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Do Financial Ratios Send Value-Relevant Signals in Sharia Markets? (Evidence from IDX Sharia Growth)

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ABSTRACT

This study aims to empirically examine the effect of financial performance indicators on firm value in companies listed on the IDX Sharia Growth Index during the 2021–2023 period. Specifically, the research investigates whether Liquidity, Leverage, Profitability, Asset Growth, and the Investment Opportunity Set individually and simultaneously influence firm value, as measured by Price to Book Value (PBV). The sample consists of 30 companies consistently listed in the IDX Sharia Growth Index, observed over a three-year period, resulting in 90 firm-year observations. Panel data regression analysis was employed using EViews 10 as the data processing tool. The findings reveal that Leverage, Profitability, and the Investment Opportunity Set have a significant positive effect on firm value. Conversely, Liquidity and Asset Growth do not show a statistically significant influence. Moreover, all five variables simultaneously have a significant effect on firm value. These results highlight the importance of financial structure, operational efficiency, and growth expectations in determining firm value, particularly within the context of sharia-compliant firms.

Keywords: Firm Value; Sharia Market; Financial Performance; Investment Opportunity; Financial Signaling.

INTRODUCTION

The sharia capital market operates in accordance with Islamic principles, ensuring that all securities transactions comply with sharia law (Musran, 2021). In Indonesia, its development bridges the needs of sharia-compliant businesses and Muslim investors (Agustina et al., 2023). The market has shown significant growth, with the number of sharia investors increasing by 240% over the last five years—from 44,536 in 2018 to 151,560 in July 2024. The Indonesia Stock Exchange (IDX) offers several sharia-compliant indices, with the IDX Sharia Growth Index (IDXSHAGROW) standing out for its focus on 30 sharia stocks that exhibit high liquidity and robust corporate fundamentals, making it particularly attractive to investors seeking high-growth companies with strong business potential.

Company performance is a key consideration for investors, as it reflects the firm's ability to manage resources and achieve financial goals (Marpaung et al., 2022). Strong performance contributes to firm value, while poor financial results tend to reduce it (Faradila & Effendi, 2023). This study uses the Price to Book Value (PBV) ratio to measure firm value, where a higher PBV indicates greater shareholder wealth (Pohan et al., 2020). Firm value can be influenced by both internal and external factors. Internal factors include leverage, firm size, profitability, liquidity, and asset growth (Putra & Kindangen, 2016), while external factors consist of macroeconomic elements such as exchange rates, inflation, and market growth (Kadim et al., 2018).

Liquidity is a key internal factor, reflecting a firm’s ability to meet short-term obligations (Ramli et al., 2018). This study measures liquidity using the Current Ratio (CR), which evaluates a company’s capacity to cover its current liabilities (Hasanudin et al., 2020). A higher CR generally indicates stronger liquidity (Faradila & Effendi, 2023), and firms with high liquidity are often perceived as more financially stable and resilient during economic downturns, thus attracting greater investor confidence (Setiawati et al., 2024). Several studies have examined the relationship between CR and firm value, commonly measured by the PBV. While some findings suggest a significant relationship (Setiawati et al., 2024), others report no significant effect (Mangku et al., 2024), indicating mixed evidence in the literature.

In addition to liquidity, financial risk should also be considered by investors, particularly by examining the firm’s capital structure through leverage ratios. Leverage reflects the extent to which a company uses debt to finance its assets (Mangku et al., 2024). This study uses the leverage, which indicates the proportion of a firm's assets financed by debt. A higher leverage implies greater financial risk for both the company and its investors. While (Setiawati et al., 2024) found a significant effect of leverage on firm value, (Faradila and Effendi, 2023) reported otherwise.

Another important factor in evaluating firm performance is profitability. Profitability reflects a company's ability to generate net income efficiently by utilizing its assets, indicating how effectively it converts resources into profits (Firdaus, 2020; Mangku et al., 2024). A higher profitability signifies strong financial performance and increased returns for shareholders, whereas a lower profitability suggests inefficiency. Research findings are mixed; while (Faradila and Effendi, 2023) and (Mangku et al., 2024) found a positive relationship between profitability and firm value, (Akbar, 2021) found no such effect.

Asset growth is also considered a key performance indicator, reflecting the firm’s capacity to expand its operations. Asset growth includes increases in both total and fixed assets (Abdoh & Varela, 2021). Higher asset growth is expected to enhance operational outcomes and attract investors (Meng et al., 2023). To improve firm value, companies must also capitalize on future investment opportunities. Investment Opportunity Set (IOS) refers to the availability of profitable future investments with positive net present value (Utama & Sulistik, 2015). IOS is important to investors as it reflects the firm’s potential for future growth (Sari & Supratiwi, 2019). In this study, IOS is proxied by the Price to Earnings Ratio (PER), which suggests market expectations of future earnings (Utama & Sulistik, 2015). (Cahyono et al., 2023) found that PER significantly influences

PBV. Price to Earnings Ratio (PER) significantly influences firm value because it reflects investor expectations about a company's future earnings growth and profitability. Finally, control variables are introduced to address potential confounding factors and strengthen the validity of the analysis. This study includes dividend policy and firm size as control variables, as both are commonly used in empirical studies to support the robustness of results.

Despite the growing interest in sharia capital markets and firm valuation, there remains a lack of consensus in the literature regarding the influence of key financial indicators on firm value, especially in the context of IDX Sharia Growth constituents. This research aims to address this gap by systematically examining the effects of liquidity, leverage, profitability, asset growth, and investment opportunity on firm value. The findings are expected to contribute to the theoretical discourse in Islamic finance and offer practical insights for investors seeking to assess firm value in alignment with sharia principles.

LITERATURE REVIEW

Signaling theory elucidates how companies communicate pertinent information to external stakeholders, notably investors, to mitigate information asymmetry. In financial markets, firms with superior performance often emit positive signals through their financial statements and ratios, thereby reducing the information gap between corporate insiders and external investors (Clarkson et al., 2013; Connelly et al., 2011). These signals aim to inform investors about the firm's value, stability, and growth prospects, thereby influencing investment decisions. Financial indicators such as liquidity, leverage, profitability, asset growth, and investment opportunity serve as important signals that reflect a company's operational and financial health (Brigham & Daves, 2014; Iqbal et al., 2018; Singhathep & Pholphirul, 2015).

In a sharia-compliant investment environment like the IDX Sharia Growth, where investors may prioritize ethical and sustainable practices in addition to financial returns, signals play a critical role. For instance, a high liquidity may signal strong liquidity, while a low leverage may reflect prudent financial management. Likewise, profitability and IOS signal profitability and growth expectations, respectively (Akbar, 2021). These financial ratios serve not only as performance indicators but also as tools for investors to infer the company's long-term viability in a sharia context (Sari & Supratiwi, 2019). Therefore, consistent and favorable financial signals can enhance investor confidence and increase firm value (Meng et al., 2023). This study adopts signaling theory as a foundational lens to understand how financial indicators influence firm value. The use of PBV as a dependent variable reflects how the market perceives and responds to the signals emitted by the company's financial structure and strategic position (Gamayuni, 2015). By examining multiple financial signals simultaneously, this research contributes to the literature by clarifying which signals are most impactful in the valuation of sharia-compliant firms. In doing so, it supports better decision-making for investors aligned with Islamic principles, and offers strategic insight for firms seeking to improve market valuation through transparent and reliable signaling (Cahyono et al., 2023).

Liquidity, measured using the Current Ratio, serves as a critical indicator of a firm's ability to meet its short-term financial obligations (Brigham & Daves, 2014). A higher CR reflects a firm's stronger capacity to cover current liabilities with its current assets, indicating sound financial health. Conversely, a low CR may signal potential liquidity problems, raising concerns about the firm's ability to sustain operations in the short run (Apriliana & Agustina, 2017). Empirical findings from (Faradila and Effendi, 2023) show that CR has a significant impact on firm value, a widely used proxy for firm value. These results highlight that liquidity is an important factor influencing investor decision-making.

From the perspective of signal theory, liquidity functions as a financial signal that communicates important information about the firm's operational safety and risk profile to external stakeholders. Companies with strong liquidity positions signal stability and prudent financial management, which may reduce perceived risk and increase investor confidence (Mangku et al., 2024). In sharia-based capital markets, where ethical considerations and risk aversion are emphasized, signals of financial stability gain even greater importance (Ernaningsih et al., 2024). Thus, adequate liquidity not only enhances internal financial flexibility but also serves as a positive signal that can elevate market valuation, especially among investors who seek compliance with both financial soundness and sharia principles (Setiawati et al., 2024).

H1: Liquidity influences firm value in companies listed on the IDX Sharia Growth during the 2021–2023

Leverage acts as a strategic signal sent by management to external parties regarding their confidence in the firm's future cash flows and ability to meet obligations (Ernaningsih et al., 2024). A firm that utilizes debt effectively may signal financial strength, ambition, and potential for higher returns, which could attract investor interest. However, in sharia-compliant markets—where financial instruments are expected to align with principles of risk-sharing, transparency, and avoidance of excessive uncertainty (*gharar*)—high leverage could be viewed with caution (Berger & Bonaccorsi di Patti, 2006; Chapra, 2008; Demirgüç-Kunt et al., 2020). Investors in sharia markets may interpret high leverage as a red flag if it exceeds prudent thresholds, potentially affecting their perception of the firm's value. Therefore, leverage plays a dual role in valuation: it supports growth when used responsibly but may trigger skepticism if it signals financial distress or mismanagement.

Leverage reflects the extent to which a company utilizes debt in its capital structure to finance operations and investments, thereby amplifying potential returns while also increasing financial risk. Empirical findings by (Fosu, 2013) and (Zaid et al., 2020) suggest that higher leverage impacts firm value, either positively or negatively, depending on how debt is managed. Within the signal theory framework, a firm's leverage level provides critical information to investors. High leverage can be perceived as a sign of aggressive growth strategy or excessive risk, influencing market valuation accordingly (Setiawati et al., 2024).

H2: Leverage influences firm value in companies listed on the IDX Sharia Growth during the 2021–2023 period.

In signal theory, profitability indicates a firm's operational strength and future potential. High profitability signals effective management and financial health, reducing uncertainty and attracting investor confidence (Marpaung, Koto, et al., 2022). In sharia-compliant markets, profitability not only reflects business viability but also aligns with ethical investment principles, enhancing the firm's credibility and appeal. Thus, it becomes a key signal of value in Islamic capital markets. Profitability, measured through profitability, is a key indicator of a firm's ability to generate earnings. Studies by (Akbar, 2021) and (Radiman and Athifah, 2021) confirm the positive impact of ROA on firm value. High profitability is a positive signal indicating strong management performance and sustainable earnings, which attract investors and raise firm value.

H3: Profitability influences firm value in companies listed on the IDX Sharia Growth during the 2021–2023 period.

Asset growth represents the firm's expansion and future earnings potential (Abdoh & Varela, 2021). Research shows that increases in asset growth lead to significant improvements in firm value, reflecting a company's capacity to expand operations and generate future profits (Meng et al., 2023; Saputra et al., 2019). For example, studies analyzing companies listed on the Indonesia Stock Exchange found that asset growth has a positive and significant effect on firm value, with regression coefficients indicating that higher asset growth increases firm value substantially (Saputra et al., 2019; Syahrial et al., 2020). In line with signal theory, asset expansion

signals firm growth and increased operational capacity, leading investors to expect higher returns, which in turn enhances firm value.

H4: Asset growth influences firm value in companies listed on the IDX Sharia Growth during the 2021–2023 period.

In capital market analysis, the investment opportunity set plays a crucial role in shaping investor expectations. It reflects the firm's potential to grow and generate future returns through strategic investments (Sari & Supratiwi, 2019). This potential is often captured by market-based indicators that signal how investors perceive the firm's long-term prospects. The investment opportunity set, measured by Price to Earnings Ratio (PER), indicates market expectations of future growth (Cahyono et al., 2023; Jamaludin et al., 2021). Studies by (Jamaludin et al., 2021) and (Wulansari et al., 2023) demonstrate a significant effect of IOS on firm value. Based on signal theory, a high IOS communicates to the market that the firm has profitable investment opportunities ahead, which increases investor confidence and firm valuation (Dickinson et al., 2018).

H5: Investment opportunity set influences firm value in companies listed on the IDX Sharia Growth during the 2021–2023 period.

Firm value is a multidimensional outcome influenced by a combination of financial indicators (Bjuggren & Sund, 2002). When considered simultaneously, these variables provide a comprehensive signal to the market about the firm's financial health, operational efficiency, growth potential, and investment prospects. This aligns with signal theory, which posits that firms deliberately convey information through financial statements to reduce information asymmetry and influence investor behavior. The collective impact of these variables reflects the firm's overall capacity to generate sustainable value in accordance with sharia principles.

RESEARCH METHOD

The population refers to all subjects with specific characteristics determined by the researcher. This study's population includes all 30 companies listed in the IDX Sharia Growth (IDXSHAGROW) index during the 2021–2023 period. A sample is a subset of the population selected for analysis. This study uses a probability sampling method with a total sampling technique, where all members of the population are included as the sample.

In this study, the dependent variable used is firm value, which serves as a proxy for firm value. The independent variables consist of current ratio to represent liquidity, DAR to measure leverage, ROA to indicate profitability, GROWTH to capture the expansion of the company's assets, and per as a proxy for the investment opportunity set. in addition, this research includes dividend policy and firm size as control variables. dividend policy is incorporated to account for the influence of dividend policy on firm valuation, while size is used to control for the effect of company scale, given its potential impact on financial performance and investor perception. The selection of these variables is aligned with previous empirical studies and is theoretically grounded in the signal theory, which posits that financial indicators convey relevant information to the market regarding the firm's value and future prospects. The definition of each variable and its measurement can be seen in Table 1.

Table 1. Description of variables

Variable	Code	Formula
Firm Value	PBV	Calculated by dividing the stock price per share by the book value of equity per share (Dickinson et al., 2018; Nanang, 2016).

Liquidity	CR	Liquidity is represented by the Current Ratio which is the ratio of current assets to current liabilities, indicating the firm's ability to meet short-term obligations (Ahsan et al., 2016; Puspitasari, 2017).
Leverage	DAR	Leverage is measured using the Debt to Asset Ratio, calculated by dividing total debt by total assets, reflecting the extent to which the company is financed by debt (Castro et al., 2016; El-Sayed Ebaid, 2009; Marpaung, Koto, et al., 2022).
Profitability	ROA	Profitability is assessed through Return on Assets, which is the ratio of net income after tax to total assets, indicating how efficiently the firm utilizes its assets to generate profit (Dimaranty et al., 2019; Rose, 2016).
Asset Growth	GRWTH	Asset Growth is measured by comparing the change in total assets from one period to the next, using the formula: (Total Asset_t − Total Asset_t−1) / Total Asset_t−1 (Chadha & Sharma, 2016; Ramli et al., 2018).
Investment Opportunity Set	PER	Investment Opportunity Set is proxied by the Price to Earnings Ratio (PER), calculated by dividing the stock price by earnings per share, reflecting market expectations of future growth (Ahsan et al., 2016; Myers, 1977).
Dividend Policy	DPR	Dividend Policy is measured using the Dividend Payout Ratio (DPR), which is the ratio of total dividends to net income after tax (Afzal & Rohman, 2012).
Firm Size	SIZE	Firm Size is represented by the natural logarithm of total assets (Ln Total Assets), providing a standardized measure of company scale (Jensen, 1986; Marpaung, Harjito, et al., 2022; Prapitasari & Safrida, 2019).

The data analysis in this study employs panel data regression, which integrates cross-sectional and time series data to provide more comprehensive and reliable estimates. Data processing is conducted using the statistical software EViews 11. To determine the most appropriate estimation model, the Hausman test is applied to compare the fixed effect model (FEM) and the random effect model (REM). Based on the Hausman test results, the p-value obtained is 0.2943, which is greater than the significance level (α = 0.05), indicating that the random effect model (REM) is more appropriate for this study. Therefore, the analysis proceeds using the REM specification. The panel data regression equation for this model is formulated as follows:

$$PBV_{it} = \alpha + \beta_1 Cr_{it} + \beta_2 DAR_{it} + \beta_3 ROA_{it} + \beta_4 GRWTH_{it} + \beta_5 PER_{it} + \beta_6 DPR_{it} + \beta_7 SIZE_{it} + \epsilon_{it} \quad \text{……..……...}$$

RESULTS

Table 2 presents the descriptive statistics of the study variables for firms listed in the IDX Sharia Growth Index from 2021 to 2023. The mean PBV is 5.25, with a high standard deviation (16.81), indicating substantial variation in firm value. Liquidity (CR) and investment opportunity (PER) also show wide dispersion,

suggesting the presence of outliers. Leverage (DAR) and profitability (ROA) have moderate averages of 16.81% and 8.43%, respectively. Asset growth (GROWTH) averages 8.6%, indicating modest expansion. The control variables, DPR and SIZE, show that dividend policies and firm sizes vary significantly across the sample. These figures highlight the financial diversity among sharia-compliant firms during the observed period.

Table 2. Descriptive Statistics Example (*N* =90)

	Mean	Median	Maximum	Minimum	Std. Dev.
PBV	5,245531	1,739839	147,0683	0,160742	16,81239
CR	54,00462	1,959500	517,0000	0,268000	123,5843
DAR	16,80835	0,570000	79,70000	0,100000	23,65961
ROA	8,433673	6,500000	31,00000	-2,600.000	8,038158
GROWTH	0,086263	0,065123	0,792783	-0,180175	0,144189
PER	37,22741	16,06655	565,0320	-1,099.500	78,80760
DPR	0,529589	0,223337	17,56291	-0,101264	1,852424
SIZE	29,57637	30,55709	33,29065	2,348576	5,293393

A correlation test was conducted to detect the potential multicollinearity between the independent variables. Based on Table 3, the correlation results show that there is no very strong relationship between the independent variables, with the highest correlation value of 0.315 between CR and ROA. Other correlation values are relatively low, both positive and negative, indicating that each variable has a weak relationship and does not significantly influence one another. Therefore, no indication of serious multicollinearity was found, and all independent variables can be used together in the panel regression model.

Table 3. Correlation Matrix

	CR	DAR	ROA	GROWTH	PER	DPR	SIZE
CR	1.00						
DAR	0.16	1.00					
ROA	0.32	0.21	1.00				
GROWTH	-0.07	0.03	-0.13	1.00			
PER	-0.08	-0.1	-0.04	-0.07	1.00		
DPR	-0.03	-0.08	0.11	-0.12	-0.05	1.00	
SIZE	0.03	0.13	-0.06	-0.11	-0.08	-0.02	1.00

Empirical Result

The results of the hypothesis test using the Random Effect model are presented in the table above. The coefficients, standard errors, t-statistics, and corresponding p-values for each variable are shown. First, the constant (C) has a coefficient of -6.285.145, with a t-statistic of -1.150.504 and a p-value of 0.2533. The high p-value indicates that the constant is not statistically significant at a typical significance level (e.g., 0.05), suggesting that the intercept does not have a meaningful impact on the dependent variable.

Table 4. Random Effects Regressions of PBV

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.285.145	5.462.951	-1.150.504	0.2533
CR	-0.004149	0.006850	-0.605717	0.5464
DAR	0.113823	0.039979	2.847.043	0.0056
ROA	0.309883	0.073039	4.242.712	0.0001
GROWTH	2.412.364	1.872.306	1.288.445	0.2012
PER	0.015082	0.005623	2.682.105	0.0088
DPR	7.690.534	0.140426	5.476.591	0.0000
SIZE	0.080664	0.180706	0.446380	0.6565
Weighted Statistics				
R-squared	0.973791			
F-statistic	4.352.472			
Prob(F-statistic)	0.000000			

Among the independent variables, the variable leverage has a coefficient of 0.113823, a t-statistic of 2.847.043, and a p-value of 0.0056, indicating statistical significance at the 5% level. This suggests that leverage has a positive and significant effect on the dependent variable. Similarly, profitability shows a significant positive effect with a coefficient of 0.309883, a t-statistic of 4.242.712, and a p-value of 0.0001, reinforcing the importance of profitability in explaining variations in the dependent variable.

On the other hand, variables such as CR, GROWTH, and Size exhibit coefficients of -0.004149, 2.412.364, and 0.080664, respectively. However, their p-values of 0.5464, 0.2012, and 0.6565 indicate that these variables do not significantly contribute to the model at the 5% significance level. Specifically, CR and GROWTH are not statistically significant, while firm is also not significant, suggesting that changes in these variables do not have a substantial impact on the dependent variable.

Furthermore, the variable IOS shows a coefficient of 0.015082, a t-statistic of 2.682.105, and a p-value of 0.0088, indicating that IOS is statistically significant at the 1% level. This suggests that the IOS has a positive and significant impact on the dependent variable. The variable dividend policy has a coefficient of 7.690.534, a t-statistic of 5.476.591, and a p-value of 0.0000, indicating a highly significant positive effect on the dependent variable.

The overall model fit is indicated by the R-squared value of 0.973791, which suggests that approximately 97.38% of the variation in the dependent variable is explained by the independent variables included in the model. The F-statistic of 4.352.472, with a p-value of 0.000000, further confirms the overall significance of the model, indicating that the independent variables collectively have a statistically significant effect on the dependent variable.

DISCUSSION

The results of the hypothesis test indicate that H1 is rejected and H0 is accepted, meaning that the liquidity does not significantly affect firm value in companies listed on the IDX Sharia Growth. This suggests that short-term liquidity is not a primary consideration for investors when evaluating companies. Investors tend to focus more on factors that provide insights into long-term prospects, rather than just a company's ability to meet short-term obligations (Cheng & Tzeng, 2014). Additionally, a high liquidity may signal suboptimal use of funds, while a low liquidity does not necessarily have negative implications if the company manages its cash effectively. These findings align with

studies by (Arjuna et al., 2025), (Setiawati et al., 2024) and (Nuur & Komara, 2024) which also found that the liquidity does not significantly influence firm value. Excessive current assets that are not allocated to more productive investments limit a company's profitability and growth potential, suggesting that high liquidity alone does not drive firm value. This supports the signal theory, which posits that investors look for signals of future profitability and growth, rather than just focusing on liquidity levels. Conversely, studies by (Setiawati et al., 2024) argue that the liquidity does affect firm value, indicating that liquidity influences investor perceptions of the company.

Based on the partial test results, the t-statistic for the leverage is 2.8470, which exceeds the critical value of 1.9873, with a significance level of 0.0056 (< 0.05). This indicates that H0 is rejected and H1 is accepted, meaning that leverage has a significant effect on firm value in companies listed on the IDX Sharia Growth. This finding suggests that a company's capital structure—particularly the proportion of debt to total assets—is an important factor considered by investors when assessing firm value. From the perspective of signal theory, the use of debt can serve as a positive signal to the market regarding management's confidence in future cash flows and performance. When debt is managed effectively, it can be a strategic financial tool that supports productivity and profitability, thereby enhancing firm value (Anita et al., 2023) & (Brigham & Daves, 2014). These results are consistent with previous studies by (Setiawati et al., 2024) and (Firdaus, 2020), which found that an optimal level of debt utilization increases firm value through the leverage effect—where borrowed funds are invested in productive assets that yield returns greater than the cost of debt (Cheng & Tzeng, 2014). Consequently, debt-based financing strategies, when applied prudently, can enhance profitability and strengthen investor confidence, ultimately leading to a higher firm value.

Furthermore, the partial test results show that the t-statistic for the profitability variable is 4.2427, which exceeds the critical value of 1.9873, with a significance level of 0.0001 (< 0.05). This indicates that H0 is rejected and H1 is accepted, meaning that profitability has a significant positive effect on firm value among companies listed on the IDX Sharia Growth. This finding highlights that profitability reflects a company's ability to generate profits from its assets, where a higher profitability indicates greater efficiency in asset utilization (Faradila & Effendi, 2023) & (Mangku et al., 2024). From an investor's perspective, a high profitability sends a strong signal of effective management and promising return potential, in line with signal theory, which suggests that profitability indicators such as profitability convey valuable information about a company's future prospects. A strong profitability also indicates financial stability, which can enhance investor trust and lead to an increase in firm value. This result supports previous studies by (Faradila and Effendi, 2023) and (Firdaus, 2020) which also found that profitability significantly influences firm value. Companies that can optimize asset utilization not only improve profitability but also enhance their competitive advantage. In the long term, an increasing profitability can drive up stock prices, ultimately reflecting a higher firm value in the capital market.

Lastly, this study found that growth does not significantly affect firm value in companies listed on the IDX Sharia Growth. This suggests that asset expansion alone is not perceived as a positive signal by investors unless it is supported by improved efficiency and profitability (Barmin & Nugraha, 2022). According to signal theory, investors interpret financial indicators as signals of future performance, and mere asset growth without clear value creation may fail to generate positive investor response. This finding is in line with (Yudistira et al., 2022), who also found no significant relationship between growth and firm value.

CONCLUSION

In conclusion, the findings of this study reveal that among companies listed on the IDX Sharia Growth, profitability, leverage, and market-based indicators, have a significant

positive impact on firm value, while liquidity, growth, and firm size do not show a statistically significant effect. These results imply that investors place greater emphasis on a company's ability to generate returns and distribute dividends, rather than on short-term liquidity or asset expansion. From the perspective of signal theory, indicators such as profitability and dividend policy act as strong signals of managerial effectiveness and future performance, whereas growth and liquidity may fail to attract investor confidence if not aligned with profitability and efficiency. Overall, the study underscores the importance of strategic financial performance and capital structure in enhancing firm value within a sharia-compliant market context.

LIMITATION

This study has several limitations that should be considered. First, the sample is limited to companies listed on the IDX Sharia Growth index, which may not fully represent the broader spectrum of firms in Indonesia's capital market. Second, the research utilizes only secondary quantitative data, which may not capture qualitative aspects such as management strategy or investor sentiment. Third, the study period covers only three years (2021–2023), a relatively short timeframe that may not fully reflect long-term trends or the impact of broader economic cycles. Future research is encouraged to include a wider range of firms, integrate qualitative analysis, and extend the observation period to provide more comprehensive and generalizable insights.

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