

THE EFFECT OF THE INVESTMENT OPPORTUNITY SET AND INTEREST RATES ON FIRM VALUE

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Abstrak

Penelitian ini bertujuan untuk mengkaji pengaruh set peluang investasi dan suku bunga terhadap nilai perusahaan. Penelitian ini menggunakan pendekatan kuantitatif dengan memanfaatkan data sekunder yang bersumber dari laporan tahunan dan laporan keuangan perusahaan properti dan real estat yang diperoleh dari situs web resmi Bursa Efek Indonesia (www.idx.co.id), serta data suku bunga acuan yang diperoleh dari situs web resmi Bank Indonesia (www.bi.go.id). Populasi penelitian terdiri dari perusahaan properti dan real estat yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2021–2025. Sampel dipilih menggunakan teknik *purposive sampling* berdasarkan kriteria yang telah ditentukan sebelumnya, sehingga menghasilkan 72 perusahaan sebagai sampel penelitian. Data yang dikumpulkan kemudian dianalisis menggunakan regresi linier berganda dengan bantuan SPSS versi 27. Hasil penelitian menunjukkan bahwa set peluang investasi memiliki pengaruh positif dan signifikan terhadap nilai perusahaan. Sementara itu, suku bunga tidak memiliki pengaruh yang signifikan terhadap nilai perusahaan.

Kata Kunci: Set Peluang Investasi, Tingkat Suku Bunga, Nilai Perusahaan, Properti dan Real Estate

Abstract

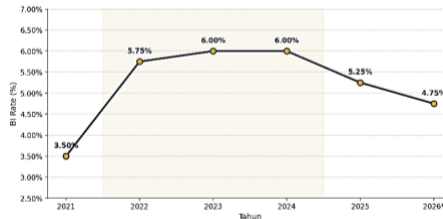
This study aims to examine the effects of the Investment Opportunity Set (IOS) and interest rates on firm value. The study employs a quantitative approach using secondary data sourced from annual reports and financial statements of property and real estate companies obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id), as well as benchmark interest

rate data obtained from the official website of Bank Indonesia (www.bi.go.id). The study population comprises property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2025 period. The sample was selected using purposive sampling based on predetermined criteria, resulting in 72 companies as the study sample. The collected data were then analyzed using multiple linear regression with the aid of SPSS version 27. The results indicate that the Investment Opportunity Set (IOS) has a positive and significant effect on firm value. Meanwhile, the interest rate does not have a significant effect on firm value.
Keywords: *Investment Opportunity Set (IOS), Interest Rate, Firm Value, Property and Real Estate*

A. INTRODUCTION

A company's value reflects investors' assessment of its performance, risk, and future growth prospects. For publicly traded companies, this assessment is typically reflected directly in the movement of their stock prices in the capital market. The higher a company's value, the greater investors' confidence that the funds they invest will generate a good rate of return. This is particularly evident in the property and real estate sectors, where a company's value plays a strategic role given the capital-intensive nature of the business, long business cycles, and high vulnerability to changes in macroeconomic conditions and monetary policy.

Global macroeconomic conditions ranging from inflationary pressures to interest rate fluctuations have been marked by significant uncertainty in recent years. In theory, interest rate hikes increase borrowing costs, which can hinder investment and reduce corporate value. As part of post-pandemic stimulus measures, Bank Indonesia's benchmark interest rate (BI Rate) stood at a low of around 3.5% in 2021. Subsequently, due to global inflationary pressures, it rose to the 5.25%–6.25% range in 2022–2024, before gradually declining back toward the 4.75% range in 2025–early 2026. Investment decisions and corporate valuations may be influenced by these movements, indicating that the economy has not yet fully stabilized.



Interestingly, many property and real estate companies listed on the IDX have still been able to maintain and even increase their enterprise value amid the significant macroeconomic pressures they previously faced. This situation raises an intriguing question worth further examination: how can a company's value continue to be viewed positively by investors despite an unfavorable external environment? This suggests that a company's value is determined not only by external factors but also by internal factors. One particularly relevant factor to consider is the Investment Opportunity Set (IOS), or the investment opportunities a company possesses.

The Investment Opportunity Set (IOS) helps companies grow and identifies future investment opportunities. In the real estate industry, the IOS can be achieved through land bank ownership, the development of new residential or commercial projects, and investment in long-term projects such as integrated developments. According to signaling theory, a high IOS indicates positive growth prospects for the company to investors, thereby driving a higher market valuation (Alamsyah & Malanua, 2021). Conversely, interest rates, as a macroeconomic measure, affect the cost of capital as well as the attractiveness of investment in the stock market. Theoretically, the cost of capital becomes higher when interest rates rise, which can reduce investment interest and lower a company's value (Cui et al., 2025).

Previous research on these two variables has yielded mixed results. Sahidah & Aulia, (2022) and Kusuma & Suarmanayasa (2024) found that IOS has a positive and significant effect on firm value, whereas Mutmainah et al. (2024) found the opposite, that IOS has a negative and significant effect on firm value. Similarly, regarding the interest rate variable, Yuniari et al. (2023) found a positive and significant effect on firm value in the real estate sector, while

Assalama et al. (2026) and Pakarya et al. (2025) found that interest rates had no significant effect. These inconsistencies in previous research findings serve as one of the foundations for this study to re-examine the effects of IOS and interest rates on firm value, particularly in the property and real estate sectors listed on the IDX for the period 2021–2025.

Against this backdrop, this study will analyze the impact of the Investment Opportunity Set (IOS) and interest rates on firm value among property and real estate companies listed on the Indonesia Stock Exchange during the period from 2021 to 2025. It is hoped that this study will contribute theoretically to the development of signaling theory research in the context of capital markets, as well as provide practical benefits for investors and company management by offering insights into the internal and external factors that influence market valuation of companies.

THEORETICAL STUDY AND FORMULATION OF HYPOTHESES

1. THEORY

Signaling Theory

Spence (1973) first introduced signalling theory to explain the relationship between employers and job applicants in the labour market. This concept was subsequently applied to corporate finance by (Ross, 1997). The theory assumes that management generally possesses more information about the company than investors do. This difference creates an information asymmetry that encourages management to communicate certain information as signals that may influence investors' decisions. In this context, the Investment Opportunity Set (IOS) can be an important signal, as firms with greater investment opportunities tend to be associated with higher growth expectations. Interest rate movements can also provide investors with information because changes in interest rates reflect developments in macroeconomic conditions and may affect expectations about a company's future profitability.

Firm Value

Firm value reflects the market's assessment of how effectively management utilises the company's resources to generate returns for shareholders (Hutasoit et al., 2025). In this study, firm value is measured using the price-to-book value (PBV) ratio. The PBV ratio is widely used in property and real estate company research because it shows how much the market values a company compared to its recorded book value (Sahidah & Aulia, 2022). A higher PBV value suggests that the market places a greater valuation on the company than its book value would indicate.

Investment Opportunity Set

The Investment Opportunity Set (IOS) represents the range of investment alternatives available to a company to support its future expansion and growth (Alamsyah & Malanua, 2021). In this study, the IOS is measured using the market-to-book value of assets (MBVA) ratio. This ratio captures the investment opportunities that the company may pursue in future, as well as its current assets (Andriani et al., 2021).

Interest Rates

Interest rates are an important macroeconomic factor that can affect a company's financing costs and investment decisions. In Indonesia, the BI 7-Day Reverse Repo Rate (B17DRR) is the central bank's policy rate, providing a reference for determining lending and deposit rates in the financial market (Faradilla & Meliza, 2025). From a theoretical perspective, an increase in interest rates raises the cost of capital, which may discourage firms from undertaking new investments, thereby putting downward pressure on firm value (Tarkom & Ujah, 2023)

2. HYPOTHESES

The Effect of the Investment Opportunity Set (IOS) on Firm Value

Attractive investment opportunities tend to be pursued by firms that use part of their available resources to finance projects that can support future expansion. Such investment decisions can create additional growth opportunities and contribute to an increase in firm value

over time (Canda & Paramitha, 2022). According to signalling theory, a robust IOS can communicate positive information about a company's future prospects. These positive signals can strengthen investors' confidence in the firm's growth potential, encourage greater interest in its shares and ultimately affect its market valuation. Empirical evidence from the property and real estate sector (Sahidah & Aulia, 2022) the food and beverage sector (Kusuma & Suarmanayasa, 2024) and other sectors Zahra et al. (2024), Haryono et al. (2025) supports this relationship Their findings consistently indicate that the IOS has a positive and significant effect on firm value. Based on this theoretical explanation and the results of previous studies, the first hypothesis is formulated as follows:

H1: The Investment Opportunity Set (IOS) influences firm value.

The Effect of Interest Rates on Firm Value

According to signalling theory, investors may interpret a rise in interest rates as an unfavourable signal because it can reflect tighter economic conditions and increase the financial burden faced by companies. Higher interest rates may also affect future profitability by raising financing costs. In response, investors may reconsider their investment choices, allocating funds towards financial instruments perceived as relatively secure, such as time deposits and bonds. Previous studies provide evidence to support this relationship. For example, Yuniari et al. (2023) examined property and real estate companies, while Rahmawati & Mildawati (2023) focused on the food and beverage sector. Both studies found that interest rates significantly affect firm value. These findings suggest that movements in interest rates can impact how investors evaluate a company's prospects and market value. Based on this theoretical argument and empirical evidence, the second hypothesis is formulated as follows:

H2: Interest Rates Affect a Company's Value.

B. RESEARCH METHODS

This study employs a quantitative approach. The purpose of this quantitative analysis is to examine the effects of the Investment Opportunity Set (IOS) and the interest rate on firm value. The data used consists of secondary data in the form of annual reports and financial statements of property and real estate companies obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id), as well as benchmark interest rate data obtained from the official website of Bank Indonesia (www.bi.go.id) for the period 2021–2025.

The population for this study consists of all property and real estate sector companies listed on the Indonesia Stock Exchange during the 2021–2025 period, totaling 85 companies. Sampling was conducted using the purposive sampling technique, based on the following established criteria:

Table 1 Research Sampling Criteria

No.	Criteria	Number of Companies	Subtracted	Remaining
1	Population of property and real estate companies listed on the IDX for the 2021–2025 period.	85	-	85
2	Property and real estate companies possessing complete data and information regarding the research variables for the 2021–2025 period.	-	-	85
3	Property and real estate companies that failed to publish annual reports consecutively during the 2021–2025 period.	-	(13)	72
Final Sample Size		72 Companies		
Total Observations (72 Companies × 5 Years)		360 Data		
After Conducting Normality Tests And Handling Outliers		(92)		
Total Sample Data		268		

Source: Data Compiled by The Researcher (2026)

C. RESULTS AND DISCUSSIONS

Normality Test

Table 2 results of the normality test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		268
Normal Parameters ^{a,b}	Mean	.0430539
	Std. Deviation	1.32542643
Most Extreme Differences	Absolute	.040
	Positive	.032
	Negative	-.040
Test Statistic		.040
Asymp. Sig. (2-tailed) ^c		.200 ^d

Source: SPSS Data Output (2026)

As shown in Table 2, the results of the normality test on the 268 data points indicate a Kolmogorov Smirnov significance value Asymp. Sig. (2-tailed)^c of 0.200 (< 0.05), so the residuals are considered to be normally distributed.

Multicollinearity Test

Table 3 Multicollinearity Test Results

Coefficients ^a		
		Collinearity Statistics
Model	Tolerance	VIF
1 (Constant)		
IOS	.978	1.022
INTEREST RATES	.978	1.022

Source: SPSS Data Output (2026)

Based on Table 3, the results of the multicollinearity test show an IOS Tolerance value of 0.978 and a VIF of 1.022, as well as an interest rate Tolerance value of 0.978 and a VIF of 1.022. Both values fall within the range of Tolerance > 0.10 and VIF < 10 , so the model is deemed free of multicollinearity.

Heteroscedasticity Test

Table 4 Heteroscedasticity Test Results

Coefficients ^a	
Model	Sig.
1 (Constant)	.014
IOS	.238
INTEREST RATES	.362
a. Dependent Variable: ABS_RES	

Source: SPSS Data Output (2026)

Based on Table 4, the results of the multicollinearity test show an IOS Tolerance value of 0.978 and a VIF of 1.022, as well as an interest rate Tolerance value of 0.978 and a VIF of 1.022. Both values fall within the range of Tolerance > 0.10 and VIF < 10, so the model is deemed free of multicollinearity.

Autocorrelation Test

Table 5 autocorrelation test results

Model Summary ^b	
Model	Durbin-Watson
1	2.072
a. Predictors: (Constant), INTEREST RATES, IOS	
b. Dependent Variable: FIRM VALUE	

Source: SPSS Data Output (2026)

Table 5 shows the results of the autocorrelation test, with a Durbin-Watson (DW) value of 2.072, a sample size (n) of 268, and two independent variables (k). The dL value is 1.78900 and the dU value is 1.80444. The comparison results show that the DW value falls between dU and 4-dU, namely $1.80444 < 2.072 < 2.19556$. Thus, it can be concluded that the regression model does not exhibit autocorrelation.

Multiple Linear Regression Analysis

Table 6 Results of the Multiple Linear Regression Analysis

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.234	.060		-3.875	.000
IOS	1.163	.040	.873	29.289	.000
INTEREST RATE	-.841	.981	-.026	-.858	.392

a. Dependent Variable: FIRM VALUE

Source: SPSS Data Output (2026)

Based on Table 6, the multiple linear regression analysis yielded the following equation:

$$Y = -0,234 + 1,163X_1 - 0,841X_2 + e$$

Based on the resulting regression equation, the constant term is -0.234, indicating that the firm's value is only -0.234 when the IOS variable and the interest rate are held constant or equal to zero (0). In addition, the regression coefficient for X1 indicates an IOS value of 1.163, which shows that every one unit increase in this variable will cause the firm's value to rise by 1.163 units. Conversely, the regression coefficient for X2 shows a value of -0.841 for the interest rate, indicating that a one-unit increase in this variable will actually cause the firm's value to decrease by 0.841 units.

t-Test (Partial Test)

Table 7 Results of the t Test

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.234	.060		-3.875	.000
IOS	1.163	.040	.873	29.289	.000
INTEREST RATES	-.841	.981	-.026	-.858	.392

a. Dependent Variable: FIRM VALUE

Source: SPSS Data Output (2026)

Based on the t-test results in Table 7, the IOS variable yielded a t value of 29.289 with a significance level of <0.001 (less than 0.05) and a positive regression coefficient of 1.163 thus, it can be concluded that IOS has a positive and significant effect on firm value. Meanwhile, the Interest Rate variable yielded a t value of -0.858 with a significance level of 0.392 (greater than 0.05), leading to the conclusion that the Interest Rate does not have a significant effect on firm value.

Coefficient of Determination (R^2) Test

Table 8 Coefficient of Determination (R^2) test results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.877 ^a	.770	.768	.1593039
a. Predictors: (Constant), INTEREST RATES, IOS				

Source: SPSS Data Output (2026)

Based on Table 8, the results of the coefficient of determination (R^2) test show an Adjusted R-Square value of 0.768, or 76.8%. This value indicates that the IOS and Interest Rate variables collectively explain 76.8% of the variation in firm value, while the remaining 23.2% is explained by variables outside this research model.

D. CONCLUSIONS

This study found that the Investment Opportunity Set (IOS) has a positive and significant impact on the value of property and real estate companies listed on the Indonesia Stock Exchange (IDX) between 2021 and 2025. In contrast, interest rates were not found to have a statistically significant impact on firm value within the same sector and observation period. Furthermore, when examined simultaneously, the IOS and interest rates were found to contribute significantly to explaining variations in firm value

E. SUGGESTIONS

The results suggest that investors may take the Investment Opportunity Set (IOS) into account when evaluating a company's potential for future growth. It is important for management to provide clear and transparent information about available investment opportunities to help investors understand the company's future prospects. Further studies are encouraged to consider additional factors, such as profitability and capital structure, and to extend the research period and cover a broader range of companies, in order to provide more varied and comprehensive findings.

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