
Liquidity, Profitability, Solvency, and Firm Size as Determinants of Firm Value

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Abstract:

This research examines how liquidity, profitability, solvency, and firm size affect firm value among consumer non-cyclical firms listed on the Indonesia Stock Exchange in 2024. Using a quantitative causal-associative design and purposive sampling, the study analyzed firms with complete financial disclosures and accessible market data; secondary sources included company financial statements and IDX records. Liquidity was proxied by the Current Ratio (CR), profitability by ROA and ROE, solvency by the Debt-to-Equity Ratio (DER), firm size by the natural log of total assets, and firm value by Tobin's Q. After running descriptive analyses, diagnostic checks, and multiple linear regression, findings reveal that liquidity exerts a significant negative impact on firm value, profitability shows a significant positive relationship, solvency yields a negative but statistically insignificant effect, and larger firm size correlates with lower firm value in a statistically significant way. Although the four predictors jointly explain a significant portion of variance in firm value, their overall explanatory power is modest, indicating that additional internal and external factors likely influence firm performance.

Keywords: Consumer non-cyclicals, Firm size, Firm value, Liquidity, Profitability.

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1. Introduction

In the context of globalization and heightened competition in capital markets, firms must exhibit robust financial results to secure investor confidence and attract funding. This need to understand internal determinants of firm value has become more pronounced in Indonesia after capital market reforms and improved transparency. Firm value is a key metric for stakeholders—particularly investors—because it signals corporate performance and future prospects, often mirrored by stock price behavior and shareholder wealth (Putri Nadhilah et al., 2024; Bunardi, 2024). Internal financial attributes commonly cited as influential include liquidity, profitability, solvency, and the size of the firm. Firm size—typically proxied by total assets—captures a

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company's resource base and earning potential; consequently, larger firms are generally associated with higher firm value and greater access to internal and external capital (Oktawianto & Laksmiwati, 2023; A'isyah & Sudarsi, 2024). Liquidity, measured for instance by the current ratio, reflects a company's capacity to satisfy short-term liabilities using current assets; strong liquidity can bolster investor trust and lower default risk. Nevertheless, empirical evidence is inconsistent: while some studies report a positive and significant link between liquidity and firm value (Damayanti & Darmayanti, 2022; Arci & Ermawati, 2024), others find no statistically meaningful relationship (Situmorang et al., 2025).

Profitability, alongside liquidity, serves as a key indicator of a company's worth because it shows how efficiently management converts capital and assets into earnings (Trisnaningsih & Saputri, 2019). Common profitability metrics such as Return on Assets (ROA) and Return on Equity (ROE) capture a firm's capacity to generate profits that can support dividend payouts and potentially push up share prices. Empirical studies in Indonesia support this link: Aryantini and Jumono (2021) document a positive effect of profitability on firm value in the manufacturing sector, and Carolin and Susilawati (2024) report that greater profitability is associated with higher market valuations. Solvency, typically proxied by the Debt-to-Equity Ratio (DER), signals the degree to which operations are funded by borrowed capital; while moderate leverage can boost firm value via favorable financial leverage, excessive indebtedness raises risk and can undermine investor confidence. Yet empirical evidence is mixed Situmorang et al. (2025) find that liquidity and firm size partly determine firm value, whereas Mahardhika et al. (2025) observe no significant effects from solvency and efficiency but do note positive roles for size and profitability.

Firm size is frequently treated as a crucial determinant of firm value because larger companies typically enjoy easier access to capital markets, broader risk-spreading opportunities, and scale advantages that can boost value; in contrast, smaller firms often benefit from greater agility but face heightened exposure to external shocks. Studies from Indonesia largely corroborate this relationship: Damayani and Wirawati (2022) report a positive effect of firm size on value within the property and real estate industry, and Reschiwati et al. (2020) identify firm size alongside liquidity and profitability as a significant driver of firm valuation. Yet the evidence is not uniform: Febriana and Anismadiyah (2024) found no statistically meaningful association between firm size and firm value in the automotive and components sector.

The motivation for this study stems from conflicting findings in prior research about how liquidity, profitability, solvency, and firm size affect firm value discrepancies that may be driven by differences in industry, time frame, or methodological approach. This research therefore empirically investigates the influence of those financial indicators on firm value and determines which factor most strongly contributes to its improvement. Entitled "An Analysis of the Effect of Liquidity, Profitability, Solvency, and Firm Size on Firm Value," the study concentrates on firms within the consumer non-cyclical sector listed on the Indonesia Stock Exchange for the 2024 reporting period.

2. Theoretical Background

Agency Theory

Agency theory, as introduced by Jensen and Meckling (1976), conceptualizes the principal agent relationship in which owners (principals) delegate managerial control to agents expected to pursue owners' objectives. Divergent goals between these parties often give rise to agency conflicts, necessitating effective oversight and incentive arrangements to align manager behaviour with shareholder interests. This framework is pertinent to the current study because factors like liquidity, profitability, and board gender diversity can alter principal agent interactions and thereby influence the firm's market value.

Signalling Theory

Originally formulated by Ross (1977) and revisited by Bunardi (2024), signaling theory asserts that managers communicate the firm's intrinsic quality to investors through financial disclosures—notably measures of liquidity and profitability. Strong results on these metrics (e.g., high profitability or healthy liquidity) act as positive signals that strengthen investor confidence and typically elevate firm valuation. In this study, the selected financial indicators are treated as signaling mechanisms that shape market judgments about the company.

Firm Value

Firm value describes the market's judgment of a company's economic worth, usually expressed through its stock price and related market indicators, which is why market-based metrics are widely used to assess long-term performance (Aydoğmuş et al., 2022). In practice, this value is evident in a firm's share price a reflection of investors' expectations about future results and internally it indicates the company's capacity to strengthen its operational and financial outcomes over time. In this study, firm value is proxied by Tobin's Q, a measure that relates a firm's market valuation to the replacement cost of its assets and thus captures market expectations of future profitability (Saomi et al., 2025).

Liquidity

Liquidity denotes a company's ability to cover short-term obligations with its current assets, commonly measured by the Current Ratio as an indicator of near-term financial health. Hasan (2022) notes that liquidity metrics like the current ratio evaluate whether a firm can meet its immediate liabilities promptly. Nonetheless, excessively high liquidity can signal poor asset utilization—idle resources generate opportunity costs so the relationship between liquidity and firm value may be non-linear and dependent on context (Khoza, 2025). In the consumer non-cyclicals sector, where demand for essential goods tends to be steady, maintaining sufficient liquidity is vital for operational resilience and uninterrupted supply-chain functioning; adequate short-term funds help firms honor payables, sustain supplier ties, and avoid disruptions in distribution.

Profitability

Profitability indicates how effectively a firm converts its operations into earnings and is typically captured by ratios such as Return on Assets (ROA) and Return on Equity (ROE). Strong profitability signals robust earnings capacity, which tends to raise firm value by boosting anticipated future cash flows and lowering the probability of business failure, thereby enhancing market valuation (Aydoğmuş et al., 2022). Within the consumer non-cyclical industry, profitability functions as an indicator of production efficiency, marketing success, and competitive positioning; firms that translate sales into higher margins more reliably attract investors and strengthen their valuation. Furthermore, when a company maintains stable profitability despite shifts in input prices or market pressures, it conveys durable operational performance and bolsters investor confidence.

Solvency

Solvency reflects a company's long-term financing mix and its capacity to honor obligations over time, commonly proxied by the debt-to-equity ratio (DER). Capital structure theories suggest that taking on debt can lower a firm's weighted average cost of capital (WACC) up to an optimal point (trade-off theory), yet excessive leverage raises financial risk and can erode firm value (El-Ansary & Hamza, 2022). The impact of solvency on firm value varies with industry dynamics and macroeconomic conditions, so DER's effect is contingent on the sector in question (Kaya, 2022). In the consumer non-cyclical industry, a healthy solvency position signals the firm's ability to fund growth or innovation without unduly straining its capital base; thus, a well-balanced DER indicates prudent risk management and underpins long-term, sustainable expansion.

Firm Size

Firm size often proxied by total assets or the logarithm of total assets — captures a company's operational scale, diversification, and access to financing. From the capital market viewpoint, larger firms usually disclose more comprehensive public information and experience lower firm-specific risk, which can translate into steadier market valuations (Rahmi et al., 2024). Yet empirical evidence is mixed: the size–value nexus is positive in some industries but neutral or even adverse in others, potentially because of bureaucratic drag or diseconomies of scale (Sihombing et al., 2025). In the consumer non-cyclical sector specifically, greater scale tends to confer cost advantages, superior distribution networks, and stronger supplier negotiating power; these attributes, together with perceived managerial competence and stronger prospects for sustained growth, bolster customer retention, competitive position, and ultimately firm value.

Hypothesis Development**The Effect of Liquidity on Firm Value**

Liquidity serves as a principal measure of a firm's near-term financial resilience, indicating its capacity to satisfy immediate liabilities with readily convertible assets commonly quantified by the current ratio. In the consumer non-cyclicals industry, sufficient liquidity underpins uninterrupted operations and a dependable supply chain, enabling firms to weather input-cost volatility without halting production. For

investors, robust liquidity denotes lower insolvency risk and greater financial steadiness, which bolsters confidence and investment appeal. Empirical evidence corroborates this link: Ramdita et al. (2025), Dotulong et al. (2023), and Damayanti & Darmayanti (2022) report that liquidity exerts a positive, statistically meaningful effect on firm value by affording managerial flexibility for capital deployment, preserving operational continuity, and strengthening investor trust. Thus, companies that maintain healthy liquidity positions are typically better equipped to safeguard operational performance and sustain market valuation.

Hypothesis 1 (H1): Liquidity has a positive effect on firm value.

The Effect of Profitability on Firm Value

Profitability is a principal gauge of how well management employs a firm's assets and capital to produce earnings, typically captured by metrics such as Return on Assets (ROA) and Return on Equity (ROE), which indicate a company's capacity to transform inputs into net profit. Strong profitability reflects robust operational performance, prudent resource allocation, and an ability to preserve earnings amid market fluctuations; it also signals managerial resilience, effective cost control, and competitive positioning—traits particularly valuable in transportation and consumer non-cyclical industries. Empirical studies corroborate these links: Carolin and Susilawati (2024) report significant effects of ROA and ROE on firm value in service and transportation firms, Suryaningsih et al. (2023) find that profitability influences firm value both directly and through capital structure, and Aryani and Saputra (2024) observe a positive ROA–Tobin's Q relationship in consumer non-cyclicals. In sum, sustained profitability strengthens firm value by demonstrating reliable earnings generation, financial flexibility, and growth potential, thereby boosting investor confidence and long-term stability in sectors that depend on steady margins and income streams.

Hypothesis 2 (H2): Profitability has a positive effect on firm value.

The Effect of Solvency on Firm Value

Solvency denotes a company's ability to meet long-term obligations using its asset base, commonly proxied by the debt-to-equity ratio (DER), which signals the extent of financial risk. Elevated leverage raises the likelihood of default and agency-related costs, eroding investor confidence and depressing valuation. Empirical evidence from Sunarya et al. (2025) and Rahmasari & Hidayat (2025) finds a significant negative association between solvency and firm value: while borrowing can fuel expansion, excessive debt weakens profitability signals and destabilizes finances. In the consumer non-cyclicals segment, firms with moderate DERs are viewed as more robust because they depend largely on internal financing and enjoy steadier cash flows. Consequently, preserving an optimal solvency level is essential, since higher leverage tends to lower firm value by increasing financial risk and undermining market trust.

Hypothesis 3 (H3): Solvency has a negative effect on firm value.

The Effect of Firm Size on Firm Value

Company scale commonly proxied by the natural log of total assets — reflects the breadth and complexity of a firm's activities. From a signaling-theory perspective,

larger enterprises usually convey greater openness, stability, and credibility, which in turn fosters investor confidence. In the consumer non-cyclical industry, dominant firms often capture larger market shares, offer a wider product portfolio, and secure lower-cost funding; these advantages enable cost savings, superior risk mitigation, and more consistent profitability. Empirical studies corroborate this pattern: research has shown that expanded scale improves firm value via enhanced risk management and market capitalization, and that bigger firms tend to enjoy higher investor trust, operational efficiency, innovative capacity, and market valuation. Consequently, greater scale typically signals stronger financial resilience, negotiating leverage, and long-term growth prospects, which are reflected in higher firm value.

Hypothesis 4 (H4): Firm size has a positive effect on firm value.

3. Methodology

This research adopts a quantitative causal-associative design to investigate how liquidity, profitability, solvency, and firm size influence firm value among consumer non-cyclical companies listed on the Indonesia Stock Exchange in 2024. Samples were chosen purposively, requiring uninterrupted financial reporting, complete data, and available market prices (Sugiyono, 2019; Amin, 2023). Secondary data were extracted from published financial statements and the IDX portal using documentation techniques (Sekaran & Bougie, 2016). Liquidity is proxied by the Current Ratio (CR) to capture short-term payment capacity (Sudjiman & Sudjiman, 2022); profitability by Return on Assets (ROA) and Return on Equity (ROE) as indicators of profit generation efficiency (Putri et al., 2023; Dwi & David, 2024); solvency by the Debt-to-Equity Ratio (DER) to reflect long-term leverage and risk exposure (Adhyasta & Sudarsi, 2023; Sudjiman & Sudjiman, 2022); firm size by the natural log of total assets to represent scale and market position (Adhyasta & Sudarsi, 2023; Ulfa & Effendy, 2023); and firm value by Tobin's Q as a market-based proxy of growth expectations and firm worth (Sudjiman & Sudjiman, 2022; Ulfa & Effendy, 2023). Data analysis begins with descriptive statistics and proceeds through classical assumption checks: normality (Kolmogorov–Smirnov), multicollinearity ($VIF < 10$), heteroskedasticity (Glejser test), and autocorrelation (Durbin–Watson) before estimating a multiple linear regression model to assess joint and individual effects of the predictors on firm value; hypothesis evaluation relies on F and t statistics and is complemented by R^2 and adjusted R^2 to gauge explanatory power (Hair et al., 2019; Ghozali, 2018).

4. Empirical Findings/Result

Company Overview

The present study examines firms in the consumer non-cyclical sector listed on the Indonesia Stock Exchange in 2024: companies that manufacture necessities such as food, beverages, pharmaceuticals, and everyday household items. Due to the sector's comparatively steady demand regardless of macroeconomic swings, it exhibits lower business risk than cyclical industries (Oktawianto & Laksmiwati, 2023). For this reason, the research assumes that firm-specific characteristics—including liquidity,

profitability, company size, and gender diversity will better account for differences in firm value than external macroeconomic drivers.

Description of Research Variables

Table 1.
Descriptive Statistics of Research Variables

	N	Minimum	Maximum	Mean	Std.Deviation
CR	111	-2,26	3,23	,6824	,97389
ROA	111	-,69	,33	,0289	,13297
ROE	111	-1,56	1,57	,0562	,36599
UP	111	24,37	32,94	28,2222	1,96213
DER	111	-2,52	3,07	,6952	,77237
Tobin's Q	111	-2,37	2,00	,2827	,64254
Valid N (listwise)	111				

Descriptive statistics for the 111 firms in the sample offer a preliminary portrait of the variables prior to hypothesis testing. The current ratio averages 0.6824 (SD = 0.97389), implying that, on median company, current assets fall short of short-term obligations and may convey liquidity stress to market participants. Profitability indicators are weak: mean ROA = 0.0289 and mean ROE = 0.0562, with minima of -0.69 and -1.56 respectively, signifying that several firms recorded losses and that asset and equity utilization are suboptimal in some cases. Leverage, proxied by DER, has a mean of 0.6952 (SD = 0.77237), which alongside its wide span (-2.52 to 3.07) points to heterogeneous financing structures but an overall tilt away from extreme debt dependence. Firm size, measured as $\ln(\text{total assets})$, centers at 28.2222 (SD = 1.96213), indicating a relatively large and fairly uniform sample. The outcome variable, Tobin's Q, is low on average (mean = 0.2827; SD = 0.64254), well below the benchmark of 1, suggesting market valuations that underprice firms relative to replacement cost. Taken together—low liquidity and modest profitability coupled with depressed Tobin's Q—these descriptive patterns are consistent with signaling theory's prediction that weak fundamentals transmit negative signals to investors; consequently, multivariate regression is warranted to test the magnitude and significance of these relationships.

Classical Assumption Test

The normality of the regression model was examined using the one-sample Kolmogorov-Smirnov test on the unstandardized residuals. The analysis yielded an Asymp. Sig. (2-tailed) value of 0.200 for the 111 observations, exceeding the 0.05 significance level. This result supports the acceptance of the null hypothesis, indicating that the residuals are normally distributed and that the regression model satisfies the normality assumption.

Multicollinearity among the independent variables liquidity (CR), profitability (ROA and ROE), firm size (UP), and solvency (DER) was evaluated through Tolerance and Variance Inflation Factor (VIF) values. Tolerance ranged from 0.565 to 0.788, all above the minimum threshold of 0.10, while VIF values varied between 1.269 and

1.771, well below the critical value of 10. These results indicate that multicollinearity is not present in the model.

Heteroskedasticity was tested using the Glejser approach by regressing the absolute residuals on the independent variables. All significance values exceeded 0.05, confirming that the residuals maintain constant variance and that heteroskedasticity is absent. Additionally, the Durbin-Watson statistic for autocorrelation testing produced a value of 1.969, closely approximating the ideal value of 2, suggesting no autocorrelation exists in the regression model. Overall, the diagnostic evaluations confirm that all classical assumptions of regression are met, thereby validating the reliability of subsequent hypothesis testing.

Multiple Linear Regression Analysis

The Coefficients table contains the regression estimates from the Unstandardized Coefficients (B) we derive the multiple linear regression equation shown below:

$$\text{Tobin's } Q = 3,067 - 0,142CR + 1,197ROA + 0,454ROE - 0,095UP - 0,100DER + \varepsilon$$

The regression's intercept of 3.067 indicates that, when all explanatory variables are held at zero, Tobin's Q is estimated at 3.067. Examining the partial coefficients, liquidity (current ratio) is associated with a decline in firm value: a one-unit rise in CR corresponds to a 0.142 reduction in Tobin's Q. Profitability measures exert positive effects, with ROA showing the strongest impact (coefficient = 1.197) and ROE contributing positively as well (coefficient = 0.454), suggesting that profitability is the primary driver of higher firm value in this model. Firm size (natural log of total assets) bears a small negative coefficient (−0.095), implying larger firms tend to have slightly lower Tobin's Q. Leverage, proxied by DER, also has a negative coefficient (−0.100), pointing to a tendency for firm value to fall as debt increases; however, this effect is not statistically significant according to the t-test.

Hypothesis Testing

Simultaneous Test (F Test)

Table 2.
ANOVA Test Results (F Test)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8,142	5	1,628	4,587	,001b
	Residual	37,273	105	,355		
	Total	45,415	110			

With an F = 4.587 and p = 0.001 from the ANOVA, liquidity, profitability, solvency, and company size jointly explain a significant portion of variation in company value.

Partial Test (t-Test)

Table 3.
Partial Test Results (t-Test)

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	3,067	,961		3,191	,002
	CR	-,142	,069	-,215	-2,065	,041
	ROA	1,197	,568	,248	2,105	,038
	ROE	,454	,175	,259	2,595	,011
	UP	-,095	,034	-,290	-2,809	,006
	DER	-,100	,087	-,121	-1,148	,253

The t-test findings reveal that liquidity (CR) is statistically significant ($p = 0.041$) but bears a negative coefficient (-0.142), contradicting the expectation of a positive effect from signaling theory; this suggests that high liquidity may be interpreted by investors as idle or poorly deployed resources, implying suboptimal asset management and depressing firm valuation. Profitability captured by ROA and ROE exerts a positive and significant influence on market value (ROA: $p = 0.038$, coefficient = 1.197; ROE: $p = 0.011$, coefficient = 0.454), consistent with the hypothesis and signaling logic that robust earnings and efficient operations convey favorable future prospects and thus elevate valuations. Firm size (ln total assets) is also significant ($p = 0.006$) but negatively related to value (coefficient = -0.095), indicating that larger, more mature firms may be viewed as having constrained growth potential compared with smaller, faster-growing peers. Solvency (DER) does not significantly affect firm value ($p = 0.253$; coefficient = -0.100), implying that leverage plays a limited role in market appraisal when liquidity and profitability signals are prominent. In sum, internal performance indicators especially profitability and liquidity appear to drive market valuation more strongly than capital structure, underscoring the importance of operational efficiency as the market's primary signal of firm worth.

Coefficient of Determination (R^2 and Adjusted R^2)

Table 4.
Results of the Coefficient of Determination Test

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	,423a	,179	,140		,59580	1,969

An adjusted R-squared of 0.140 means that liquidity (CR), profitability (ROA and ROE), solvency (DER), and firm size (UP) together account for only 14% of the variation in firm value (Tobin's Q), leaving roughly 86% of variability unexplained by the model. This low explanatory power implies the regression has limited

predictive usefulness: although the F-test indicates the model is statistically meaningful overall, most movements in Tobin's Q within the sample are likely driven by factors outside the current specification for example, variations in corporate governance, macroeconomic shifts, or changes in market sentiment.

5. Discussion

The results indicate that liquidity exerts a significant but negative influence on firm value. This finding contrasts with the expectation of a positive relationship derived from signaling theory, which posits that higher liquidity should reflect a firm's financial strength and stability (Jensen & Meckling, 1976). Instead, the negative relationship suggests that excessive liquidity may be perceived by investors as an inefficient allocation of assets or an indication of idle funds that are not being used productively (Jusmawati et al., 2025; Khoza, 2025). Similar findings by Jesson and Hikmah (2025) and Ramdita et al. (2025) support the notion that when firms hold too many liquid assets without corresponding investment opportunities, market participants interpret this as a signal of weak management efficiency and reduced growth potential, thereby diminishing firm value.

Profitability, measured by return on assets (ROA) and return on equity (ROE), demonstrates a positive and significant relationship with firm value. This result aligns with the fundamental financial principle that higher profitability enhances firm valuation through improved investor confidence and expectations of sustained earnings (Hair et al., 2019; Sihombing et al., 2025). Studies by Komalasari and Yulazri (2023), Putri et al. (2023), and Rahmasari and Hidayat (2025) corroborate that firms with stronger profitability ratios are generally perceived as more efficient in utilizing resources and capable of generating favorable returns, thus commanding higher market valuations. According to signaling theory, profitability serves as a reliable indicator of future performance, reassuring investors about the firm's growth prospects and stability (Febriana & Anismadiyah, 2024).

Firm size also shows a significant yet negative effect on firm value. This finding implies that larger firms, while often perceived as more stable, may face diminishing growth opportunities compared to smaller, more agile entities (Oktawianto & Laksmiwati, 2023; Rahmi et al., 2024). Isyнуwardhana and Zulfikar (2024) and Maghfirah et al. (2023) observe that large-scale organizations often experience bureaucratic inefficiencies and slower decision-making processes, which can reduce market optimism regarding their capacity for rapid expansion. Therefore, investors may favor smaller firms that demonstrate flexibility and innovation potential, consistent with the observed negative linkage.

In contrast, solvency, measured by the debt-to-equity ratio (DER), does not have a significant effect on firm value. This outcome suggests that leverage plays a limited role in shaping market perceptions when internal performance factors such as liquidity and profitability dominate investor considerations (Kaya, 2022; Mahardhika et al., 2025). A similar conclusion was reached by Sudjiman and Sudjiman (2022), who

reported that the use of debt financing does not necessarily enhance firm valuation unless accompanied by strong profitability and efficient capital management. This supports the argument that investors may be more concerned with a firm's operational performance rather than its capital structure, especially in volatile market conditions.

The coefficient of determination indicates that the variables analyzed—liquidity, profitability, solvency, and firm size—collectively explain only a small proportion of the variation in firm value. This modest explanatory power implies that other unobserved factors such as corporate governance, innovation capability, or macroeconomic conditions could have a more substantial influence (Febriana & Anismadiyah, 2024; Sekaran & Bougie, 2016). As suggested by Saomi et al. (2025) and Situmorang et al. (2025), firm value is a multidimensional construct shaped not only by financial ratios but also by strategic decisions and market perceptions. Hence, future studies could incorporate moderating variables such as dividend policy or intellectual capital to enhance explanatory strength and provide a more comprehensive understanding of firm valuation dynamics.

Overall, these findings reinforce the argument that internal performance indicators—particularly profitability and liquidity—play a crucial role in determining firm value. The results affirm that operational efficiency remains a dominant signal to investors regarding firm worth, while leverage and firm size exert a more nuanced or context-dependent influence.

6. Conclusions

The analysis indicates that liquidity exerts a negative, statistically significant effect on firm value, suggesting that an excess of idle current assets can depress market valuation; conversely, profitability captured by ROA and ROE has a positive and significant impact, implying that stronger earnings performance bolsters investor confidence. Solvency, proxied by the debt-to-equity ratio (DER), displays a negative but statistically insignificant relationship with firm value, meaning leverage does not appear to be a key driver of market valuation within the consumer non-cyclical sector. Firm size is negatively and significantly associated with firm value, which may reflect the lower growth prospects and diminished investor appeal of larger, more mature firms. Together the four predictors explain a modest portion of value variation (about 14%), indicating that governance practices, dividend decisions, market forces, and other unobserved factors likely account for the majority of valuation differences. In light of these results, managers should avoid holding excessive liquid assets and instead improve asset utilization and operational efficiency to enhance value; investors would do well to emphasize profitability metrics when screening equities while interpreting solvency and size in the context of industry norms; and regulators (e.g., OJK and IDX) should promote clearer, more timely financial disclosures so that market participants can more accurately assess firm prospects.

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