FIRM VALUE IN THE DIGITAL ERA: PROFITABILITY, GROWTH OPPORTUNITY, AND MEDIA EXPOSURE

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ABSTRACT

Digital transformation has expanded investors' access to corporate information and changed how financial performance, growth prospects, and information visibility are assessed in capital markets. This study examines the effects of profitability, growth opportunity, and media exposure on firm value among industrial sector companies listed on the Indonesia Stock Exchange during 2020–2026. A quantitative approach was employed using secondary data from annual reports, sustainability reports, the Indonesia Stock Exchange, and official corporate websites. The sample consists of 41 companies with 287 firm-year observations. Profitability is proxied by Return on Equity, growth opportunity by revenue growth, media exposure by a dummy variable, and firm value by Price to Book Value. Panel data regression is used for hypothesis testing. The results show that profitability has a positive and significant effect on firm value, whereas growth opportunity and media exposure have no significant effects. These findings indicate that realized financial performance remains a stronger market signal than prospective growth and information visibility in an increasingly digital information environment.

KEYWORDS Firm Value; Profitability; Growth Opportunity; Media Exposure; Digital Era

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INTRODUCTION

Digital transformation has reshaped the information environment of capital markets by providing faster, broader, and more open access to corporate information. Investors can now evaluate corporate performance, prospects, and activities through corporate reports and various digital channels. Firm value is an important indicator because it reflects how the market assesses a company's performance and prospects. Recent empirical evidence suggests that firm value remains influenced by the quality of corporate fundamentals, while

digitalization has also changed how information is produced, disseminated, and responded to by the market (Ferjiana & Natalylova, 2023; Wang & Xia, 2024; Ren & Lin, 2024).

From the perspective of signaling theory, corporate information serves as a signal that helps investors reduce information asymmetry. However, the strength of each signal may differ depending on its credibility and economic relevance (Bergh et al., 2014). Profitability is a fundamental signal that reflects a company's ability to generate earnings from the resources it manages. Several studies have found that profitability is positively associated with firm value because higher earnings can strengthen investors' confidence in the company's prospects (Chynthiawati & Jonnardi, 2022; Pramesti & Dwirandra, 2024; Nugrahini et al., 2025). Nevertheless, empirical evidence remains inconsistent. Khalifaturofi'ah and Setiawan (2024), for example, found that profitability does not always increase firm value in certain industry contexts, while Hidayat et al. (2025) emphasized that the relationship between profitability and firm value should be understood in conjunction with financing characteristics and firm size.

In addition to actual financial performance, investors also consider growth opportunity as a representation of future growth prospects. Growth opportunity reflects a company's ability to expand its business activities, increase revenue, and create new investment opportunities. Ramadhanti and Cipta (2022) found a positive effect of growth opportunity on firm value, while Haryanto et al. (2022) showed that growth opportunities play a role in value creation among Indonesian manufacturing firms. However, other studies report different findings. Rodhiyah et al. (2024), Kartika (2024), and Putri and Segara (2025) showed that the effect of growth opportunity on firm value may vary according to firm characteristics, financing structure, and industry context. Suzan and Supriyadiputri (2023) also demonstrated that growth opportunity should be considered together with corporate resources and other financial decisions.

Digital transformation has also increased the relevance of media exposure as part of the corporate information environment. Media can broaden corporate visibility, accelerate information dissemination, and shape stakeholder attention. However, media exposure does not always lead to positive market valuation because investor responses are also influenced by the content, credibility, and sentiment of the information. Frost et al. (2022) showed that negative media coverage of corporate social irresponsibility is associated with lower firm value. Cai et al. (2024) demonstrated that media coverage can influence corporate responses to environmental issues and green innovation. Romadhon and Witono (2026) found that media exposure has no significant effect on firm value. These findings indicate that broader information exposure does not necessarily correspond to greater information relevance for investors.

Research on firm value has also increasingly developed within the digital context. Wang and Xia (2024) showed that digital transformation can enhance firm value through ESG performance and information interaction, while Ren and Lin (2024) demonstrated that competitive strategy is one mechanism linking digital transformation to firm value. In this study, the digital era is not positioned as a directly measured variable, but rather as an information environment that increases the speed and breadth of corporate signal dissemination. Accordingly, profitability represents a realized financial signal, growth opportunity reflects a prospective growth signal, and media exposure represents an information visibility signal.

Given the different characteristics of these signals and the inconsistencies in previous findings, there remains empirical scope to examine the three factors simultaneously. Previous studies by Hanifah and Gunaningrat (2022) and Hanifah and Meikhati (2024) also highlight the importance of financial information and corporate disclosure in explaining market responses to firms. Therefore, this study aims to analyze the direct effects of

profitability, growth opportunity, and media exposure on firm value among industrial sector companies listed on the Indonesia Stock Exchange. The study is expected to provide evidence regarding which signals are more relevant to the market in an increasingly digitalized business environment.

RESEARCH METHOD

This study employs a quantitative approach to examine the direct effects of profitability, growth opportunity, and media exposure on firm value. Secondary data were obtained from annual reports, sustainability reports, information published by the Indonesia Stock Exchange (IDX), and the official websites of the respective companies during the 2020–2026 period.

The population comprises industrial sector companies listed on the Indonesia Stock Exchange during the observation period. The sample was selected using purposive sampling based on the following criteria: (1) continuously listed on the IDX during 2020–2026; (2) having conducted an Initial Public Offering (IPO) before or no later than 2020; (3) presenting financial statements in Indonesian rupiah; and (4) publishing annual reports and sustainability reports throughout the study period. Based on these criteria, 41 companies were selected. Over seven years of observation, the dataset consists of 287 firm-year observations.

The study involves three independent variables and one dependent variable. The independent variables are profitability, growth opportunity, and media exposure, while the dependent variable is firm value. Profitability is proxied by Return on Equity (ROE), calculated as net income divided by total equity. Growth opportunity is measured by the change in company revenue from the previous year, while media exposure is measured using a dummy variable, with a value of 1 for companies that disclose information through media and 0 for companies that do not. Firm value is proxied by Price to Book Value (PBV), calculated as the ratio of market price per share to book value per share.

Panel data regression is employed because the dataset combines a cross-sectional dimension of companies and a time-series dimension covering 2020–2026. Estimation is performed using the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), after which the most appropriate model is determined through model selection tests. The selected model is then used to examine the effect of each independent variable on firm value at a 5% significance level.

The empirical model is specified as follows:

$$FVit = \alpha + \beta 1 PROFit + \beta 2 GOit + \beta 3 MEit + €it$$

FV denotes firm value, PROF represents profitability, GO represents growth opportunity, and ME represents media exposure. Alpha is the constant, beta 1 through beta 3 are the regression coefficients, i represents the company, t denotes the observation period, and epsilon is the error term. Hypotheses are tested at a 5% significance level ($\alpha = 0.05$) to determine the significance of each independent variable's effect on firm value, while the coefficient of determination (R^2) is used to evaluate the model's ability to explain variations in firm value.

RESULT AND DISCUSSION

Panel data regression is used to analyze the effects of profitability, growth opportunity, and media exposure on firm value. Based on the Common Effect Model (CEM) estimation output, the analysis comprises 287 observations from 41 companies over seven observation periods, forming a balanced panel dataset. Estimation is conducted using Pooled Ordinary Least Squares (Pooled OLS) with a robust covariance estimator.

The results of testing the direct effects of the independent variables on firm value are presented in Table 1.

Table 1. Results of Direct Effect Tests on Firm Value

Variabel	Koefisien	*Std. Error*	*t-statistic*	*p-value*	Kesimpulan
Profitabilitas	1,2178	0,5399	2,2555	0,0249	Positif dan signifikan
Growth Opportunity	-0,5025	1,3857	-0,3627	0,7171	Tidak signifikan
Media Exposure	5.117,7	4.795,7	1,0671	0,2868	Tidak signifikan

As shown in Table 1, profitability has a coefficient of 1.2178 with a p-value of 0.0249 < 0.05. This result indicates that profitability has a positive and significant effect on firm value. Thus, the hypothesis stating that profitability positively affects firm value is supported. Growth opportunity has a coefficient of -0.5025 with a p-value of 0.7171 > 0.05, indicating no significant effect on firm value. Therefore, the hypothesis regarding a positive effect of growth opportunity on firm value is not supported. Media exposure has a positive coefficient of 5,117.7 but a p-value of 0.2868 > 0.05. Thus, media exposure is not shown to have a significant effect on firm value, and the third hypothesis is not supported.

These findings show that, among the three factors analyzed, only profitability receives a statistically significant response in the formation of firm value. Meanwhile, growth opportunities and information exposure through media are not able to statistically explain changes in firm value.

1. Effect of Profitability on Firm Value

The results show that profitability has a positive and significant effect on firm value, with a coefficient of 1.2178 and a p-value of 0.0249. The positive coefficient indicates that higher profitability is associated with higher firm value. This finding suggests that the ability to generate earnings remains fundamental information relevant to the market when evaluating a company.

Theoretically, this result supports signaling theory. Profitability signals a company's ability to manage resources and generate returns for shareholders. Companies with higher profitability may be perceived as having stronger financial conditions and better prospects, thereby increasing investor confidence. Investor responses to this information may subsequently be reflected in greater demand for the company's shares and higher firm value.

The profitability finding is consistent with Chynthiawati and Jonnardi (2022), Pramesti and Dwirandra (2024), and Nugrahini et al. (2025), who indicate that profitability can be an important determinant of firm value. This result is also relevant to Hidayat et al. (2025), who position profitability as an important mechanism in firm value formation. However, empirical findings are not entirely uniform, as Khalifaturofi'ah and Setiawan (2024) found that profitability does not always have a significant effect on firm value in the real estate sector. These differences suggest that market responses to profitability may be influenced by industry characteristics and firm-specific conditions.

In the digital era, investors have faster and broader access to financial information. Information digitalization does not diminish the relevance of financial fundamentals; instead, easier access to and comparison of information can make profitability performance easier to evaluate. Wang and Xia (2024) and Ren and Lin (2024) show that digital transformation can influence the value-creation process through improved information interaction and corporate strategy. The present findings further indicate that, even when a wider range of information is available, a company's ability to generate earnings remains an economic signal that receives a significant market response.

2. Effect of Growth Opportunity on Firm Value

The results show that growth opportunity has no significant effect on firm value, with a coefficient of -0.5025 and a p-value of 0.7171. This finding indicates that greater growth opportunities are not sufficient to produce a statistically significant change in firm value.

Conceptually, growth opportunity reflects a company's prospects for expanding business activities, increasing revenue, and undertaking future investments. This result differs from Ramadhanti and Cipta (2022), who found a positive effect of growth opportunity on firm value, but is closer to Putri and Segara (2025), who showed that growth opportunity does not always affect firm value. Haryanto et al. (2022), Suzan and Supriyadiputri (2023), Rodhiyah et al. (2024), and Kartika (2024) likewise show that the relationship between growth opportunity and firm value depends strongly on financial decisions, capital structure, and firm characteristics.

The insignificant effect of growth opportunity may arise because growth requires substantial additional investment, financing, and resources, while its economic benefits may not be realized in the short term. Investors consider not only the pace of growth but also its quality, associated risks, and the company's ability to convert growth into earnings and cash flows. Therefore, growth opportunity as a prospective signal may involve greater uncertainty than profitability as a realized financial signal.

This finding also provides an important perspective on signaling theory. Not all information indicating positive prospects receives the same response from investors. Growth opportunity signals future potential, whereas profitability represents economic outcomes that have already been realized. The results indicate that investors tend to respond more strongly to fundamental information reflected in realized earnings performance than to growth opportunities that remain uncertain.

3. Effect of Media Exposure on Firm Value

The results show that media exposure has no significant effect on firm value, although the coefficient is positive at 5,117.7. The p-value of 0.2868 indicates that corporate information exposure through media is not statistically able to explain changes in firm value.

This result is important in the digital era because advances in information technology enable corporate information to spread rapidly and reach a broad investor audience. Frost et al. (2022) showed that the substance of media coverage can affect firm value, particularly when the information conveyed is negative. Cai et al. (2024) also demonstrated that media coverage can influence corporate responses to environmental issues and green innovation. In the Indonesian context, Romadhon and Witono (2026)

found that media exposure has no significant effect on firm value. These consistent findings reinforce the indication that greater information visibility does not automatically translate into higher firm value.

The media exposure finding can be explained by the distinction between information availability and information relevance for investment decisions. The digital era enables companies to achieve increasingly broad information exposure, but a greater volume of information does not necessarily provide an economic signal strong enough to alter investor valuation. Hanifah and Gunaningrat (2022) and Hanifah and Meikhati (2024) show that market responses to corporate information should be understood together with the quality of financial information and accompanying disclosures. Accordingly, investors may continue to prioritize fundamental information directly related to a company's ability to generate earnings.

From the perspective of signaling theory, signal effectiveness is determined not only by how widely information is disseminated but also by its credibility and economic relevance (Bergh et al., 2014). Media exposure can increase corporate visibility without directly increasing firm value. Overall, the results indicate differences in signal strength: profitability, as a signal of realized performance, receives a significant market response, whereas growth opportunity as a prospective signal and media exposure as an information visibility signal do not show significant effects on firm value.

CONCLUSION

This study examines the direct effects of profitability, growth opportunity, and media exposure on firm value. The results show that profitability has a positive and significant effect on firm value, whereas growth opportunity and media exposure have no significant effects. These findings indicate that a company's ability to generate earnings represents stronger fundamental information in shaping market responses than growth prospects and the extent of information exposure through media.

In an increasingly digitalized information environment, greater access to and visibility of information do not necessarily displace the role of financial fundamentals in firm value formation. From the perspective of signaling theory, the results show that signal effectiveness is determined not only by information availability but also by its credibility and economic relevance. Profitability acts as a realized financial signal that receives a market response, whereas growth opportunity as a prospective signal and media exposure as an information visibility signal have not been shown to significantly affect firm value.

This study is limited to industrial sector companies and the variables of profitability, growth opportunity, and media exposure. Future research may extend the sectoral coverage and observation period and consider more specific characteristics of digital information, such as digital disclosure, media sentiment, news intensity, or the quality of digital disclosure, to provide a more comprehensive understanding of the determinants of firm value in the digital era.

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