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The Effects of Company Size, Debt Policy, Profitability, and Free Cash Flow on Firm Value

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Abstract:
This study aims to examine and analyze the effect of company size, debt policy, profitability, and free cash flow on company value. This research uses secondary data from the annual reports of real estate and property companies listed on the Indonesia Stock Exchange (IDX) during the 2020-2022 period. The population in this study was real estate and property companies using the purposive sampling method, producing 30 samples of real estate and property companies and obtaining 90 data. The method used in this study is multiple linear regression analysis. The results showed that debt policy had a significant effect on company value, while company size, profitability, and free cash flow did not have a significant effect on company value
Key Word*:Firm value, firm size, debt policy, profitability, free cash flow*

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I. Introduction

In today's fierce competition from various new businesses in the property and real estate industries, the business world is characterized by many uncertainties. As a result, companies are engaged in fierce competition to improve their performance and achieve their corporate goals. The establishment of a company is driven by goals, where the main goal in the short term is to generate huge profits and the provision of benefits to the shareholders of a company. In contrast, the long-term goal entails an increase in the value of the real estate and property company. The value ascribed to a company depends on the perception of investors, which is closely related to its share price (Nuswandari et al., 2019). A business is thought to be valuable if it performs well. When the share price increases, so does the value of the company. This will certainly affect investor interest, to invest their shares. There is a tendency, that investor interest will be greater in a company if it has good company value. In connection with this, the company will continue to make efforts to increasethe company's valuation. There are many different types of economic participants in the real estate industry, such as contractors, developers, construction workers, investors, financial institutions, and tenants. As a result, these sectors exert a major influence on the economy. In recent times, investments have been shrinking, thus presenting a challenge for a development company in selling their property assets. This is in line with the volatility observed in the stock price index in the real estate and property industry from 2020 to 2022, as shown in Figure 1. Companies in the property and real estate sector from 2020 to 2022, with the following information:

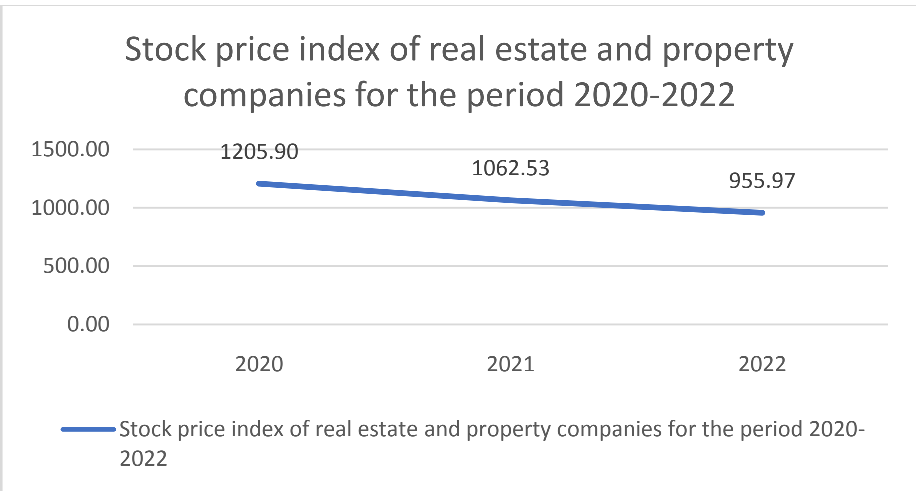

Figure 1. shows the stock price index of real estate and property companies from 2020 to 2022. With data sourced from Idx and processed in 2023.

Figure 1. shows the decline in the stock price index of real estate and property companies from 2020-2022. During this period there was an interesting phenomenon in the decline in the stock price index of real estate and property companies. In early 2020, the stock index peaked at 1205.90, reflecting the market's optimism towards the property sector. However, the situation changed significantly in 2021, when the share price dropped sharply to 1062.53. Factors such as global economic uncertainty and the impact of the COVID-19 pandemic likely contributed to the decline. This negative trend continued into 2022, with the share price falling further to 955.97. Investors and market participants may be responding to these changes with caution, reflecting the challenges faced by the real estate and property industry in the face of an unstable economic environment. This consistent decline over a three-year period may signal market participants to conduct an in-depth evaluation of their investment strategies in the sector.

In the above phenomenon, the decline in stock prices that occurred in the real estate and property industry between 2020-2022 could have a significant effect on the firm value and potentially affect firm size, debt policy. profitability, and free cash flow. When share prices fall, the market valuation of the company decreases, which may result in a decrease in the size of the company from a market capitalization perspective. This creates challenges for the company in terms of maintaining market share and investment attractiveness. In this context, company management may be faced with the challenge of managing market expectations, improving operational performance, and taking strategic measures to improve the value of the company in its long-term goals.

The first factor that impacts the valuation of a company is the size of the business in relation to other companies (Himawan&Andayani, 2020). The larger the company, the more likely investors are to notice its presence. This stems from the fact that companies with a large scale generally show stable conditions, which can be inferred from their capacity to obtain financial resources for expansion. In addition, companies have great access to the capital market in banking funds, which serve as a source of financing investments aimed at maximizing profits. This unchanging situation can attract investors to be able to invest their capital in the company. Several other studies describe if company size has a central influence on firm value (Hendraliany, 2019), (Setyarini et al., 2023), but previous research (Utami et al., 2019) concluded that the valueof a business is unaffected by its size .

The second factor is debt policy. Where this debt policy is another component that affects the valuation of the company, which is a deliberate strategic choice made by company management. to finance the company using capital obtained through debt. As in the study shown by (Apriliyanti et al., 2019), an ideal increase in debt will increase the value of a company. According to Trade off theory, this optimal point occurs when the benefits of increasing debt are still greater than the associated costs, which in turn can increase the value of the company. According to studies conducted (Apriliyanti et al., 2019), (Ahmad et al., 2020) indicated that if any factors affect the value of the company, one of which is debt policy. A different opinion is expressed by (Hidayat & Arfan, 2022) which shows that debt policy has no relevance to the value of a company.

The third factor is profitability, which is the capacity of the business to turn a profit. The greater a business's profitability, the higher the return to shareholders. As a result, this very favourable situation will generate demand for the company's shares among investors, which causes stock prices to rise (Syairozi&Taufiqqurrachman, 2022). This situation shows the relevance of signal theory, where large profits will be a good signal for investors to invest in a company. This is caused by investors who have high trust, if the company's profits are also high (Dermawan, 2019). Studies conducted by (Intan et al., 2021), (Fandriani&Tunjung, 2019) found that profitability affects firm value. However, another study (Sakdiyah et al., 2020) found that firm value is not significantly affected by profitability.

The fourth factor is free cash flow, if a company has high free cash flow, then investors will always welcome the growth of the business. This factor is one of the reasons why company management is more interested in increasing free cash flow. When free cash flow is high, managers tend to have a conflict of interest with owners or shareholders, because they do not put money into projects that make money. The goal is to make more money and then increase their own incentives (Muslimah et al., 2019). Although free cash flow can affect the value of a company, there are two contradictory studies regarding this factor. After research, it turns out that there is indeed a big influence between free cash and firm value (Patricia &Rusmanto 2022). Different research results state that there is no significant effect on firm value with free cash flow (Muhammad Fadly Bahrun, Tifah, 2020) and (Widi et al., 2021.).

Novelty in this study is the addition of free cash flow variables considering that free cash flow has an important role in firm value, so it is used as a development material for this study. Other studies have shown that free cash flow has an important role in assessing firm value because it reflects the capacity of the company's to produce cash available to all stakeholders, including shareholders (Evelin et al., 2021). Research has shown that free cash flow analysis can provide more insight into a company's financial health than net income. This is because free cash flow takes into account capital investment and financing activities, providing a more comprehensive picture of a company's operational and financial performance.

Based on the various factors that remain a question mark above, the increasing complexity of the modern business environment requires a deeper understanding of the variables that result firm value. This study aims to determine how important variables such as firm size, debt policy, profitability or earnings, and free cash flow can significantly affect firm value. The most important research question to be answered is the extent to which firm size, the chosen debt policy, the level of profitability, and free cash flow can affect the valuation of a company. This study will also explore the relationships and interactions between these variables, as well as their impact in influencing stock prices, decisions for financial strategies and corporate investment decisions. Research on the influence of firm value is not the first research. There are several studies that have been conducted, including (RezkiZurriah, 2021), (Saifi, 2020), (Hendraliany, 2019), (Febrianti et al., 2020), and (Trisnawati, 2019). The above studies are supporting this research. According to the problem's above description, the researcher has the desire and interest to examine how company size, debt policy, profitability, and free cash flow have an impact on the value of real estate and property industry companies that have been listed on the Indonesia Stock Exchange during the period of 2020-2022.

II. Literature Review

__Signaling Theory__

Signaling theory is one of the theories that has relevance to corporate profits or profitability. An economist named Spence (1973) was the first to introduce this theory. Signal theory is found in Job Market Signaling research, which suggests that informants provide relevant information to the recipient.The party will then modify its actions in accordance with how it interprets the signal.Information that has been provided by the company to outside or external parties can be done in the form of providing signals that contain clues such as direct or indirect forms. Furthermore, management can provide signals to investors in the form of financial information which is expected to provide signals that signal prosperity as studied in signal theory (Nazilah&Isynuwardhana, 2019).

Signal theory has a function, namely as a tool for external parties or external companies to explore information related to management and opportunities offered by the company in the future through information in the form of the company's annual report to investors (Dwi & Jenali 2019). This theory has the aim of providing clues to investors from companies to make investment decisions, where the form of signals can be tangible or intangible which must be examined more deeply (Putri & Setiawan., 2019).

__Trade-Off Theory__

In Modigliani and Miller (1963) as in (Apriliyanti et al., 2019) Exchange or Trade Off Theory states that there is a relationship between liability and firm value there is an ideal level of liability. In certain situations the company will make more use of debt with the aim of increasing company value. This can be understood from Trade Off Theory, namely by using the debt the company will reach a certain point in order to maximize the value of the company by utilizing the costs arising from the use of these obligations. Based on this theory, the optimal point is when the benefits of expanding debt are more important than the resulting redemption, so that the benefits obtained from the utilization of debt can raise a company's worth.

__Firm Value__

The assessment of firm value is a serves as a representation of investors' perceptions of the company's likelihood of success. The manifestation of firm value is evident in the value it maintains in the stock market, as proposed by Fama (1978). Therefore, a substantial share price indicates a concomitant increase in firm value. The increase in firm value is driven by both short-term and long-term objectives. Profit realization is a form of short-term goal within a predetermined target. Furthermore, the company sets long-term goals by maximizing its value. (Susanti et al., 2019). The quality of company management performance is determined by the extent to which company values have been achieved. If the relationship between management and shareholders is good, goals can be achieved effectively and optimally. Evaluation of management performance in the company can be determined whether it is favourable or unfavourable by examining the correlation with the overall value of the company. Optimization of company goals can be realized by fostering a good relationship between management and shareholders, thus enabling the effective achievement of these goals (Bahrun, Tifah, 2020). A business is deemed good if its value reflects optimal performance and then it applies vice versa (Zurriah, 2021).

__Firm Size__

According to (Saifi, 2020) company size is the scale of the company able to determine the amount of funding and company performance. The scale of a company is observed on the amount of equity value, sales value or asset value. A large company scale describes the company is facing good growth and development which will affect the company's value to increase. If the size of the company is getting bigger, it is easier to get

internal and external capital for the company (Endiana&Pramesti, 2021). In several studies found that the value of a company affects company size (Hendraliany, 2019), (Setyarini et al., 2023).
H1 : Company size has a significant effect on firm value

Debt Policy

Debt can also be linked to the valuation of the company. In the presence of debt, the greater the proportion of debt, the higher the company's share price. The company's main goal is to optimize its valuation. As stated by (Rahayu, 2019) one of the factors taken into account by investors when making an investment is the valuation of the company in which they will invest their capital. The company's valuation offers great prosperity for shareholders if the share price experiences an increase. The higher the share price, the greater the prosperity of the shareholders. According to (Sunardi&Febrianti, 2020) the wealth obtained by shareholders and the company reflects the existence of investment funding and assets owned. Apart from being influenced by stock prices, company valuation can also be assessed based on the development of financial performance in a company. Studies conducted (Apriliyanti et al., 2019), (Ahmad et al., 2020) state that debt policy affects firm value.
H2 : Debt Policy has a significant effect on firm value

Profitability

Profitability or profit is the company's potential to generate profits (Dewi et al., 2019). As stated by the signal theory that companies that have good information will also provide good signals to investors who have an interest in investing in the company. Higher profitability indicates that the company can generate sufficient profits with its assets to achieve its long-term goals. This will encourage investors to invest their money in the company, thus increasing its share price and value. Previous studies show that firm value is strongly influenced by profitability (Intan et al., 2021), (Fandriani&Tunjung, 2019), and (Rosalia & Utami, 2022).
H3 : Profitability has a significant effect on firm value

Free Cash Flow

Free cash flow is the remaining cash flow that can be distributed to shareholders after the company purchase of fixed assets and operating activities necessary for business operations (Apiani, 2019). Companies with high free cash flow will provide positive signals to investors regarding how management is performing in a company, which will have an influence on the valuation of the company (Suryanti, 2020). Companies that have high free cash flow will have better performance than other companies, this is because they have profits on various opportunities that other companies may not have (Perdana et al., 2021). A study conducted by (Patricia &Rusmanto 2022) found that free cash flow greatly affects firm value.
H4 : Free Cash Flow has a significant effect on firm value

III. Research Methods

This study involves companies listed on the Indonesia Stock Exchange (IDX) in the real estate and property sector from the period 2020-2022. The population used for this study comes from 30 companies listed on the Indonesia Stock Exchange (IDX) in the real estate and property sector in the period 2020-2022. The data used is quantitative data which is considered secondary data and consists of numbers or numeric that are put into a statistical scale for measurement. To complete this research, it will use the documentation method, especially the company's annual report. In this study, it will use a purposive sampling selection method, which considers several certain factors. and obtained data as much as 90 company data. The sample in the study is based on the following criteria: (1) Real estate and property companies listed on the Indonesia Stock Exchange (IDX) that have issued financial reports for the last three years from 2020 to 2022. (2) the completeness of the required data is complete and has a relationship with the variables to be tested.

Firm value is analyzed using Tobin's Q which serves as an indicator to evaluate company performance, especially in terms of managing company assets. According to (Cristofel&Kurniawati, 2021) Tobin's Q measurement is as follows:

$$\text{Tobin's Q} = \frac{\text{Market Capitalization Value + Total Debt}}{\text{Total Equity}}$$

In this study, the size of the company is assessed using the Natural Logarithm (LN) of total assets. According to (Saifi, 2020) the size of the company signifies its capacity to ensure financial resources and measure its performance. The size of the company can be measured by examining the level of equity, sales, or assets. The measurement of company size is as follows:

$$\text{Company Size} = \text{Ln (Total Assets)}$$

Debt Policy According to Brigham and Houston (2001) in (Nasution &Mulyani, 2020) the company is said to be risky if it has a relatively small portion of debt or even entirely has no debt, the company is considered to have failed to use additional external capital which will increase the company's operations. This debt policy is often denoted by :

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Profitability shows how good management is in a company. To measure profitability in this study, ROE is used, the following is the calculation according to (Oktaviani et al., 2019):

$$\text{Return on Asset (ROE)} = \frac{\text{Net Income}}{\text{Equity}}$$

Free cash flow is the remaining free cash flow that will be distributed to shareholders after the company has completed investment in fixed assets and expenditure on capital (Suryanti, 2020). The calculation for this variable uses the Zurriah formula (2021), as follows:

Free Cash Flow (FCA) = Operating Cash Flow - Capital Expenditures - Net Working Capital Total Assets

IV. Research Results and Discussion

Table no 1Shows descriptive statistical test results

Based on the table above, the number of samples in this study is 90. The lowest SIZE value is 20.6563 owned by AMAN, BAPI, BCIP, CSIS, GMTD, LPLI, LPCK, NZIA, PAMG, PWON, REAL, and ONE. The maximum value of the Company Size variable of 30.9786 is owned by SMRA. The data deviation value is still in a good category because the standard deviation of SIZE is still smaller than the average and the average value (mean) is 28.1561.

Debt policy calculated using DER has a minimum value of 0.0023 owned by REAL and ONE. The maximum value of 0.8045 is owned by PPRO. The small DER ratio indicates that the business has a lower reliance on debt to fund its operations and has a greater proportion of equity in its financial structure. This can be interpreted as a sign that the company has a lower level of risk associated with debt, because it has more equity to support its finances. The standard deviation of DER has a smaller value than the average value, which indicates that the data deviation is still well categorized.

Profitability as measured using ROE gets the minimum value of 0.0002 owned by BCIP. So, the meaning shows that at the lowest level, the company still earns little profit relative to its equity. This could reflect challenges or business conditions that might affect performance. The company can also make a large profit relative to its equity, as shown by the maximum value of 0.5542. This could indicate excellence in financial strategy and asset management. The standard deviation of ROE is still smaller than the average, so the deviation of the data is still good.

Free cash flow gets a minimum value of -1.1889 owned by BAPI, which indicates that the company at some point experienced negative cash flow, which means that more cash went out than came in during the period. The cause of this is due to several factors, such as high operating costs, large investments, or unfavorable economic conditions. The maximum value of IMR is 0.6692 owned by DILL, which means that more cash came in than went out during that period of time. A positive free cash flow can be interpreted as an indication that there is an ability owned by the company to generate sufficient profits from its operations after capital expenditures are calculated. The standard deviation value is above the mean value, which means that the FCA value may differ significantly from the average.

Table no 1: Descriptive statistic

Descriptive Statistic					
	N	Minimum	Maximum	Mean	Std. Deviation
SIZE	90	20,6563	30,9786	28,156104	2,4319228
DER	90	0,0023	0,8045	0,393743	0,2119902
ROE	90	-1, 1889	0,6692	-0,201387	0,3151333
AKB	90	0,0795	6,1117	1,046438	0,8385454
Valid N (listwise)	90				

Table no 2 shows the results of the normality test

In this normality test, casewise diagnostic was carried out to detect outliers in this study and there were 14 outlier data, so that 76 data remained. The result of this normality test is Asymp sig, which is shown in the Kolmogrov Smirnov normality test table. The p valueis 0.200 due to the 0.200 Significance value. Which means 0.200> from 0.05 indicates that the data has a normal distribution. A significance level of 0.05 also indicates if the data comes from a normal distribution.

Table no 2: Normality test results

	Unstandardized Residual
N	76
Asymp Sig (2-tailed)	0,200

Table no 3 shows multicollinearitytest results

If the tolerance for the company size variable (X1) is 0.689, debt policy (X2) is 0.865, profitability (X3) is 0.914, and free cash flow (X4) is 0.829> 0.10, so there is no multicollinearity. The VIF value of the company size variable (X1) is 1.451, debt policy (X2) is 1.157, profitability (X3) is 1.094, and free cash flow (X4) is 1.206 less than 10 because there is no multicollinearity. In the output above, tolerance shows that none of the independent variables have a tolerance value> 0.10, and the VIF value shows if there is no VIF value in the independent variable that has a value < 10.00. The conclusion is that in this regression model indicates that the independent variables do not exhibit any signs of multicollinearity.

Table no 3 : Multicollinearitytest results

Variable	Tolerance	VIF	Description
SIZE	0,689	1,451	There are nosymptoms of multicollinearity
DER	0,865	1,157	There are no symptoms of multicollinearity
ROE	0,914	1,094	There are no symptoms of multicollinearity
AKB	0,829	1,206	There are no symptoms of multicollinearity

Table no 4 shows Heteroscedasticity test results

Park's heteroscedasticity test results show the significance value of company size (X1) is 0.225, debt policy (X2) is 0.413, profitability (X3) is 0.909, and free cash flow (X4) is 0.268, these results are > 0.05.

Table no 4 : Heteroscedasticity test results

Variable	T	Sig	Description
SIZE	-1,223	0,225	There are no symptoms of heteroscedasticity
DER	-0,823	0,413	There are no symptoms of heteroscedasticity
ROE	0,114	0,909	There are no symptoms of heteroscedasticity
AKB	1,116	0,268	There are no symptoms of heteroscedasticity

Table no 5 shows Autocorrelation test results

The results of this autocorrelation test use Durbin Watson data, with a sample size of 76 and 4 independent variables obtained a value of d = 1.131. In the book Singgih Santoso (2010) shows that the Durbin-Watson (DW) value close to 2 indicates that there is no autocorrelation in the regression model residues. In this case, with a DW value of 1.131, we can interpret that there is a positive trend in residual autocorrelation.

Table no 5 Autocorrelation test results

Model	Durbin - Watson (DW)	Description
Multiple Linier Regression	1,131	Autocorrelation does not occur

Table no 6 shows the results of the F test

The result of the calculated F value in the regression model above is equal to F table = (k; n-k) = F (4; 76- 4) = F (4; 72) = 2.50.

Table no 6 : F test results

Model	Sum of square	Df	Mean square	F	Sig
Regression	0,803	4	0,201	3,886	0,007
Residual	3,668	71	0,052		
Total	4,47	75			

Table no 7 shows T test results

In testing the t test, the value of t = t (a/2: n-k-1) = 0.025; 76-4-1 = 0.025; 71). The results of the previous t statistical test show the relationship between the independent variable and the dependent variable as follows:

Company size has an influence on firm value significantly (H1). The sig value for the effect of company size on firm value is 0.222> 0.05, and the t value is 1.233 smaller than the table 1.99394, so H1 is rejected. Thisimplies that firm value is unaffected by company size.. Therefore, the first is unsupported by any evidence hypothesis which shows if the size of a company affects the value of the company.

Debt policy affects the value of a company (H2). The sig value of the effect of debt policy on firm value is 0.004. <0.05 and the t value is 2.937> 1, 99394. Thus, H2 is accepted, according to the table 1 point 99394. This shows that if the policy debt significantly affects business value. This proves the second hypothesis that debt policy affects firm value.

Profitability has an influence on firm value significantly (H3). The significance value of the effect of profitability on firm value is 0.231 greater than 0.05, and the calculated t value is

1.207 greater than the t table. So, it can be concluded that H3 is rejected. In other words, profitability has no influence on firm value. Therefore, there is no evidence to support the third hypothesis that profitability affects firm value.

Firm value is significantly influenced by free cash flow (X4). The significance value of free cash flow on firm value is 0.626, > 0.05, and the calculated t value is -489 below the t table1.99394. So, it can be concluded that H4 is rejected. Which means, firm value is not affected by free cash flow. Therefore, there is no evidence to support the fourth hypothesis. that firm value is influenced by free cash flow.

Table no 7T test results

Model	Unstandardized Coefficient	T	Sig	Conclusion
	B			
(Constant)	0,166	0,490	0,626	
SIZE	0,015	1,233	0,222	Rejected
DER	0,398	2,937	0,004	Accepted
ROE	0,406	1,207	0,231	Rejected
AKB	-0,042	-0,489	0,626	Rejected

Table no 8 shows the results of the coefficient of determination test

From the SPSS test output, the coefficient of determination test shows that the independent variables can explain for the Adjusted R Square value in the regression of the firm value variable is 0.133, or 13.3% by the independent variables, such as business size, debt policy, profitability, and free cash flow. In addition, the last 86.7% can be explained by other factors that are not explained in this study.

Table no 8 : Coefficient of determination test result

Model	R	R Square	Adjusted R Square	Std. Eror of the Estimate
1	0,424	0,18	0,133	0,2272777

<u>The effect of company size on firm value</u>

Firm value is not significantly impacted by a company's size.. Companies with a higher level of capital structure will have a greater value and a higher level of debt. This is because companies with larger assets have a function as collateral to secure loans from creditors, so they tend to use long-term debt to obtain debt. According to (Widi et al., 2021) company size symbolizes its overall assets. Large companies usually have the privilege of choosing from a variety of debt financing options, including special offers that provide more benefits that are not available to small companies. A larger company has the potential to drive increased profitability, thereby increasing its overall value. It can be said that the high or low value of a company can have an effect on its value. However, it is important to note that larger company size does not automatically guarantee higher value. This is because large companies may be hesitant to embark on new investments related to expansion until their liabilities are paid off. Moreover, companies with more prominent capital structures will boast greater value and higher debt levels. This phenomenon can be attributed to the fact that firms with larger assets use them as collateral to secure loans from creditors, thus supporting the utilization of long-term debt to obtain additional financing. These results are in line with (Evelin et al, 2021), and (Endiana&Pramesti, 2021) state that company size does not significantly affect firm value.

<u>The effect of debt policy on firm value</u>

The results show that the valuation of a company is significantly affected by debt policy. Business performance and value can be greatly influenced by the use of debt as part of the capital structure. By using debt, businesses can expand their business and make further investments, which can result in greater growth and profits. Conversely, too much debt can lead to high financial risks, especially if revenues are insufficient to cover interest expenses or in the event of unexpected market fluctuations. As a result, a wise and balanced debt policy is essential. Management should ensure the level of debt does not exceed the company's repayment ability after considering the risks and benefits of using debt. By doing so, the company has the ability to raise its enterprise value. and avoid financial risks that could jeopardize its long-term stability. This study is consistent with (Apriliyanti et al., 2019) and (Ahmad et al., 2020) which state that there is a significant effect on debt policy on firm value.

The effect of profitability on firm value

According to the results of this research, there is no significant effect on the value and profitability of the company. Based on signal theory, companies with good information will provide good signals to investors who are interested in investing in them. However, the average profitability value in this study shows a negative value, which means that the company's profitability has decreased, so the company's value will also decrease. So the company must continue to increase its profitability to increase its overall value. Companies that show high profitability are perceived favorably by investors, which leads to increased investor confidence and subsequently, can indicate the potential for increased business value. Previous studies (Sakdiyah et al., 2020) and (Farizki et al., 2021) found that profitability has no significant effect on firm value.

The effect of free cash flow on firm value

In this study, it shows that the company's free cash rus does not significantly affect its value. This study is in line with (Bahrun &Tifah, 2020), (Widi et al., 2021), (Yuliana, 2020), and (Dewi &Sedana, 2019). The results of this study indicate that investors in investing their capital do not take free cash flow into consideration. There are several factors that can cause this to happen. First, the existence of idle funds will give a negative or bad signal to investors because company management is considered confused in allocating these funds. Second, investors do not have confidence if the company's free cash flow can be used to distribute dividends or can also be used for other purposes that do not provide benefits to investors. Companies with positive or negative free cash flow values have almost the same debt policy, even companies that have high company values and high free cash flow, the debt level is also high.

V. Conclusion

Based on researcher analysis, what has a significant effect on firm value is debt policy. However, firm size, profitability, and free cash flow have no significant effect on firm value. The results in this research indicate that company management should concentrate on debt policy management as the main component that affects firm value. They can consider optimizing the capital structure to ensure that the level of debt does not exceed the company's repayment ability. Profitability, firm size, and free cash flow of the firm have no significant influence on firm value, so they should be considered in management. However, they should not be the main focus in an effort to increase firm value. Therefore, a strategy that focuses more on debt policy management can significantly increase business value. The ideal level of debt also needs to be carefully considered by management. This should be done so that it is not too high that it poses a great financial risk, but also sufficient to support business growth and investment. Companies can reduce the negative impact of an aggressive debt policy by considering various financial instruments or risk management strategies. Companies can earn more money in the long run by using the right methods to manage debt.

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