Big or Small, Profitable or Not: What Do Investors Really Respond To?

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Abstract

This study aims to understand what factors influence investor responses to companies. Using a mixed methods approach, it analyzes quantitative data from 50 companies listed on the Indonesia Stock Exchange and conducts qualitative interviews with investors and financial analysts. The results show that profitability, measured by Return on Assets (ROA), is the strongest financial factor in attracting investor interest. Company size and institutional ownership also have effects, but their impact is smaller. The study also found that investor emotions, such as trust, hope, and fear, play a big role in investment decisions. Companies that show good financial performance, build trust, and share a strong vision for the future are more attractive to investors. This study contributes to the literature by combining financial metrics and investor psychology to better understand what drives investor behavior. It offers practical insights for companies on strengthening investor relations by focusing on financial performance and emotional factors such as trust and future vision.

Article History
Received:
May 6, 2025
Revised:
May 17, 2025
Accepted:
May 29, 2025

Keywords

profitability, company size, institutional ownership, investor emotions

Introduction

Investors make decisions based on many factors. The most common factors are company size, profitability, and ownership structure (Sitorus & Yuganda, 2019; Al-Najjar, 2008). Many studies have examined these factors individually: company size (Diantimala et al., 2021; Ho et al., 2006), profitability (Mysaka & Derun, 2021; Kurata et al., 2022), and institutional ownership (Abedin et al., 2022; Liu et al., 2023). However, real investor decisions are more complex, as they involve a combination of financial considerations and psychological factors such as trust, fear, and optimism (Khan et al., 2017; Barberis et al., 2001). This research uses a mixed methods approach. The study combines quantitative (numbers, data) and qualitative (opinions, experiences) methods. The goal is to understand better what matters to investors: Is it the company's size? What profit does it make? Or who owns the company? Or is it a mix of all three? Understanding these factors is essential because they can help companies attract more investors (Ompusunggu & Rahayu, 2023). By knowing what investors care about, companies can focus on improving those areas. This can lead to better investment decisions, stronger financial planning, and more confidence in the market.

Company size is one of the key indicators often considered in investment decisions. Large companies are usually seen as more stable and capable of surviving economic downturns. They typically have more diversified operations, better access to capital markets, and more experience in dealing with risks. This stability attracts investors who prefer lower risk and long-term security (Engler-Palma & Hoag, 2007). On the other hand, small companies, though considered riskier, can offer higher potential returns

Jurnal REKSA: Rekayasa Keuangan, Syariah dan Audit
Vol. 12, No. 1, March 2025, pp. 119-134

due to their growth opportunities. Some investors are willing to take this risk if they believe in the company's prospects (Ho et al., 2006). Several studies (e.g., Diantimala et al., 2021; Engler-Palma & Hoag, 2007; and Ho et al., 2006) have confirmed that company size positively impacts investor confidence and stock performance, though the relationship is often not very strong. For instance, Diantimala et al. (2021) found that firm size had a positive but limited influence on investor decisions, especially in emerging markets. Similarly, Engler-Palma and Hoag (2007) emphasized that large companies are perceived as more stable and capable of withstanding economic downturns, which increases investor confidence. Ho et al. (2006) also noted that firm size, leverage, and concentration shape investment behavior by signaling growth opportunities and operational resilience.

Profitability is another major factor. It is often used to signal a company's health and ability to generate returns. Investors are generally attracted to companies with high profitability because it suggests efficient use of resources, good management, and a strong competitive position in the market (Mysaka & Derun, 2021). Common profitability ratios investors use include Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin. However, profitability alone may not always result in increased investor response. Other elements, such as expected future performance, industry conditions, and market sentiment, can also shape how investors react to profitability (Vieira et al., 2024). For example, Lam et al. (2022) emphasized that investor sentiment is crucial in mediating the relationship between profitability and investment decisions, particularly when market expectations are uncertain. Profitable companies may sometimes not receive strong investor attention if their business model is perceived as outdated or if they operate in a declining industry (Vieira et al., 2024; Lam et al., 2022).

Institutional ownership refers to the percentage of a company's shares owned by institutions such as mutual funds, pension funds, and insurance companies. High institutional ownership is often viewed as a sign of credibility and market trust because institutional investors are assumed to conduct thorough research before investing (Liu et al., 2023). Therefore, their involvement can send positive signals to retail investors. However, too much institutional ownership can lead to concentrated control, limiting the influence of minority shareholders. Also, institutional investors might have short-term motives, such as pressure to meet quarterly performance goals, which can affect the company's long-term stability (Erhemjamts & Huang, 2019). Despite these concerns, several studies have shown that institutional ownership positively influences firm value and investor perception. For instance, Abedin et al. (2022) demonstrated that institutional investors can improve governance and strategic decision-making, enhancing firm performance and attracting other investors. Similarly, Liu et al. (2023) found that institutional ownership can serve as a monitoring mechanism that discourages market manipulation and increases transparency, thereby strengthening investor trust. Erhemjamts and Huang (2019) also highlighted that long-term institutional ownership contributes to better corporate social responsibility and sustained shareholder value.

Investor response refers to how investors act or react after receiving information about a company (Abbas, 2022; Khan et al., 2017). This response may include decisions such as buying more shares, holding, or selling shares. It may also involve changes in investor sentiment, such as trust, hope, or fear, which are not always visible in market data but can significantly affect market behavior. Most financial studies (e.g., Abbas, 2022; Jalih, 2022) focus only on the quantitative aspects of investor response, such as trading volume. However, investors are also influenced by emotions, experiences, and personal beliefs. Behavioral finance suggests that cognitive biases, such as overconfidence or loss aversion, often affect investment decisions (Khan et al., 2017). That is why using a mixed methods approach, which integrates both statistical data and investor interviews, is essential to understand what investors do and why they do it. In the quantitative component of this study, investor response is measured solely using stock price movement, which captures how investors react to company performance over time. This metric reflects market-based responses and provides an objective basis for evaluating the impact of financial variables such as company size, profitability, and institutional ownership (Abbas, 2022). The qualitative

component, meanwhile, explores deeper psychological and emotional dimensions, such as trust, fear, and confidence, that influence investor decision-making. By combining these two perspectives, this mixed-methods approach allows for a more comprehensive understanding of investor behavior, connecting measurable financial outcomes with the underlying beliefs, perceptions, and experiences that drive those outcomes.

While many past studies have examined the impact of company size, profitability, or ownership structure separately, this study explores how these factors interact and influence investor decisions. Additionally, this study integrates quantitative analysis and qualitative insights to capture a more holistic view of investor response. This research combines financial analysis and behavioral insights to provide a more complete understanding of investor response. It is one of the few studies examining how financial factors and psychological elements influence investor behavior in emerging markets. The findings can help companies improve how they present value to investors and support better communication and trust-building strategies. The results of this study are expected to benefit investors, financial analysts, company managers, and policymakers who wish to understand how to communicate value more effectively to the market. The research questions explored in this study are: whether company size significantly influences investor response; how strong the effect of profitability is on investment decisions; what role institutional ownership plays in building investor trust; and how emotional and psychological factors shape investment behavior.

What makes this study different is its use of a mixed methods approach to explore investor response in the emerging market of Indonesia. While many previous studies (e.g., Sitorus & Yuganda, 2019; Al-Najjar, 2008; Diantimala et al., 2021; Jalih, 2022) have examined company size, profitability, or ownership structure separately using only quantitative methods, this research combines financial data analysis with in-depth interviews. This helps uncover the measurable impact of key variables and the underlying emotions and beliefs behind investor behavior. Integrating quantitative and qualitative perspectives provides a more holistic view rarely addressed in emerging market studies, making this research both timely and original.

Literature Review

Theoretical Background

Investor decision-making has traditionally been explained using rational models derived from Classical Financial Theory, which assumes that investors act logically and are guided solely by objective information such as profitability, company size, and ownership structure. This view underpins much of the earlier literature that focuses on the role of financial indicators in shaping investor responses (Sitorus & Yuganda, 2019; Al-Najjar, 2008; Diantimala et al., 2021). According to this framework, companies with strong fundamentals, such as high profitability, large asset bases, or credible institutional backing, are expected to attract more investment due to their perceived ability to deliver stable returns. This assumption forms the basis for examining the financial variables in this study.

However, the Behavioral Finance Theory challenges this traditional perspective by introducing psychological and emotional factors into the analysis of investor behavior. Behavioral finance argues that investors are not always rational and are often influenced by cognitive biases such as overconfidence, loss aversion, anchoring, and herd behavior (Barberis et al., 2001; Khan et al., 2017). Emotions such as trust, fear, and hope also shape investors' perceptions of risk and opportunity. For instance, an investor may choose to invest in a less profitable firm due to emotional attachment or perceived long-term vision, despite data suggesting otherwise. This theoretical perspective provides the foundation for incorporating psychological variables into this study's framework.

The inclusion of Signaling Theory also supports the interpretation of financial indicators as signals that influence investor perception. According to signaling theory, firms convey information to the market through financial metrics such as profitability (ROA, ROE), size (total assets), and institutional

ownership. Investors interpret these signals to reduce information asymmetry and guide investment decisions (Mysaka & Derun, 2021; Liu et al., 2023). For example, high institutional ownership may signal confidence and credibility, while consistent profitability may indicate operational efficiency and stability. These interpretations form the basis for the financial hypotheses in this research.

Finally, the study draws upon the Theory of Investor Sentiment, which posits that aggregate investor mood and emotion can deviate asset prices from their fundamental values (Lam et al., 2022; Vieira et al., 2024). Market sentiment may amplify or dampen investor reactions to objective data, such as earnings announcements or macroeconomic trends. This theory justifies the inclusion of qualitative analysis to capture emotional and subjective factors influencing investor decisions. Together, these theoretical frameworks, Classical Financial Theory, Behavioral Finance, Signaling Theory, and Investor Sentiment Theory, provide the conceptual foundation for developing and testing the hypotheses in this study. The integration of these perspectives allows for a more holistic understanding of investor behavior by considering both rational financial indicators and emotional, psychological responses.

Company Size and Investor Response

Many prior studies (e.g., Sitorus & Yuganda, 2019; Al-Najjar, 2008; Diantimala et al., 2021; Mysaka & Derun, 2021) have extensively examined the factors influencing investor decision-making, emphasizing the importance of financial and non-financial variables. One critical financial factor is company size, which has been widely regarded as a proxy for stability, market presence, and operational resilience. Large companies are typically perceived as more capable of weathering economic downturns due to their diversified portfolios, better access to capital markets, and well-established risk management practices (Khusnah & Subroto, 2024; Wulandari & Suwarno, 2023). Conversely, despite being riskier, smaller firms can offer higher growth prospects, which may appeal to investors with a higher risk tolerance (Kurata et al., 2022). Empirical studies, such as that of Diantimala et al. (2021), suggest that while firm size positively influences investor interest, this effect is relatively modest in emerging markets where growth opportunities may override stability. Drawing on these findings, the hypothesis is formulated as follows.

H1. Company size positively influences investor response.

Profitability and Investor Response

Profitability is another central factor influencing investor decision-making. As a key indicator of a company's financial health, profitability signals to investors the efficient use of resources, effective management, and strong competitive positioning in the market (Mysaka & Derun, 2021; Kurata et al., 2022). Commonly used profitability metrics include return on assets (ROA), return on equity (ROE), and net profit margin, which are typically linked to superior market performance and investor appeal. However, profitability, particularly as measured by Return on Assets (ROA), has consistently been identified in prior research as a key factor influencing investor response. ROA reflects a company's efficiency in utilizing its assets to generate profit, which signals operational effectiveness and financial health (Mysaka & Derun, 2021). Investors are generally more attracted to firms with higher ROA, which indicates strong internal performance and better potential for return on investment (Kurata et al., 2022; Jalih, 2022). Studies have shown that firms with high profitability tend to experience more favorable investor reactions, including stock price appreciation and increased trading activity, mainly when supported by transparent financial reporting and credible governance (Wulandari & Suwarno, 2023). However, profitability alone may not be sufficient to attract investors, as the perceived sustainability of earnings, industry dynamics, and market sentiment often play significant roles in shaping investor responses (Vieira et al., 2024; Lam et al., 2022). For example, investors may hesitate to invest in highly profitable firms if their business model is perceived as outdated or their industry is in decline.

H2. Profitability positively influences investor response.

Institutional Ownership and Investor Response

In addition to financial indicators, institutional ownership plays a crucial role in shaping investor perceptions. High levels of institutional ownership are often perceived as a sign of market credibility and stability, as institutional investors typically conduct thorough due diligence before making investment decisions (Liu et al., 2023). This, in turn, can positively influence retail investors' trust and willingness to invest. Abedin et al. (2022) demonstrate that institutional ownership signals financial stability and can enhance firm governance structures and strategic decision-making. However, an overconcentration of institutional ownership can lead to diminished influence for smaller shareholders and may result in short-term decision-making, potentially undermining long-term value creation (Erhemjamts & Huang, 2019). Thus, the hypothesis is formulated as follows.

H3. Institutional ownership positively influences investor response.

The Role of Emotions and Perceptions

Beyond these traditional financial factors, a growing body of research in behavioral finance has highlighted the significance of psychological and emotional influences on investor decision-making. Investors are not purely rational actors; instead, their decisions are often shaped by cognitive biases such as overconfidence, loss aversion, and anchoring, as well as emotional responses like fear, hope, and trust (Khan et al., 2017; Barberis et al., 2001). These factors can lead to investment behaviors that deviate from what would be expected under traditional financial theory.

Although this study does not quantitatively test psychological and emotional factors, it incorporates them through qualitative analysis to better understand the underlying motivations and perceptions that shape investor response. This inclusion aligns with the behavioral finance perspective, emphasizing the importance of exploring non-financial dimensions in investor behavior, especially in emerging markets where information asymmetry and sentiment-driven decisions are more prevalent.

Integrating financial metrics and psychological insights offers a more comprehensive understanding of investor behavior. At the same time, much of the existing literature has separately focused on individual factors, such as company size (Diantimala et al., 2021; Ho et al., 2006), profitability (Mysaka & Derun, 2021; Kurata et al., 2022), and institutional ownership (Abedin et al., 2022; Liu et al., 2023). These studies typically examine the effect of each variable in isolation. The current study explores how these factors collectively shape investor responses by analyzing their simultaneous influence through a quantitative model. Using a mixed-methods approach, this research examines investor behavior through quantitative data. It explores the underlying psychological processes through qualitative insights, providing a more nuanced understanding of investor decision-making.

The literature indicates that financial factors like company size, profitability, institutional ownership, and psychological factors are all significant drivers of investor behavior. This study builds on existing literature by developing and testing hypotheses on how these factors interact and influence investment decisions, with the added contribution of integrating psychological factors into the analysis. By employing a mixed-methods approach, this research offers a more holistic view of the complexities of investor decision-making, advancing the understanding of how financial and emotional factors shape investment behavior.

Research Method

This study uses mixed methods, which means it uses both numbers (quantitative data) and people's opinions (qualitative data). Using both data types, this study provides insights into what investors do and why they do it. This is important because investor behavior is not only based on numbers, but also on trust, emotion, and personal beliefs. The research was conducted over four months, from February 2024 to May 2024.

Quantitative Method

In the first part of the study, the researcher used quantitative methods, which involve collecting and analyzing numerical data to examine the relationship between specific variables. This approach allows for objective measurement and statistical testing to determine the strength and direction of the effects being studied. The quantitative data used in this research were obtained through purposive sampling. The initial population consisted of all companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. From this population, a sample of 50 companies was selected based on the following criteria: (1) consistently listed on the IDX during the observation period (2021–2023), (2) published complete and audited financial reports for each year, and (3) operated in non-financial sectors to avoid regulatory differences affecting financial performance. Companies that did not meet these criteria were excluded from the sample. The sampling process began with an initial pool of 100 companies. After applying the selection criteria, 50 companies remained and were included in the final sample. The breakdown of companies by sector is presented in Appendix 1. This purposive sampling approach ensures the inclusion of relevant companies and sufficient data for analysis over the study period.

The researcher initially identified three commonly accepted indicators to measure investor response: stock price movement, trading volume, and dividend yield, as suggested in previous financial studies (Abbas, 2022). However, to maintain clarity and consistency in the quantitative analysis, particularly in the descriptive statistics and regression model, this study used only one primary indicator, namely stock price movement, as the operational measure of investor response. Stock price movement was calculated by measuring the average annual change in the closing stock price of each company over the three years (2021–2023). This indicator effectively reflects how investors respond to changes in company fundamentals over time and is widely recognized as a market-based proxy for investor behavior. All data were obtained from publicly accessible sources, including audited financial reports, company websites, and the Indonesia Stock Exchange (IDX) database.

The regression model used in this study is written in Equation (1).

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon} \quad (1)$$

where Y represents investor response (measured by stock price movement), X_1 is company size, X_2 is profitability (ROA), X_3 is institutional ownership, β_0 is the intercept, β_1–β_3 are the coefficients for each independent variable, and ε is the error term. This model helps determine which variable has the strongest and most statistically significant influence on investor behavior.

Although the data were collected over three years (2021–2023), the analysis was not conducted using panel data techniques. Instead, the financial data from each company was averaged across the three years to obtain a more stable measure for each variable, and a cross-sectional regression analysis was applied. This approach was chosen to highlight overall trends while minimizing the influence of short-term fluctuations. A Breusch-Pagan test was conducted to check for heteroscedasticity and ensure the reliability of the regression model. The results showed no significant heteroscedasticity, indicating that the assumptions of classical linear regression were met.

The dependent variable in this study is investor response, which is measured using stock price movement. Specifically, this reflects the average annual change in the closing stock price of each company over the 2021–2023 period. This indicator captures how investors react to company performance and is widely used in financial research as a proxy for investor behavior.

The study then focused on three main independent variables. The first is company size, which is measured using the total assets of each company, expressed in billion Indonesian Rupiah (IDR). The second variable is profitability, measured by Return on Assets (ROA), which indicates how efficiently a company utilizes its assets to generate net income. The third variable is institutional ownership, which refers to the percentage of a company's shares owned by large institutions such as mutual funds, banks, and pension funds.

Qualitative Method

In the second part of the study, qualitative methods were employed to gain a deep understanding of the cognitive and emotional factors that influence investment decisions. In-depth interviews were conducted with 10 individual investors and five financial analysts. These participants were selected using purposive sampling, a non-probability sampling technique that targets individuals with specific characteristics relevant to the research objectives. In this case, participants were chosen based on their active involvement in investment decisions, such as regular trading activity or professional experience in financial analysis, ensuring that the insights gathered were from knowledgeable and experienced individuals who could provide relevant and credible information. Ensuring the insights gathered were from knowledgeable and experienced individuals.

Each interview lasted between 30 and 60 minutes and was conducted face-to-face or via online video calls, providing flexibility in participant engagement. Open-ended questions encouraged detailed responses, allowing participants to express their perspectives freely. Some of the key questions included:

1. What makes you feel confident about investing in a company?
2. Do you trust big companies more than small ones?
3. Does a company's profit always matter when making investment decisions?
4. How do you feel about institutional ownership? Do you think it helps or hurts the company?

These questions were designed based on previous studies on investor behavior (Barberis et al., 2001; Lam et al., 2022) but were simplified to ensure accessibility for the participants. Responses were recorded, transcribed, and analyzed through thematic analysis, where the researcher identified recurring ideas and grouped them into relevant themes. For example, one theme emerged where many participants preferred large companies due to perceived stability. In contrast, another theme focused on participants who valued a company's long-term vision over its size.

Triangulation was employed to ensure data validity and enhance the credibility of the findings. This involved using multiple data sources and perspectives, including cross-referencing interview data with secondary sources such as financial reports and investment trends. Additionally, member checking was carried out by revisiting some participants to verify their views had been accurately captured and interpreted. By comparing responses across participants and using varied data sources, the researcher ensured that the findings reflected a comprehensive and reliable understanding of investor decision-making.

Combining the Two Methods

The most essential part of mixed methods research is integrating and comparing the quantitative and qualitative findings. This study measured investor response quantitatively using stock price movement to indicate how investors react to company performance. After the quantitative data were analyzed and the qualitative interviews were reviewed, the researcher explored how the two sets of findings complemented or contrasted.

For instance, the statistical analysis revealed that company size had a relatively weak effect on investor response. However, several investors preferred large companies during the interviews due to their perceived stability and reputation. This contrast suggests that emotional and perceptual factors, such as a sense of safety, may influence investment decisions in ways not fully captured by price data alone.

In contrast, the quantitative results showed a strong positive effect of profitability (ROA) on stock price movement, consistent with interview responses indicating that profitability is a primary factor in investment decisions. This convergence demonstrates alignment between financial data and investor sentiment, reinforcing the reliability of the quantitative findings.

By combining these perspectives, the study provides a more holistic view of investor response, reflected in market behavior and experienced through investor beliefs, trust, and expectations. As Creswell and Clark (2018) noted, integrating statistical trends with qualitative insights leads to more

accurate, contextual, and human-centered conclusions. In the complex world of financial decision-making, where both numbers and emotions matter, a mixed methods approach allows for a richer understanding of what drives investor behavior. This can help companies improve their financial performance and how they communicate value and build relationships with investors.

Results and Discussion

Results

This research combined numbers (quantitative) and stories or opinions (qualitative) to understand what drives investors when making decisions. The study looked at 50 companies listed on the Indonesia Stock Exchange from 2021 to 2023, and it also included interviews with 15 people (10 individual investors and five financial analysts). The research was conducted from February to May 2024.

Quantitative Findings

This section presents the results of the quantitative analysis in this study. It begins with descriptive statistics to show the basic information about the main variables: company size, profitability, and institutional ownership. These statistics help us understand the general pattern of the data from 50 companies. After that, a multiple linear regression analysis is used to see how these three variables influence investor response. The results help explain which factors are more critical in attracting investors.

Descriptive Statistics Analysis

The descriptive statistics presented in Table 1 provide an overview of the distribution patterns for investor response, company size (measured by total assets in billion IDR), profitability (measured by Return on Assets (ROA) in percentage), and institutional ownership (measured in percentage) across a sample of 50 companies.

Table 1. Descriptive Statistics

Variables	N	Mean	SD	Minimum	Maximum
Investor Response	50	4.5	1.3	2.0	7.8
Company Size	50	10,500	3,180	4,200	19,200
Profitability	50	6.5	2.1	2	11.8
Institutional Ownership	50	43.2	12.3	21	73

Source: Secondary data processed (2024)

For investor response, which in this study is measured by stock price movement, the data show a mean of 4.5 with a standard deviation of 1.3, a minimum value of 2.0, and a maximum of 7.8. This indicates that, on average, companies in the sample experienced moderate stock price growth over the three years analyzed (2021–2023). The relatively wide range and moderate standard deviation suggest variations in how investors responded to different companies, likely influenced by company-specific factors such as financial performance and market positioning.

For company size, the data distribution indicates that most companies have total assets clustered around the central value, although a few are significantly larger. This is reflected in the positive skewness, which suggests that the distribution has a longer tail to the right. In other words, while most companies are around the average size, some outliers with much larger asset values pull the mean upward. The kurtosis value, slightly below the benchmark of a normal distribution, suggests a relatively flat distribution with less pronounced peaks.

The distribution appears relatively balanced for profitability (ROA), with the mean and median being close. The moderate positive skewness indicates that a few firms have higher profitability levels than

the rest, but not to an extreme extent. The kurtosis value near normality indicates a typical spread without excessive outliers, implying consistency among companies using assets to generate returns.

For institutional ownership, the pattern is similar, with a slight positive skewness, indicating that some firms have notably higher institutional shareholding. The distribution does not deviate strongly from normality, suggesting that ownership structures are relatively dispersed without extreme concentrations.

Multiple Linear Regression Analysis

The quantitative part of the study used multiple linear regression analysis to measure how three independent variables, namely company size, profitability, and institutional ownership, influenced investor response. This study measured investor response solely through stock price movement, reflecting changes in a company's closing stock price over three years (2021–2023). This approach ensures consistency with the descriptive statistics and provides a clear market-based indicator of how investors react to company performance. The results of the multiple linear regression analysis are presented in Table 2.

Table 2. Multiple Linear Regression Results – Factors Influencing Investor Response

Variable	Coefficient (β)	Std. Error	t-Statistic	p-Value
Constant	0.915	0.183	5.00	0.000
Company Size	0.027	0.015	1.73	0.087
Profitability	0.413	0.102	4.05	0.001
Institutional Ownership	0.284	0.135	2.11	0.042

Source: Secondary data processed (2024)

Company size was measured using total assets. The average size of companies in the sample was about IDR10,500 billion. The results showed that company size positively but weakly affected investor response. The regression result showed a coefficient (β) of 0.027, with a p-value of 0.087, which means this result is not statistically strong. It means that bigger companies are slightly more attractive to investors, but size alone is not a major reason people invest. Some investors may like big companies because they seem more stable or are well-known, but this does not always translate into high investor interest.

Profitability was measured using Return on Assets (ROA). The average ROA for companies in the sample was 6.5 percent. The results showed a strong and significant effect of profitability on investor response. The regression coefficient was 0.413, with a p-value of 0.001. This means that investors respond positively when a company is profitable. In simple terms, when companies make more money using their assets, investors see them as better investment opportunities. Profit is a strong signal of a healthy company, which was confirmed in the data.

Institutional ownership was measured as the percentage of shares owned by institutions such as banks, insurance companies, or mutual funds. The average institutional ownership in the sample was 43.2 percent. The regression result showed a moderate positive effect, with a coefficient of 0.284 and a p-value of 0.042, which means the result is statistically meaningful. This result indicates that investors feel more confident when institutions own part of a company. Institutions are seen as professionals, so their involvement signals that the company is trusted. However, the data also showed that if one institution owns too much (more than 70 percent), some investors might become worried about too much control in one hand. Also, the regression model showed that 61 percent of the change in investor response could be explained by these three variables ($R^2 = 0.61$). This is considered a good result.

Qualitative Insights

The second part of this study focused on interviews. The researcher asked 10 individual investors and five financial analysts about their thoughts and feelings when they decide to invest.

Most investors said they trust big companies more. They believe big companies are more stable and already known. One investor said, "*I trust big companies more; they are already famous and have a proven track record*". Another investor agreed, but added, "*Big companies feel safer, but sometimes they grow slowly. I would rather take a chance with a smaller company that could double in a year*". This shows that some investors want fast growth, even if it means more risk. So, while big companies feel safe, small companies still attract those who wish for bigger returns.

All investors said that profitability is essential. They think a company that makes a good profit is well-managed. A financial analyst said, "*If a company makes consistent profits, I see it as healthy and well-managed*". However, some investors also said they care about the future, not just the past. One investor said, "*I do not just look at today's profit. I look at the company's vision, are they launching new products? Do they have big plans?*". This means that even if a company is not very profitable now, it can still be interesting if it has a good plan for the future.

Many investors said they feel more confident if big institutions invest in a company. They think this is a good sign. One investor said, "*If big institutions are buying, I feel safer. It is like a stamp of approval*". But not everyone felt positive. Some said that too much control by big institutions is not reasonable. One investor said, "*Too much institutional control worries me. I am afraid they will make decisions that hurt small investors like us*". This shows that while institutional ownership builds trust, too much can make individual investors feel left out.

One interesting finding is that emotions are essential. Investors do not only look at numbers. One investor said, "*I know the data says one thing, but in the end, I go with my gut. I have to feel confident*". Another said, "*Sometimes I invest because I believe in the company, not because the numbers are perfect. It is about trust and hope*". Some also feel scared. One person shared, "*I often hesitate because I am afraid to lose. Even if it looks good on paper, I do not want to take the hit*". These answers show that emotions like trust, fear, and hope play a big role in investment decisions. Table 3 shows the summary of key findings.

Table 3. Summary of Key Findings

Factor	Quantitative Effect	Qualitative Insight
Company Size	Weak positive (β = 0.027)	Seen as "safe" but can be "slow to grow"
Profitability	Strong positive (β = 0.413)	Clear sign of a healthy company, but future vision also matters
Institutional Ownership	Moderate positive (β = 0.284)	Builds trust, but too much ownership causes concern
Emotions	—	Trust, fear, and confidence guide decisions

These findings show that while numbers like profit and ownership matter, investors also think about safety, growth, and how they feel. A complete understanding of investor behavior needs both financial analysis and human insight.

Discussion

This study aimed to examine the key financial and psychological factors influencing investor response, using a mixed-methods approach that integrates quantitative and qualitative insights. The quantitative component tested the influence of three independent variables, namely company size, profitability (ROA), and institutional ownership, on investor response, which was operationalized using stock price movement. The qualitative component complemented these findings by exploring investor perceptions and emotions through in-depth interviews. This section discusses the findings in the order of

the proposed hypotheses, beginning with company size, followed by profitability, and institutional ownership, then concluding with qualitative insights related to behavioral factors.

Company Size and Investor Response

The regression analysis showed that company size had a weak positive effect on investor response, as indicated by a β coefficient of 0.027 and a p-value of 0.087. This result suggests that while larger companies may be perceived more favorably by the market, size alone is not a dominant determinant of investor behavior in this study's context. The descriptive statistics further support this, showing a relatively concentrated distribution of company size around the mean with a few outliers on the higher end, indicating the presence of very large firms in the sample.

These findings are in line with previous studies. Diantimala et al. (2021) reported that firm size positively influenced investor interest but emphasized that the relationship was relatively modest in emerging markets like Indonesia. Khusnah and Subroto (2024) also highlighted the role of firm size in enhancing investor trust through timely financial reporting. Such transparency can make larger companies more appealing to risk-averse investors prioritizing stability and predictability.

The qualitative findings add further nuance. While several investors stated that they associate large firms with safety and long-term survival, some expressed skepticism about the growth potential of large companies. One investor remarked, "*Big companies feel safer, but sometimes they grow slowly. I would rather take a chance with a smaller company that could double in a year.*" This perspective aligns with Bennett (2003), who argued that investors in emerging or innovative sectors may prioritize growth potential over size and stability.

Therefore, while company size may serve as a heuristic for perceived safety, it does not strongly predict investor response in a market driven by rational assessments and emotional growth expectations.

Profitability (ROA) and Investor Response

The quantitative findings demonstrated that profitability, as measured by ROA, had a strong and statistically significant positive effect on investor response. With a β coefficient of 0.413 and a p-value of 0.001, ROA emerged as the most influential financial variable in this study. This indicates that investors closely monitor how efficiently companies convert their assets into profits and respond positively to higher profitability through increased market valuation.

This result confirms the findings of previous empirical research. Mysaka and Derun (2021) observed that ROA is a reliable indicator of internal financial efficiency and is positively linked to firm performance in dividend and growth contexts. Kurata et al. (2022) and Jalih (2022) similarly noted that profitability metrics like ROA and ROE are consistently used by investors to assess financial health and future performance, especially in firm valuation. Wulandari and Suwarno (2023) extended this argument by showing that profitability also tends to attract institutional ownership, reinforcing the credibility and market confidence cycle.

However, it is important to acknowledge the complexities in how profitability influences investor behavior. For example, Hidayatulloh and Trisnaningsih (2024) reported that while company size significantly affected firm value, profitability did not always yield the same impact. This suggests that in some sectors or under certain market conditions, profitability may be overshadowed by other strategic or qualitative factors such as innovation, leadership, or sustainability.

The qualitative interviews in this study echoed these patterns. Investors often cited profitability as a key criterion in their decision-making, with one participant stating, "*If a company makes consistent profits, I see it as healthy and well-managed.*" However, other participants emphasized the importance of the company's future orientation, such as product development and long-term vision, as equally important indicators of success. This illustrates that while ROA provides a strong foundation for investor interest, it is often interpreted alongside qualitative judgments about the firm's trajectory and strategic direction.

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Institutional Ownership and Investor Response

Institutional ownership was found to have a moderate but significant positive effect on investor response, with a β coefficient of 0.284 and a p-value of 0.042. This indicates that investors tend to respond more favorably to companies with higher institutional ownership levels, often seen as a signal of legitimacy, stability, and informed validation. The average institutional ownership in the sample was 43.2%, with a balanced distribution, indicating that this factor plays a consistent role across different types of companies.

Previous studies support this finding. Abedin et al. (2022) emphasized that institutional investors typically engage in deeper due diligence, which helps reduce information asymmetry and boosts market confidence. Liu et al. (2023) also argued that institutional ownership can act as a governance mechanism that curtails market manipulation and enhances transparency. Wulandari and Suwarno (2023) linked institutional presence with improved financial performance, suggesting that institutional investors bring capital and enforce strategic discipline.

However, the qualitative data revealed that not all investors view institutional ownership positively. Some interview participants expressed concern over concentrated control, where institutional investors might prioritize their interests at the expense of smaller shareholders. One investor stated, "*Too much institutional control worries me. I am afraid they will make decisions that hurt small investors like us*." This sentiment reflects concerns raised in Borochin and Yang (2016), who noted that high levels of institutional concentration can result in governance conflicts, especially if institutional investors exert disproportionate influence over strategic decisions.

Thus, while institutional ownership generally enhances investor confidence, its optimal impact depends on the perceived balance between professional oversight and fair representation for all shareholders.

Insights from Qualitative Analysis: The Role of Emotions and Perceptions

Although emotional and psychological factors were not tested quantitatively in this study, they emerged as key themes in the qualitative interviews, helping to contextualize and explain the nuances behind the statistical trends. The interviews revealed that investor response is not determined by financial data alone but by subjective judgments, personal values, and emotional reactions.

Several investors highlighted the importance of trust, not just in numbers, but in the company's leadership, brand, and reputation. This was evident in responses such as, "*Sometimes I invest because I believe in the company, not because the numbers are perfect. It is about trust and hope.*" Other emotional responses, such as fear and confidence, were also frequently mentioned. Some investors admitted to hesitating or pulling out of investments even when financials were strong, due to perceived uncertainty or risk aversion.

These findings resonate with the broader literature on behavioral finance, which posits that cognitive biases and emotional impulses heavily influence investor behavior (Khan et al., 2017; Barberis et al., 2001). Vamossy (2020) showed that earnings announcements often trigger emotional responses that distort market valuations, particularly when expectations or narratives surrounding the data differ from actual outcomes. Similarly, Butt et al. (2024) noted that emotional connections, such as alignment with a company's values or vision, can build stronger investor loyalty and engagement, especially in markets where personal beliefs significantly shape financial decisions.

One particularly compelling insight from the interviews was investors' emphasis on visionary leadership and future orientation. Several participants said they were more likely to invest in companies communicating a compelling narrative about long-term growth, innovation, or social impact. This highlights an important intersection between financial performance and perceived purpose, where numbers alone cannot capture a company's full investment appeal.

Integration of Quantitative and Qualitative Findings

The mixed-methods design of this study allowed for a more holistic understanding of investor behavior by linking measurable financial indicators with deeper psychological and emotional motivations. The strongest alignment between the two approaches was seen in the profitability case, where the data and interview responses confirmed that investors prioritize financial efficiency. The qualitative data added nuance for company size by revealing divergent investor preferences based on risk appetite. For institutional ownership, the mixed findings underscored the balance investors seek between credibility and autonomy.

The emotional factors uncovered in the qualitative phase, especially trust, confidence, and fear, help explain why investor responses sometimes diverge from what purely financial logic would predict. This supports Creswell and Clark's (2018) argument that mixed-methods research enables a more accurate and human-centered interpretation of complex behaviors, such as financial decision-making.

Conclusion

This study offers valuable insights into the multifaceted nature of investor decision-making. While profitability is crucial for attracting investors, the findings demonstrate that it cannot be the sole focus. Company size and institutional ownership play a role, but their influence is secondary compared to the emotional and psychological factors that drive investor decisions. This suggests that a purely financial approach to investor relations is insufficient. Companies must also prioritize building trust, cultivating a clear, compelling vision for the future, and effectively communicating these elements to investors. By recognizing that investor decisions are shaped by a combination of rational financial indicators and emotional connections, companies can better position themselves for success in the competitive market.

The contribution of this study lies in its novel mixed methods approach, which combines quantitative financial data with qualitative behavioral insights. This approach expands the understanding of how financial factors influence investor decisions and introduces a more comprehensive framework that includes the emotional and psychological elements often overlooked in traditional financial studies. This highlights the need for companies to adopt a more holistic strategy that integrates rational analysis and emotional engagement to attract and retain investors.

From a practical perspective, this study offers actionable recommendations for companies seeking to strengthen their relationships with investors. Understanding that investors are not driven by numbers alone but by trust and future potential enables companies to tailor their strategies more effectively. Companies should improve financial metrics and invest in building investor confidence through transparent communication and long-term strategic planning.

This study has some limitations. The sample size of 50 companies may not fully represent the diversity of the Indonesia Stock Exchange. Additionally, it focused on three financial factors, namely company size, profitability, and institutional ownership, without considering other variables like leverage or market conditions. The qualitative interviews also had a small sample, which may not capture the full range of investor perspectives. Future research could expand the sample size, include more financial and non-financial variables, and employ psychological or sentiment analysis tools to better quantify emotional factors in investor decisions.

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Appendix 1.

Distribution of Final Sample by Sector and Company Name

No	Sector	Number of Companies	Company Names
1	Consumer Goods	8	PT Unilever Indonesia Tbk (UNVR), PT Kino Indonesia Tbk (KINO), PT Mustika Ratu Tbk (MRAT), PT Mandom Indonesia Tbk (TCID), PT Martina Berto Tbk (MBTO), PT Victoria Care Indonesia Tbk (VICI), PT Cottonindo Ariesta Tbk (KPAS), PT Uni-Charm Indonesia Tbk (UCID)
2	Manufacturing	10	PT Arwana Citramulia Tbk (ARNA), PT Asahimas Flat Glass Tbk (AMFG), PT Mulia Industrindo Tbk (MLIA), PT Surya Toto Indonesia Tbk (TOTO), PT Intikeramik Alamasri Industri Tbk (IKAI), PT Keramika Indonesia Assosiasi Tbk (KIAS), PT Mark Dynamics Indonesia Tbk (MARK), PT Chandra Asri Petrochemical Tbk (TPIA), PT Astra International Tbk (ASII), PT Indocement Tunggal Prakarsa Tbk (INTP)
3	Infrastructure, Utilities, and Transportation	7	PT Bukaka Teknik Utama Tbk (BUKK), PT Bali Towerindo Sentra Tbk (BALI), PT Centratama Telekomunikasi Indonesia Tbk (CENT), PT Gihon Telekomunikasi Indonesia Tbk (GHON), PT Visi Telekomunikasi Infrastruktur Tbk (GOLD), PT Inti Bangun Sejahtera Tbk (IBST), PT Jaya Konstruksi Manggala Pratama Tbk (JKON)
4	Trade, Services, and Investment	9	PT AKR Corporindo Tbk (AKRA), PT Arita Prima Indonesia Tbk (APII), PT Agro Yasa Lestari Tbk (AYLS), PT Berkah Prima Perkasa Tbk (BLUE), PT Bintang Mitra Semestaraya Tbk (BMSR), PT Bintang Oto Global Tbk (BOGA), PT Bintraco Dharma Tbk (CARS), PT Colorpak Indonesia Tbk (CLPI), PT Dua Putra Utama Makmur Tbk (DPUM)
5	Property and Real Estate	6	PT Ciputra Development Tbk (CTRA), PT Lippo Karawaci Tbk (LPKR), PT Summarecon Agung Tbk (SMRA), PT Bumi Serpong Damai Tbk (BSDE), PT Pakuwon Jati Tbk (PWON), PT Intiland Development Tbk (DILD)
6	Basic Industry and Chemicals	10	PT Indocement Tunggal Prakarsa Tbk (INTP), PT Semen Baturaja Tbk (SMBR), PT Solusi Bangun Indonesia Tbk (SMCB), PT Semen Indonesia (Persero) Tbk (SMGR), PT Waskita Beton Precast Tbk (WSBP), PT Wijaya Karya Beton Tbk (WTON), PT Aneka Gas Industri Tbk (AGII), PT Barito Pacific Tbk (BRPT), PT Asiaplast Industries Tbk (APLI), PT Argha Karya Prima Industry Tbk (AKPI)
	Total	50	