

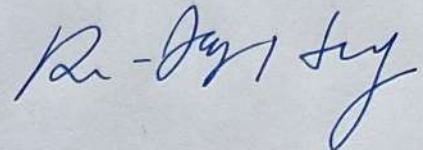
# Internal and External Factors Affecting Firm Financial Performance and Firm Value: An Investigation of Shariah Compliant Firms in Indonesia

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## Abstract



Corporate financial performance is one of the indicators of company effectiveness in using its resources and assets to achieve optimal profits, as well as a descriptor of its sustainability. Many studies have revealed that conventional firms' performance is more stable because there are no restrictions and more freedom in decision making, with particularly access to external funds and profitable investments. For Sharia compliant firms, these restrictions are challenges to maintaining their performance and value in boosting public trust and allowing investment opportunities. The purpose of this research is to examine the internal and external factors affecting financial performance and firm value of non-financial firms that were listed on the Islamic Shariah Stock Index (ISSI) from 2010 to 2020. The research used purposive sampling, then analysis used structural equation model (SEM). The results showed that firm-specific factors were a significant positive influence on both firm performance and firm value. Furthermore, the capital structure of Shariah compliant firms had negative effects on firm performance. Moreover, macroeconomics and ownership were a significant positive influence on firm performance. In addition, there were positive relationships between firm performance and firm value, as well as capital structure and firm value of Shariah compliant firms.

**Keywords:** capital structure, ownership structure, macroeconomic fundamentals, firm financial performance, firm value, Shariah compliant firms



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