Analysis of the Effect of Cost of Debt, Cost of Equity, and Profit on Investment Decisions : A Study on Hospitality Sector Companies Listed on the Indonesia Stock Exchange for the Period 2019-2023

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Abstract : This study analyzes the effect of Cost of Debt, Cost of Equity, and Profit on investment decisions in hospitality industry companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period. By using purposive sampling method, this study involved 21 companies as samples, resulting in 105 observation data. Investment decision as the dependent variable is measured using Capital Expenditure (CapEx), while Cost of Debt, Cost of Equity, and profit as independent variables are calculated based on financial statement data. Multiple regression analysis is used to test the relationship between variables. The results showed that Cost of Debt, Cost of Equity, and Profit have a significant effect on investment decisions in the hospitality industry.

Keywords: Cost, Debt, Equity, Profit, Investment.

1. INTRODUCTION

The hospitality industry is one of the sectors focused on providing services and amenities, playing a crucial role in supporting tourism growth. In addition to offering accommodation, this industry significantly contributes to the economy by increasing the number of tourists and the demand for travel-related services. The close relationship between tourism and hospitality positions this sector as a primary driver in the development of tourist destinations and the enhancement of national foreign exchange earnings. However, the rapid growth of this sector in Indonesia has led to increasingly intense competition. Hotels across various categories strive to meet occupancy targets, compelling management to implement effective strategies to attract customers and sustain business continuity (Amanda et al., 2022)

The hospitality industry also makes a significant contribution to the national economy by increasing income and creating jobs. By providing accommodation services, this sector supports the development of tourist destinations and strengthens the appeal of a country to international visitors (Maulina, 2023). However, the global COVID-19 pandemic had a profound impact on this sector. Many businesses faced force majeure situations, where their operations were significantly disrupted by unforeseen conditions (Nurwahyudin, 2023).

The pandemic's impact on the hospitality sector was significant. With a decline in customers and a loss of revenue from related businesses, many hotels were forced to cease operations. In Indonesia, the Chairman of the Indonesian Hotel and Restaurant Association (PHRI) reported that in 2020, 1,642 hotels were forced to close, resulting in losses amounting to tens of trillions of rupiah (Diayudha, 2020). Data from Statistics Indonesia (BPS) showed

that the occupancy rate of star-rated hotels dropped drastically from 53.90% in 2019 to only 12.67% in April 2020, before gradually improving in subsequent years. The decline in occupancy was particularly severe in Bali, Indonesia's tourism hub, where the rate fell from 59.57% in 2019 to 15.62% in 2020. Although occupancy gradually increased in 2023, reaching 52.88%, the pandemic revealed the sector's vulnerability to drastic changes in human mobility. This situation demanded that companies promptly undertake financial and operational restructuring to recover their market position.

The spread of the Covid-19 pandemic caused by high human mobility and the implementation of Large-Scale Social Restrictions (PSBB) policies in almost all cities in Indonesia has caused the tourism and creative economy sectors to experience a very significant decline. Based on a report from the Ministry of Tourism and Creative Economy, the number of foreign tourists visiting Indonesia in 2020 only reached around 4.052 million people. This figure is only about 25% of the total visits in 2019, which was recorded at 16.108 million tourists with an economic value of IDR 20.7 billion. In 2021, foreign tourist visits dropped dramatically to 163.62 thousand visits, and in 2022 again dropped to 121,978 visits. However, in 2023 the number of visits increased significantly to 620,905 visits, until August 2024, there were 9,092 foreign tourist visits to Indonesia.

In this uncertain situation, hospitality companies are faced with the dilemma of making high-risk investment decisions. Investment decision is an important process in corporate strategy, because it is directly related to the allocation of resources that aim to create added value and increase competitiveness in the future. In the hospitality industry, investment decisions are not only limited to the construction of new hotels, but also include facility renovations, modernization of service technology, improvement of operational standards, and business diversification to adapt to changing consumer preferences. Investments made with the right strategy can improve service quality, attract more customers, and increase operational efficiency, which ultimately has an impact on long-term profitability (Setiawan & Sudiro, 2020).

Investment decisions in the midst of uncertainty are highly dependent on factors that can affect the company's cost of capital, including the cost of debt, cost of equity, and also profit as an indicator of company performance and ability to generate cash flow in the future. The cost of debt reflects the costs that companies must bear in obtaining debt-based funding, becoming a very important factor, especially in conditions of fluctuating interest rates post-pandemic. The higher the cost of debt, the greater the company's financial burden, which can hinder investment plans. On the other hand, the cost of equity represents the rate of return

investors expect on their invested capital, which also affects a company's funding strategy. If the cost of equity is high, the company may struggle to attract investors, which may limit expansion opportunities. In addition, the level of profit earned by the company is a major factor in determining the extent to which the company can finance its investments independently without relying too much on external funding sources.

2. LITERATURE REVIEW

Pecking Order Theory

The concept of Pecking Order Theory was first introduced by Gordon Donaldson in 1961, while the term Pecking Order Theory itself was introduced by Myers and Majluf in 1984. This theory is so named because it explains and sets the order of company preferences in choosing funding sources. This theory is based on information asymmetry, where companies tend to prioritize the use of internal funds before switching to external funding sources. The pecking order theory states that companies prefer internal funding that comes from operational results, such as retained earnings. However, if external funding is required, the company will prioritize the issuance of securities with the lowest risk level first, namely debt. As a last step, if still insufficient, then issue new shares.

In pecking order theory, there is no capital structure that is considered optimal. Companies have certain preferences in choosing funding sources (Ambarsari et al., 2017), among others: 1) Companies are more likely to utilize internal funds derived from retained earnings from operational activities before considering external funding. 2) If external funding is required, the company will choose the safest option first, starting with debt with the lowest risk, then move on to higher risk debt, hybrid securities such as convertible bonds, preferred stock, and finally common stock.

In the process of raising external funds, company managers often prefer debt funding over equity. Several fundamental reasons underlie this decision. First, the cost of issuing bonds is generally lower than issuing new shares. Second, managers are often concerned that issuing new shares may be seen as a negative signal by investors, which risks lowering the share price. This concern arises due to the information asymmetry between management and investors, where managers have a deeper understanding of the company's condition than investors (Caroline, 2020).

Investment Decision

An investment decision is an act of investing in an asset with the hope of obtaining future profits (Fridana & Asandimitra, 2020). This decision is complex because it involves uncertainty, high risk, and has an impact on the sustainability of the company. In the context of capital budgeting, investment decisions are related to planning and spending funds for the long term (Aristiwati & Hidayatullah, 2021). According to Eduardus (2010), investment decisions include five stages, namely goal setting, policy formulation, portfolio strategy development, asset allocation, and performance evaluation. Meanwhile, Sunariyah (2011:4) divides investment into two types, namely investment in real assets (land, buildings, equipment) and financial assets (stocks, bonds, and securities).

In practice, investment decisions must consider various factors, such as economic conditions, government policies, and market dynamics. Companies need to conduct in-depth analysis to ensure that the investments made provide maximum benefits and are in line with long-term business strategies. Therefore, investment decision-making often involves various evaluation methods, such as Net Present Value (NPV), Internal Rate of Return (IRR) and Payback Period, to measure the feasibility of an investment before it is realized.

Cost of Debt (COD)

Cost of Debt, also known as the cost of borrowing, refers to the interest rate charged by creditors as their expected rate of return. In scenarios where a company's borrowing costs are high, businesses may attempt to obscure their actual financial condition to avoid a decline in stock prices (Juniarti & Sentosa, 2009). Conversely, investors demand sufficient disclosure to ensure that their investment ratios align with projections. One key reason why debt is often chosen as a funding source is its tax benefits. A common strategy to reduce taxes is through the payment of interest (Saka & Istighfa, 2022).

According to Pecking Order Theory, firms prefer debt over equity as a source of external funding when the cost of debt is low, mainly due to tax shield benefits. This decision allows for cheaper funding, encourages expansion, and increases asset and revenue growth. Large companies tend to be more willing to utilize debt because they have more stable cash flows to pay obligations, thus increasing financial leverage to accelerate growth. Fazzari et al. (1988) and Hennessy and Whited (2007) reveal that companies with easier access to debt can increase investment, while debt also serves as a disciplinary tool to avoid overinvestment. In the hospitality sector, increasing Cost of Debt causes companies to be more cautious in expansion

or renovation because high interest expenses can suppress profitability and increase financial risk. Conversely, when the Cost of Debt is low, companies invest more aggressively, utilizing debt for new hotel construction, property purchases, or the development of technology-based services.

Research by Priscilla & Salim (2019), and Tan and Luo (2021) shows that debt-based capital structure has a significant impact on investment decisions, with lower debt costs promoting efficiency and growth. In the hospitality industry, investment decisions are influenced by housing rates, tourism trends, and macroeconomic conditions. Therefore, the relationship between Cost of Debt and investment is important in ensuring business desirability. Based on this explanation, the proposed research hypothesis is as follows:

H1: Cost of Debt has an effect on Investment Decisions

Cost of Equity (COE)

Cost of Equity (COE) represents the cost incurred by a business to attract and retain investors who are willing to invest in its equity. According to Sedek (2009) as cited in Sukma & Fitri (Sukma & Fitri, 2022), COE is closely linked to the level of risk associated with investing in a company's shares. Investors carefully consider COE before making investment decisions, as they are more likely to allocate resources to a company that minimizes risks. Companies, as entities requiring capital, must bear the cost of equity to secure funding.

COE is a financial concept that reflects the correlation between a company's long-term investment decisions and the expected rate of return for shareholders. The required return to fulfill obligations to shareholders is known as the cost of capital, while the risk associated with stock investment is identified as COE. If management fails to generate returns comparable to what shareholders could earn elsewhere with similar risk levels, they should not utilize shareholder funds (Mutia & Dewi, 2013).

Pecking Order Theory emphasizes that Cost of Equity (COE) plays an important role in investment decisions because equity is the most expensive source of funding compared to debt and retained earnings. Large companies tend to be better able to bear high COE due to their financial stability, especially in the hospitality industry which requires large investments for expansion and renovation. A high COE reflects investors' expectation of large returns due to market risk or volatility, so companies tend to delay investment. Conversely, a low COE provides greater flexibility in asset expansion and development. The studies of Aghion et al. (2007) and Gatchev et al. (2009) confirmed that access to cheap equity funding encourages more aggressive investment, while high cost of equity limits firm growth.

Thus, investment decisions are highly dependent on the efficiency of access to funding. If COE is high, firms are more selective in expansion and seek alternatives such as debt or retained earnings. However, a low COE allows for increased asset capacity and firm growth. The hypothesis proposed is as follows:

H2: Cost of Equity has an effect on Investment Decisions

Profit

Profit is the difference between revenue and total costs, reflecting the company's ability to generate profits after deducting all expenses (Hendriksen & Breda, 2000). Based on Pecking Order Theory (Myers & Majluf, 1984), firms prefer internal funding (earnings) before seeking debt or equity. In the hospitality industry, high profits allow expansion without relying on expensive external funding, increase investor confidence, and support strategic projects (Rahmanuzzahr et al., 2024).

High profits provide financial flexibility for fixed asset investments such as hotel construction or renovation, and increase credibility in the eyes of investors and creditors. Conversely, low profits make the company more dependent on debt or share issuance, which tends to be avoided in accordance with Pecking Order Theory. In this condition, companies tend to hold back expansion in order to maintain financial stability.

Research by Pintarto & Pujiono (2021), and Gadoiu & Banuta (2017) shows that profit has a significant effect on investment decisions. Companies tend to be more selective in choosing investment projects based on their profitability. In the hospitality industry, profit is also an indicator of financial stability that affects investment strategies, especially in the face of external factors such as tourism trends and macroeconomic conditions. The hypothesis proposed is as follows:

H3: Profit has an effect on Investment Decisions

3. METHODS

This research will involve all hospitality industry companies listed on the Indonesia Stock Exchange (IDX), with a total of 30 companies. listed on the Indonesia Stock Exchange (IDX), with a total of 30 companies. The analysis will focus on sample data from the last five years, namely 2019 to 2023. Sampling will be done by purposive sampling method, where the sample selection is based on sampling method, where the sample selection is based on certain criteria related to the research objectives. related to the research objectives. The sample selection criteria may include:

1. Companies that submit complete annual financial reports during the study period (2019-2023).
2. Companies that were consistently listed on the IDX during the study period and did not experience delisting.
3. Companies that have complete data needed for research, namely data relating to Cost of Debt, Cost of Equity, and Profit, which are complete and accessible.

Table 1 Research Data

Description	Total
Number of Hospitality Industries listed on the IDX	30
Hospitality industry that does not have complete data	(9)
Total Sample (n)	21
N Observations (5 Years)	105

Operational Definition and Measurement of Variables

Investment Decisions

According to Desipradani & Sa'diyah (2024) investment decisions include the composition of asset ownership and the selection of long-term investments, which directly affect the level of profitability and cash flow of the company in the future. Investment decisions in this study are measured using Capital Expenditure (CapEx), which is spending on fixed assets such as land, buildings, and equipment to support expansion and operational efficiency (Syamsuddin, 2011 in Inrawan et al., 2022). CapEx is calculated as the difference between net fixed assets in the current year and the previous year, with the ratio of net investment to net fixed assets in the previous period as a measure of investment decisions. The formula used is:

$$Investment\ Decision = \frac{Net\ Fixed\ Assets_{t} - Net\ Fixed\ Assets_{t-1}}{Net\ Fixed\ Assets_{t-1}}$$

Cost of Debt

Cost of Debt refers to the cost charged to the company for obtaining funding through debt. Cost of Debt reflects the effective interest rate that the company must pay on its various loans, including bonds, bank loans, and other forms of debt (Damodaran, 2014). Cost of Debt is calculated based on after-tax cost of debt using the following formula:

$$COD = iE\ (1\text{-}T)$$

Cost of Equity

Cost of Equity refers to the rate of return that shareholders expect from their investment in the company (Damodaran, 2014). A high COE may limit a company's room for maneuver in adding assets, as the high cost of capital makes new investments less attractive. Conversely, a low COE increases the company's opportunity to expand, such as asset acquisitions or other investment projects, with less financial burden. In this study, Cost of Equity is measured by the dividend approach formula to the cost of common stock equity as follows:

$$Ke = \frac{Dps + g}{P}$$

Profit

Profit is a key indicator of a company's financial performance, reflecting the business's ability to generate profits. Generally, profit is measured through net profit or operating profit, which shows the company's effectiveness in managing revenue and costs to achieve profitability (Damodaran, 2014). Profit is a crucial factor in investment decision-making, as it reflects a company's financial capacity to add assets. In this study, current year profit of hospitality industry companies is used based on the income statement and includes all revenues and costs incurred during one accounting period with the following formula:

Profit for the Year= Revenue−Operating Expenses−Non-Operating Expenses−Income Tax

4. RESULTS

Normality Test

The normality test is used to determine whether the data has a normal distribution. Data is considered normally distributed if the significance value of the normality test is more than 0.05 or more than 5% (Ghozali, 2018). In this study, to test whether the data is normally distributed or not, the Kolmogrov-Smirnov test was conducted. The results of the normality test are shown in the following table:

Table 2. Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		105
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	2.52351140
Most Extreme Differences	Absolute	.057
	Positive	.042
	Negative	-.057
Test Statistic		.057
Asymp. Sig. (2-tailed)		.200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		

Based on table 2, the kolmogrov-smirnov test results show a significance value of 0.200. According to the normality test criteria, the significance value must be above 0.05. Thus, it can be concluded that the significance value has met the requirements for the normality test.

Mulcolonieriity Test

The multicolonieriity test aims to identify whether there is a correlation between the independent variables in the regression model. To determine whether or not there is a correlation in this classic assumption test, you can refer to the output results, especially the tolerance value and variance inflation factor (VIF). In order to fulfill this classic assumption test, the conditions that must be met are that the tolerance value must be ≥ 0.10 and the VIF value must be ≤ 10. The results of the multicolonieriity test can be seen in the table as follows:

Table 3. Mulcolonieriity Test

Coefficients[a]		Collinearity Statistics	
Model		Tolerance	VIF
1	COD	.975	1.026
	COE	.980	1.021
	LABA	.987	1.013
a. Dependent Variable: KI (Y)			

Based on table 3, it shows that the tolerance value for the cost of debt, cost of equity, and profit variables has a tolerance value> 0.10. In addition, the VIF value for each of these variables is also below 10. Thus, it can be concluded that there are no symptoms of multicollinearity in this regression model.

Heteroscedasticity Test

The purpose of the heteroscedasticity test is to identify inconsistencies in the regression model, particularly regarding differences in residuals between two observations. The criterion for considering this test valid is if the significance value is greater than 0.05 or more than 5%. To detect the presence of heteroscedasticity, the Glejser test is used. The following are the results of the Glejser test:

Table 4. Heteroscedasticity Test

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.684	.538		4.984	.000
	COD	-.038	.028	-.136	-1.363	.176
	COE	-.043	.092	-.047	-.472	.638
	LABA	.006	.014	.044	.446	.657
a. Dependent Variable: ABS_RES						

Based on Table 4, the results of the Glejser test show a significance value (Sig) of 0.176 for cost of debt, 0.638 for cost of equity, and 0.657 for profit. Since the significance values of each variable in the heteroscedasticity test exceed 0.05 or 5%, it can be concluded that the heteroscedasticity test in this study meets the requirements and can proceed.

Autocorrelation Test

The autocorrelation test aims to determine whether there is a correlation between the confounding error of period t and the confounding error of the previous period in the linear regression model. In this study, the Durbin Watson (DW) test was used to detect the presence of autocorrelation. The requirement for the fulfillment of the autocorrelation test is the value Du < Dw < 4-DU. The following are the results of the autocorrelation test obtained:

Table 5. Autocorrelation Test

			Adjusted R	Std. Error of	Durbin-
Model	R	R Square	Square	the Estimate	Watson
1	.497[a]	.247	.224	2.56072	2.037
a. Predictors: (Constant), COD, COE, LABA					
b. Dependent Variable: KI					

Based on table 5, the Durbin-Watson value in the model summary is recorded at 2.015. With n=105 and k=3 and a significance level of 5%, the DL value is 1.6237 and the DU value is 1.7411. Thus, using the DU value obtained, the equation formulated is DU<Dw<4-DU=

1.7411<2.037<4-1.7411. The value of 4-1.7411 is 2.2589. Therefore, it can be said that this has met the requirements of the classical assumption test for the autocorrelation test, which means that the results are acceptable and can proceed to the next test.

F Statistic Test

The feasibility test, better known as the Simultaneous Test or F Test, is a hypothesis testing method that aims to evaluate the influence of all the variables. hypothesis testing method that aims to evaluate the effect of all independent variables (X) on the dependent variable (Y) simultaneously. To To qualify for the F test, the significance value must be less than 0.05 or 5%. The following are the results of the F Test or Simultaneous Test:

Table 6. F Statistic Test

ANOVAª						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	217.019	3	72.340	11.032	.000ᵇ
	Residual	662.283	101	6.557		
	Total	879.303	104			
a. Dependent Variable: KI						
b. Predictors: (Constant), COD, COE, LABA						

Based on table 6, it can be seen that the significance value in the F test is 0.000. This means that the independent variable has a significant effect on the dependent variable simultaneously. Therefore, the F test results show that the independent variables cost of debt, cost of equity and profit have a significant effect on the dependent variable investment decisions simultaneously.

T Statistic Test

In this study, t test is used to test the effect of all X variables (cost of debt, cost of equity and profit) on variable Y (investment decision) partially or each effect of variable X on variable Y. The data of variable X (cost of debt and profit) and also Y (investment decision) in this research are converted into Logarithm form to enable parameter interpretation as elasticity. The research model used is Natural Logarithm (Ln). According to Sugiyono, the use of Natural Logarithm (Ln) aims to reduce excessive data fluctuations (Sugiyono, 2012). To determine whether the hypothesis is supported or not, a significance level of 0.05 is used. The following are the results of the partial test or t test:

Table 7. T Statistic Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	18.469	.910		20.303	.000
	COD	.123	.047	.231	2.639	.010
	COE	-.497	.156	-.279	-3.193	.002
	LABA	.075	.024	.276	3.179	.002
a. Dependent Variable: KI						

The partial test results indicate that Cost of Debt (0.010), Cost of Equity (0.002), and Profit (0.002) have a significant influence on investment decisions, as their significance values are less than 0.05. Therefore, Hypotheses 1, 2, and 3 are supported, confirming that these factors affect investment decisions in hospitality sector companies listed on the Indonesia Stock Exchange for the 2019-2023 period.

Determination Coefficient Test

The coefficient of determination (R^2) serves to measure the extent to which the model can explain the variation in the dependent variable. The coefficient of determination ranges between zero and one. The following are the results of the R^2 test:

Table 8. Determination Coefficient Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.853[a]	.728	.720	.89625
a. Predictors: (Constant), COD, COE, LABA				

Based on table 8, it can be seen that the Adjusted R Square value reaches 0.720 or 72%. This indicates that the independent variables cost of debt, cost of equity, and profit have an influence of 72% on the dependent variable, namely investment decisions. Meanwhile, the remaining 28% can be explained by other variables not included in this research model.

5. DISCUSSION

The Effect of Cost of Debt on Investment Decisions

The higher the cost of debt, the more limited a company's flexibility in making investment decisions. Increased interest expenses reduce the cash available for expansion, especially in the hospitality industry, which requires substantial investment in fixed assets. According to the Pecking Order Theory (Myers & Majluf, 1984), companies tend to prioritize

internal financing over external funding. When the cost of debt rises, companies reduce their reliance on loans due to higher financial risk. Conversely, when the cost of debt is low, companies are more likely to utilize loans for investment financing. External factors, such as monetary policy and interest rates, also influence investment decisions. High interest rates increase the cost of debt, making companies more selective in their investments. Conversely, low interest rates encourage companies to expand by utilizing cheaper debt financing.Therefore, corporate management must efficiently manage capital structure and consider more cost-effective funding alternatives, such as retained earnings. This study supports the findings of Priscilla & Salim (2019) and Tan & Luo (2021).

The Effect of Cost of Equity on Investment Decisions

Cost of Equity has a significant influence on investment decisions, with a significance value of 0.002, supporting the second hypothesis. The higher the cost of equity, the more limited a company's investment becomes due to increased investor return expectations. In the hospitality industry, which requires substantial capital, high cost of equity can hinder expansion. According to the Pecking Order Theory, companies tend to avoid equity financing when the cost of equity is high, as it is more expensive than retained earnings or debt. Conversely, when the cost of equity is low, companies have greater flexibility in using equity financing. External factors, such as capital market conditions, also affect the cost of equity, where market volatility raises investor expectations and increases equity costs. The implication is that management must efficiently manage the capital structure to optimize investment decisions. If the cost of equity is too high, companies may seek alternative, lower-cost financing options. This study supports the findings of Aghion et al. (2007) and Gatchev et al. (2009).

The Effect of Profit on Investment Decisions

Profit has a significant effect on investment decisions with a significance value of 0.002, supporting the third hypothesis. The greater the company's profit, the greater the investment opportunities due to the availability of sufficient internal funds without having to rely on debt or equity. In the hospitality sector, which requires large capital, profit is a key factor in the expansion of properties and facilities. In accordance with the Pecking Order theory, companies prefer retained earnings as the main source of funding because it is cheaper and less risky than external funding. Companies with high profitability are more aggressive in investing, while low profits limit investment and increase reliance on external funding. In addition to internal

factors, economic conditions also affect the relationship between earnings and investment. In a stable economy, companies are more likely to invest, while in economic uncertainty, despite high profits, companies may be more cautious. Therefore, management should consider macroeconomic conditions to ensure profitable investment. This study confirms that earnings play a major role in investment decisions in accordance with the Pecking Order theory. Companies need to optimize financial performance to increase profits and ensure the availability of sufficient internal funds for investment. With the right strategy, companies can expand their business without having to rely on riskier external funding. The results of this study are in line with Pintarto & Pujiono (2021) and Gadoiu & Banuta (2017).

6. CONCLUSION

Partial test results show that the cost of debt, cost of equity, and profit have a significant influence on investment decisions in hospitality sector companies listed on the Indonesia Stock Exchange during the 2019-2023 period. These findings support the three hypotheses in this study, which confirm that funding costs and profitability play an important role in shaping corporate investment decisions.

LIMITATION

This study has several limitations that may affect the results, including limited earnings data as many companies suffered losses during the Covid-19 pandemic, as well as difficulties calculating Cost of Equity (COE) due to the absence of dividend distribution in the study period. Fluctuations in stock prices that have an impact on the instability of COE calculations are also a challenge, as COE values often depend on historical data such as stock returns or dividend yields that change. For future research, it is recommended to expand the research period to cover the period before and after the pandemic for more comprehensive results, use earnings proxies such as operating cash flow, or alternative methods such as the Capital Asset Pricing Model (CAPM) that do not depend on dividends. A weighted average approach is also recommended to reduce the impact of stock price fluctuations, as well as considering certain scenarios, such as bullish or bearish market conditions, to obtain clearer patterns and stable results.

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