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The Effect Of Information Asymmetry, Firm Size, Financial Distress And Capital Structure On Firm Value

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Abstract

Purpose – *This is study aims to test and analyze the relationship between the influence of Information Asymmetry, Firm Size, Financial Distress and Capital Structure on Firm Value*

Design/methodology/approach – *This study uses a quantitative research approach with secondary data. The sample consists of 57 companies in the primary consumer goods sector (consumer non-cyclical) listed on the Indonesia Stock Exchange between 2022 and 2024. The analysis technique used to test the hypothesis is multiple regression analysis using Eviews 9 software.*

Findings – *The results of this study indicate that information asymmetry affects firm value, firm size variables affect firm value, financial distressand variables affect firm value and capital structure variables do not affect firm value.*

Research limitations/implications – *This is study was conducted only on the primary consumer goods sector (consumer non-cyclical) during the period 2022-2024. The findings provide instights based on secondary data obtained from company annual report and are expected to be useful for company management, investors, capitas market regulator. And future researchers in understanding the factors that affect firm value.*

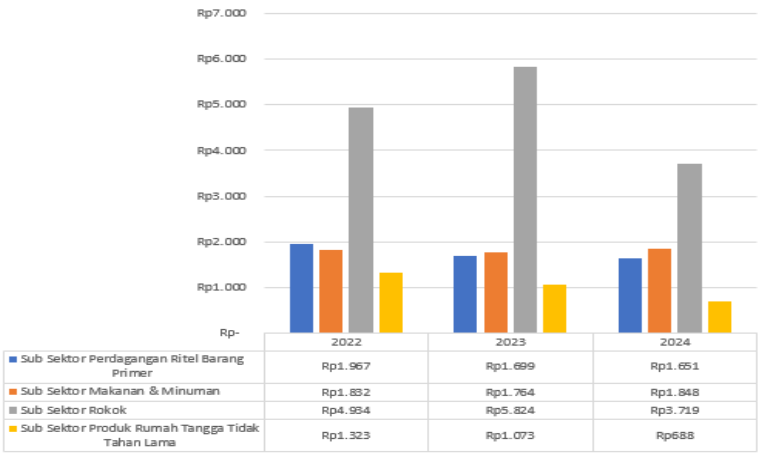
JEL *: G30,G32,G82*

INTRODUCTION

The development of the Indonesian capital market shows a consistent expansion trend, reflected in the increasing number of issuers and the diversity of industrial sectors listed on the Indonesia Stock Exchange. These conditions encourage investors to not only focus on returns, but also pay attention to aspects of performance sustainability and sectoral risk. In addition, global economic pressures, fluctuations in macroeconomic indicators, and regulatory policy dynamics are external factors that influence company performance and shape investor assessments of company value. Therefore, studies focusing on industrial sectors with high

resilience are becoming increasingly important, both as a basis for investment decision-making and as a contribution to the development of literature. In this context, the non-cyclical consumer sector is viewed as a defensive sector that is relatively capable of maintaining performance stability because it is oriented towards meeting the basic needs of the community.

Consumer non-cyclical is one of the sectors of companies listed on the Indonesia Stock Exchange. The consumer non-cyclical sector consists of companies that produce or distribute goods and services to consumers with demand that tends to be stable and is not affected by changes in the economic cycle, including food and beverage companies, primary consumer retail trade, household products, personal care, and tobacco (Nadya, 2023). The main advantage of the non-cyclical consumer goods sector lies in its resilience to economic slowdowns, given that demand for basic necessities tends to remain stable even when economic conditions deteriorate. With these characteristics, the primary consumer goods sector is an attractive option for investors who prioritize stable returns and long-term growth opportunities.



Resource : (Indonesia Stock Exchange) processed (2025)

Figure 1. Stock Price Development (Primary Consumer Goods Sub-Sector (Consumer Non-Cyclicals) for the period 2022–2024)

Based on Figure 1, which illustrates the performance of non-cyclical consumer industry sub-sectors during the 2022–2024 period, there appears to be variation in performance between sub-sectors. The cigarette sub-sector showed the highest performance, peaking in 2023 before declining in 2024, which is thought to be related to regulatory policies and excise tax adjustments. Meanwhile, the primary goods retail and food and beverage sub-sectors showed relatively stable performance, in line with consistent demand for basic necessities. Conversely, the non-durable household goods sub-sector recorded the lowest performance with a fairly sharp downward trend, indicating a change in consumer preferences and increased competitive pressure. In general, these findings show that sub-sectors focused on essential needs tend to have better performance stability, while sub-sectors under strict regulatory oversight or facing greater market pressure experience higher performance fluctuations.

The 2022–2024 period was chosen because it represents the post-COVID-19 pandemic economic recovery phase, which is characterized by the normalization of economic activity, changes in consumption patterns, and adjustments to government policy. During this period, the non-cyclical consumer goods sector not only exhibited defensive characteristics, but also faced new pressures in the form of inflation, increased production costs, and regulatory changes that affected company performance and value. As shown in Figure 1, there are differences in performance dynamics between subsectors, particularly fluctuations in the cigarette subsector due to excise tax adjustments, while other basic necessities subsectors are relatively more stable. These conditions indicate different responses between subsectors to external pressures, making research in this period relevant to provide a more up-to-date empirical picture of the factors that affect company value.

Factors that can affect firm value include information asymmetry. High information asymmetry can lead to negative perceptions and reduce investor interest in investing due to uncertainty about the actual condition of the company. Findings by (Hatnawati & Irwansyah, 2022) show that information asymmetry arises due to low levels of transparency and information disclosure by company management. Research findings by (Sananta & Yudhanti, 2025) on manufacturing companies listed on the Indonesia Stock Exchange in 2021-2023, (Tjahja & Lindrawati, 2024)on companies listed on the LQ45 index listed on the Indonesia Stock Exchange, and (Wulandari & Putri, 2023) on manufacturing companies listed on the Indonesia Stock Exchange in 2017-2021 stated that firm value is negative influenced by information asymmetry, but this is in contrast to the research by (Yasmin & Machdar, 2023) on manufacturing companies listed on the Indonesia Stock Exchange from 2015 to 2022 and (I. A. Maulana & Suripto, 2021) on companies in the BEI BUMN20 Index listed on the Indonesia Stock Exchange from 2025 to 2021, which states that firm value is positively influenced by information asymmetry.

Factors that can affect firm value include firm size. Larger firms tend to have more adequate resources, stronger reputations, and the ability to access financing more easily, thereby providing greater confidence to investors and positively impacting firm value. Findings by (Wansani, 2022) on automotive and component sub-sector companies listed on the IDX for the 2018-2020 period, (M. H. Maulana & Sholichah, 2022)) on manufacturing companies in the health, technology, food and beverage sectors listed on the Indonesia Stock Exchange (IDX) from 2018 to 2020, (Afni et al., 2023) on manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange from 2019 to 2021, and (Rossa et al., 2023) on banking companies on the IDX from 2019 -2021, which stated that firm value was positively influenced by firm size, but this was in contrast to the research by (Kharisma & Priyadi, 2023) on companies in the healthcare sector listed on the Indonesia Stock Exchange (IDX) in 2017-2021, which stated that firm value was negatively influenced by firm size.

Factors that can affect firm value include financial distress. Financial distress with a high level of financial difficulty tends to reduce investor confidence and increase the risk of bankruptcy, thereby negatively impacting firm value. In line with the findings reported by (Nurwulandari et al., 2023), financial distress has been proven to have a negative effect on firm value. However, research conducted by (Aryani & Saputra, 2024) on companies in the Non-

Cyclical Consumer Sector listed on the IDX for the period 2020-2022, (Dewi & Vestari, 2025) on companies in the Restaurant, Hotel, and Tourism Sub-Sector on the IDX (2018-2021), (Toyibah & Ruhiyat, 2023) on financial companies listed on the Indonesia Stock Exchange from 2017 to 2021, which stated that firm value is negatively affected by financial distress. However, this is in contrast to the research by (Prasetia et al., 2023) on companies in the Restaurant, Hotel, and Tourism Sub-Sector on the IDX (2018-2021), (Sari, 2022) on Basic Industry and Chemical Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period 2016-2020), which states that firm value is positively affected by financial distress.

Furthermore, capital structure can be a factor that affects firm value. Capital structure reflects the composition of debt and equity used by companies to finance their operational and investment activities. In line with the findings researched by (Amro & Asyiki, 2021) on financial companies listed on the Indonesia Stock Exchange from 2017 to 2021, (Safaruddin et al., 2023)on companies listed on the Indonesia Stock Exchange, (Alifian & Susilo, 2024) on energy sector companies listed on the Indonesia Stock Exchange for the period 2020-2022, which stated that capital structure is positively influenced by firm value. However, this is in contrast to the research by (Rasyid et al., 2022) on mining companies listed on the Indonesia Stock Exchange in 2017-2019, (Isnaeni et al., 2021) on Islamic commercial banks listed on the OJK for the period 2015-2019, which states that capital structure is negatively influenced by firm value. This study aims to identify and analyze internal factors within companies regarding 1) the effect of information asymmetry on firm value 2) the effect of firm size on firm value 3) the effect of financial distress on firm value 4) the effect of capital structure on firm value.

LITERATUR REVIEW

Agency Theory

The agency theory introduced by (Jensen & Meckling, 1976) Explains the professional relationship between shareholders (principals) and managers (agents) in a company's leadership structure. (Pearch & Robinson, 2008) state that when there is a separation between shareholders (principals) and managers (agents) in a company, there is a possibility that the owners' wishes may be ignored. Agency relationships, such as those between shareholders and managers, will be effective as long as managers make investment decisions that are consistent with the interests of shareholders.

Signalling Theory

The signaling theory introduced by (Spence, 1973) explains how companies can send signals to external parties, particularly users of financial statements, to convey certain information about the company's condition. Signaling Theory can also be viewed from the perspective of business risk, where potential investors will view increasing business risk as a negative factor, thereby reducing their desire to invest (Syahrudin et al., 2025).

Trade-off Theory

Trade-Off Theory was first introduced by (Modigliani & Miller, 1963) to explain why companies do not use debt or equity entirely, but rather find a balance between the two. Trade-Off Theory states that companies determine the optimal capital structure by balancing the tax benefits of using debt (tax shield) and the bankruptcy costs associated with excessive debt (Widnyana & Purbawangsa, 2024).

Information Asymmetry

The difference in the level of information mastery between parties is an important issue in the economic decision-making process. Information asymmetry is unbalanced information caused by the unequal distribution of information between principals and agents (Septiawan et al., 2021). Meanwhile, information asymmetry is a form of market failure that can have a significant impact on resource allocation and economic efficiency, as stated by (Sukmadilaga et al., 2024).

Firm Size

In corporate financial analysis, firm size is one of the important indicators that is often used. Company size is one of the factors used by companies to determine the extent of capital structure policy in meeting the size of a company's assets, as explained by (Sujai et al., 2022). In another sense, company size is the average total net sales for the year in question up to several years. Basically, company size is divided into three categories, namely: large firms, medium-sized firms, and small firms, according to the explanation by (Maelani et al., 2025).

Financial Distress

In the operational conditions of a company, there are risks related to financial health. Financial distress is an unhealthy state of a company's financial condition before it becomes a problem, crisis, or bankruptcy. Financial distress occurs when a company fails or isiunable to meet its debtor obligations due to a lack of working capital or funds to continue operations or business, which threatens the continuity of the company's business, as explained by (Hakim & Sudaryo, 2024).

Firm Value

In an effort to assess a company's performance and prospects comprehensively, firm value is the company's performance reflected in the market price of shares formed by supply and demand in the capital market and reflects the public's assessment of the company's performance according to opinion (Hasibuan et al., 2025). In addition, firm value is an important parameter that describes the performance and growth potential of a business entity according to (Muchlis et al., 2024).

Capital Stucture

One of the strategic decisions in corporate financial management is determining the optimal capital structure. Capital structure is a crucial element in corporate financial management because it is directly related to the balance between debt and equity to finance company assets, as stated by (Rosalina, 2025).

Hypotheses development

The Effect of Information Asymmetry on Firm Value

In capital market practice, there is a difference in the level of information mastery between management and investors that can affect the company valuation process. Based on Agency Theory (Jensen & Meckling, 1976), differences in interests between management as agents and investors as principals are often reinforced by the asymmetry of information possessed by both parties. This information imbalance has the potential to influence investors' perceptions of the company's performance and prospects, which are ultimately reflected in the company's value. Information asymmetry describes a situation where there is a difference in the amount or quality of information between two parties involved in a transaction. This situation can lead to an imbalance of power and create a gap between the party with more knowledge and the party with limited information. Research (Sananta & Yudhanti, 2025; Tjahja & Lindrawati, 2024; Wulandari & Putri, 2023) supports the hypothesis that information asymmetry has a negative effect on firm value. Which forms the basis for H_1 in this study:

H_1: Information asymmetry has a negative effect firm value

The Effect of Firm Size on Firm Value

Conceptually firm size is an internal characteristic that contributes to the formation and increase of firm value. From the perspective of Signaling Theory (Spence, 1973), company size can be viewed as a signal to investors regarding the stability, reputation, and ability of the company to maintain long-term performance. Company size is one of the factors considered by companies when determining capital structure. The larger the firm size, the greater the amount of funds required, and conversely, the smaller the company, the less funds are required (Virginia et al., 2023). In addition, large companies usually have better capabilities in managing risk, maintaining profitability, and maintaining public trust, so that their value tends to be more stable and continues to increase. Research (Afni et al., 2023; Rossa et al., 2023; Wansani, 2022) supports the hypothesis and states that company size has a positive effect on firm value. Which forms the basis for H_2 in this study:

H_2: Firm size has a positive effect firm value

The Effect Financial Distress on Firm Value

A company's nability to maintain its financial health can cause concern for investors. According to the Trade-Off Theory (Modigliani & Miller, 1963), increased financial risk due to excessive debt can increase bankruptcy costs and reduce company value. The financial difficulties faced by the company can affect the company's value. Demand for the company's shares declines and the share price falls. The higher the level of financial distress experienced

by the company. This condition will encourage investors to withdraw their capital or shares because they consider the company's condition to be unstable. Research (Aryani & Saputra, 2024; Dewi & Vestari, 2025) is in line with the hypothesis that financial distress has a negative but insignificant effect on frim value. Which forms the basis for H_3 in this study:

H_3: Financial distress has a negative effect firm value

The Effect Capital Structure on Firm Value

The level of capital structure in a company is a determining factor in financial decision-making that is oriented towards funding efficiency and risk management. The Trade-Off Theory (Modigliani & Miller, 1963) explains that companies will choose the optimal capital structure by balancing the benefits of using debt and the risks it poses. Companies with a more optimal capital structure tend to have a higher firm value, because a balanced capital composition between debt and equity can reduce capital costs and increase funding efficiency. This study is in line with the findings by (Amro & Asyiki, 2021) on financial companies listed on the Indonesia Stock Exchange in 2017-2021, and research by (Safaruddin et al., 2023) on companies listed on the Indonesia Stock Exchange, which found that capital structure has a positive effect on firm value.

H_4: Capital Structure has a positive effect firm value

RESEARCH METHOD

Types and Sources of Research Data

The type of data used in this study is secondary data, which is data provided by other parties and does not come from direct sources. The data obtained is in the form of financial reports of primary consumer goods companies published by the Indonesia Stock Exchange (IDX) for the period 2022-2024. The population used in this study is all primary consumer goods companies listed on the Indonesia Stock Exchange (IDX). Sampling was conducted using a purposive sampling thecnique, namely the selection of samples based on spesific criteria determined by the researcher. Based on this technique, out of a total population of 112 companies, and 57 companies met the criteria and were selected as the researh sample.

Research Analysis Method and Hypotheses

This study uses panel data regression tests. There are three models that can be used to estimate parameters with panel data, namely the Common Effects Model (CEM), Fixed Effects Model (FEM-Covariance Model), and Random Effects Model (REM). Model selection tests are used to determine the best model among the three regression models, namely the Common Effects Model, Fixed Effects Model, and Random Effects Model. This test includes the Chow Test and the Hausman Test. To test the hypothesis, this study uses the coefficient of determination test and the t-test.

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Table 1. Operationalization of Research Variabel

Type	Variable	Dimension / Formula	Source
Independent Variables	Information Asymmetry	$SPREAD_{it} = \frac{ask\ it - bid\ it}{(\frac{ask\ it - Bid\ it}{2})} X\ 100$ 1. Ask_{it} = the highest ask (bid) price of company i shares on day t 2. Bid_{it} = The lowest bid (ask) price of company i's shares on the day	(Tjahja & Lindrawati, 2024)
	Firm Size	Size= $Ln\ (Asset)$	(Kharisma & Priyadi, 2023)
	Financial Distress	$Z = 6{,}56X_1 + 3{,}26X_2 + 6{,}72X_3 + 1{,}05X_4$ Note: Z = Total Indeks X_1 = Working Capital/Total Assets X_2 = Retained Earning/Total Assets X_3 = Earning before interest and taxes/Total Assets X_4 = Book Value of Equity/Total Liability	(Dewi & Vestari, 2025)
	Capital Structure	DER = Debt / Equity	(Safaruddin et al., 2023)
Dependent Variable	Firm Value	PBV Price per Share/Book Value per Share	(Wansani, 2022)

RESULTS

Table 2. Descriptif

Variabel	N	Min	Max	Mean	Std. Dev
AI	171	-199.5555	131.7073	24.4305	27.8152
FS	171	24.8278	32.1577	28.8810	1.6712
FD	171	-14.3828	14716.50	226.5954	1570.823
NP	171	-0.0537	751.5543	11.5927	76.1291
SM	171	-1.7686	6.4659	0.9194	1.0276

Resouce: Output Eviews 9(2025)

Selection of the Best Panel Data Model

Chow Test

The criteria for making Chow test decision are as follows:

1. If the probability (Prob) on cross-section F < 0.05, then the best model is the fixed effect model.
2. If the probability (Prob) on cross-section F > 0.05, then the best model is the common effect model.

Table 3. Uji Chow

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.910143	(56,110)	0.0000
Cross-section Chi-square	187.327117	56	0.0000

Resource : Output Eviews9 (2025)

Based on the Chow test table, the Chow test results show that the cross-section F probability value is 0.0000, which means that the value obtained is smaller than the significance level (α = 0.05). Therefore, the appropriate model to test is the Fixed Effect Model (FEM).

Huasman Test

The criteria for making decision on the Hauman test are as follows:

1. If the probability (Prob) < 0.05, then the best model is the fixed effect model.
2. If the probability (Prob) > 0.05, then the best model is the common effect model.

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Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	43.359195	4	0.0000

Resource: Output Eviews9 (2025)

Based on the Hausman test table, the Hausman test results show that the probability value in chi square is 0.0000, which means that the value obtained is smaller than the significance level (a = 0.05). Thus, the appropriate test is the Fixed Effect Model (FEM).

Multiple Refression Analysis

Table 5. Fixed Effect Model

Variabel	Prediksi	Coefficient	T- Statistik	Prob
C		-303.0946	-5.0732	0.0000*
AI	-	-0.1780	-7.7267	0.0000*
FS	+	10.658	5.1771	0.0000*
FD	-	0.0476	95.663	0.0000*
SM	+	0.4566	1.1267	0.6913

Resource : Output Eviews9 (2025)

The results of panel data regression estimation using the Fixed Effects Model (FEM) show the results of testing with panel regression, so that from these results, the following model equation is obtained.

$$FV = -303.9046-0.1780*AI + 10.658*FS – 0.0476*FD+0.4566*SM$$

Coefisien of Determination Test

Table 6. Coefisient of Determinan Test

R-squared	0.997279	Mean dependent var	11.59274
Adjusted R-squared	0.995795	S.D. dependent var	76.12917
S.E. of regression	4.936736	Akaike info criterion	6.303553
Sum squared resid	2680.850	Schwarz criterion	7.424264
Log likelihood	-477.9538	Hannan-Quinn criter.	6.758290
F-statistic	671.9495	Durbin-Watson stat	2.848580
Prob(F-statistic)	0.000000		

Resource : Output Eviews9 (2025)

R-Square shows a value of 0.997279, which means that 0.99% of the variables of Information Asymmetry, Firm Size, and Financial Distress can explain Firm Value.

Partial Test (T-Test)

Table 1. Partial Test (T-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-303.0946	59.74411	-5.073213	0.0000
AI	-0.178043	0.023042	-7.726774	0.0000
FS	10.65860	2.058787	5.177125	0.0000
FD	0.047600	0.000498	95.66375	0.0000
SM	0.456622	1.146732	0.398194	0.6913

AI = Information Asymmetry, FS = Firm Size, FD = Financial Distress
Resource : Output Eviews9 (2025)

The result of the test using the Fixed Effect Model (FEM) can be concluded as follows:

1. Information Asymmerty with a probability value of 0.000/2 = 0 < 0.05, can be interpreted as meaning that the variable of information asymmetry has a negative and significant effect on firm value.
2. Firm Size with a probability value of 0.000/2 = 0 < 0.05, can be interpreted that the firm size variable has a positive and significant effect on firm value.
3. Financial Distress with a probability value 0.000/2 = 0 < 0.05, can be interpreted that the financial distress variable has a positive adn significant effect on firm value.
4. Capital Structure with probability value 0.6913/2 = 0.3456 > 0.05, can be interpreted that the capital structure variable has a positive and insignificant effect on firm value.

DISCUSSIONS

The Effect of Information Asymmetry on Firm Value

Based on a partial test (t-test) using the Fixed Effect Model (FEM), a coefficient of -0.178043 was obtained with a probability of 0.0000 because this study used a one-tailed hypothesis. the probability value divided by 2 (two) 0.0000/2 = 0 is smaller than the significance level a = 5% (0.05). From the statistical results, it can be concluded that the first hypothesis (H_1) is accepted and it can be concluded that the Information Asymmetry variable has a negative and statistically significant effect on Firm Value. As business complexity and the use of information technology increase, the potential for information asymmetry between management and investors grows and plays an important role in shaping firm value. Companies that are able to reduce information asymmetry through transparency and quality reporting tend to receive a positive market response in the form of increased trust and

firm value. This explains that the higher the level of information asymmetry, the lower the level of firm value. This finding contradicts the research by (Yasmin & Machdar, 2023) on manufacturing companies listed on the Indonesia Stock Exchange in 2015-2022 and (I. A. Maulana & Suripto, 2021) on BEI BUMN20 Index companies listed on the Indonesia Stock Exchange from 2025 to 2021, which stated that firm value is positively influenced by information asymmetry. Although the findings in this study are in line with research conducted by (Sananta & Yudhanti, 2025) on manufacturing companies listed on the Indonesia Stock Exchange from 2021 to 2023, (Tjahja & Lindrawati, 2024) on companies listed on the LQ45 index listed on the Indonesia Stock Exchange, and (Wulandari & Putri, 2023) on manufacturing companies listed on the Indonesia Stock Exchange in 2017-2021.

The Effect of Firm Size on Firm Value

Based on a partial test (t-test) using the Fixed Effect Model (FEM), a coefficient of 10.65860 was obtained with a probability of 0.0000 because this study used a one-tailed hypothesis, the probability value was divided by 2 (two) 0.0000/2 = 0, which is smaller than the significance level a = 5% (0.05). From the statistical results, it can be concluded that the first hypothesis (H_2) is accepted and it can be concluded that the Firm Size variable has a negative and statistically significant effect on Firm Value. Amidst the dynamics of the capital market and business competition, company size plays an increasingly important role in determining firm value. Large companies are perceived as more established, having broader access to funding and better adaptability, so that firm size becomes a positive signal for investors and has the potential to increase firm value. This explains that the larger the firm size, the higher the firm value as reflected in market perception. This finding contradicts the research by (Kharisma & Priyadi, 2023) on healthcare sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2021, which states that firm value is negatively affected by firm size. Although the findings in this study are in line with research conducted by (Wansani, 2022) on automotive and component sub-sector companies listed on the IDX for the 2018-2020 period, (M. H. Maulana & Sholichah, 2022) on manufacturing companies in the health, technology, food, and beverage sectors listed on the Indonesia Stock Exchange (IDX) in 2018-2020, (Afni et al., 2023) on manufacturing companies in the Food and Beverage sub-sector listed on the Indonesia Stock Exchange in 2019-2021, and (Rossa et al., 2023) on Banking companies on the IDX in 2019-2021, which stated that firm value is positively influenced by firm size.

The Effect Financial Distress on Firm Value

Based on the partial test (t-test) using the Fixed Effect Model (FEM), a coefficient of 0.047600 was obtained with a probability of 0.0000 because this study used a one-tailed hypothesis. the probability value is divided by 2 (two) 0.0000/2 = 0, which is smaller than the significance level a = 5% (0.05). From the statistical results, it can be concluded that the first hypothesis (H_3) is rejected and it can be concluded that the Financial Distress variable has a positive and statistically significant effect on Firm Value. Companies that lack internal funds may be forced to take on excessive debt to finance operations or investments, thereby increasing financial risk. This condition can worsen the possibility of financial distress because high debt burdens increase the risk of bankruptcy and reduce the company's flexibility in facing market pressures. This explains that the higher the level of financial distress

experienced by a company, the lower its value. Thisifinding contradicts the research by (Nurwulandari et al., 2023), which found that financial distress has a negative effect on firm value. However, research conducted by (Aryani & Saputra, 2024) on Consumer Non-Cyclicals Sector companies listed on the IDX for the 2020-2022 period, (Dewi & Vestari, 2025) on companies in the Restaurant, Hotel, and Tourism Sub-Sector on the IDX (2018-2021), (Toyibah & Ruhiyat, 2023) on financial companies listed on the Indonesia Stock Exchange in 2017-2021), which stated that firm value is negatively affected by financial distress. Although the findings in this study are in line with research conducted by (Prasetia et al., 2023) on companies in the Restaurant, Hotel, and Tourism Sub-Sector on the IDX (2018-2021), (Sari, 2022) on Basic Industry and Chemical Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period 2016-2020), which states that firm value is positively affected by financial distress.

The Effect Capital Structure on Firm Value

Based on a partial test (t-test) using the Fixed Effect Model (FEM), a coefficient of 0.456622 was obtained with a probability of 0.6913 because this study used a one-tailed hypothesis. the probability value is divided by 2 (two) 0.6913/2 = 0.3456, which is greater than the significance level a = 5% (0.05). From the statistical results, it can be concluded that the first hypothesis (H_4) is accepted and it can be concluded that the capital structure variable has a positive and statistically insignificant effect on Firm Value. A sound capital structure also reflects management's ability to manage financial risk and utilize resources effectively, thereby increasing investor confidence and sending a positive signal regarding the company's stability and future growth prospects. This explains that the more optimal a company's capital structure is, the higher the firm value generated. This finding is in line with research by In line with the findings researched by (Amro & Asyiki, 2021) on Financial Companies Listed on the Indonesia Stock Exchange in 2017-2021, (Safaruddin et al., 2023) on companies listed on the Indonesia Stock Exchange, (Alifian & Susilo, 2024) on energy sector companies listed on the Indonesia Stock Exchange for the period 2020-2022, which states that capital structure is positively influenced by firm value. However, this is in contrast to the research by (Rasyid et al., 2022) on mining companies listed on the Indonesia Stock Exchange in 2017-2019, (Isnaeni et al., 2021) on Islamic commercial banks listed on the OJK for the period 2015-2019, which states that capital structure is negatively influenced by firm value.

CONCLUSIONS

1. Information asymmetry has a negative and significant effect on firm value.
2. Firm size has a positive and significant effect on firm value.
3. Financial distress has a positive and significant effect on firm value.
4. Capital Structure has a positive and insignificant effect on firm value.

SUGGESTION

1. Future research should add other variables that could potentially affect firm value, such as intellectual capital, dividend policy, business risk, and investment policy.
2. Future studies could compare different idustry sectors such as technology and information sector and the property and real estate sector with other sectors such as energy or

manufacturing to determine whether these variables have an impact on company value that shows different trends in each sector, whether positive or negative.

3. Future researcher could also use Tobin's Q to measure firm value, because it reflects the market's assessment of a company's performance and prospects more comprehensively.

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