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Lilis Maryanti*

Master
Universitas Widyatama
40125, 204A Cikutra Str., Bandung, Indonesia
<https://orcid.org/0009-0003-2847-5630>

Andhika Hardika

Master
Universitas Widyatama
40125, 204A Cikutra Str., Bandung, Indonesia
<https://orcid.org/0000-0002-3502-4518>

Suji Saleh

Master
Universitas Widyatama
40125, 204A Cikutra Str., Bandung, Indonesia
<https://orcid.org/0009-0003-0690-4588>

Evaluated effect of financial performance on firm value: An empirical study of trade sector companies listed on the Indonesia stock exchange (IDX) during the 2021-2023 period

Abstract. The relevance of the study was based on the increasing need to understand how key financial indicators influenced investor perceptions and market valuation of companies under dynamic economic conditions. The purpose of the study was to determine the contributions of profitability, liquidity, and leverage to firm value in trading sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period. This study used panel data regression with EViews 13.0 and a causal descriptive design to analyse 55 trading companies (2021-2023) selected via purposive sampling; applying hypothesis testing and the Random Effect Model (REM). It was shown through the research that both profitability and liquidity exert a significantly positive influence on firm value. Typically, improvements in these indicators lead to an increase in the company's value, whereas declines may result in a reduction. On the other hand, leverage was found to have no statistically significant effect on firm value, suggesting that variations in debt levels do not necessarily correspond to changes in the company's market valuation. Specifically, every 1% increase in Return on Equity (ROE) raises the Price to Book Value (PBV) by 0.009 units, while a one-unit increase in the Current Ratio (CR) increases PBV by 0.360. Conversely, the Debt-to-Equity Ratio (DER) has a minimal negative coefficient of -0.0000823, but this effect was not significant in the model. This study provided practical insights for enhancing firm value through improved profitability, liquidity, financial governance, and comprehensive financial analysis beyond leverage

Keywords: price to book value; return on equity; current ratio; debt to equity ratio; leverage

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*Corresponding author



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INTRODUCTION

The relevance of the study was conditioned by the volatility in valuing newly listed companies on the Indonesia Stock Exchange, where financial performance often failed to align with market outcomes. Given inconsistent trends in profitability, liquidity, and leverage as predictors of firm value, clarifying their true impact under shifting economic conditions and investor behaviour became essential. The mixed findings in prior research underscored the need for updated, data-driven insights into how these factors affect firm value in the Indonesian trading sector.

In assessing financial performance, various factors have been shown to influence firm value, as highlighted in numerous studies. A.D. Rosihana (2023) found that profitability has a significant positive effect, with firm value rising along with higher profitability in consumer non-cyclicals companies during 2019-2021. The study conducted by H.F. Anni'Mah *et al.* (2021) found that profitability has a positive, significant impact on firm value. Higher profits can provide more earnings for dividends, attract investors, and can boost share prices and firm value; M. Jihadi *et al.* (2021) the test results show that profitability has a significant and positive effect on firm value. High profits attract investor interest to invest their capital, which, in turn, leads to an increase in the firm's value; C. Iman *et al.* (2021) stated that profitability shows a company's ability to use working capital to generate profits, repay debts, and distribute dividends to investors; F. Fanisa *et al.* (2020) noted that rising profitability signals better prospects for a company. However, sustaining this growth requires efficient cost management, avoiding excessive spending on product development or acquisitions that could increase future expenses.

Meanwhile, research conducted by R.D. Putra & R. Gantino (2021) found that profitability did not significantly affect firm value in the pharmaceutical sector, as companies lacked consistent growth in return on equity. This was partly due to declining stock performance caused by rupiah depreciation against the USD; and B.A.I. Putra & S. Sunarto (2021) found that profitability did not affect firm value, likely because management failed to use the company's assets effectively, leading to low net income despite large resources. This contradicts signalling theory, which suggests higher profitability should send a positive signal to investors.

Furthermore, studies by C. Iman *et al.* (2021) found that liquidity positively affects firm value. According to signalling theory, strong liquidity shows a company can meet short-term obligations, builds investor trust, and supports daily operations. This confidence encourages investment and raises share prices, increasing firm value; similarly,

M. Jihadi *et al.* (2021) emphasised that greater liquidity strengthens investor confidence, as it shows that current assets can cover existing liabilities; moreover, R. Uli *et al.* (2020) reported that in the food and beverage industry, higher liquidity often coincides with increased firm value. Efficient management of short-term obligations signals financial strength, attracting investor interest and boosting firm value.

The purpose of the study was to identify the factors influencing firm value and to offer benefits and insights to the stakeholders referenced in this paper, and to users of financial statements – particularly companies – as a basis for informed decision-making.

MATERIALS AND METHODS

This research employed a causal descriptive method, wherein the researchers described the conditions of each variable component in trading sector companies during the 2021-2023 period. The 2021-2023 period was used because the financial statements for 2024 have not yet been fully published on the IDX due to the ongoing audit process, while 2023 data remain important as they capture the decline in Initial Public Offering (IPO) stocks. Additionally, the study emphasised the contribution of the key variables – profitability, liquidity, and leverage – to firm value. The data analysis in this study was conducted using EViews 13.0 statistical software (Nuryanto & Pambuko, 2018). This software was employed to perform classical assumption tests, panel data regression analysis, and hypothesis testing, including t-tests, to evaluate the relationship between financial performance variables and firm value.

Based on empirical considerations, this study employed purposive sampling to select relevant observations from the target population (Sugiyono, 2018). The sample included trading sector companies listed on the IDX during the 2021-2023 period that meet the following criteria: (1) consistently listed during the period (i.e., no listing or delisting events), and (2) published complete annual financial statements for each year of observation. Financial data, including indicators such as Return on Equity (ROE), Current Ratio (CR), Debt to Equity Ratio (DER), and Price to Book Value (PBV), were extracted from audited annual reports available on the official IDX website Indonesia Stock Exchange (n.d.). This sector was selected due to its dynamic market behaviour and relevance in investor decision-making. A total of 55 companies met these criteria and were included in the final analysis. These consisted of 34 large-scale trading companies and 21 small-scale trading companies. The distribution of these firms by scale is presented in Table 1.

Table 1. List of large and small-scale trading company

Large Scale Trading Company			Small Scale Trading Company		
No.	Company's abbreviation	Company's full name	No.	Company's abbreviation	Company's full name
1	AGAR	PT Asia Sejahtera Mina, Tbk.	1	ACES	PT Ace Hardware Indonesia, Tbk.
2	AIMS	PT Akbar Indo Makmur Stimec, Tbk.	2	AMRT	PT Sumber Alfaria Trijaya, Tbk.
3	AKRA	PT AKR Corporindo, Tbk.	3	CSAP	PT Catur Sentosa Adiprana, Tbk.

Table 1. Continued

Large Scale Trading Company			Small Scale Trading Company		
No.	Company's abbreviation	Company's full name	No.	Company's abbreviation	Company's full name
4	APIO	PT Arita Prima Indonesia, Tbk.	4	DAYA	PT Duta Intidaya, Tbk.
5	AYLS	PT Agro Yasa Lestari, Tbk.	5	DIVA	PT Distribusi Voucher Nusantara, Tbk.
6	BIKE	PT Sepeda Bersama Indonesia, Tbk.	6	DNET	PT Indoritel Makmur International, Tbk.
7	BLUE	PT Berkah Prima Perkasa, Tbk.	7	ECII	PT Electronic City Indonesia, Tbk.
8	BMSR	PT Bintang Mitra Semestaraya, Tbk.	8	ERAA	PT Erajaya Swasembada, Tbk.
9	BOGA	PT Bintang Oto Global, Tbk.	9	HERO	PT Hero Supermarket, Tbk.
10	CARS	PT Industri dan Perdagangan Bintraco Dharma, Tbk.	10	KOIN	PT Kioson Komersial Indonesia, Tbk.
11	CLPI	PT Colorpak Indonesia, Tbk.	11	LPPF	PT Matahari Department Store, Tbk.
12	DPUM	PT Dua Putra Utama Makmur, Tbk.	12	MAPA	PT MAP Aktif Adiperkasa, Tbk.
13	DWGL	PT Dwi Guna Laksana, Tbk.	13	MAPI	PT Mitra Adiperkasa, Tbk.
14	EPMT	PT Enseval Putera Megatrading, Tbk.	14	MCAS	PT M Cash Integrasi, Tbk.
15	FISH	PT FKS Multi Agro, Tbk.	15	MIDI	PT Midi Utama Indonesia, Tbk.
16	HADE	PT Himalaya Energi Perkasa, Tbk.	16	MPPA	PT Matahari Putra Prima, Tbk.
17	HDIT	PT Hensel Davest Indonesia, Tbk.	17	NFCX	PT NFC Indonesia, Tbk.
18	HEXA	PT Hexindo Adiperkasa, Tbk.	18	RALS	PT Ramayana Lestari Sentisa, Tbk.
19	INTD	PT Inter Delta, Tbk.	19	RANC	PT Supra Boga Lestari, Tbk.
20	IRRA	PT Itama Ranoraya, Tbk.	20	SONA	PT Sona Topas Tourism Industry, Tbk.
21	KMDS	PT Kurniamitra Duta Sentosa, Tbk.	21	TELE	PT Omni Inovasi Indonesia, Tbk.
22	LTLS	PT Lautan Luas, Tbk.			
23	MICE	PT Multi Indocitra, Tbk.			
24	MPMX	PT Mitra Pinasthika Mustika, Tbk.			
25	OPMS	PT Optima Prima Metal Sinergi, Tbk.			
26	PMJS	PT Putra Mandiri Jembar, Tbk.			
27	SDPC	PT Millennium Pharmacon International, Tbk.			
28	SGER	PT Sumber Global Energy, Tbk.			
29	TFAS	PT Telefast Indonesia, Tbk.			
30	TGKA	PT Tigaraksa Satria, Tbk.			
31	UNTR	PT United Tractors, Tbk.			
32	WAPO	PT Wahana Pronatural, Tbk.			
33	WICO	PT Wicaksana Overseas International, Tbk.			
34	ZBRA	PT Dosni Roha Indonesia, Tbk.			

Source: compiled by the authors based on the Indonesia Stock Exchange (n.d.)

The regression analysis in this study employed the Random Effects Model (REM). This model was selected based on the results of the Chow test and the Hausman test, which indicated that REM was more appropriate than the Fixed Effects Model (FEM) or the Common Effects Model. The REM was therefore used to estimate the relationship between the independent variables and firm value, considering unobserved heterogeneity across firms. Hypothesis testing was conducted in this study to evaluate the influence of each independent variable on firm value:

Ha₁: Profitability has a positive effect on firm value.

H₀₁: Profitability does not have a positive effect on firm value.

Ha₂: Liquidity has a positive effect on firm value.

H₀₂: Liquidity does not have a positive effect on firm value.

Ha₃: Leverage has a negative effect on firm value.

H₀₃: Leverage does not have a negative effect on firm value.

The test was performed using a significance level of 5% ($\alpha = 0.05$). A variable was considered to have a signif-

icant effect if the absolute value of the t-statistic exceeded the critical t-value and the p-value was less than 0.05. The measurement scale used is a coefficient scale, so the variables are decomposed into sub variables:

Firm Value

Price to Book Value (PBV)

$$PBV = \frac{\text{Market Price}}{\text{Book Value}} \times 100\%; \quad (1)$$

Profitability

Return on Equity (ROE)

$$ROE = \frac{\text{Earnings After Tax (EAT)}}{\text{Total Equity}} \times 100\%; \quad (2)$$

Liquidity

Current Ratio (CR)

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%; \quad (3)$$

Leverage

Debt to Equity Ratio (DER)

$$DER = \frac{\text{Total Liability}}{\text{Total Equity}} \times 100\% \quad (4)$$

RESULTS AND DISCUSSION

Table 2 presents a descriptive summary of the key financial variables used in this study. Overall, the data indicate considerable variation across firms, particularly in profitability

and leverage levels. The differences observed in these variables suggest potential disparities in firm value, thus warranting further empirical analysis.

Figure 1 presents the average firm value, as measured by the PBV, for trading sector companies listed on the IDX over the 2021-2023 period.

Table 2. Descriptive research variables

	PBV	ROE	CR	DER
Mean	5.642196	-5.147655	6.520909	380,0691
Maximum	134.1998	2,197.150	213.1700	19,030.70
Minimum	-1.396207	-1,954.827	0.010000	-2,158.844
Std. Dev.	13.51440	250.4533	23.01808	1,627.234
Observations	165	165	165	165

Source: compiled by the authors based on the Indonesia Stock Exchange (n.d.) using Eviews 13.0 analysis software

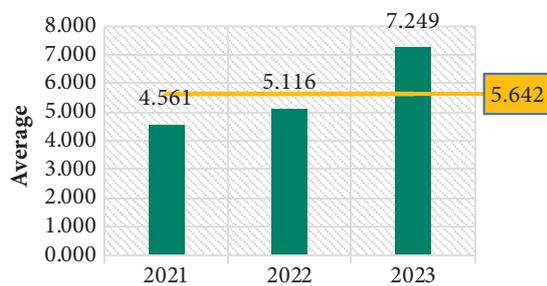


Figure 1. PBV of trading sector companies listed on the IDX during 2021-2023

Source: compiled by the authors based on the Indonesia Stock Exchange (n.d.) using Eviews 13.0 analysis software

The data reveal a clear upward trend in PBV, increasing from 4.561 in 2021 to 5.116 in 2022, and reaching 7.249 in 2023. This trajectory places the 2023 PBV well above the three-year average of 5.642, indicating a significant improvement in market valuation. To enhance the analytical relevance of this figure, it is important to explore possible contributing factors to this rise – such as improved profitability, better investor perception, or sector-wide recovery post-COVID-19. These dynamics may explain why PBV levels varied across years, highlighting not just what the firm values were, but why such changes occurred. Figure 2 displays the average ROE of trading sector companies listed on the IDX for the 2021-2023 period.

The data show significant fluctuations in profitability, with a positive ROE of 3.825 in 2021, followed by a sharp decline to -12.711 in 2022, and a partial recovery to -6.556 in 2023. The three-year average stands at -5.148, indicating an overall negative trend in sectoral profitability during the observed period. This declining pattern raises questions about the structural financial health of trading companies. It is important to assess whether these negative ROE values reflect a broader industry challenge – such as narrow margins, rising costs, or systemic inefficiencies – or whether they are disproportionately influenced by a few large underperforming firms. Such context would help distinguish common performance trends from exceptional cases.

Figure 3 illustrates the average CR of trading sector companies listed on the IDX over the 2021-2023 period.

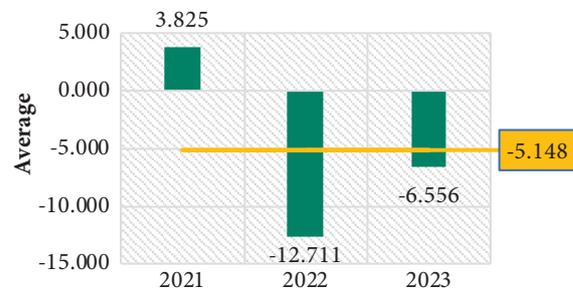


Figure 2. ROE of trading sector companies listed on the IDX during 2021-2023

Source: compiled by the authors based on the Indonesia Stock Exchange (n.d.) using Eviews 13.0 analysis software

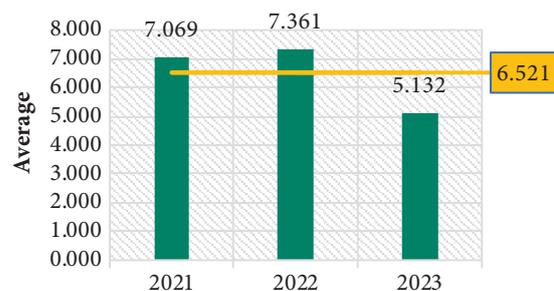


Figure 3. CR of trading sector companies listed on the IDX during 2021-2023

Source: compiled by the authors based on the Indonesia Stock Exchange (n.d.) using Eviews 13.0 analysis software

The data show relatively stable liquidity levels in 2021 (7.069) and 2022 (7.361), followed by a notable decline in 2023 (5.132), bringing the three-year average to 6.521. Despite the decline, the overall CR figures remain well above the standard benchmark of 2.0, which may signal excessive liquidity and raise questions about the efficiency of asset utilisation across the sector. To enhance the analytical value of this figure, it is necessary to assess whether high liquidity

levels are a consistent pattern across most firms or driven by a few outliers. Additionally, it is important to identify how many companies fall within an optimal liquidity range and whether the lower CR in 2023 reflects isolated cases or an emerging trend. Such analysis can offer deeper insight into whether current asset management practices are effective or in need of improvement. Figure 4 shows the average DER of trading sector companies listed on the IDX over the 2021-2023 period.

The data reveal a sharp upward trend in leverage levels, rising from 199.272 in 2021 to 327.332 in 2022, and peaking at 613.603 in 2023, with a three-year average of 380.069. This significant increase in DER suggests that firms may be increasingly dependent on debt financing to fund their operations or growth strategies. Rather than focusing solely on peak values, it is important to assess whether this reflects a systematic reliance on debt across most companies in the sector, or if the average is skewed by a few highly leveraged firms. Furthermore, such high leverage ratios may carry implications for investor confidence and

financial risk, especially in the context of rising interest rates or market uncertainty. Understanding whether this is a strategic use of debt or a sign of financial strain is crucial for interpreting the financial posture of the sector.

Panel data regression. The results of the panel data regression analysis using EViews 13.0 are presented in Table 3.

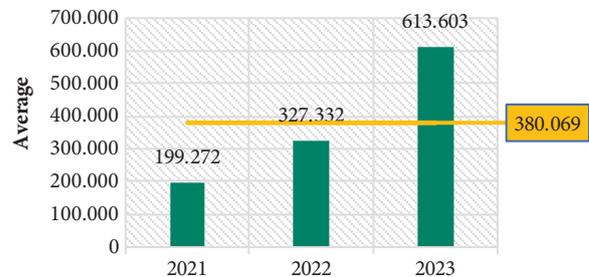


Figure 4. DER of trading sector companies listed on the IDX during 2021-2023

Source: compiled by the authors based on the Indonesia Stock Exchange (n.d.) using Eviews 13.0 analysis software

Table 3. Panel data regression using REM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.369811	1.119194	3.010926	0.0030
ROE	0.009091	0.003088	2.943840	0.0037
CR	0.360449	0.031740	11.35624	0.0000
DER	-8.23E-05	0.000472	-0.174306	0.8618
Effects Specification				
			S.D.	Rho
	Cross-section random		6.601239	0.4132
	Idiosyncratic random		7.865981	0.5868
Weighted Statistics				
R-squared	0.499814	Mean dependent var		3.197936
Adjusted R-squared	0.490494	S.D. dependent var		10.95287
S.E. of regression	7.818130	Sum squared resid		9,840.829
F-statistic	53.62670	Durbin-Watson stat		1.642620
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.445472	Mean dependent var		5.642196
Sum squared resid	16,609.69	Durbin-Watson stat		0.973212

Source: compiled by the authors based on the Indonesia Stock Exchange (n.d.) using Eviews 13.0 analysis software

Based on the outcomes of the Chow and Hausman tests for model selection, this study determined that the REM is the most appropriate for the panel data analysis. The regression equation illustrates the influence of Return on Equity (ROE), Current Ratio (CR), and Debt to Equity Ratio (DER) on Price to Book Value (PBV) as follows, using the panel data regression model specified in equation (1):

$$PBV = 3.369 + 0.009 ROE + 0.360 CR - 8.23 \times 10^{-5} DER.$$

The effect of Return on Equity (ROE) on Price to Book Value (PBV). The t-test results indicate that the Return on Equity variable (ROE) has a t-statistic of 2.943, which exceeds the critical t-value of 1.654. At a 5% significance level

and a p-value of 0.0037, the null hypothesis (H_0) is rejected in favour of the alternative hypothesis (H_1). This signifies that Return on Equity (ROE) has a significant positive effect on Price to Book Value (PBV) in trading sector companies during the 2021-2023 period, as indicated in Table 4.

Table 4. Results of partial hypothesis testing of the effect of Return on Equity on Price to Book Value

Model	t _{count}	t _{table}	α	Prob.t	Result
$X_1 \rightarrow Y$	2.943	1.654	0.05	0.0037	H_a accepted

Source: compiled by the authors based on the Indonesia Stock Exchange (n.d.) using Eviews 13.0 analysis software

I. Fahmi (2020) found that profitability is a ratio that measures the overall effectiveness of management, indicated by the amount of profit generated relative to sales or investments. ROE ratio, also known as Return on Equity, assesses the extent to which a company utilises its resources to generate profits from shareholders' equity. Moreover, profitability reflects a company's ability to maximise profits to achieve both short-term and long-term objectives (Sergiienko *et al.*, 2023). Therefore, companies with high profitability can increase their firm value. Furthermore, the results of this study are consistent with previous research conducted by N.P. Febriyanti & H.T. Hasibuan (2025). This finding indicates that a company's profitability level plays a crucial role in shaping its firm value. Greater profitability demonstrates the firm's strong capacity to generate earnings from its core operations, which positively influences investor perception. It supports the notion that firms with high profitability are viewed as having promising prospects, consistent dividend potential, and long-term growth. As a result, investor trust strengthens, driving up stock prices and elevating firm value. Therefore, profitability functions as a key indicator of a company's performance and future outlook; S.G. Pambudi & Z. Meini (2023) the findings reveal that profitability exerts a positive and statistically significant influence on firm value. This suggests that as a company's profitability increases, its value tends to rise accordingly. Companies generating substantial profits are likely to draw investor interest, which boosts share demand and subsequently enhances the firm's overall value; according to N.K. Cahyani *et al.* (2023) the profitability ratio, represented by ROE, serves as a measure of a bank's management effectiveness in utilising its equity to generate profits. This ratio helps to assess the return earned on the capital invested by shareholders. In accordance with signalling theory, high profitability reflects favourable company performance. When investors respond positively to this signal, it can lead to an increase in the firm's value; and according to Z.F. Akbar *et al.* (2022), the findings of this research offer empirical support that profitability has a positive impact on firm value. This implies that company managers strive to optimise net profit by efficiently utilising all corporate assets. Greater profitability leads to increased shareholder wealth, as it contributes to rising stock prices and enhanced firm value. R.A.H. Rachmat *et al.* (2019) increase in profitability reflects the company's strong earning capability, which in turn enhances its overall value. Higher profitability indicates greater income generation, signalling strong financial performance. This builds investor confidence and attracts more investment, leading to increased stock demand. It reflects the company's ability to generate net profit from its operational activities. The portion of profit available for distribution to shareholders – namely, profit after interest and taxes – represents real earnings. Therefore, higher profitability contributes to an increase in firm value, as it is often reflected in rising share.

The average Return on Equity (ROE) of companies in the trade sector declined from 2021 to 2022, followed by

an upward trend in 2023, although the average profitability remained negative. Despite this, the Price to Book Value (PBV) of trade sector companies exhibited a consistent upward trend throughout the 2021-2023 period. The largest contributor to the decline – and even negative profitability (losses) – between 2021 and 2022 was PT Wicaksana Overseas International Tbk, which recorded an ROE of -808.21% in 2022, a significant drop from -123.07% in 2021. According to the company's financial statements, losses increased from IDR 115,139,460,313 in 2021 to IDR 137,839,403,241 in 2022. This was primarily due to a decline in net sales of approximately IDR 951,089,349,907 between 2021 and 2022. Additionally, amid falling sales, the company failed to improve the efficiency of its cost of goods sold, resulting in minimal gross profit and consequently higher losses. Most trade sector companies demonstrated a positive relationship between Return on Equity (ROE) and Price to Book Value. Respectively Indonesia Stock Exchange (n.d.) one of the most notable examples is PT Matahari Department Store Tbk, which recorded ROE values of 90.74%, 238.42%, and 2,197.15% over the 2021-2023 period, accompanied by increases in firm value (PBV) to 10.83, 19.36, and 134.20.

The effect of Current Ratio (CR) on Price to Book Value (PBV). Based on the t-test results, the Current Ratio variable (CR) has a t-statistic value of 11.356, which is greater than the t-table value of 1.654. At a 5% significance level and a p-value of 0.0000, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted. This indicates that Current Ratio (CR) has a significant positive effect on Price to Book Value (PBV) in trade sector companies listed on the Indonesia Stock Exchange during the 2021-2023 period, as reported in Table 5.

Table 5. Results of partial hypothesis testing of the effect of Current Ratio on Price to Book Value

Model	t_{count}	t_{table}	α	Prob.t	Result
$X_2 \rightarrow Y$	11.356	1.654	0.05	0.0000	Ha accepted

Source: compiled by the authors based on the Indonesia Stock Exchange (n.d.) using Eviews 13.0 analysis software

K. Kasmir (2019) explained that the liquidity ratio, often known as the working capital ratio, serves to evaluate a company's liquidity by comparing elements from the balance sheet, specifically total current assets and total current liabilities (short-term obligations). This ratio can be analysed across several periods to monitor changes and trends in the company's liquidity over time. A. Sartono (2017) stated that a high level of liquidity reflects a company's strong ability to meet its short-term obligations. Companies with good liquidity are perceived by investors as having strong financial performance. Therefore, high liquidity indicates that a company is in sound financial condition, which increases demand for its shares and, consequently, raises its stock price and overall firm value. Furthermore, the results of this study are consistent with prior research conducted by D.P. Aji *et al.* (2024) on the liquidity ratio that positively

influences firm value. This significant relationship suggests that a strong liquidity position contributes to higher firm value. High liquidity reflects the firm's effective management of its current assets. It indicates the firm's ability to meet its short-term obligations using its current assets – meaning that the greater the current assets, the stronger the firm's capacity to settle its debts; according to Y.E. Kartika & N.L. Wiagustini (2024), this study revealed that liquidity positively influences firm value. This indicates that increases in liquidity – measured by the current ratio – among F&B companies listed on the IDX during the 2018-2022 period were positively perceived by investors, leading to higher demand for shares and, consequently, rising stock prices that reflect enhanced firm value. These findings support the Signalling Theory, suggesting that investors interpret strong liquidity as a positive signal of future company performance, prompting increased stock demand and driving up firm value. According to S.G. Pambudi & Z. Meini (2023), liquidity has a positive and statistically significant impact on firm value. This implies that firms with strong liquidity are more likely to instil investor confidence in their overall performance. Higher liquidity levels are associated with greater market value for the company. According to K. Sari *et al.* (2023), the test results indicate that liquidity, as measured by the CR, has a positive and significant impact on firm value. This finding confirms that an improvement in CR can enhance firm value. Consistent with Signalling Theory, this suggests that strong liquidity sends a positive signal to investors, as it reflects the firm's ability to meet its financial obligations, thereby increasing investor confidence.

The average Current Ratio (CR) of companies in the trade sector increased from 2021 to 2022 but tended to decline in 2023. Nevertheless, this trend was accompanied by a consistent increase in Price to Book Value (PBV) among companies in the trade sector during the 2021-2023 period. The most significant contributor to the increase in liquidity from 2021 to 2022 was PT Optima Prima Metal Sinergi Tbk, whose CR rose from 170.76 in 2021 to 213.17 in 2022. This improvement occurred because the company successfully reduced its short-term liabilities, such as accrued expenses and tax payables, indicating its ability to increase current assets capable of covering its short-term obligations. Conversely, the sharpest decline in liquidity from 2022 to 2023 was recorded by PT Akbar Indo Makmur Stimec Tbk, whose CR dropped to 0.01. This occurred because, in 2023, the company experienced a significant decrease in receivables amounting to IDR 9,936,469,842, which were more than 60 days overdue. The decline in receivables was not due to payment collection but rather to the impairment in their value, along with a proportion of short-term liabilities that far exceeded its current assets. Most of the Current Ratio (CR) levels in companies within the trade sector indeed show a positive relationship with firm value. For example, the largest contribution comes from PT Duta Intidaya, Tbk., which recorded Current Ratio (CR) values of 0.67, 0.71, and 0.73 during 2021-2023, followed by an increase in Price to Book Value (PBV) of 10.23, 15.08, and 49.21 respectively.

The Effect of Debt to Equity Ratio (DER) on Price to Book Value (PBV). The t-test results indicate that the Debt to Equity Ratio (DER) has a t-value of -0.174, which is less in absolute value than the critical t-value of ± 1.654 . At a 5% significance level and a p-value of 0.8618, the null hypothesis (H_0) is accepted, while the alternative hypothesis (H_1) is rejected. This implies that Debt to Equity Ratio (DER) does not have a significant effect on Price to Book Value (PBV) in trading sector companies during the 2021-2023 period, as shown in Table 6.

Table 6. Results of hypothesis testing of the effect of liquidity leverage on firm value

Model	t _{count}	t _{table}	α	Prob.t	Result
X ₃ → Y	-0,174	-1,654	0,05	0,8618	Ha rejected

Source: compiled by the authors based on the Indonesia Stock Exchange (n.d.) using Eviews 13.0 analysis software

According to S.A. Ross *et al.* (2016), leverage reflects a company's ability to finance its obligations using the equity it owns, and one common measure of leverage is the DER. A higher DER indicates greater reliance on debt financing relative to equity, which typically increases investment risk. Rising leverage can signal higher risk, potentially leading to a decline in firm value and increasing the likelihood of financial distress. However, based on the conditions of trading sector companies during 2021-2023, this explanation does not align with the findings of this study. The test results show that Debt to Equity Ratio (DER) does not have a significant effect on Price to Book Value (PBV) in this sector. Consequently, the third hypothesis of this study is not supported. Although the statistical results show a negative relationship between leverage and firm value, the effect is not statistically significant.

Furthermore, the results of this study are consistent with prior research by S.N. Sukmajaya & D.G. Wirama (2025), which indicates that leverage has no impact on firm value. Leverage, defined as the mix of debt and equity in a company's long-term financing, creates varied investor perceptions. High debt can suggest a company cannot self-finance its operations, yet it can also signal strong long-term business prospects. This conflicting view explains why leverage, specifically when measured by DER, does not affect firm value; according to M. Fadhilah & T.D. Widajantie (2024) this means a higher leverage does not guarantee a higher firm value. Changes in a company's funding sources, whether increasing or decreasing, will not affect its overall firm value. Investors do not focus on the company's debt; instead, they prioritise how effectively and efficiently management uses its resources to boost firm value. A high leverage level simply indicates that the company's assets are primarily funded by external loans; and based on D.R. Saputri & S. Bahri (2021) result, indicates that the independent variable, DER has no effect on firm value. In this study, investors do not prioritise a company's debt level. Instead, they are more concerned

with how effectively the company uses its funds to generate profits. Therefore, company management should strategically leverage any existing debt.

The financial condition of trading sector companies listed on the Indonesia Stock Exchange during 2021-2023 shows that Debt to Equity Ratio (DER) does not have an effect on Price to Book Value (PBV). This means that investors tend not to assess a company, especially in the trading sector, solely based on the comparison between the company's debt and equity. Instead, investors pay more attention to how the company's management can effectively and efficiently manage the company's funds to create added value for the company both now and in the future. Given the highly varied and fluctuating Debt to Equity Ratio (DER) in the trading sector, it does not have a significant impact on Price to Book Value (PBV) because there are other factors that tend to have a greater influence on the company's value.

CONCLUSIONS

Based on the research, it can be concluded that both profitability and liquidity have a significant positive impact on the value of the firm. An increase in any of these indicators usually increases the value of the company, while a decrease can lead to its decrease. In addition, profitability indicates a company's capability to optimise earnings to fulfill both short-term and long-term goals. Consequently, firms with

strong profitability are more likely to enhance their overall value, and investors view companies with strong liquidity as financially healthy. As a result, high liquidity signals solid financial standing, leading to greater investor interest, which, in turn, drives up the stock price and enhances the firm's overall value. In contrast, leverage does not demonstrate a statistically significant impact on the value of the firm, which indicates that fluctuations in the level of debt are not always associated with changes in the market valuation of the company. An elevated DER suggests that a company depends more on debt than equity for financing, which generally heightens investment risk. Increased leverage may be perceived as a risk signal, potentially reducing the firm's value and raising the risk of financial instability. Future studies should explore a broader set of variables – such as firm size, efficiency, and ownership structure – and larger samples to gain deeper, cross-sectoral insights into the determinants of firm value.

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Ліліс Мар'янті

Магістр
Університет Відятама
40125, вул. Чикутра, 204А, м. Бандунг, Індонезія
<https://orcid.org/0009-0003-2847-5630>

Андгіка Гардіка

Магістр
Університет Відятама
40125, вул. Чикутра, 204А, м. Бандунг, Індонезія
<https://orcid.org/0000-0002-3502-4518>

Суджі Салег

Магістр
Університет Відятама
40125, вул. Чикутра, 204А, м. Бандунг, Індонезія
<https://orcid.org/0009-0003-0690-4588>

Оцінка впливу фінансової результативності на вартість компанії: емпіричне дослідження підприємств торговельного сектору, що котируються на Індонезійській фондовій біржі (IDX) у період 2021-2023 років

Анотація. Актуальність дослідження зумовлена зростаючою потребою у розумінні того, як ключові фінансові показники впливають на сприйняття інвесторами компаній і їхню ринкову оцінку в умовах динамічної економіки. Метою цього дослідження було визначити вплив показників прибутковості, ліквідності та фінансового левериджу на вартість компаній торговельного сектору, що котируються на Індонезійській фондовій біржі (IDX) у період 2021-2023 років. У дослідженні використано регресійний аналіз панельних даних за допомогою програмного забезпечення EViews 13.0, а також причинно-описовий підхід. Об'єктом аналізу стали 55 компаній, відібраних методом цілеспрямованої вибірки. Для перевірки гіпотез застосовувався метод випадкових ефектів (REM). Результати показали, що прибутковість і ліквідність мають статистично значущий позитивний вплив на вартість компанії. Як правило, поліпшення цих показників призводить до зростання вартості компанії, а їх зниження – до зменшення. Водночас фінансовий леверидж не мав статистично значущого впливу, що свідчить про те, що зміни в рівні заборгованості не обов'язково відображаються на ринковій вартості компанії. Зокрема, кожне зростання рентабельності власного капіталу (ROE) на 1 % збільшує коефіцієнт ціна/балансова вартість (PBV) на 0,009 одиниці, тоді як зростання поточного коефіцієнта (CR) на одну одиницю підвищує PBV на 0,360. Натомість коефіцієнт співвідношення боргу до власного капіталу (DER) мав незначний негативний коефіцієнт (-0,0000823), який не був статистично значущим у моделі. Це дослідження надало практичні рекомендації щодо підвищення вартості компанії шляхом покращення прибутковості, ліквідності, фінансового управління та комплексного фінансового аналізу, що виходить за межі простого контролю левериджу

Ключові слова: ціна до балансової вартості; рентабельність власного капіталу; поточне співвідношення; співвідношення боргу до власного капіталу; леверидж