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The Influence of Intellectual Capital, Good Corporate Governance, Funding Decisions and Investment Decisions on Firm Value Mediated by Profitability as an Intervening Variable in LQ45 Companies for the 2020–2024 Period

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Abstract: This study aims to analyze the influence of intellectual capital, good corporate governance, funding decisions, and investment decisions on firm value, with profitability as an intervening variable, in LQ45 companies during the 2020–2024 period. The sampling method used in this research is purposive sampling, in which 26 companies listed in the LQ45 index were selected as the research sample. The secondary data were obtained from annual financial reports. The results of this study indicate that intellectual capital has a significant effect on profitability; good corporate governance has a significant effect on profitability; funding decisions have a significant effect on profitability; investment decisions have a significant effect on profitability; intellectual capital has a significant effect on firm value; good corporate governance has a significant effect on firm value; funding decisions have a significant effect on firm value; investment decisions have a significant effect on firm value; profitability does not have a significant effect on firm value; intellectual capital through profitability does not have a significant effect on firm value; good corporate governance through profitability does not have a significant effect on firm value; funding decisions through profitability have a significant effect on firm value; and investment decisions through profitability have a significant effect on firm value.

Keywords: Intellectual Capital, Good Corporate Governance, Financing Decisions, Investment Decisions, Firm Value, Profitability

INTRODUCTION

The development of the business world today is marked by increasingly intense and dynamic competition. Companies are not only required to survive but must also continue to grow and create added value for all stakeholders (Purwanto, 2020). Firm value serves as an important indicator that reflects future prospects and the level of investor confidence. A high firm value not only facilitates access to funding but also enhances the company's reputation and competitiveness in the capital market. However, changes in firm value are often influenced by complex internal and external factors, thereby requiring appropriate management strategies.

In the context of the modern economy, intangible assets such as intellectual capital are increasingly recognized as a key pillar of sustainable competitive advantage. Intellectual capital, which encompasses knowledge, skills, innovation, and business relationship networks, can make a significant contribution to improving a company's performance and value (Ulum, 2018). Nevertheless, data on LQ45 companies for the 2020–2024 period show fluctuations in various intellectual capital indicators namely Value Added Capital Employed (VACA), Value Added Human Capital (VAHU), and Structural Capital Value Added (STVA) indicating that the management of these intangible assets has yet to be fully optimized.

In addition, the implementation of Good Corporate Governance (GCG) is a strategic factor that can strengthen a company's performance. The principles of transparency, accountability, responsibility, independence, and fairness serve as the foundation for maintaining corporate integrity (Solla, 2010). However, data show that the proportion of independent commissioners and the effectiveness of audit committees in LQ45 companies have also fluctuated, potentially affecting strategic decision-making. Weaknesses in GCG implementation have been proven to be one of the causes of financial crises and failures in producing accurate financial reporting in Indonesia (Solla, 2010).

Another equally important factor is funding decisions and investment decisions. Funding decisions involve the company's capital structure and sources of financing, which directly affect risk and profitability (Susila & Prena, 2019; Handarini, 2018). Meanwhile, investment decisions determine the allocation of funds to productive assets that are expected to generate future returns (Fauziah & Asandimitra, 2018). Fluctuations in the Debt to Asset ratio, Debt to Equity ratio, Market Value Added, and Market to Book Value in LQ45 companies indicate variability in strategies that may influence market perceptions and firm value.

Profitability itself serves as a key variable linking these strategic decisions to firm value. The ability to generate profit reflects the effectiveness of management in utilizing resources (Kasmir, 2018). The fluctuating Return on Assets (ROA) and Return on Equity (ROE) ratios in LQ45 companies indicate potential improvements in operational efficiency to enhance firm value.

The urgency of this research lies in the limited number of studies that simultaneously examine the influence of intellectual capital, GCG, funding decisions, and investment decisions on firm value while incorporating profitability as a mediating variable. Most previous studies have only tested the direct relationships between variables (Jensen & Meckling, 1976; Brigham & Houston, 2019), thus failing to provide a comprehensive picture of the transmission mechanism of influence through profitability, particularly in companies consistently listed in the LQ45 index during the 2020–2024 period.

Thus, this research is relevant not only for the development of financial management science but also as practical input for company management and investors. Specifically, this study is intended to answer the question: How do intellectual capital, good corporate governance, funding decisions, and investment decisions affect firm value, with profitability as an intervening variable, in LQ45 companies during the 2020–2024 period?.

METHOD

This study employs a quantitative approach with a descriptive and associative research type, aiming to empirically explain the relationships between independent variables, mediating variables, and the dependent variable. The data used are secondary data in the form of financial statements from companies included in the LQ45 index and listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. These data were obtained through documentation techniques, namely the collection of information from annual reports officially published on the IDX website (Sugiyono, 2014; Muhajirin & Panorama, 2018).

The population of this study consists of all companies included in the LQ45 index during the 2020–2024 period, totaling 70 companies. The sample was selected using a purposive

sampling method with the following criteria: (1) companies consistently listed in the LQ45 index throughout the research period, (2) companies that published complete financial statements for the 2020–2024 period, and (3) companies that did not incur losses during that period. Based on these criteria, 26 companies were selected as the research sample, resulting in a total of 130 panel data observations for analysis.

The data analysis method used in this study is Structural Equation Modeling–Partial Least Squares (SEM-PLS) with the assistance of SmartPLS version 4.0 software. This technique was chosen because it can estimate complex models with a relatively small sample size, does not require the assumption of data normality, and can measure both direct and indirect relationships between latent variables (Ghozali, 2014). The analysis was carried out in two stages: testing the measurement model (outer model) to assess the validity and reliability of the indicators, and testing the structural model (inner model) to examine the relationships between latent variables through path coefficient, R-square, F-square values, and bootstrapping significance tests.

Convergent validity testing was conducted by examining the loading factor value (>0.70) and the Average Variance Extracted (AVE >0.50), while discriminant validity was assessed by comparing the square root of the AVE with the correlations between latent variables. Reliability testing was evaluated using the composite reliability value (>0.60) and Cronbach's Alpha (>0.70) (Ghozali & Latan, 2015). Furthermore, the structural model was evaluated by looking at the R-square value to measure the model's predictive ability, the F-square value to measure the relative effect between constructs, and the Standardized Root Mean Square Residual (SRMR) to test the model fit.

RESULTS AND DISCUSSION

Descriptive Analysis

a. Intellectual Capital

Intellectual capital is an intangible asset that encompasses an organization's knowledge, skills, and competencies in creating value. Based on data from LQ45 companies for the 2020–2024 period, there has been a general increase in intellectual capital values, particularly in 2022 and 2023, indicating that companies are placing greater emphasis on innovation, competent human resources, and the efficiency of knowledge-based business processes. This increase can have a positive impact on a company's competitiveness and long-term value, in line with the growing investor focus on intangible assets as indicators of growth potential.

b. Good Corporate Governance (GCG)

Good Corporate Governance is measured through the proportion of independent commissioners (PDKI) and the presence of an audit committee. During the 2020–2024 period, PDKI values and audit committee presence tended to remain stable, with some companies increasing the proportion of independent commissioners. This reflects an awareness of the importance of oversight and transparency in managerial decision-making. Strong GCG practices can enhance investor confidence, improve corporate reputation, and minimize managerial risks that could harm firm value. Consistency in implementing GCG serves as an essential foundation for maintaining business sustainability and growth.

c. Funding Decisions (DAR and DER)

Funding decisions are assessed through the Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER). The DAR and DER values over the five-year period show significant variations among companies, reflecting different funding strategies. Some companies have a funding structure that relies heavily on debt, while others take a more conservative approach. Debt financing can increase financial leverage and shareholder returns if used effectively, but

it also raises the risk of bankruptcy if not properly managed. Therefore, optimal funding decisions must take into account the cost of capital, financial risk, and profitability.

d. Investment Decisions (MVA and MVE)

Investment decisions are represented by Market Value Added (MVA) and Market Value of Equity (MVE). MVA reflects the added value generated by the company for its shareholders, while MVE represents the market's assessment of the company's equity. During the study period, there was an increase in MVA and MVE for most companies, indicating that the investment decisions made tended to be productive and positively received by the market. Well-targeted investments, particularly in strategic assets and innovation, can enhance investor confidence and strengthen the company's market position.

e. Company Value (PBV, PER and Tobin's Q)

Firm value is measured using the Price Earnings Ratio (PER), Price to Book Value (PBV), and Tobin's Q. These three indicators reflect how the market assesses a company's performance and prospects. High PER, PBV, and Tobin's Q values indicate investor optimism regarding future earnings growth and the market's valuation of the company's book value. However, fluctuations in these values also demonstrate sensitivity to economic conditions, actual financial performance, and market perceptions. Companies with strong fundamentals and good governance tend to have a more stable and sustainably increasing firm value.

f. Profitability (ROA and ROE)

Profitability is measured using Return on Assets (ROA) and Return on Equity (ROE). ROA reflects the efficiency of asset utilization in generating profits, while ROE illustrates how effectively a company uses shareholders' equity to produce returns. Data show that the profitability of LQ45 companies during 2020–2024 varies but tends to be higher in companies with strong intellectual capital and sound governance. Profitability also plays an important role as an intervening variable, indirectly linking the effects of IC, GCG, funding decisions, and investment decisions on firm value.

Partial Least Square (PLS) Data Analysis Results

In this study, the PLS analysis was carried out in two main stages: the outer model and the inner model. The outer model evaluation aims to assess the validity and reliability of the indicators used for each variable, while the inner model is used to examine the relationships between latent variables and the significance of their effects. The results of this analysis will provide an overview of the extent to which intellectual capital, funding decisions, investment decisions, and GCG can influence profitability through firm value.

a. Evaluation of the Measurement Model (Outer Model)

The evaluation of the measurement model in this study was conducted through Convergent Validity testing for each construct indicator. Discriminant validity is based on the principle that measures of different constructs should not be highly correlated. To test discriminant validity with reflective indicators, the cross-loading value for each variable should be greater than 0.70. Based on this criterion, any loading factor below 0.70 will be removed from the model..

Table 1. Convergent Validity

	GCG	Intellectual Capital	Investment Decisions	Funding Decisions	Company Values	Profitability
IC1		0.934				
IC2		0.959				

	GCG	Intellectual Capital	Investment Decisions	Funding Decisions	Company Values	Profitability
IC3		0.511				
GCG1	0.859					
GCG2	0.902					
KI1			0.969			
KI2			0.733			
KP1				0.966		
KP2				0.958		
NP1					0.711	
NP2					0.196	
NP3					0.927	
PF1						0.919
PF2						0.950

Source: PLS 4.0 output

Based on Table 1, it can be seen that there are indicators with loading factor values below 0.70, namely indicators IC3 and NP2. Therefore, a re-test must be conducted as follows:

Table 2. *Convergent Validity*

	GCG	Intellectual Capital	Investment Decisions	Funding Decisions	Company Values	Profitability
IC1		0.974				
IC2		0.965				
GCG1	0.860					
GCG2	0.901					
KI1			0.968			
KI2			0.734			
KP1				0.965		
KP2				0.958		
NP1					0.719	
NP3					0.924	
PF1						0.915
PF2						0.953

Source: PLS 4.0 output

In Table 2, it can be seen that after re-estimation by eliminating indicators IC3 and NP2, all indicators show loading factor values above 0.70. Thus, no further estimation is required, as all indicators have been declared valid. The results of the outer model after re-estimation can also be seen in the following figure.

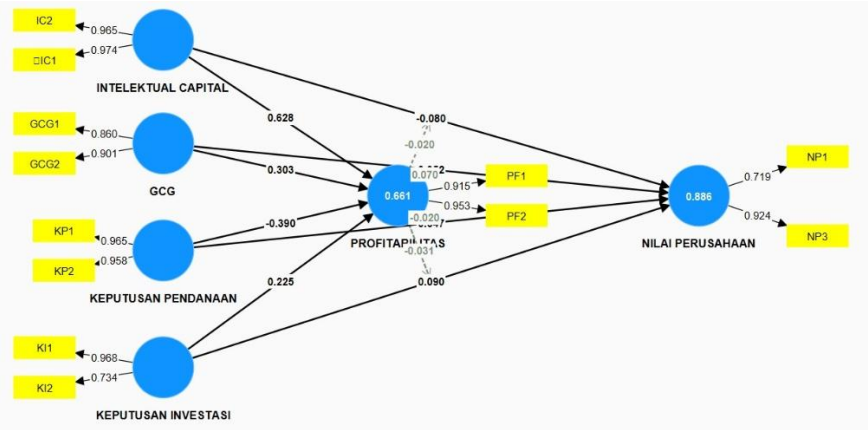

Figure 1. Outer Model After Reestimation

b. Structural equation model (Inner Model)

The structural model testing in SEM-PLS analysis using SmartPLS 3 involves the coefficient of determination (R^2) to measure the extent to which the model can explain the variance of the dependent variable. Hair et al. (2017) state that the coefficient of determination is a measure of the combined ability of exogenous latent variables to predict the endogenous construct, meaning that the coefficient represents the amount of variance in the endogenous construct explained by all related exogenous constructs. The R^2 value ranges from 0 to 1, with higher levels indicating greater predictive accuracy. Similar to multiple regression, the adjusted coefficient of determination (Adjusted R^2) is used as a criterion to avoid bias toward complex models. This criterion is modified according to the number of exogenous construct variables (Hair et al., 2017).

1) Coefficient of Determination (R^2)

Table 3. Coefficient of Determination

	R-square	R-square adjusted
Company values	0,886	0,877
Profitability	0,661	0,651

Source: PLS 4.0 output

From the data processing results in Table 3 above, it can be seen that the model for the firm value variable has an R-square of 0.886, or 88%, which means that firm value falls under the substantial/good criterion. Meanwhile, the profitability variable has an R-square value of 0.651, or 65.1%, which also indicates that profitability falls under the substantial/good criterion.

2) Effect Size (f^2)

Table 4. F Square Value

	F-Square
Intellectual Capital	0,020
GCG	0,167
Funding Decisions	0,641
Investment Decisions	0,036

Source: PLS 4.0 output

This f-square test was conducted to assess the quality of the model. f-square values of 0.02, 0.15, and 0.35 can be interpreted to determine whether a latent predictor variable has a weak, medium, or large effect at the structural level (Ghozali & Latan, 2015). The f-square results in this study are as follows:

a) The f-square value of Intellectual Capital on Firm Value is 0.020, which is above 0.02, indicating that Intellectual Capital has a small effect on Firm Value.
b) The f-square value of GCG on Firm Value is 0.167, which is above 0.15, indicating that GCG has a moderately strong effect on Firm Value.
c) The f-square value of Funding Decisions on Firm Value is 0.641, which is above 0.35, indicating that Funding Decisions have a large effect on Firm Value.
d) The f-square value of Investment Decisions on Firm Value is 0.036, which is above 0.02, indicating that Investment Decisions have a moderate effect on Firm Value.

3) Hypothesis Testing

The estimated value for the path relationship in the structural model must be significant. This significance value can be obtained using the bootstrapping procedure. To determine the significance of the hypothesis, look at the parameter coefficient values and the t-value in the

bootstrapping algorithm report. To determine whether it is significant or not, look at the t-table at alpha 0.05 (5%) = 1.96. Then, the t-table is compared with the calculated t-statistic.

Next, to find out the results of the hypothesis testing in this study, please see the following table:

Table 5. Output Bootstrapping (Path Coeffecient) Direct Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
INTELLECTUAL CAPITAL -> PROFITABILITY	0,628	0,617	0,086	7,281	0,000
GCG -> PROFITABILITY	0,303	0,273	0,157	1,935	0,031
FUNDING DECISIONS -> PROFITABILITY	-0,390	-0,377	0,127	3,073	0,002
INVESTMENT DECISION -> PROFITABILITY	0,225	0,226	0,094	2,410	0,016
INTELLECTUAL CAPITAL -> COMPANY VALUE	-0,080	-0,079	0,045	1,762	0,018
GCG -> COMPANY VALUES	0,352	0,328	0,114	3,092	0,002
FUNDING DECISIONS -> COMPANY VALUE	0,647	0,676	0,117	5,512	0,000
INVESTMENT DECISION -> COMPANY VALUE	0,090	0,098	0,041	2,211	0,027
PROFITABILITY -> COMPANY VALUE	-0,051	-0,052	0,101	0,509	0,611

Source: PLS 4.0 output

The results of the hypothesis testing as presented in the table above, of the 9 hypotheses proposed, there is 1 hypothesis that has a T statistic value > rule of thumb (1.96), and P Values < 0.05 (5%), namely the ninth hypothesis Profitability Against Company Value. Based on these results, it is rejected. Meanwhile, the other 8 hypotheses can be accepted, because they have T statistics > rule of thumb (1.96), and P Values < 0.05 (5%).

Meanwhile, to find out the results of the indirect influence, you can also see the following table.

Table 6. Output Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
PROFITABILITY x INTELLECTUAL CAPITAL -> COMPANY VALUE	-0,020	-0,014	0,065	0,308	0,758
PROFITABILITY x GCG -> COMPANY VALUE	0,070	0,011	0,174	0,405	0,686
PROFITABILITY x FUNDING DECISIONS -> COMPANY VALUE	-0,020	0,056	0,190	2,104	0,017
PROFITABILITY x INVESTMENT DECISION -> COMPANY VALUE	-0,031	-0,014	0,050	2,610	0,004

Source: PLS 4.0 output

Based on the indirect testing results presented in Table 6 above, of the four hypotheses tested, two were accepted and two were rejected. The accepted hypotheses were "Profitability through Financing Decisions on Firm Value" and "Profitability through Investment Decisions

on Firm Value." The rejected hypotheses were "Profitability through Intellectual Capital on Firm Value" and "Profitability through GCG on Firm Value."

Discussion

The Influence of Intellectual Capital on Profitability

he results of this study indicate that intellectual capital has a highly significant influence on company profitability. With a T-statistic value of 7.281 and a P-value of 0.000 (< 0.05), it can be concluded that the better a company manages its intellectual assets, the greater their contribution to achieving corporate profits. Intellectual capital encompasses human capital (the quality of human resources), structural capital (systems, procedures, and technology), and relational capital (relationships with customers and stakeholders). These three components serve as intangible assets with high strategic value in creating sustainable competitive advantage. Research by Pulic (2000) using the Value Added Intellectual Coefficient (VAIC) method also confirms that well-managed intellectual capital generates added value for companies, ultimately directly impacting financial performance particularly profitability.

The Influence of Good Corporate Governance on Profitability

The results of this study indicate that Good Corporate Governance (GCG) has a significant influence on company profitability, with a T-statistic value of 1.935 and a P-value of 0.031 (< 0.05), which is below the 0.05 significance level. This confirms that companies that effectively implement GCG principles can achieve greater operational efficiency and more targeted decision-making. GCG serves as a critical management control tool to uphold integrity, mitigate moral hazard risks, and drive the achievement of corporate financial objectives. Research by Hermawan & Mulyani (2014) found that companies with strong GCG practices tend to demonstrate higher profitability, as they maintain investor trust and enhance the quality of strategic decision-making.

The Influence of Financing Decisions on Profitability

The research findings indicate that financing decisions have a significant negative impact on company profitability. This is evidenced by a T-statistic value of 3.073 and a P-value of 0.002 (< 0.05), which is well below the 0.05 significance level. This implies that managerial decisions regarding capital structure and funding sources significantly contribute to enhancing a company’s ability to generate profits. Companies that can maintain a balanced mix of debt and equity financing tend to achieve greater financial stability and operational efficiency. These results align with Purnama’s (2018) study, which suggests that excessive reliance on debt financing can negatively impact profitability, particularly for LQ45 companies, where persistent debt usage may eventually lead to declining profitability.

The Influence of Investment Decisions on Profitability Value

The research results demonstrate that investment decisions have a significant effect on company profitability, with a T-statistic value of 2.410 and P-value of 0.016 (< 0.05), which is below the 0.05 significance level. This indicates that the more accurate a company is in allocating funds for investments, the higher the likelihood of increased profitability. The investments in question may include fixed asset purchases, new product development, or market expansion. Strategic investment decisions can create new opportunities to generate value and increase company cash inflows. These findings align with Purnama's (2018) research showing that investment decisions contribute positively to long-term financial performance, including profitability. Therefore, management's ability to assess potential returns and risks for each investment decision becomes crucial.

The Influence of Intellectual Capital on Company Value

The research findings indicate that Intellectual Capital has a significant negative impact on Firm Value, with a T-statistic of 1.762 and a P-value of 0.018 (< 0.05), which is below the 0.05 significance level. This demonstrates that intellectual assets - including human resources (human capital), organizational structure (structural capital), and external relationships (relational capital) - play a crucial role in generating corporate profits. Companies that can effectively manage their intellectual capital tend to be more innovative, efficient, and responsive to market changes.

This research is supported by findings from Pulic (2000) using the Value Added Intellectual Coefficient (VAIC) method, which demonstrates that intellectual capital significantly contributes to improving corporate financial performance. Additionally, a study by Oppong and Pattanayak (2019) shows that intellectual capital components significantly influence firm value in both manufacturing and service sectors. These intangible assets enable companies to create competitive advantages that are difficult for competitors to replicate.

The Influence of Good Corporate Governance on Company Value

The research findings indicate that Good Corporate Governance (GCG) has a significant effect on firm value, with a T-statistic of 3.092 and a P-value of 0.002 (< 0.05), which is below the 0.05 significance level. This confirms that implementing good corporate governance serves as a key factor in enhancing market confidence in the company. Effective governance reflects management's commitment to operating the company transparently, accountably, and responsibly, thereby improving credibility in investors' eyes. These results align with signaling theory, which posits that companies practicing good corporate governance send positive signals to the market about management's ability to efficiently and responsibly manage assets. Research by Utami and Wulandari (2021) supports these findings, demonstrating that GCG positively affects price-to-book value as a proxy for firm value.

The Influence of Financing Decisions on Company Value

The study results indicate that financing decisions significantly affect firm value, with a T-statistic of 5.512 and a P-value of 0.000 (< 0.05), which is below the 0.05 significance level. Increased debt can positively impact firm value. This finding aligns with signaling theory, where debt is viewed as a signal of management's confidence. Managers will only increase debt if they believe the company has the capacity to meet its obligations, which in turn attracts investor interest and enhances firm value. Furthermore, debt enables companies to fulfill funding needs for investments with promising high returns. These results are consistent with Abdillah's (2014) research, which found that financing decisions significantly influence firm value. This occurs due to the tax-deductible effect (tax savings) from debt usage. Companies with debt can deduct interest payments from taxable income, ultimately benefiting shareholders.

The Influence of Investment Decisions on Company Value

The analysis results demonstrate that investment decisions have a highly significant effect on firm value, with a T-statistic of 2.211 and P-value of 0.027 (< 0.05), below the 0.05 significance level. This indicates that a company's capital allocation decisions for long-term projects or assets directly affect investor perceptions of firm value. Proper investments that generate high returns will build market confidence, ultimately enhancing the company's market stock value. These findings align with Modigliani and Miller's (1961) investment theory, which states that rational and efficient investment decisions maximize firm value. Empirical research by Norma Safitri and Aniek Wahyudiati (2015) further confirms that indicators such as capital expenditure and fixed asset growth can increase firm value as they are associated with better future growth prospects. Moreover, investors tend to assign higher valuation to companies demonstrating healthy expansion and sustainable investment strategies.

The Influence of Profitability on Company Value

The analysis results indicate that profitability has a negative and insignificant effect on firm value. This is evidenced by a T-statistic of 0.509 and P-value of 0.611 (> 0.05), which exceeds the 0.05 significance level. Therefore, a company's profit level does not necessarily reflect its high valuation in investors' eyes. This suggests that other factors dominate in determining a company's market value, such as future growth expectations, macroeconomic conditions, or corporate reputation. The insignificance may also stem from market misalignment with the company's reported profits. For instance, substantial but unsustainable profits or earnings from non-operational activities might be viewed negatively by investors. Sudiyatno et al. (2012) similarly found that while profitability plays an important role in company fundamentals, firm value is more influenced by investor perceptions and future expectations rather than current profit results alone. Supporting this, Fadhilla and Akhmad's (2020) research concluded that profitability does not affect firm value. Corporate earnings, or profitability, often do not serve as the primary determinant in investment decisions.

The Influence of Intellectual Capital through Profitability on Company Value

The research findings indicate that intellectual capital does not significantly affect firm value through profitability, as evidenced by a T-statistic of 0.308 and P-value of 0.758 (> 0.05), which exceeds the 0.05 significance level. This suggests that while intellectual capital plays an important role in enhancing efficiency, innovation, and human resource quality - factors that should theoretically impact profitability - in this context, the resulting profitability improvement is not substantial enough to significantly drive increased firm value.

These results align with the findings of Wicaksono and Darmawan (2020), who argued that although intellectual capital improves operational performance, it does not necessarily reflect market valuation, particularly when markets do not fully understand or appreciate these intangible assets. This phenomenon may also stem from investors' continued focus on traditional financial indicators rather than intellectual factors when assessing firm value. Therefore, while intellectual capital remains crucial for building long-term competitiveness, its impact on firm value through profitability requires better communication strategies and enhanced market transparency regarding these intangible assets.

The Influence of Good Corporate Governance through Profitability on Company Value

The subsequent findings reveal that Good Corporate Governance (GCG) does not significantly influence firm value through profitability, as indicated by a T-statistic of 0.405 and P-value of 0.686 (> 0.05), which exceeds the 0.05 significance level. These results demonstrate that while improved GCG practices may enhance profitability, they do not directly or indirectly (through profitability) contribute to increased firm value. This phenomenon may occur because GCG implementation remains largely formalistic or has not been fully internalized into corporate culture, thus failing to create sufficient added value recognized by investors.

According to research by Pranowo and Anwar (2021), GCG's effectiveness in enhancing firm value largely depends on the level of information transparency and the integrity of GCG principle implementation in corporate management. When GCG is merely treated as administrative compliance without genuine transparency improvements or shareholder rights protection, its impact on firm value perception remains weak. Therefore, for GCG to effectively contribute to firm value, companies must enhance the quality of GCG implementation and public reporting (Nuridah et al., 2023).

The Influence of Funding Decisions through Profitability on Company Value

The research findings indicate that financing decisions significantly affect firm value through profitability, as evidenced by a T-statistic of 2.104 and P-value of 0.017 (< 0.05), which

is below the 0.05 significance level. This suggests that an appropriate financing structure can enhance corporate profitability, ultimately contributing to increased firm value. When companies efficiently manage their funding sources - whether equity or debt - they can minimize financial burdens and maximize profits. Strong profitability serves as a positive signal to investors, thereby improving market perception of the company's value.

These findings align with the study by Susanti and Darmawan (2021), which found that effective financing decisions can indirectly influence financial performance and firm value through improved profitability. Therefore, management of LQ45 companies should consider financing strategies that not only focus on low capital costs but also account for profitability impacts to create long-term value.

The Influence of Investment Decisions through Profitability on Company Value

The research findings demonstrate that investment decisions significantly affect firm value through profitability, as evidenced by a T-statistic of 2.610 and P-value of 0.004 (< 0.05), which is below the 0.05 significance level. This indicates that proper investment decisions - whether in fixed assets, business expansion, or product development - positively impact profitability, which in turn enhances the company's valuation in investors' eyes. Investments yielding optimal profits reflect high managerial efficiency and strong growth potential, making them particularly attractive to the market.

These results are supported by Hidayat and Prasetyo's (2020) study, which found that investments designed with capital efficiency and profit potential in mind indirectly influence firm value through improved financial performance. Therefore, company management should consistently evaluate investment feasibility based on profit projections and risk assessments to ensure these investments genuinely contribute to enhanced firm value through profitability channels.

CONCLUSION

Based on the analysis of companies consistently listed in the LQ45 index from 2020 to 2024, this study concludes that intellectual capital, good corporate governance, financing decisions, and investment decisions play crucial roles in shaping firm value, both directly and through profitability as a mediating variable. Optimal management of intellectual capital - encompassing capital utilization capabilities, human resource quality, and organizational structure strengthening - positively contributes to improved financial performance and market perception. Similarly, effective implementation of good corporate governance principles, reflected in the proportion of independent commissioners and audit committee roles, enhances transparency, accountability, and investor confidence.

Balanced financing decisions combining internal and external sources demonstrably affect capital structure and company risk, while appropriate investment decisions create shareholder value through productive asset growth. Profitability serves as a connecting mechanism that amplifies these factors' influence on firm value, with strong earnings performance serving as a positive market signal. However, the research also reveals fluctuations across nearly all analyzed indicators, suggesting room for improvement in financial management, intangible assets, and corporate governance mechanisms.

Thus, this study confirms that enhancing firm value depends not on a single factor, but rather on the synergy between intellectual asset management, good governance implementation, sound financial decision-making, and the ability to generate sustainable profitability. These findings imply that corporate management needs to strengthen holistic strategies to maintain competitiveness and investor confidence in Indonesia's capital market, particularly for companies included in the LQ45 index.

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