having a reduced risk of default by lending institutions. Consequently, liquidity is not merely a determinant of the continuity of a company's daily operations but is also instrumental in facilitating long-term growth and enhancing the company's appeal to investors.

Nevertheless, the association between liquidity and corporate valuation is not invariably linear and can differ significantly across various sectors. In certain instances, an overabundance of liquidity may detrimentally affect firm valuation. For instance, within the manufacturing domain, Hikmat et al. (2022) observed that excessively high liquidity might be interpreted as an indication of inadequate investment prospects or suboptimal capital distribution. Similarly, in the real estate and property sector, Wijaya & Fitriati (2022) highlighted the adverse implications of liquidity on corporate valuation, as surplus capital could have been allocated towards expansion initiatives. Furthermore, within the consumer goods sector, liquidity was even determined to exert no substantial influence on firm valuation, indicating that alternative factors might play a more significant role in the industry.

The correlation between liquidity and firm valuation is frequently mediated by its interplay with other financial indicators such as profitability and leverage. Elevated liquidity, in conjunction with robust profitability, can exert a more pronounced positive effect on firm valuation (Mardianti & Sunandar, 2022; Izfs et al., 2022). Consequently, it is imperative for corporate management to maintain liquidity at optimal levels, not solely to meet immediate obligations, but also as a strategic measure to entice investors and enhance the firm's competitive stance in the marketplace. Data regarding corporate liquidity serves as a pivotal criterion for investors when formulating investment choices, particularly within the technology sector, which necessitates rapid adaptability to market fluctuations.

C. The Effect of Company Size on Firm Value

Moreover, the LN (Company Size) variable exhibits a coefficient of 3.36e-05 accompanied by a p-value of 0.9755. This statistic signifies that company size does not exert a substantial influence on firm value. This observation may suggest that within the technology sector, the magnitude of assets or operational scale does not directly correlate with the market value of a firm, which is frequently more swayed by factors such as innovation and growth prospects. Firm size, represented in this analysis by LN (Log Natural Total Assets), is theoretically postulated to impact firm value. According to Signaling theory, larger enterprises are perceived to possess a more stable and credible standing in the perception of investors, as they are presumed to command greater resources, enhanced competitiveness, and broader access to capital. Nonetheless, the findings of this

research indicate that firm size lacks a significant impact on firm value in the technology sector, as evidenced by the exceedingly minimal coefficient and p-value of 0.9755. This suggests that the scale of the enterprise, in terms of assets or overall wealth, does not necessarily serve as a determinant of market value for firms operating within this industry.

The technology industry possesses distinct attributes in contrast to conventional sectors. Numerous technology firms, despite their relatively modest asset bases, can achieve substantial market valuations due to their innovative prowess, user expansion, and potential for scalability. The Resource-Based View (RBV) framework elucidates that competitive advantage is not exclusively derived from size, but rather from intangible resources such as innovation, technological advancements, and intellectual capital. Within this framework, investors prioritize a firm's growth potential and innovations over its existing physical or financial dimensions. Consequently, the size of an organization does not invariably correspond with its valuation, particularly in rapidly evolving sectors like technology.

This observation aligns with the findings from the research conducted by Pramana and Mustanda (2016), which indicates that the scale of a company does not significantly impact its value within technology firms listed on the Indonesia Stock Exchange. Similarly, the investigation by Yuliana and Sari (2020) corroborates these findings, suggesting that in sectors driven by innovation, the value of a firm is predominantly influenced by investor perceptions regarding long-term growth potential rather than traditional financial metrics such as company size. This further substantiates the assertion that in industries characterized by technological intensity, intangible factors play a more critical role in shaping investor perceptions. Conversely, contrary evidence is presented by various other studies.

For instance, research by Sujoko and Soebiantoro (2007) within the manufacturing sector illustrates that firm size exerts a positive and significant influence on firm value. This phenomenon is rational, as in capital-heavy industries, larger firms typically indicate greater scale efficiency and operational resilience, thus becoming a crucial consideration for investors. Hence, the relationship between company size and firm value is significantly contingent upon the specific industrial sector being examined. In the technology domain, elements such as innovation, growth trajectories, and digital strategies appear to overshadow size as pivotal determinants of market value.

5. CONCLUSION

This research demonstrates that capital structure, assessed through the Debt to Equity Ratio (DER), and liquidity, evaluated via the Current Ratio (CR), exert a significant and positive influence on firm value within the technology sector listed on the IDX. This outcome suggests that firm’s adept at managing their debt and liquidity is likely to receive elevated market valuations. Conversely, the size of the firm has not been shown to exert a significant impact on firm value in the technology industry context. Theoretically, the outcomes of this research lend support to the Trade-Off Theory and Liquidity Theory, which underscore the necessity of balancing the risks and advantages associated with debt, as well as the critical function of liquidity in sustaining the financial stability of the organization. Additionally, the results align with contemporary empirical investigations that underscore the premise that an optimal capital structure and adequate liquidity can bolster competitiveness, financial flexibility, and investor confidence. Nonetheless, the effects of these two factors are also shaped by industry characteristics, market conditions, and internal elements such as profitability.

The practical implications of this research underscore the necessity for corporate management to continually optimize the capital structure while maintaining liquidity at a robust level. Firms within the technology sector must diligently consider the balanced utilization of debt, ensuring adequate liquidity to foster innovation and expansion without jeopardizing financial stability. For investors, metrics such as the Debt-to-Equity Ratio (DER) and the Current Ratio (CR) can serve as primary indicators for evaluating the prospects and risks associated with investments in technology enterprises. Future investigations are advised to incorporate additional variables, including profitability, corporate growth, and external macroeconomic influences, to achieve a more holistic understanding of the determinants of firm value. Moreover, subsequent research could be pursued across different industrial sectors or over extended timeframes to analyze the relational patterns between variables and to assess the consistency of these findings across diverse contexts.

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