

The Impact of Profitability, Liquidity, and Leverage on Firm Value: Evidence from the Consumer Non-Cyclicals Sector

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Abstract

The purpose of this study is to examine the effect of profitability, liquidity, and leverage on firm value in the Customer Non-Cyclicals sector listed on the Indonesia Stock Exchange during the 2021–2025 period, as well as to reassess the inconsistencies found in previous research findings. The variables used in this study are profitability, measured by Return on Assets (ROA); liquidity, measured by Current Ratio (CR); leverage, measured by Debt to Equity Ratio (DER); and firm value, measured by Price to Book Value (PBV). The sample consists of Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during the study period, selected using a purposive sampling technique. This study employs a quantitative approach, and the research method used is correlational analysis with the assistance of IBM SPSS 27 software. The results indicate that: profitability, liquidity, and leverage simultaneously have a significant effect on firm value; profitability has a positive and significant effect on firm value; liquidity has no significant effect on firm value; and leverage has a positive and significant effect on firm value. Abstract should not be more than 250 words, containing the aim of the study, research methods (including sampling methods and the procedure of collecting and analyzing the data), and findings. The alignment is justified. The easier way to follow the instruction is copy your abstract and then paste it here. Don't forget to save the template before. Use bookman old style 9 italic.

Keywords: consumer non-cyclicals, firm value, leverage, liquidity, profitability.

Introduction

The consumer non-cyclicals sector encompasses companies that produce essential and basic consumer goods, including food, beverages, personal care products, pharmaceuticals, and household necessities, whose demand tends to remain relatively stable under various economic conditions (Jannah et al., 2025). This stability in demand is attributed to the nature of these products, which are consumed regularly and cannot easily be postponed by consumers, even during periods of economic slowdown (Aryani & Saputra, 2024). Due to its stable demand characteristics, this sector is classified as a defensive sector within the capital market. The Indonesia Stock Exchange categorizes the consumer non-cyclicals sector as one that is relatively resilient to external economic shocks, including those occurring during periods of economic crises and the COVID-19 pandemic (Jannah et

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al., 2025). According to a report published by Kontan.co.id, the consumption sector, particularly household consumption, contributed 51.87% to Indonesia's economic growth in 2022. During the same year, Indonesia's economy grew by 5.31%. Throughout 2022, household consumption increased by 4.93%, which was higher than the growth rate of 2.02% recorded in 2021 and represented a significant recovery from the contraction of 2.63% experienced in 2020 (Mulyana, 2023).

However, during the COVID-19 pandemic, the consumer non-cyclicals sector experienced a decline in performance of 11.29% (Aryani & Saputra, 2024). This decline indicates that market valuations were under pressure despite the sector's relatively strong and stable demand. Under normal circumstances, companies with higher profitability and strong liquidity are expected to have higher Price to Book Value (PBV) ratios. However, not all companies with high liquidity, large market capitalization, and strong fundamental performance exhibit high PBV ratios. Some firms continue to record low PBV values, even below one, suggesting that they may be undervalued by the market. This phenomenon is inconsistent with previous research findings, which suggest that companies with sound management practices are expected to maintain a PBV ratio of at least one or remain above their book value (Mubyarto, 2020). These conditions indicate that internal company factors play a crucial role in shaping market perceptions and determining firm value, even within a sector that is generally considered defensive.

This phenomenon is reflected in the financial statement data of companies listed on the Indonesia Stock Exchange (IDX), which indicate that the Price-to-Book Value (PBV) of the consumer non-cyclicals sector has remained at a relatively high level. According to the Summary Financial Ratio by Industry published on the IDX website, the sector's PBV was recorded at 3.31x in 2021, 1.71x in 2022, and 1.56x in 2023. These figures reflect market optimism regarding the long-term prospects of the consumer non-cyclicals sector. However, at the same time, profitability (Return on Assets), liquidity (Current Ratio), leverage (Debt to Equity Ratio), and firm value often fluctuate even in the absence of significant financial policy changes (Aryani & Saputra, 2024). This condition indicates a discrepancy between the sector's inherent stability and the market's response to corporate financial performance, whereby firm value does not always move in line with changes in financial ratios.

Firm value is an important indicator that reflects investors' perceptions of a company's performance, risk profile, and future prospects. The higher the firm value, the greater the level of investor confidence in the company (Jannah et al., 2025). One of the most widely used measures of firm value is the Price to Book Value (PBV) ratio. PBV analysis enables investors to identify stocks that are fairly valued based on a company's underlying fundamentals and actual financial performance, as well as stocks that are overvalued or undervalued. A higher PBV ratio indicates that a company has successfully created value for its shareholders and serves as a positive signal that the market has confidence in the company's future prospects (Mubyarto, 2020).

The independent variables examined in this study are profitability, liquidity, and leverage. Profitability is one of the key financial indicators that provides signals to investors regarding a company's financial condition and overall performance (Safitri et al., 2022). The level of profitability reflects a company's ability to generate earnings, which serves as an indicator of its operational performance. Higher profitability signifies better corporate performance, which is likely to elicit a positive response from shareholders and consequently increase firm value (Ummah & Yuliana, 2023). In this study, profitability is measured using Return on Assets (ROA), which reflects

a company's ability to generate profits from its total assets. Consistent with the profitability concept, a higher ROA indicates stronger corporate performance and has the potential to enhance firm value. Liquidity refers to a company's ability to meet its short-term financial obligations in a timely manner. Companies with low liquidity levels are generally considered illiquid, which may reduce firm value and diminish investors' willingness to invest due to concerns regarding excessive debt burdens (Nurohman et al., 2020). Liquidity is measured using the Current Ratio (CR), which evaluates a company's liquidity performance by comparing its current assets with its current liabilities. A declining CR may indicate potential financial difficulties within the company (Sari & Sembiring, 2022). Leverage represents the extent to which a company utilizes debt financing relative to its own capital and serves as an indicator of its ability to meet long-term financial obligations (Nurohman et al., 2020). In this study, leverage is measured using the Debt to Equity Ratio (DER), which assesses the proportion of debt relative to shareholders' equity. DER is selected because it provides insight into the amount of equity used as collateral for the company's debt obligations and reflects the balance between internally generated and externally sourced financing (Marjohan et al., 2023).

Theoretically, the relationship between profitability, liquidity, and leverage and firm value can be explained through signaling theory. Signaling theory involves the periodic publication of financial statements, which constitutes a key component of a company's fundamental analysis to ensure the accessibility of information to external parties (Mubyarto, 2020). These signals serve to convey information to investors that a particular company is superior to others; however, such information must remain realistic and consistent with its financial reports. In this context, companies are expected to apply conservative accounting policies in order to produce high-quality earnings (Antoniawati & Purwohandoko, 2022). Thus, it can be concluded that strong financial performance sends a positive signal to investors, which in turn increases stock demand and ultimately enhances firm value.

However, empirical research findings reveal inconsistent results. Safitri et al. (2022) found that profitability has a positive effect on firm value, where an increase in profitability indicates favorable prospects for the company. Similar findings were reported by Mubyarto (2020), who stated that an increase in profitability measured by Return on Assets (ROA) directly enhances firm value, with Price to Book Value (PBV) used as its proxy. The same applies to capital structure, measured by Debt to Equity Ratio (DER), which also has a direct positive effect. Research conducted by Arsyana & Hwihanus (2023) that capital structure, as represented by DER, significantly affects corporate financial performance, which in turn may increase firm value. However, financial performance indicators, including ROA and Current Ratio (CR), do not have a direct significant effect on firm value. Diantoro et al. (2022) found that liquidity and capital structure are not significant determinants of firm value, whereas profitability has a significant effect on firm value. In contrast, studies by Jihadi et al. (2021), Alamsyah (2024), Kusuma & Mahroji (2024), and Jannah et al. (2025) consistently found that profitability, liquidity, and leverage each have a partially significant positive effect on firm value. Meanwhile, Marjohan et al. (2023) reported that profitability measured by Return on Equity (ROE) and liquidity measured by Current Ratio (CR) do not have a significant impact on firm value. Similarly, debt policy measured by DER also does not significantly affect firm value.

The above review highlights a research gap that needs to be addressed. First, several previous studies have limited their sample to specific periods (e.g., 2020–2022) or only to certain sub-sectors. Second, the mixed and inconsistent empirical findings

across studies indicate the need for further validation using more recent data. This is particularly relevant in the consumer non-cyclicals sector, with a research period covering 2021–2025. This study seeks to fill this gap by re-examining the effect of profitability, liquidity, and leverage on firm value in consumer non-cyclicals companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2025 period, in order to validate or update previous empirical findings.

Literature Review

Management science consists of various fields, one of the main areas being financial management. Financial management is a process that integrates both science and art, encompassing discussion, analysis, and evaluation of how a financial manager utilizes a corporation's or organization's entire assets in acquiring, managing, and allocating funds. The objective is to enable the entity to generate profits, ensure the welfare of stakeholders, and secure the company's ability to operate continuously and sustainably (Jirwanto et al., 2024).

In carrying out its functions, financial management not only focuses on managing a company's resources but also on conveying information that reflects the company's condition and prospects to external parties. In signaling theory, if the signal provided by a company is of high quality, it is interpreted as good news; conversely, if the signal is of poor quality, it is interpreted as bad news (Aryani & Saputra, 2024). The information conveyed can influence investors' perceptions and investment decisions, which ultimately affects firm value. Such information is generally contained in a company's financial performance reports, which include various financial performance indicators such as profitability, liquidity, and leverage.

Signaling Theory

According to Brigham & Houston (2011), signaling refers to actions taken by a company's management to provide indications to investors regarding how management evaluates the company's prospects. This theory involves two parties, namely internal and external stakeholders. The internal party, as the information provider through the publication of periodic financial statements, plays a crucial role in ensuring external parties have access to information for conducting fundamental analysis of the company (Mubyarto, 2020). Signaling theory also underlies voluntary disclosure of financial reports, which includes information regarding management's efforts to fulfill the expectations of owners. Signals can take the form of promotions or other information indicating that a company is performing better than its competitors (Marjohan et al., 2023).

The principle of signaling theory suggests that every action conveys information due to information asymmetry between the company and external parties (Safitri et al., 2022). If the signal provided by a company is of high quality, it is interpreted as good news; conversely, if the signal is of poor quality, it is interpreted as bad news. Companies with favorable news tend to disclose such information promptly to the public, as it is expected to increase stock prices (Aryani & Saputra, 2024).

Profitability, Liquidity, Leverage, and Firm Value

In their book, Brigham & Houston (2010) state that the market price-to-book value ratio of a stock provides an indication of investors' perceptions of a company. This

implies that companies with stable earnings and cash flows, as well as continuous growth, tend to be valued higher in the market compared to companies with lower returns. A company may be considered to have low returns if its return on assets is low; consequently, its firm value ratio will be relatively lower than the industry average. Essentially, this value reflects investors' perceptions of a company's current performance as well as its future growth prospects, which in turn can influence stock prices. A higher stock price sends a positive signal and attracts investors in making investment decisions (Jihadi et al., 2021).

Several factors influence firm value, namely the Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and firm growth (Marjohan et al., 2023). In this study, the Current Ratio is used as a proxy for liquidity, the Debt to Equity Ratio as a proxy for leverage, and Return on Assets as a proxy for profitability. Effective liquidity management, high profitability achievement, and optimal use of leverage can enhance investor confidence, strengthen a company's market position, and ultimately increase firm value (Jannah et al., 2025). This indicates that profitability, liquidity, and leverage have a significant effect on firm value. The study conducted by Jihadi et al. (2021) found that the independent variables profitability, leverage, and liquidity jointly have a significant effect on firm value. Consistent with these findings, research by Rismaya & Kasir (2024) shows that Return on Assets, Current Ratio, and Debt-to-Asset Ratio simultaneously influence firm value. Several other studies, such as those conducted by Alamsyah (2024) and Kusuma & Mahroji (2024), also indicate that profitability, liquidity, and leverage simultaneously have a significant impact on firm value. Based on this explanation, the first hypothesis is formulated as follows:

H1. Profitability, liquidity, and leverage simultaneously have a significant effect on firm value.

Profitability and Firm Value

In their book, Brigham & Houston (2010) state that profitability ratios represent a group of ratios that reflect the combined effects of liquidity, asset management, and debt on a company's operating results. Profitability serves as an important signal to investors by reflecting a company's financial performance and indicating whether the company is performing well or poorly. A higher level of profitability indicates that management is operating the company effectively and efficiently (Safitri et al., 2022). Profitability represents the success of a company in conducting its operational activities and is therefore considered a benchmark for investors in making investment decisions (Kristanto & Lasdi, 2021). The measurement of profitability is conducted to evaluate a company's ability to generate profits and to assess the effectiveness of its management, as reflected in earnings from sales and returns on invested capital (Prasetya Margono & Gantino, 2021).

A high level of profitability indicates that a company experiences positive earnings growth and demonstrates strong financial performance. This serves as a positive signal for investors to invest in the company, thereby influencing firm value. The benefits offered to shareholders increase in line with rising company profits, which attracts investors to hold the company's shares and subsequently has a positive impact on stock prices in the market (Ummah & Yuliana, 2023). This indicates that profitability has a positive and significant effect on firm value. Consistent with this, the study conducted by Diantoro et al. (2022) shows that profitability has a significant effect on firm value. Similarly, Kristanto & Lasdi (2021) found that companies with higher profitability tend to have higher firm value, as profitability reflects the

company's operational activities over a given period. This increase aligns with the rise in firm value, since positive earnings indicate strong performance and attract investors to invest their capital. Based on this explanation, the first hypothesis is formulated as follows:

H2. Profitability has a positive and significant effect on firm value.

Liquidity and Firm Value

Liquidity ratios indicate the relationship between cash and other current assets of a company and its current liabilities (Brigham & Houston, 2010). This ratio provides investors and analysts with an overview of how effectively a company utilizes its current assets to meet short-term debts and other obligations, which is measured by comparing total current assets with total current liabilities (Jihadi et al., 2021). Companies with low liquidity levels are considered illiquid, which may have negative consequences such as reducing firm value and decreasing investor interest due to high debt obligations (Nurohman et al., 2020).

The study by Feryanto et al. (2023) states that liquidity has a positive effect on firm value. The higher a company's liquidity ratio, the greater its ability to meet its obligations using its current assets (Jihadi et al., 2021). This condition serves as a positive signal for investors to invest in the company, thereby influencing firm value. Research by Ummah & Yuliana (2023) also shows that the Current Ratio has a positive and significant relationship with firm value. Based on signaling theory, a company's ability to meet its short-term obligations is perceived positively by the stock market, as it is considered capable of maintaining performance at a level that enhances shareholder value. A high Current Ratio reflects the company's readiness of funds to support operational activities and pay dividends. Investors tend to perceive companies with a high Current Ratio as having good prospects due to strong performance, which can increase stock prices and, consequently, firm value (Rismaya & Kasir, 2024). Similar results are also shown in the study by Alamsyah (2024), which finds that liquidity has a significant partial effect on firm value. Based on this explanation, the first hypothesis is formulated as follows:

H3. Liquidity has a positive and significant effect on firm value.

Leverage and Firm Value

Leverage represents the ratio of external financing to a company's internal funds, which is used to measure a firm's ability to meet its long-term obligations. The higher this ratio, the greater the risk faced by investors in exchange for higher potential returns (Nurohman et al., 2020). A higher debt ratio increases the financial burden of the company, and a higher leverage ratio also increases the risk borne by shareholders (Jihadi et al., 2021). However, according to Kasmir (2017), debt has two advantages. First, interest payments on debt are tax-deductible. Second, creditors receive fixed returns; therefore, when the company performs well, shareholders do not have to share profits with creditors (Aryani & Saputra, 2024). The use of debt can increase firm value if the benefits obtained exceed the associated costs, such as bankruptcy costs and agency costs. Debt as a source of investment financing is expected to enhance company profits, thereby improving overall performance (Mappadang, 2021).

The study by Nadhilah et al. (2022) shows that higher leverage leads to increased investment risk for shareholders. Although higher debt usage increases financial risk, it may also enhance firm value, which is positively perceived by investors. Similarly, Kusuma & Mahroji (2024) found that leverage has a positive and significant effect on firm value, implying that an increase in leverage within a business entity can enhance firm value, and vice versa. Consistent findings are also reported by Damayanti & Sucipto (2022) and Arsyana & Hwihanus (2023), who demonstrate that leverage has a positive and significant effect on firm value. A higher Debt to Equity Ratio (DER) leads to higher firm value, as debt usage provides tax-saving benefits that positively affect firm valuation. Based on this explanation, the first hypothesis is formulated as follows:

H4. Leverage has a positive and significant effect on firm value.

Figure

The conceptual framework illustrating the relationships among these variables is presented in Figure 1.

Methods

Sampling and Procedures

This study employs a quantitative research approach using secondary data collected from various sources. The data consist of financial statements and annual reports of companies in the Consumer Non-Cyclicals sector covering the period from 2021 to 2025. The population of this study comprises Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange (IDX). The sample was selected using a purposive sampling technique based on several predetermined criteria. To be included in the sample, companies were required to meet the following conditions: (1) they had to be listed on the Indonesia Stock Exchange (IDX) continuously from 2021 to 2025; (2) they had to publish complete and consistent annual financial reports in accordance with the research requirements throughout the 2021–2025 period; and (3) they had to report positive earnings consecutively from 2021 to 2025.

Measures

Firm value is an indicator that reflects a company's level of success and is influenced by its growth potential, which largely depends on the company's ability to attract sources of capital. An increase in stock price indicates investor confidence in the

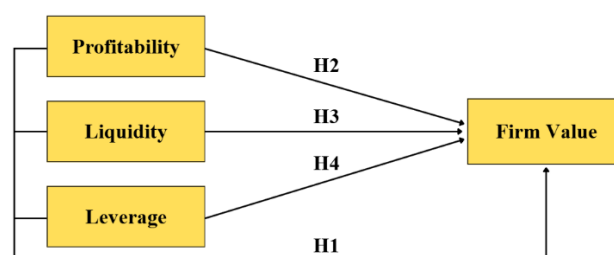


Figure 1. Research Model

company, leading investors to be willing to pay a higher price in anticipation of greater returns. High stock prices can also serve as a positive signal that attracts investor interest and influences investment decisions (Jihadi et al., 2021). Firm value can be measured using the Price to Book Value (PBV) ratio. PBV is the ratio between the market value of a company's shares (stock price) and the book value of its equity (the value of the company's assets recorded on the balance sheet). This ratio provides important information for investors seeking growth opportunities at a reasonable price. A higher PBV ratio indicates a higher firm value, suggesting that the market places greater value on the company's future prospects and performance (Jihadi et al., 2021). The formula for calculating PBV is as follows:

$$PBV = \frac{\text{Stock Price}}{\text{Book Value per Share}} \dots\dots\dots 1)$$

Profitability represents a company's success in carrying out its operational activities and is therefore regarded as an important benchmark for investors when making investment decisions (Kristanto & Lasdi, 2021). The measurement of profitability is conducted to evaluate a company's performance in generating profits and to assess the effectiveness of its management in utilizing available resources. This effectiveness is reflected in the profits generated from sales and returns earned on invested capital (Prasetya Margono & Gantino, 2021). In this study, profitability is measured using Return on Assets (ROA). Return on Assets is a financial ratio that measures the extent to which a company's investments in assets generate profits. ROA indicates the company's ability to produce net income from its total assets and reflects how efficiently management utilizes those assets to generate earnings. A higher ROA suggests better financial performance and greater efficiency in asset utilization. As a profitability measure, ROA has a positive relationship with profit growth because it evaluates the company's capability to generate net income relative to a given level of assets (Nurohman et al., 2020). The formula for calculating ROA is as follows:

$$ROA = \frac{\text{Earning After Tax}}{\text{Total Assets}} \dots\dots\dots 2)$$

The **liquidity** ratio reflects the relationship between a company's cash and other current assets and its current liabilities (Brigham & Houston, 2010). This ratio provides investors and analysts with insights into how effectively a company can utilize its current assets to meet short-term debts and other obligations. It is measured by comparing the company's total current assets with its total current liabilities (Jihadi et al., 2021). Although several financial ratios can be used to assess a company's liquidity condition, the most widely used and commonly accepted measure of liquidity performance is the Current Ratio (CR) (Sari & Sembiring, 2022). The Current Ratio indicates the extent to which assets expected to be converted into cash within the same period are sufficient to cover the claims of short-term creditors. It is calculated by comparing current assets to current liabilities (Antoniawati & Purwohandoko, 2022). A higher Current Ratio generally indicates a stronger ability of the company to fulfill its short-term obligations, thereby reflecting a healthier liquidity position. Conversely, a lower ratio may signal potential difficulties in meeting short-term financial commitments. The formula for calculating the Current Ratio (CR) is as follows:

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}} \dots\dots\dots 3)$$

Leverage is a financial ratio that reflects the proportion of a company's financing obtained from external sources compared to its own capital. This ratio is used to measure a company's ability to meet its long-term obligations. A higher leverage ratio indicates greater reliance on debt financing, which increases the level of risk faced by investors, although it may also provide the opportunity for higher returns (Nurohman et al., 2020). In this study, leverage is measured using the Debt to Equity Ratio (DER). DER compares a company's total liabilities to its shareholders' equity and indicates the extent to which the company finances its operations through debt relative to its own capital. A higher DER suggests that the company relies more heavily on external financing than on internally generated funds. This ratio is useful in assessing the company's financial structure and evaluating its ability to fulfill obligations using its own equity. The Debt to Equity Ratio also serves as an indicator of financial risk. While the use of debt can enhance business expansion and profitability, excessive leverage may increase the likelihood of financial distress and reduce the company's financial flexibility. The formula for calculating the Debt to Equity Ratio (DER) is as follows:

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}} \dots\dots\dots 4)$$

Data Analysis

The research data that had been collected were subsequently tested using IBM SPSS 27 software and analyzed through descriptive and correlational statistical analysis, classical assumption tests consisting of multicollinearity and heteroscedasticity tests, multiple linear regression analysis, and hypothesis testing, including the F-test, t-test, and coefficient of determination test.

Statistic descriptive and correlational. The study employs a correlational approach, in which the existing variables are described by collecting data to determine the relationship or association between two or more quantifiable variables. The purpose of correlational research is to identify the relationships among variables and to use those relationships as a basis for making predictions.

Classical assumption test is used to evaluate the suitability of the regression model employed in this study and serves as a prerequisite for conducting multiple linear regression analysis. The classical assumption tests include the normality test, multicollinearity test, heteroscedasticity test, autocorrelation test, and linearity test (Ghozali, 2021).

Multicollinearity test is conducted to determine whether there is a correlation among the independent variables in a regression model. Multicollinearity occurs when one independent variable is highly correlated with another independent variable included in the model. The presence of multicollinearity can be detected by examining the Variance Inflation Factor (VIF) values. The testing criterion states that if the VIF value is less than 10, there is no multicollinearity among the independent variables. Conversely, if all VIF values exceed 10, the model is considered to contain multicollinearity. In addition, a regression model is regarded as free from multicollinearity if the Tolerance value is greater than 0.1. If the Tolerance value is less than 0.1, multicollinearity is considered to be present (Basuki & Pratowo, 2015).

According to Ghozali (2021), the **heteroscedasticity test** aims to determine whether a regression model exhibits inequality or deviation in the variance of residuals from

one observation to another. The basis for analyzing the heteroscedasticity test is as follows:

- ☑ If a specific pattern appears, such as data points forming a regular pattern (for example, widening and then narrowing in a wave-like shape), this indicates the presence of heteroscedasticity.
- ☑ If there is no clear pattern, and the data points are scattered above and below the value of 0 on the Y-axis, this indicates that heteroscedasticity is not present or that homoscedasticity occurs.

Regression analysis is fundamentally a study of the dependence of a dependent variable on one or more independent variables, with the objective of estimating and/or predicting the population mean or the average value of the dependent variable based on the values of the independent variables. The results of this analysis are expressed in the form of coefficients for each independent variable, indicating the magnitude and direction of their influence on the dependent variable (Ghozali, 2021). The formula for this analysis is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 \dots\dots\dots 5)$$

Result and Discussion

Result

Descriptive correlational. Based on the sample selection criteria described in the sampling method, 55 Consumer Non-Cyclicals companies were selected, resulting in 275 observations. The descriptive statistics results present the minimum, maximum, median, and standard deviation values of the research variables, as shown in Table 1.

The descriptive analysis table shows that the average (mean) value of the firm value variable is 2.8829, indicating that companies in this sector had relatively high firm values during the 2021–2025 period, with a standard deviation of 5.31251. The lowest (minimum) value was recorded by PT Bakrie Sumatera Plantations Tbk in 2025, at -0.21, while the highest (maximum) value was recorded by PT Unilever Indonesia Tbk in 2022, at 44.86.

Profitability (X1) is the first independent variable in this study. Based on the analysis table, the number of observations used for this variable is 275. This variable is measured using Return on Assets (ROA). The average value of this variable is 9.2669, with a standard deviation of 6.67284. The lowest (minimum) value is 0.11, recorded by PT Gozco Plantations Tbk in 2023, while the highest (maximum) value is 38.17, recorded by PT Unilever Indonesia Tbk in 2025. Liquidity (X2) is the second independent variable, measured using the Current Ratio (CR). According to the analysis results presented in the table, the number of observations used is 275, with an average (mean) value of 253.9299 and a standard deviation of 226.68879. The lowest (minimum) value is 8.52, recorded by PT Bakrie Sumatera Plantations Tbk in 2022, whereas the highest (maximum) value is 1431.36, recorded by PT BISI International Tbk in 2025. Leverage (X3) is the third independent variable, measured using the Debt to Equity Ratio (DER). According to the analysis results shown in the table, the number of observations used is 275, with an average (mean) value of 88.1724 and a standard deviation of 101.33105. The lowest (minimum) value is -

Tabel 1. Statistic Descriptive and Correlation

	Mean	Std. Deviation	(1)	(2)	(3)
Return on Assets (1)	9.2669	6.67284	1		
Current Ratio (2)	253.9299	226.68879	-0.149	1	
Debt to Equity Ratio (3)	88.1724	101.33105	-0.050	0.355	1
Price to Book Value	2.8829	5.31251			

Table 2. Multicollinearity Test

	Collinearity Tolerance	Statistic VIF
(Constant)		
Return on Assets	0.978	1.023
Current Ratio	0.857	1.168
Debt to Equity Ratio	0.874	1.145

219.81, recorded by PT Bakrie Sumatera Plantations Tbk in 2021, while the highest (maximum) value is 646.59, recorded by PT Unilever Indonesia Tbk in 2024. The following section presents the results of the correlational analysis among the independent variables, as shown in Table 1.

Referring to the results presented in the table regarding the correlation coefficients among the independent variables, it can be seen that the Leverage variable, proxied by Debt to Equity Ratio (DER), has a relatively high correlation with the liquidity variable, proxied by the Current Ratio (CR), with a correlation coefficient of 0.355 or approximately 35%. Since this correlation is still below 95%, it can be concluded that multicollinearity does not occur.

The **classical assumption tests** employed in this study consist of the multicollinearity test and the heteroscedasticity test. The normality test was not conducted because the sample size exceeded 30 observations, while the autocorrelation test was not performed because it is generally applicable only to time-series data.

The **multicollinearity test** aims to determine whether there is a correlation among the independent variables in the regression model. A good regression model should indicate that one independent variable is not correlated with another independent variable. The testing criterion states that if the Variance Inflation Factor (VIF) value is less than 10, multicollinearity is not present among the independent variables, and vice versa. The results of this test are presented in Table 2.

Referring to the results of the multicollinearity test, the VIF values for X1, X2, and X3 are 1.023, 1.168, and 1.145, respectively, all of which are less than 10. Therefore, it can be concluded that the regression model is free from multicollinearity and has successfully passed the multicollinearity test.

The **heteroscedasticity test** aims to determine whether the regression model exhibits inequality or deviation in the variance of residuals from one observation to another. This test was conducted using the Scatterplot method, as shown in Figure 2.

From the scatterplot test, the results show that the data points are randomly distributed both above and below the value of 0 on the Y-axis. In accordance with

Ghozali (2021), if there is no clear pattern and the points are scattered above and below the value of 0 on the Y-axis, this indicates that heteroscedasticity is not present and that homoscedasticity exists. Therefore, it can be concluded that there is no heteroscedasticity in the regression model.

Multiple linear regression analysis is used to determine the effect of independent variables on a dependent variable in a study. In this research, the independent variables consist of Profitability, Liquidity, and Leverage, while the dependent variable is Firm Value. The results of the analysis are presented in Table 3.

From the results above, the regression equation for this study is as follows:

$$Y = (-2.399) + (0.437)\beta_1X_1 + (-0.002)X_2 + (0.020)X_3 \dots\dots\dots 6)$$

Based on the regression coefficient table, it can be seen that if all independent variables have a value of zero (0), the dependent variable (β) will be -2.399. The coefficient value of the profitability (ROA) variable is 0.437. This means that for every one-unit increase in profitability, the dependent variable (Y) will increase by 0.437, assuming that the other independent variables in the regression model remain constant. The coefficient value of the liquidity (CR) variable is -0.002. This means that for every one-unit increase in liquidity, the dependent variable (Y) will decrease by 0.002, assuming that the other independent variables in the regression model

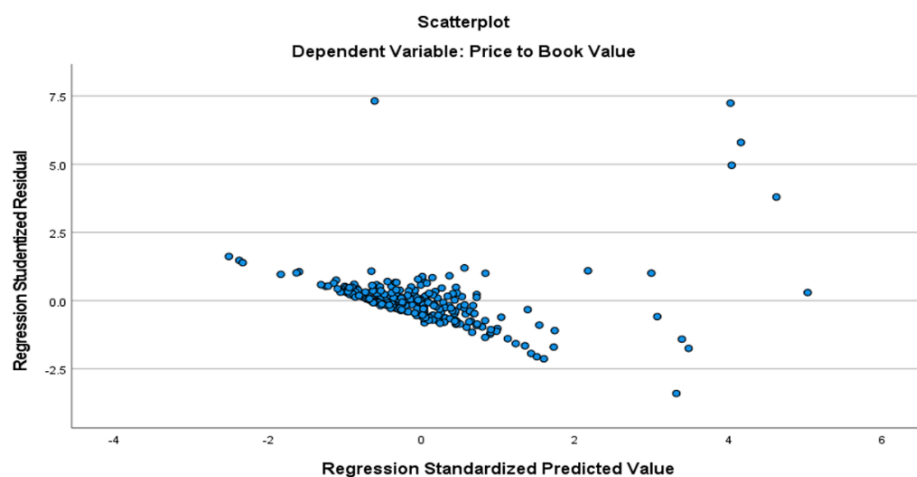


Figure 2. Heteroscedasticity Test

Table 3. Result of Multiple Linear Regression, N=225

	Unstandarized B	Coefficient Std. Error	Standarized Coefficients Beta	t	Sig.
(Constant)	-2.399	0.553		-4.228	<0.001
Return on Asssets	0.437	0.036	0.549	12.187	<0.001
Current Ratio	-0.002	0.001	-0.088	-1.838	0.067
Debt to Equity Ratio	0.020	0.002	0.381	7.990	<0.001
R ²	0.463				
F	77.7983				

Dependent Variable: Firm Value

remain constant. The coefficient value of the leverage (DER) variable is 0.020. This means that for every one-unit increase in leverage, the dependent variable (Y) will increase by 0.020, assuming that the other independent variables in the regression model remain constant.

The coefficient of determination (R^2) test is used to determine the extent to which the independent variables are able to explain the dependent variable. The value of the coefficient of determination ranges between zero and one ($0 < R^2 < 1$). The results of this test can be seen in Table 3.

Based on the results, Firm Value is influenced by three variables, namely Profitability, Liquidity, and Leverage, by 46%, while the remaining 54% is influenced by other variables that were not examined in this study.

The simultaneous test (F-test) is a test of the regression coefficients simultaneously. This test is conducted to determine the effect of all independent variables included in this study collectively (simultaneously) on the dependent variable. The results of this test can be seen in Table 3.

Based on the results of the F-test, Profitability, Liquidity, and Leverage jointly have a significant effect on Firm Value. The significance value of 0.001, which is lower than 0.05, indicates a significant effect. Likewise, the calculated F-value (77.793) is greater than the critical F-value (3.179), further indicating a significant effect. Therefore, H1 is supported.

This test is conducted to determine whether the effect of each independent variable on the dependent variable is significant or not. The t-test is used as a partial test for each variable and can be performed by comparing the t-count value with the t-table value. The results of this test can be seen in Table 3.

Based on the results of the t-test, Profitability has a positive effect on Firm Value. The calculated t-value of 12.187 is positive, indicating a positive relationship, and the significance value of 0.001, which is less than 0.05, indicates a significant effect. This means that the higher the Profitability, the higher the Firm Value. Therefore, H2 is supported. Liquidity does not have a positive effect on Firm Value. The calculated t-value of -1.838 is negative, indicating a negative relationship, and the significance value of 0.067, which is greater than 0.05, indicates that the effect is not significant. The negative t-value suggests that an increase in Liquidity is associated with a decrease in Firm Value. Therefore, H3 is rejected. Leverage has a positive effect on Firm Value. The calculated t-value of 7.990 is positive, indicating a positive relationship, and the significance value of 0.001, which is less than 0.05, indicates a significant effect. This means that the higher the Leverage, the higher the Firm Value. Therefore, H4 is supported.

Discussion

The results of the F-test show that a company's ability to meet its short-term obligations or liquidity, and a company's ability to generate profits from its operational activities or profitability, as well as the management of its financing structure through the use of debt or leverage, are able to make a significant contribution to increasing Firm Value (Jannah et al., 2025). A company's financial performance is reflected through a high ROA as an indicator of how much profitability the company generates compared to its total assets. This indicator provides an overview of how efficiently company management uses its assets to generate profits. Therefore, the higher the ROA, the higher the Firm Value (Jihadi et al., 2021). In

addition, liquidity simultaneously also has a positive effect on Firm Value. Investors assume that a company has good prospects if it has a high Current Ratio, because the company demonstrates good performance through its ability to settle all short-term obligations with current assets, thereby increasing stock prices, which indicates that Firm Value also increases in the eyes of investors (Rismaya & Kasir, 2024). Likewise, the leverage variable, a good leverage ratio will influence public confidence in a company, thereby increasing Firm Value. This ratio assesses the company's ability to meet its financial obligations, and the higher the leverage ratio, the higher the Firm Value (Jihadi et al., 2021). The results of this study are supported by the research conducted by Alamsyah (2024), which states that the independent variables, namely profitability, liquidity, and leverage, simultaneously have a significant effect on Firm Value.

Based on the results of the t-test, the findings indicate that every increase in profitability will also lead to an increase in Firm Value. This also shows that the company is able to manage its assets to generate a higher level of profit, and this is in line with the provisions of signaling theory, which states that information indicating an increase in company profitability as reflected in the Return on Assets (ROA) value is a positive signal for investors (Mubyarto, 2020). This is consistent with the findings of Safitri et al. (2022), who revealed that an increase in profitability indicates good company prospects, which are considered a positive signal by investors. This means that when profitability increases, Firm Value will also increase automatically. This condition represents the right time for investors to invest their capital because the company is generating profits, reflecting the company's success in its performance and aligning with the company's objectives (Kristanto & Lasdi, 2021). From this performance, the increase in profits earned can be used either for distribution to shareholders or for business expansion, which is expected to increase Firm Value (Mubyarto, 2020). This implies that the increase in profits can be utilized for dividend distribution to improve stakeholder welfare while simultaneously creating positive value for the company (Diantoro et al., 2022). This encourages investors to invest their funds through securities and stock instruments. The results of this study are consistent with the research conducted by Ummah & Yuliana (2023) and Aryani & Saputra (2024), which states that profitability serves as a positive signal as reflected in the profits generated; if profits are high, the company's opportunity to plan future activities will also be high, resulting in an increase in Firm Value as reflected in the company's stock price.

The results of the t-test also indicate that an increase in liquidity is not followed by an increase in Firm Value and has not been able to generate a significant impact on Firm Value. This may occur because the Current Ratio, which is used to measure liquidity, reflects a company's short-term ability, whereas PBV reflects the company's long-term performance. In addition, high liquidity indicates sufficient current assets, but it may also indicate the existence of assets that are not utilized productively. The utilization of these assets is one of the factors that attracts investors, as investors generally focus more on a company's ability to generate profits. A company with high liquidity but low profitability tends to be less attractive to investors because its assets are not being utilized effectively to generate earnings. These results are consistent with the study conducted by Marjohan et al. (2023), which showed that liquidity, proxied by the Current Ratio, has no effect on Firm Value, meaning that whether the Current Ratio is high or low does not affect the quality of a company's value. Other studies have also shown that liquidity has a negative and insignificant effect on Firm Value, therefore the hypothesis stating that liquidity affects Firm Value is rejected. This may occur when a company's ability to cover its short-term obligations,

particularly during the COVID-19 period, is focused solely on short-term needs (Diantoro et al., 2022). The findings of this study are also consistent with the research conducted by Arsyana & Hwihanus (2023), which showed that liquidity has no effect on Firm Value.

The results of this study also show that the leverage variable has a positive and significant effect on Firm Value. The study conducted by Mappadang (2021) shows that the higher the use of debt, the higher the Firm Value. Leverage will receive a positive response from investors when debt is used for investment purposes and remains within an acceptable limit, so the use of debt will increase Firm Value. In addition, leverage also serves as a mechanism of control by third parties over management. Damayanti & Sucipto (2022), in their study, showed that leverage has a positive and significant effect on Firm Value. In their research, companies were considered to use debt as an effort to achieve tax savings. However, the use of debt by a company also indicates a certain level of profit earned by the company. The positive effect of leverage on Firm Value is explained by several factors, including increasing sales revenue and market share, as well as reducing agency costs. This means that changes in a company's leverage are able to significantly influence its value. Therefore, an increase in a company's leverage can serve as a positive signal to investors who expect cash circulation and assurance regarding the capital and assets owned by the company (Kusuma & Mahroji, 2024). Previous studies that are consistent with the findings of this research include those conducted by Prasetya Margono & Gantino (2021) and Arsyana & Hwihanus (2023).

Conclusion

Based on the results of data analysis examining the relationship between profitability, liquidity, and leverage on firm value, both simultaneously and partially, in consumer non-cyclicals companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2025 period, the following conclusions are drawn. First, simultaneously, profitability, liquidity, and leverage have a positive and significant effect on firm value in the consumer non-cyclicals sector. Second, profitability, proxied by Return on Assets (ROA), has a positive and significant effect on firm value, which is proxied by Price to Book Value (PBV). Third, liquidity, proxied by the Current Ratio (CR), does not have a significant effect on firm value (PBV). Fourth, leverage, as proxied by the Debt to Equity Ratio (DER), has a positive and significant effect on Firm Value, as proxied by the Price to Book Value (PBV). These findings suggest that, within the context of the consumer non-cyclicals sector during the 2021–2025 period, investors tend to place greater emphasis on the company's capital structure and debt utilization as indicators of future prospects, as well as profitability levels, rather than short-term liquidity in assessing firm value.

Suggestion

The researcher acknowledges the existence of several limitations in this study. Therefore, the following suggestions are expected to assist future researchers:

- ☑ The researcher suggests exploring other variables that may influence Firm Value in order to provide deeper insights. This is important because the results of this study indicate that the variables used have not optimally explained Firm Value.

- ☑ Conducting studies in other sectors to identify whether there are differences in the effects of profitability, liquidity, and leverage on Firm Value across various industries.
- ☑ Although liquidity does not affect Firm Value, management should still pay attention to its current assets to ensure that current liabilities can be met.

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