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## **Profitability, Leverage, and Firm Value: Evidence from Retail Companies in the Consumer Cyclical Sector**

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### **ABSTRACT**

This study aims to determine and analyse the effect of profitability and leverage on firm value, with firm size as a moderating factor. The population in this study were companies in the consumer cyclical retailing sub-sector listed on the Indonesia Stock Exchange (IDX) in 2021-2023. The sampling method used was purposive sampling. The resulting sample consisted of 11 companies. The data analysis techniques used were panel data regression and moderated regression analysis. The sample processing technique used E-views version 12. The results showed that profitability affected firm value, while leverage and firm size did not. Firm size moderated the effect of profitability on firm value. However, firm size did not moderate the effect of leverage on firm value.

### **INTRODUCTION**

The capital market plays a crucial role in the economy as a source of funding for companies and as an investment vehicle for the public. According to Law No. 8 of 1995, the capital market encompasses public offerings, securities trading, and institutions and professions related to securities activities. Companies listed on the capital market aim to generate profits and enhance shareholder welfare by increasing firm value in order to attract investors (Maryamah & Mahardhika, 2021). Firm value is a critical indicator in investment decision-making, as it reflects the company's condition and the effectiveness of management in managing financial resources (Mudjijah, Khalid, & Astuti, 2019). In practice, firm value is commonly measured through stock prices in the capital market, which represent investors' assessments of the company's performance and prospects (Dewantari, Cipta, & Susila, 2019).

One widely used indicator of firm value is Price to Book Value (PBV), which compares the market value of a company's shares with their book value. A higher PBV indicates greater shareholder prosperity, thereby encouraging management to maximize financial performance to enhance firm value (Mudjijah, Khalid, & Astuti, 2019). Financial performance is a primary concern for investors and is often assessed through profitability measures, particularly Return on Equity (ROE). Several studies, such as Sari, Hanafi, & Nofiyanti (2022), demonstrate that profitability has a positive effect on firm value. However, contrasting findings have been reported by Anggraeni, Afriyani, & Setiaji (2023), who found that ROE does not significantly influence firm value. These mixed results indicate that profitability alone may not consistently determine firm value across different contexts.

In addition to profitability, debt policy or leverage is another important factor influencing firm value. Leverage is commonly measured using the Debt to Equity Ratio (DER), which reflects a company's ability to meet its long-term obligations (Maryamah & Mahardhika, 2021). A higher level of leverage may increase firm value by enabling companies to utilize debt as a source of capital to generate higher returns (Sari et al., 2022). Nevertheless, other studies suggest that leverage has no significant effect on firm value, as reported by Farizki & Masitoh (2021). These inconsistencies highlight the importance of prudent debt management to balance potential benefits and risks in enhancing firm value.

External factors, particularly firm size, also play a significant role in determining firm value. Firm size reflects a company's scale of operations, typically measured by total assets, and indicates its ability to access external funding more easily (Utama & Fidiana, 2016). Prior studies by Ardiantini, Surasni, & Sukma (2020) and Sari, Hanafi, & Nofiyanti (2022) reveal that firm size can moderate the relationship between profitability and firm value. Similarly, Izzah (2017) finds that firm size moderates the relationship between leverage and firm value. These findings suggest that larger firms may have stronger resilience and strategic advantages in leveraging internal and external resources to enhance firm value.

This study focuses on retail sub-sector companies within the consumer cyclical sector, which is highly vulnerable to economic instability. During periods of economic recession, declining household income reduces consumer spending on cyclical goods; however, consumer demand tends to recover when economic conditions improve (Snips.stockbit.com, 2022). Consumer cyclical goods are non-essential products whose demand is strongly influenced by business cycles and overall economic conditions (Wardana & Suwaidi, 2023). As a result, stock prices in this sector are highly volatile and significantly affected by economic fluctuations.

For instance, during the COVID-19 pandemic in 2020, retail companies such as PT Ramayana Lestari Sentosa Tbk experienced substantial declines in assets and financial performance (Masitah & Khalifaturofi'ah, 2023).

According to data from the Central Bureau of Statistics (BPS, 2023), the retail industry contributes significantly to Indonesia's Gross Domestic Product (GDP), accounting for 12.94% and ranking as the second-largest contributor to the national economy. Consequently, a decline in performance within this sector can have a direct and substantial impact on Indonesia's overall economic condition. Retailing represents the final stage of the distribution chain, directly delivering products to consumers. The primary objective of retail activities is to achieve maximum profitability through efficient management to ensure long-term business sustainability. Therefore, it is essential for retail companies to maintain strong financial performance, manage leverage carefully, and utilize firm size as a strategic advantage to enhance firm value.

## **LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

Firm value is a crucial indicator in the capital market as it reflects investors' perceptions of a company's performance and future prospects. Companies listed on the capital market aim to maximize shareholder wealth by increasing firm value, which is commonly reflected in stock prices (Maryamah & Mahardhika, 2021). According to Indrarini (2019), firm value represents the market's assessment of management's ability to manage corporate assets and resources efficiently, considering not only current performance but also future growth potential. One of the most widely used measures of firm value is Price to Book Value (PBV), which compares the market value of a company's shares with their book value (Hermawan & Putri, 2015). A higher PBV indicates better corporate performance and greater shareholder prosperity (Mudjijah, Khalid, & Astuti, 2019).

The disclosure of financial information to investors is closely related to Signaling Theory. Signaling Theory, introduced by Spence (1973), explains how management, as parties with superior information, conveys signals to external stakeholders to reduce information asymmetry. According to Wolk et al. (2001), management uses financial reports as a medium to communicate the company's actual condition to the capital market. Positive signals, such as improved financial performance, indicate a healthy firm and enhance investor confidence, while negative signals may weaken market perceptions and reduce firm value (Mudjijah et al., 2019).

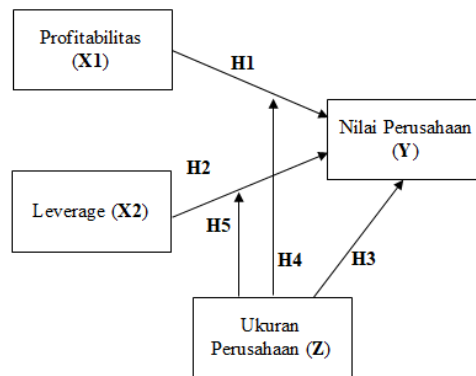
Profitability is one of the primary financial indicators used by investors to evaluate firm performance. High profitability signals that a company is capable of generating profits from its available resources and managing equity efficiently. Fauzan (2024) states that profitability reflects a company's financial health and operational effectiveness, while Ilyas and Hertati (2022) emphasize that profitability ratios measure a firm's ability to generate earnings from assets, equity, or sales. In this study, profitability is measured using Return on Equity (ROE), which reflects management's efficiency in utilizing shareholders' equity to generate net income (Seto et al., 2023). Empirical studies by Sari, Hanafi, and Nofiyanti (2022) find that profitability has a positive effect on firm value, suggesting that higher ROE provides a strong positive signal to investors. However, contrasting findings by Anggraeni, Afriyani, and Setiaji (2023) indicate that ROE does not significantly influence firm value, highlighting inconsistencies in previous research.

In addition to profitability, leverage is another factor that may influence firm value. Leverage represents a company's ability to fulfill its short-term and long-term obligations arising from the use of debt to finance operations (Fauzan, 2024). Leverage is commonly measured using the Debt to Equity Ratio (DER), which compares total debt to total equity (Sumardi & Suharyono, 2020). According to Sari et al. (2022), an optimal level of leverage can increase firm value by allowing companies to utilize external funding to enhance returns. From the perspective of Agency Theory, introduced by Jensen and Meckling (1976), the use of debt can also function as a monitoring mechanism to reduce agency conflicts between managers and shareholders. However, Farizki and Masitoh (2021) report that leverage does not significantly affect firm value, indicating that excessive debt may increase financial risk and offset its potential benefits.

Firm size is considered an important external factor that influences firm value and moderates the relationship between financial performance and firm value. According to Fauzan (2024), firm size reflects the scale of a company and is commonly measured by total assets. Larger firms generally have greater access to capital markets, stronger market power, and higher operational stability (Banani & Mindayani, 2023). Utama and Fidiana (2016) argue that firm size can enhance investor confidence because large companies are perceived as more stable and less risky. Empirical evidence from Ardiantini, Surasni, and Sukma (2020) as well as Sari, Hanafi, and Nofiyanti (2022) shows that firm size moderates the relationship between profitability and firm value. Similarly, Izzah (2017) finds that firm size moderates the relationship between leverage and firm value, suggesting that large firms are better able to manage debt and convert it into value creation.

Based on the theoretical foundations, empirical evidence, and research gaps identified in previous studies, this study formulates the following hypotheses:

- **H1:** Profitability has a significant effect on firm value.
- **H2:** Leverage has a significant effect on firm value.
- **H3:** Firm size has a significant effect on firm value.
- **H4:** Firm size moderates the relationship between profitability and firm value.
- **H5:** Firm size moderates the relationship between leverage and firm value.



**Figure 1. Conceptual Framework**

## RESEARCH METHODS

This study employs a quantitative research approach. According to Abdullah et al. (2022), quantitative research is a systematic investigation of phenomena through the collection of numerical data that can be analyzed using statistical techniques. This study uses an explanatory research design to examine the effects of profitability and leverage on firm value, as well as the moderating role of firm size.

The population of this study consists of retailing sub-sector companies within the consumer cyclical sector listed on the Indonesia Stock Exchange (IDX) in 2023, totaling 31 companies. The sample is selected using purposive sampling, based on data availability and completeness. This study utilizes secondary data obtained from annual financial statements collected from the IDX website ([www.idx.co.id](http://www.idx.co.id)) and the official websites of the respective companies.

Firm value is measured using Price to Book Value (PBV) (Hermawan & Putri, 2015), profitability is measured by Return on Equity (ROE) (Seto et al., 2023), leverage is measured by the Debt to Equity Ratio (DER) (Sumardi & Suharyono, 2020), and firm size is measured using the natural logarithm of total assets (Fauzan,

2024). The variables are defined as follows:

$$PBV = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

$$ROE = \frac{\text{Net Income}}{\text{Total Equity}}$$

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

$$\text{Firm Size} = \ln(\text{Total Assets})$$

**Figure 2. Financial Ratio Formulas**

The data are analyzed using panel data regression and moderated regression analysis (MRA). The empirical model is estimated using EViews version 12 and specified as follows:

$$PBV_{it} = \alpha + \beta_1 ROE_{it} + \beta_2 DER_{it} + \beta_3 SIZE_{it} + \beta_4 (ROE_{it} \times SIZE_{it}) + \beta_5 (DER_{it} \times SIZE_{it}) + \varepsilon_{it}$$

Model selection is conducted using the Chow test, Hausman test, and Lagrange Multiplier test, while hypothesis testing is performed using t-tests and F-tests at a 5% significance level. All statistical analyses are conducted using EViews 12.

## ANALYSIS AND DISCUSSION

### 1. Descriptive Statistics

Table 1 presents the descriptive statistics of the variables used in this study. Firm value, measured by Price to Book Value (PBV), shows a minimum value of 0.327787 and a maximum value of 4.033394, with a mean of 1.624829 and a standard deviation of 0.981740. This indicates a relatively wide variation in firm value among retail sub-sector companies.

Profitability, measured by Return on Equity (ROE), has a minimum value of 0.006216 and a maximum value of 3.289038, with a mean of 0.202325. The relatively high standard deviation (0.557326) suggests substantial variation in firms' ability to generate returns on equity. Leverage, proxied by the Debt to Equity Ratio (DER), ranges from 0.221650 to 2.864348, with an average value of 0.835345, indicating differences in capital structure among firms. Firm size, measured by the natural logarithm of total assets, ranges from 27.05608 to 30.94582, with a mean of 29.26853, reflecting variations in company scale across the sample (Table 1).

**Table 1. Descriptive Statistical Analysis**

	Y	X1	X2	Z
Mean	1.624829	0.202325	0.835345	29.26853
Median	1.292218	0.099468	0.536885	29.50295
Maximum	4.033394	3.289038	2.864348	30.94582
Minimum	0.327787	0.006216	0.221650	27.05608
Std. Dev.	0.981740	0.557326	0.672664	1.009779
Skewness	0.911056	5.381047	1.806318	-0.554328
Kurtosis	2.961481	30.32514	5.580281	2.604872
Jarque-Bera	4.567170	1185.919	27.09985	1.904711
Probability	0.101918	0.000000	0.000001	0.385831
Sum	53.61935	6.676733	27.56638	965.8616
Sum Sq. Dev.	30.84204	9.939585	14.47926	32.62893
Observations	33	33	33	33

Source: EViews 12 Output (2025).

## 2. Panel Data Model Selection

To determine the most appropriate panel data estimation model, several specification tests were conducted. The Chow test results in Table 2 indicate a probability value of 0.0000, which is less than 0.05, suggesting that the Fixed Effect Model is preferable to the Common Effect Model.

**Table 2. Chow Test Results**

Redundant Fixed Effects Tests  
Equation: Untitled  
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.776585	(10,19)	0.0017
Cross-section Chi-square	41.472840	10	0.0000

Source: EViews 12 Output (2025).

Furthermore, the Hausman test results presented in Table 3 show a chi-square probability value of 0.7082, which exceeds the 0.05 significance level. This result indicates that the Random Effect Model is more appropriate than the Fixed Effect Model. The selection of the Random Effect Model is further supported by the Lagrange Multiplier test results in Table 4, where the Breusch-Pagan probability value is 0.0015 ( $< 0.05$ ). Therefore, the Random Effect Model is employed for subsequent analysis.

**Table 3. Hausman Test Results**

Correlated Random Effects - Hausman Test  
Equation: Untitled  
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.388466	3	0.7082

Source: EViews 12 Output (2025).

**Table 4. Lagrange Multiplier Test Results**

Lagrange Multiplier Tests for Random Effects  
Null hypotheses: No effects  
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	9.252113 (0.0024)	0.875160 (0.3495)	10.12727 (0.0015)
Honda	3.041729 (0.0012)	-0.935500 (0.8252)	1.489329 (0.0682)
King-Wu	3.041729 (0.0012)	-0.935500 (0.8252)	0.387790 (0.3491)
Standardized Honda	3.835079 (0.0001)	-0.675479 (0.7503)	-0.958803 (0.8312)
Standardized King-Wu	3.835079 (0.0001)	-0.675479 (0.7503)	-1.690882 (0.9546)
Gourieroux, et al.	--	--	9.252113 (0.0036)

Source: EViews 12 Output (2025).

**3. Panel Data Regression Results**

The panel data regression results using the Random Effect Model are presented in Table 5. The estimated regression equation is expressed as follows:

**Table 5. Random Effect Panel Data Regression Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.277549	7.447881	0.574331	0.5702
X1	0.643303	0.224370	2.867157	0.0076
X2	-0.153874	0.360777	-0.426507	0.6729
Z	-0.090689	0.257527	-0.352154	0.7273

Source: EViews 12 Output (2024).

$$PBV = 4.277549 + 0.643303 ROE - 0.153874 DER - 0.090689 \text{ Firm Size}$$

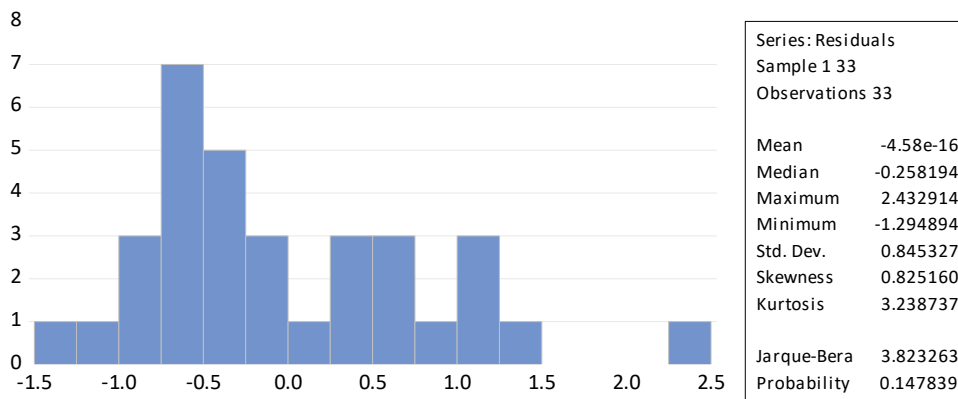
The results indicate that profitability (ROE) has a positive coefficient of 0.643303,

suggesting that an increase in profitability is associated with an increase in firm value. In contrast, leverage (DER) and firm size exhibit negative coefficients of  $-0.153874$  and  $-0.090689$ , respectively, indicating an inverse relationship with firm value.

#### 4. Classical Assumption Tests

Several classical assumption tests were conducted to ensure the validity of the regression results. The normality test using the Jarque-Bera statistic indicates a probability value of 0.147839, which exceeds the 0.05 threshold, confirming that the residuals are normally distributed (Figure 6).

**Figure 6. Normality Test Results**



Source: EViews 12 Output (2024).

The multicollinearity test results in Table 7 show that all variables have Variance Inflation Factor (VIF) values below 10, indicating no multicollinearity issues. Autocorrelation testing using the Breusch-Godfrey method yields a probability value of 0.1565 ( $> 0.05$ ), suggesting no autocorrelation problem (Table 8). Additionally, the heteroskedasticity test using the Glejser method shows a probability value of 0.1567 ( $> 0.05$ ), indicating that the regression model is free from heteroskedasticity (Table 9).

**Table 7. Multicollinearity Test Results**

Variable	Coefficient Variance	Centered VIF
C	22.70733	NA
X1	0.082061	1.034432
X2	0.061403	1.127548
Z	0.027269	1.128423

Source: EViews 12 Output (2024).

**Table 8. Autocorrelation Test Results**

Breusch-Godfrey Serial Correlation LM Test:

Null hypothesis: No serial correlation at up to 2 lags

F-statistic	1.709476	Prob. F(2,27)	0.2000
Obs*R-squared	3.709049	Prob. Chi-Square(2)	0.1565

Source: EViews 12 Output (2024).

**Table 9. Heteroskedasticity Test Results**

Heteroskedasticity Test: Glejser

Null hypothesis: Homoskedasticity

F-statistic	1.814434	Prob. F(3,29)	0.1666
Obs*R-squared	5.215208	Prob. Chi-Square(3)	0.1567
Scaled explained SS	3.731071	Prob. Chi-Square(3)	0.2920

Source: EViews 12 Output (2024).

## 5. Hypothesis Testing

The F-test results presented in Table 10 show that the probability value of the F-statistic is 0.0385581, which is less than 0.05. This indicates that profitability, leverage, and firm size simultaneously have a significant effect on firm value.

**Table 10. F-Test Results**

Root MSE	0.533150	R-squared	0.247709
Mean dependent var	0.658482	Adjusted R-squared	0.169886
S.D. dependent var	0.624221	S.E. of regression	0.568731
Sum squared resid	9.380206	F-statistic	3.182973
Durbin-Watson stat	1.886637	Prob(F-statistic)	0.038581

Source: EViews 12 Output (2024).

Partial hypothesis testing using the t-test is reported in Table 11. The results show that profitability (ROE) has a significant positive effect on firm value, with a probability value of 0.00076 ( $< 0.05$ ), supporting H1. Conversely, leverage (DER) does not significantly affect firm value, as indicated by a probability value of 0.6729 ( $> 0.05$ ), leading to the rejection of H2. Similarly, firm size does not have a significant effect on firm value, with a probability value of 0.7273 ( $> 0.05$ ), resulting in the rejection of H3.

**Table 11. t-Test Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.277549	7.447881	0.574331	0.5702
X1	0.643303	0.224370	2.867157	0.0076
X2	-0.153874	0.360777	-0.426507	0.6729
Z	-0.090689	0.257527	-0.352154	0.7273

Source: EViews 12 Output (2024).

## 6. Coefficient of Determination

The coefficient of determination results in Table 12 show that the adjusted R-squared value is 0.169886. This indicates that approximately 16.99% of the variation in firm value can be explained by profitability, leverage, and firm size, while the remaining variation is influenced by other factors not included in the model.

**Table 12. Coefficient of Determination Results**

Root MSE	0.533150	R-squared	0.247709
Mean dependent var	0.658482	Adjusted R-squared	0.169886
S.D. dependent var	0.624221	S.E. of regression	0.568731
Sum squared resid	9.380206	F-statistic	3.182973
Durbin-Watson stat	1.886637	Prob(F-statistic)	0.038581

Source: EViews 12 Output (2024).

## 7. Moderated Regression Analysis

The results of the Moderated Regression Analysis (MRA) are presented in Table 13. The interaction between profitability and firm size ( $ROE \times \text{Firm Size}$ ) has a positive and significant coefficient of 0.021604 with a probability value of 0.0078 ( $< 0.05$ ), indicating that firm size moderates the relationship between profitability and firm value. Since firm size does not directly affect firm value but the interaction term is significant, firm size functions as a pure moderator, supporting H4.

In contrast, the interaction between leverage and firm size ( $DER \times \text{Firm Size}$ ) is not statistically significant, with a probability value of 0.6740 ( $> 0.05$ ). This result indicates that firm size does not moderate the relationship between leverage and firm value, leading to the rejection of H5. In this case, firm size acts as a homologue (potential) moderator.

**Table 13. Moderated Regression Analysis Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.211250	7.554396	0.557457	0.5815
Z	-0.088441	0.261567	-0.338121	0.7377
X1Z	0.021604	0.007561	2.857480	0.0078
X2Z	-0.005156	0.012131	-0.425028	0.6740

Source: EViews 12 Output (2024).

## 8. Discussion

This study aims to examine the effects of profitability and leverage on firm value, as well as the moderating role of firm size in retail sub-sector companies within the consumer cyclical sector listed on the Indonesia Stock Exchange. The empirical results provide several important insights into how internal financial factors influence firm value under fluctuating economic conditions.

The descriptive statistics indicate substantial variation in firm value among sample companies, as reflected by the wide range of Price to Book Value (PBV). This variation suggests differences in market perceptions regarding firms' financial performance and future prospects. Similar dispersion is also observed in profitability

and leverage, indicating heterogeneous financial conditions across retail companies. Such variability is expected in the consumer cyclical sector, where firm performance is highly sensitive to economic cycles and changes in consumer purchasing power.

The panel data regression results reveal that profitability, measured by Return on Equity (ROE), has a positive and significant effect on firm value. This finding supports Signaling Theory, which posits that higher profitability serves as a positive signal to investors regarding management efficiency and the firm's ability to generate returns from shareholders' equity. An increase in profitability enhances investor confidence, leading to higher stock prices and, consequently, higher firm value. This result is consistent with prior studies by Sari, Hanafi, and Nofiyanti (2022), which find that profitable firms tend to be more attractive to investors. In the context of retail companies, strong profitability indicates effective cost management and revenue generation, which are critical in a highly competitive and demand-sensitive industry.

In contrast, leverage, measured by the Debt to Equity Ratio (DER), is found to have no significant effect on firm value. Although the coefficient is negative, the lack of statistical significance suggests that investors in the retail sub-sector do not necessarily perceive higher debt levels as either value-enhancing or value-destroying. This result aligns with the findings of Farizki and Masitoh (2021), who report that leverage does not significantly influence firm value. One possible explanation is that excessive debt increases financial risk, particularly in cyclical industries where revenue volatility is high. Consequently, the potential benefits of leverage may be offset by concerns about financial distress, leading investors to discount its impact on firm value.

The results also show that firm size does not have a direct significant effect on firm value. This finding implies that larger asset size alone does not guarantee higher firm value in the retail sector. While large firms may benefit from economies of scale and better access to capital, they may also face higher operational costs and reduced flexibility in responding to market changes. Therefore, investors may place greater emphasis on performance indicators, such as profitability, rather than firm size itself when assessing firm value.

The Moderated Regression Analysis provides deeper insights into the role of firm size. The interaction between profitability and firm size is found to be positive and statistically significant, indicating that firm size strengthens the positive relationship between profitability and firm value. This suggests that larger firms are better able to translate profitability into higher firm value, possibly due to stronger market reputation, wider investor recognition, and greater credibility. In this case, firm size acts as a pure moderator, as it does not directly affect firm value but significantly influences the strength of the relationship between profitability and firm value. This finding supports previous studies by Ardiantini, Surasni, and Sukma

(2020) as well as Sari, Hanafi, and Nofiyanti (2022).

Conversely, the interaction between leverage and firm size is not statistically significant, indicating that firm size does not moderate the relationship between leverage and firm value. This result suggests that both large and small retail firms face similar investor perceptions regarding debt usage. Firm size, therefore, functions as a homoligiser (potential) moderator in the relationship between leverage and firm value. This finding implies that the effectiveness of debt in enhancing firm value is not dependent on company size, particularly in industries characterized by high demand uncertainty.

Overall, the findings highlight that profitability is the most consistent determinant of firm value in the retail sub-sector of the consumer cyclical industry. While leverage and firm size do not directly influence firm value, firm size plays an important strategic role by amplifying the impact of profitability on firm value. These results emphasize the importance of efficient equity utilization and sustainable profitability, especially for firms operating in sectors that are highly sensitive to economic fluctuations.

## **CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS**

This study examines the effects of profitability and leverage on firm value, as well as the moderating role of firm size, in retail sub-sector companies within the consumer cyclical sector listed on the Indonesia Stock Exchange. Using panel data regression and moderated regression analysis with EViews 12, several important conclusions can be drawn.

The results indicate that profitability has a positive and significant effect on firm value, suggesting that firms with higher returns on equity are perceived more favorably by investors. This finding confirms the relevance of signaling theory, where strong financial performance serves as a positive signal that enhances market confidence and increases firm value.

In contrast, leverage does not have a significant effect on firm value, implying that the use of debt is not a primary consideration for investors in valuing retail companies within the consumer cyclical sector. Similarly, firm size does not directly influence firm value, indicating that asset scale alone is insufficient to increase market valuation without being supported by strong financial performance.

Furthermore, the moderated regression analysis reveals that firm size strengthens the relationship between profitability and firm value, indicating that larger firms are more capable of translating profitability into higher firm value. However, firm size does not moderate the relationship between leverage and firm value. These findings suggest that firm size functions as a pure moderator in the profitability firm value relationship, but not in the leverage firm value relationship.

Despite providing valuable insights, this study has several limitations. First,

the research is limited to retail sub-sector companies within the consumer cyclical sector, which may restrict the generalizability of the findings to other sectors. Second, the study uses a single year of observation (2023), which may not fully capture long-term dynamics or structural changes in firm performance and market conditions. Third, the model explains a relatively modest proportion of the variation in firm value, indicating that other factors such as corporate governance, liquidity, macroeconomic conditions, or market sentiment are not included in the analysis.

Based on the findings and limitations of this study, several recommendations can be proposed. For company management, improving profitability through efficient equity utilization and operational effectiveness should be a strategic priority, as profitability is the primary driver of firm value. Large firms, in particular, should leverage their scale and market reputation to maximize the value-enhancing impact of profitability. For investors, the results suggest that profitability indicators are more informative than leverage or firm size when assessing firm value in the retail consumer cyclical sector. Investors are encouraged to focus on firms with sustainable and consistent profitability, especially during periods of economic uncertainty.

For future research, it is recommended to extend the observation period to multiple years and to include additional explanatory variables, such as liquidity, growth opportunities, corporate governance mechanisms, and macroeconomic indicators. Expanding the scope to other sectors may also provide broader insights into the determinants of firm value across different industries.

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