

Research Article

Sales Growth as a Value Catalyst: Financial Performance in Indonesian Manufacturing

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Abstract

Indonesia's economic growth between 2017-2023 experienced increasing instability, influenced by various factors, including the pandemic. This condition adversely affected the financial performance of most industries, with many reporting significant losses. However, the consumer goods manufacturing sector demonstrated greater resilience compared to other sectors. This study posits that changes in financial performance influence firm value, which in turn affects stock price movements. As such, firm value is considered a critical indicator for investors in making investment decisions, as it reflects a firm's prospects and sustainability. This study aims to examine the effects of profitability, leverage, and firm size on firm value, with sales growth as a moderating variable, among manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange (BEI) during the 2017–2023 period. A quantitative research approach was employed, using panel data regression analysis in e-Views 12. The study population comprised 52 companies, of which 28 were purposively selected, yielding 168 observations. The findings reveal that profitability, leverage, and firm size simultaneously affect firm value. Partially, profitability and sales growth do not have a significant effect on firm value, whereas leverage and firm size do.

Keywords: Profitability, Leverage, Firm Size, Sales Growth, Firm Value.

JEL Classification: G14, L25, C33

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1. Introduction

The dynamics of global economic growth over the past five years have become increasingly unstable. One of the biggest contributing factors was the global pandemic that struck during 2020-2021. Indonesia was one of the countries impacted by this global pandemic. Various industrial sectors experienced declines, including tourism and its derivatives, transportation and warehousing, automotive and manufacturing, and others.

According to data released by the Central Statistics Agency (BPS), economists assess that the Indonesian economy was increasingly stable before the pandemic. This is indicated by growth reaching 5.07% (yoy) in 2017, 5.17% (yoy) in 2018, and only 5.02% (yoy) in 2019. During the global pandemic, Indonesia's economic growth rate dropped to -2.07% (yoy). This marked the first significant economic decline in Indonesia in the last 10 years. Indonesian economists expect the coming years to be better, as people have become accustomed to the new normal during the pandemic (source: kontan.co.id). This is evidenced by growth of 3.07% (yoy) in 2021, 5.31% (yoy) in 2022, and a predicted stable 5.33% (yoy) in 2023.

The consumer goods sector's strategic role in the national economy is evident in its high level of volatility and its ability to support the performance of the domestic stock market. This is inseparable from the characteristics of the products it produces, such as food and beverages, which are primary needs and cannot be postponed by any individual. Even during a global health crisis such as the pandemic, demand for household consumer goods remains stable and often increases, demonstrating its resilience to economic shocks. Therefore, it is undeniable that the consumer goods industry has significant potential and demonstrates rapid, sustainable growth year after year (Kusumaningrum et al., 2022).

Discussing index numbers, firm value is one of the most popular assessments among investors. Firm value is a ratio that compares the market price per share to the book value per share (Santosa, Setianingrum, et al., 2022)(Hery, 2015). According to Kusumaningrum et al. (2022), firm value, often referred to as Price to Book Value (PBV), is a measure used by investors to assess a stock, calculated as the market price per share divided by the book value per share. The assessment results indicate whether the stock is undervalued or overvalued. Also stated that firm value can be used to evaluate stock credibility for investors. The greater the level of investor confidence in a stock, the more likely they are to invest their capital, thereby increasing the firm's value and impacting the stock index (source: www.kontan.co.id).

As investors, we value stocks in the consumer goods industry because they have proven to generate profits and pay dividends annually. According to Mipo (2022), firm value is the primary benchmark for investors. The higher a stock's firm value, the higher its rate of return to investors. High firm value also indicates high investor confidence in a firm's plans and performance (Santosa et al., 2021). High firm value indicates an increase in shareholder welfare (Clarinda et al., 2020). In addition to firm value, investors will also consider other financial indicators in their investment decisions. Some commonly used financial report indicators include profitability ratios, leverage, firm size (measured by asset value), and sales growth (Putri, 2023).

Profitability is a ratio used to assess a firm's ability to generate profits and return on investment over a specific period. This ratio also measures the effectiveness of firm management based on sales results or investment income (Clarinda et al., 2020). One profitability ratio is Return on Equity (ROE). According to Alfianita & Santosa (2022), Return on Equity (ROE) is a profitability ratio that compares a firm's net income to its net assets (equity or capital). This ratio measures how much profit a firm generates compared to the capital contributed by shareholders. This ratio uses after-tax income divided by the firm's equity, which includes common stock, share premium, retained earnings, preferred stock, and other reserves. Return on Equity (ROE) is defined as the return on all assets invested in the firm. The better a firm's profitability, the more investors are attracted to or seek out that stock, hoping to obtain a large return on their substantial investment in the future (Lestari et al., 2023).

Firm size is a measure of a firm's size based on several factors, including total assets, market capitalization, and other indicators. Firm size also influences investor confidence (Sukanti & Rahmawati, 2023). As a firm grows, it becomes easier for the public to access information and learn about it. Therefore, many companies compete to grow. As a firm's size increases, investors tend to view it favorably, leading them to invest in it (Septini & Santoso, 2022). These investments also increase stock prices. The subsequent effect of this increase in stock prices is an increase in the firm's value.

Sales growth is a firm's ability to generate profits over a specific period while meeting established targets. Sales growth is measured by the difference between the current and previous sales periods, compared to the previous period's sales (Cahyani & Rahayu, 2022). Sales growth also reflects the rate of change in sales from year to year. Companies also use this data to predict future performance. Furthermore, sales growth reflects a firm's position and competitiveness relative to its competitors. Sales growth is also an indicator that investors use to assess a firm (Albart et al., 2020).

Leverage, proxied by the Debt-to-Equity Ratio (DER), is a ratio used to measure the amount of debt a firm must repay from its existing capital. The ratio is also useful for assessing a firm's ability to meet all its debt obligations (Santosa et al., 2022). A higher DER ratio indicates a greater burden on external parties. This also indicates a decline in firm performance, characterized by greater reliance on external parties. The higher this ratio, the greater the risks faced. Therefore, companies must maintain their debt-to-equity ratios (Damayanti & Darmayanti, 2022).

Research by Septini and Santoso (2022), Cahyani & Rahayu (2022), and Rahmawati et al. (2023) shows that sales growth does not significantly impact firm value. However, theoretically, increased sales can boost profits if managed efficiently. This profit increase has the potential to increase equity through retained earnings, lower the debt ratio, and strengthen investor confidence, ultimately impacting firm value.

Based on these arguments, this study addresses the gap in understanding how financial performance translates into firm value under conditions of economic instability. By positioning sales growth as a moderating variable, this research offers a more comprehensive explanation of firm value formation, particularly in the consumer goods sector, where demand resilience does not always guarantee value creation.

2. Literature Review and Hypothesis

Signal Theory

Lestari et al. (2023) state that signaling theory is used in financial management to provide investors with clues to distinguish between good and poor companies through financial reports. State that signaling theory is a firm strategy that provides investors with clues about the firm's prospects through financial reports.

The signals a firm sends are important because they influence external parties' investment decisions. The clearer a firm's signals, the better they reflect its performance. Good firm performance is usually reflected in an increase in its stock price (Lestari et al., 2023).

Profitability

A financial ratio is an index that relates two numbers obtained from financial statements by dividing one number by the other. Ratios are used to evaluate a firm's financial condition (Kasmir, 2019). Furthermore, financial ratios are the most important tool for financial analysis. A financial ratio is a number obtained from comparing one financial statement item with another item that has a material and significant relationship (Kasmiati & Santosa, 2019)(Hery, 2015).

Firm Size

Firm size describes the size of a firm, as indicated by total assets, sales volume, and average total sales, as reported by Damayanti & Darmayanti (2022). Halim (2015) found that larger companies were more likely to use foreign capital. This is because large companies require substantial funds to support their operations, and foreign capital is one alternative to meet these needs if their own capital is insufficient (Santosa, et al., 2022).

Sales Growth

Managers are expected to optimize their assets to contribute to firm growth. Generally, three indicators are used to calculate firm growth variables: assets, sales, and net profit (Cahyani & Rahayu, 2022). In this study, the researchers used sales growth as the outcome variable.

Firm Values

Values associated with stocks include book value, market value, and intrinsic value. Book value is the value of a stock as recorded in the issuing firm's books. Market value is the stock's value on the stock market, and intrinsic value is the stock's actual value. A market value lower than its intrinsic value indicates that the stock is being sold at a low price (undervalued), because investors are paying less for the stock than they should. Conversely, a market value higher than its intrinsic value indicates that the stock is being sold at a high price (overvalued).

Hypothesis Development

The Influence of Profitability on Firm Value.

According to Santoso and Junaeni (2022), investors use profitability to assess a firm's ability to generate profits based on its share capital. Similarly, Mipo (2022) states that profitability, as measured by Return on Equity (ROE), reflects a firm's ability to generate profits from its equity, which can ultimately increase its share price.

Thus, it can be concluded that profitability, as proxied by ROE, has a positive and significant effect on firm value. This finding is supported by various previous studies (Santoso & Junaeni, 2022; Arifin et al., 2022; Agnes & Widyasari, 2023; Dotulong et al., 2023; Kusumaningrum et al., 2022; Anggraini & Agustiningih, 2022; Lestari et al., 2023; Agustin, 2022; Putri, 2023; Alfianita & Santosa, 2022; Santosa, 2020).

H1: Profitability affects Firm Value.

The Effect of Leverage on Firm Value.

Leverage, as proxied by the Debt-to-Equity Ratio (DER), reflects a firm's ability to manage liabilities relative to its equity, particularly in the event of liquidation. A too-high debt-to-equity ratio indicates increased risk, which can lower the firm's stock value. Conversely, a low debt ratio sends a positive signal to investors because it reflects a healthier and more stable financial condition.

Thus, it can be concluded that leverage, proxied by DER, affects firm value. Several studies have found that leverage has a positive and significant effect on firm value (Santoso & Junaeni, 2022; Putri & Purnamawati, 2022; Septini & Santoso, 2022; Arifin et al., 2022; Rahmawati et al., 2022; Muslih & Amin, 2022; Kusumaningrum et al., 2022; Clarinda et al., 2023; Agustin, 2022; Putri, 2023; Alfianita & Santosa, 2022; Santosa, 2020).

H2: Leverage affects Firm Value.

The Effect of Sales Growth on Firm Value.

A firm's sales growth reflects year-over-year increases in sales revenue. Increasing sales growth each year indicates a firm's improved operational management. Increased sales translate into increased profits. Suggests that sales growth can enhance a firm's market competitiveness. Investors also use sales growth indicators to measure firm performance. Increasing sales growth can enhance investors' assessment of the firm, thus influencing their investment decisions. Investor activity can drive stock prices higher, boosting the firm's value. It has been concluded that sales growth can positively influence corporate investors' investment decisions (Adelyya & Putri, 2023; Santoso & Junaeni, 2022; Septini & Santoso, 2022; Cahyani & Rahayu, 2022).

H3: Sales growth has an impact on firm value.

The Effect of Sales Growth in Moderating Profitability on Firm Value.

Research by Santoso & Junaeni (2022) indicates that profitability, leverage, sales growth, and firm size are important indicators that investors use to obtain financial information about companies to support investment decisions. As we know, these elements are interdependent and interconnected in financial statements. For example, sales growth can affect profits, which is an element used to calculate profitability. When profits increase alongside sales growth, it supports a firm's capital or equity. Total capital or equity is an element used to calculate leverage, which is proxied by the

Debt-to-Equity Ratio (DER). Increasing capital or equity can increase a firm's value by increasing total assets, as per the basic accounting equation: Assets = Liabilities + Capital. From this analogy, it can be concluded that sales growth can moderate the relationship between these variables, both partially and simultaneously (Adelyya & Putri, 2023; Santoso & Junaeni, 2022; Septini & Santoso, 2022; Cahyani & Rahayu, 2022).

H4: Sales Growth can moderate the effect of Profitability on Firm Value.

The Effect of Sales Growth in Moderating Profitability on Firm Value.

Research by Cahyani & Rahayu (2022) indicates that sales growth moderates the effect of profitability on firm value, as higher sales reflect the sustainability of a firm's operational performance. High profitability is more highly valued by investors when supported by positive sales growth, as it demonstrates the firm's ability to generate sustainable profits. Conversely, profitability without adequate sales growth tends to be perceived as less sustainable, thus weakening its effect on firm value. Thus, sales growth can strengthen or weaken the relationship between profitability and firm value (Adelyya & Putri, 2023; Santoso & Junaeni, 2022; Septini & Santoso, 2022; Cahyani & Rahayu, 2022).

H5: Sales Growth can moderate the effect of Leverage on Firm Value.

3. Data and Method

Subjects and Objects of Research

The strategy used in this research is a quantitative approach, which involves collecting numerical data. This numerical data is then processed and analyzed to obtain scientific information behind the numbers.

Population and Sample

The population in this study was manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX). The sample selection technique used was purposive sampling. According to Sugiyono (2017), purposive sampling is a sampling technique that uses specific criteria to determine whether a sample is suitable. This technique is chosen based on the criteria used to select the sample. The sample selection process is described in Table 1 below:

Table 1. Sample Selection List

No	Sample Criteria	Amount
1.	Manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange from 2017-2023.	52
2.	Manufacturing companies in the consumer goods industry sector that conducted Initial Public Offerings (IPOs) on the Indonesia Stock Exchange after 2017.	(16)
3.	Manufacturing companies in the consumer goods industry sector that did not publish financial reports as of 31 December and did not have complete data related to research variables for the 2017-2023 period.	(0)
4.	Companies that were delisted during the period 2017-2023.	(2)
5.	Consumer goods industry companies that did not make a profit during the 2017-2023 period.	(10)
Total Sample of Companies Studied		24

In this study, 24 manufacturing companies in the consumer goods sector were studied over 7 years. This resulted in 168 observations.

Types and Methods of Data Collection

The data used in this study are quantitative and derived from secondary sources. The data collection method used in this study is secondary data. Data collection was carried out through various sources, including journals, books, and other materials related to and supporting this research, both online and in libraries. In addition, data collection was carried out through internet media, namely by reviewing financial reports and financial performance available on

www.idx.co.id, www.yahoofinance.com, www.sahamok.com, and the websites of each firm that was the object of research in 2017-2023.

Data Analysis Methods

This study uses multiple linear regression analysis to test causal relationships between more than two variables (Sugiyono, 2017). Data processing was performed using Microsoft Excel 2023 for ratio calculations and E-Views 13 for regression model estimation to produce accurate and unbiased predictions. Data are presented in tables and graphs to facilitate systematic analysis. Furthermore, this study also uses descriptive and verification analysis in panel data processing.

4. Results

Classical Assumption Test

Normality Test

The normality test aims to determine whether the available data in a panel regression model is normally distributed. In a panel data regression model, the normality assumption in OLS linear regression is applied to the residuals, not the variables.

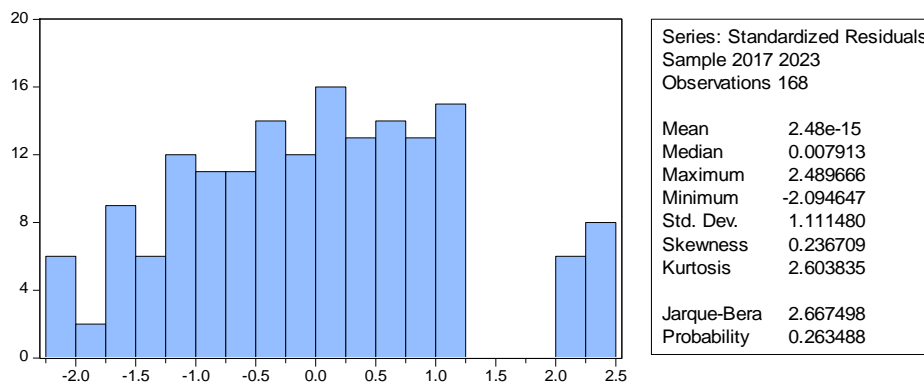


Figure 1. Histogram of Normality Test of 24 Manufacturing Companies Consumer Goods Industry Sector 2017-2023

Based on the image above, the probability value is 0.263, indicating that H0 is accepted; therefore, the data are normally distributed.

Stated that data normality testing is recommended if the sample size is certain to be $n < 30$. If $n > 30$, data normality testing is not necessary. This is because, according to the central limit theorem, for $n \geq 30$, data will tend to be distributed according to a normal distribution.

Multicollinearity Test

The multicollinearity test assesses whether a regression model reveals a high or perfect correlation among the independent variables (Ghozali, 2018). In this case, the correlation value between independent variables is used to detect the presence or absence of multicollinearity.

Table 2. Multicollinearity Test

	ROE	DER	SIZE	PP
ROE	1,00000	0.64771	0.13442	-0.02471
DER	0.64771	1,00000	0.12383	0.12338
SIZE	0.13442	0.12383	1,00000	-0.05296
SG	-0.02471	0.12338	-0.05296	1,00000

Table 2 above shows the correlation value between the independent variables (profitability as measured by Return on Equity, Leverage as measured by Debt to Equity, firm size as measured by the log(natural) of total assets and sales growth as measured by changes in sales). Thus, it can be

concluded that there is no multicollinearity among the independent variables in the regression model.

Panel Data Regression Model Estimation Results

Table 3. Common Effect Model (CEM) Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-21.63867	5.55182	-3.89757	0.0001
ROE	-1.47380	0.39248	-3.75510	0.0002
DER	-0.08107	0.15845	-0.51165	0.6096
SIZE	8.57437	1.64595	5.20937	0.0000
PP	-0.15301	0.45400	-0.33704	0.7365
R-squared	0.23429	Mean dependent variable		6.94255
Adjusted R-squared	0.21550	SD dependent var		1.27020
Prob(F-statistic)	0.000000			

Based on Table 3 above, it is assumed that using the Common Effect Model (CEM) is not realistic in determining the influence of profitability, firm size and sales growth on Firm Value.

Table 4. Fixed Effect Model (FEM) Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-102.12681	4.84576	-21.07547	0.0000
ROE	-0.24462	0.13998	-1.74748	0.0827
DER	-0.60732	0.04017	-15.11905	0.0000
SIZE	32.43208	1.43987	22.52418	0.0000
PP	0.13054	0.07284	1.79201	0.0753
Cross-section fixed (dummy variables)				
R-squared	0.985442	Mean dependent variable		6.942553
Adjusted R-squared	0.982634	SD dependent var		1.270200
SE of regression	0.167388	Akaike info criterion		-0.585991
F-statistic	350.9769	Durbin-Watson stat		1.119035
Prob(F-statistic)	0.000000			

Based on Table 4 above, it is assumed that using the Fixed Effect Model (FEM) is quite realistic in determining the influence of profitability, firm size and sales growth on Firm Value.

Table 5. Random Effect Model (REM) Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-94.44962	4.617682	-20.45391	0.0000
ROE	-0.235024	0.138126	-1.701518	0.0908
DER	-0.577202	0.039611	-14.57179	0.0000
SIZE	30.15250	1.370295	22.00439	0.0000
PP	0.130757	0.072749	1.797384	0.0741
Effects Specification				
			Elementary	
			School	Rho
Random cross-section			1.143494	0.9790
Idiosyncratic random			0.167388	0.0210
Weighted Statistics				
R-squared	0.729482	Mean dependent variable		0.383528
Adjusted R-squared	0.722843	SD dependent var		0.343778

So, it is assumed that using the Random Effect Model (REM) is not realistic in determining the influence of profitability, firm size and sales growth on Firm Value.

Panel Data Regression Model Testing**Chow Test Results**

This test is conducted to determine whether the data to be processed is better suited to conventional linear regression (common or pooled) or to panel data analysis (fixed-effect model). Using the probabilities from the Chow test and redundant fixed-effects testing, the appropriate data analysis can be selected.

Table 6. Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Cross-section fixed effects test			
Effects Test	Statistics	df	Prob.
Cross-section F	314.05522	(23,14000)	0.0000
Cross-section Chi-square	665.71965	23	0.0000

Based on Table 6 above, the Chi-square statistic from the E-Views-12 calculation results shows that the cross-section probability value F is $0.0000 < 0.005$, so H_0 is rejected and H_1 is accepted. Thus, based on these results, an appropriate estimation model is the Fixed Effect Model (FEM).

Hausman Test Results

The Hausman test is used to select the research model for panel data regression analysis, determining whether a fixed-effect or random-effect model is more appropriate.

Table 7. Hausman Test Results

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Cross-section random effects test			
Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob.
Random cross-section	31.55455	4	0.0000

Based on Table 7 above, the cross-section probability value is $0.000 < 0.05$. Thus, H_0 is rejected, and H_1 is accepted at the 5% significance level, which is more effective using the Fixed Effect Model (REM) approach.

Lagrange Multiplier Test

The Lagrange Multiplier (LM) test is used to select between the Common Effect Model (CEM) and the Random Effect Model (REM) for panel data estimation. In this study, the most appropriate model for estimating the regression equation is the fixed-effect model (FEM), so the Lagrange Multiplier (LM) test is unnecessary.

Table 8. Lagrange Multiplier Test

Test	Hypothesis	Test Results	Selected Model
Chow Test	Hypothesis used: a. If the cross-section chi-square probability value is < 0.05 , then H_0 is rejected, and H_1 is accepted, which means the Fixed Effect Model (FEM) is selected. b. If the cross-section chi-square probability value > 0.05 , then H_0 is accepted and H_1 is rejected, which means the Common Effect Model (CEM) is selected.	0.000	Fixed Effect Model
Hausman Test	Hypothesis used: a. If the random cross-section probability value is < 0.05 , then H_0 is rejected, and H_1 is accepted,	0.914	Fixed Effect Model

which means the Fixed Effect Model (FEM) is selected.

- b. If the random cross-section probability value is > 0.05 , then H_0 is accepted, and H_1 is rejected, which means the Random Effect Model (REM) is selected.

Panel Data Regression Analysis

Panel data regression combines time series and cross-sectional data. Time series data is data arranged in chronological order, such as daily, weekly, monthly, or yearly data. Cross-sectional data, on the other hand, is data collected simultaneously from multiple regions, companies, or individuals (Widarjono, 2018).

Table 9. Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-102.12681	4.84576	-21.07547	0.0000
ROE	-0.24462	0.13998	-1.74748	0.0827
DER	-0.60732	0.04017	-15.11905	0.0000
SIZE	32.43208	1.43987	22.52418	0.0000
PP	0.13054	0.07284	1.79201	0.0753

Partial Test (t-Test)

Table 10. Partial Test (t-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Significance (a < 0.05)	Significance (a < 0.10)
C	-102.12681	4.84576	-21.07547	0.0000	-	-
ROE	-0.24462	0.13998	-1.74748	0.0827	Not Significant	Significant
DER	-0.60732	0.04017	-15.11905	0.0000	Significant	Significant
SIZE	32.43208	1.43987	22.52418	0.0000	Significant	Significant
PP	0.13054	0.07284	1.79201	0.0753	Not Significant	Significant

F Test Results (Simultaneous)

Table 11. F-Test Results (Simultaneous)

F-statistic	350.9769
Prob(F-statistic)	0.000000

Based on Table 10 above, the F value is 350.9769 with $df_1 (4 - 1) = 4$ and $df_2 (168 - 4) = 164$. The result for FTable is 2.66. so, $F_{count} > F_{Table}$, namely $350.9769 > 2.66$ and the probability value is $0.000000 < 0.05$. Thus, profitability (ROE), firm size (size), and sales growth (PP) together have a significant effect on Firm Value.

Moderated Regression Analysis

Table 12. Moderated Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Significance (a < 0.05)	Significance (a < 0.10)
ROE*PP	0.73738	0.49421	1.49203	0.1380	No Moderation	No Moderation
DER*PP	0.15049	0.05731	2.62553	0.0096	Can Moderate	Can Moderate
SIZE*PP	0.78862	1.58350	0.49802	0.6193	No Moderation	No Moderation

Based on Table 12 above, the coefficient is significant ($\beta = 0.6193$, $p = 0.6193 > 0.05$). From these results, it is concluded that H0 is accepted and H1 is rejected, indicating that the Sales Growth variable does not moderate Firm Size on Firm Value in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) during 2017-2023.

5. Discussion

The Influence of Profitability (ROE) on Firm Value.

Based on Table 10, the first hypothesis (H1), which posits that profitability has a significant effect on firm value, is rejected. The negative sign indicates that high profitability does not necessarily imply that a firm has good prospects or is capable of generating or increasing profits. Who found that profitability has a negative, insignificant effect on firm value. Research by Putri & Purnawati (2022) also found that profitability had no significant effect on firm value. These studies also suggest that other factors contribute to high firm value.

The Effect of Leverage (DER) on Firm Value.

Based on Table 10, leverage has a negative, significant effect on firm value among manufacturing companies in the consumer goods industry from 2017 to 2023. The first hypothesis (H1), which states that profitability has a significant effect on firm value, is accepted. The negative sign indicates that leverage does not necessarily lead to higher firm value. During the study, the author observed that some investors tended to refrain from purchasing shares with high leverage. This is estimated based on the risk of bankruptcy from high debt and interest costs. Investors also believe that if a firm has high leverage and high debt costs, the long-term effect will be reduced profitability, potentially reducing firm value (Anggraini & Agustiningih, 2022).

The results of this study align with those of Damayanti & Darmayanti (2022), who stated that leverage has a negative and significant effect on firm value. They argue that leverage is a crucial factor that should not be overlooked when assessing a firm.

The Influence of Firm Size on Firm Value.

Based on Table 10, it can be concluded that firm size has a positive and significant effect on firm value in manufacturing companies in the consumer goods industry sector from 2017 to 2023. Therefore, the second hypothesis (H3), which states that firm size has a significant effect on firm value, can be accepted. The positive sign indicates that larger firm size is a consideration for investors. Total assets are used to measure firm size in this study. As the firm's size increases, it becomes easier for the firm to obtain funds that can be used as collateral. With this, the firm will obtain capital to improve its performance.

The larger a firm is, the greater the investor's tendency to own its shares, which increases its share price. This increase in share price leads to an increase in Firm Value. The results of this study align with those of Muslih & Amin (2022), who found that firm size significantly influences Firm Value. Stated that larger companies tend to have more stable financial conditions. This stability can attract investors to own the firm's shares. This condition is the cause of the firm's rising share price on the capital market. According to Halim (2015), the larger a firm, the more well-known it is to the public. The larger a firm, the more well-known it is to the public, making it easier for the firm to raise funds by selling shares. If demand for shares increases, the share price will rise, increasing the price-to-book value (PBV).

The effect of sales growth on firm value.

Based on Table 10, it can be concluded that sales growth does not significantly affect Firm Value in manufacturing companies in the consumer goods industry sector from 2017 to 2023. Therefore, the third hypothesis (H3), which states that sales growth has a significant effect on Firm Value, is rejected. In this study, sales growth does not lead to an increase in Firm Value. The possibility raised by this study's results is that sales growth reflects firm revenue that other costs have not offset. Therefore, when a firm experiences an increase in its sales, this does not necessarily indicate that profits will also increase; it could also decrease. Increased firm sales do not always mean the profits

are reinvested by the firm; this is one reason the sales growth variable does not affect Firm Value. Therefore, the firm value does not increase if no new investments are made. If stock prices do not increase, Firm Value will not increase. Therefore, sales growth does not affect price book value.

Which found that positive sales growth had no significant effect on firm value. This discrepancy in results is due to differences in the sectors studied (firm samples) and the research period. However, these results align with those of Septini & Santoso (2022) and Angraini & Agustingsih (2022), who stated that sales growth generally does not affect firm value.

The influence of profitability, firm size, and sales growth on firm value.

Based on Table 10, it can be concluded that profitability, firm size, and sales growth simultaneously influence firm value. This finding aligns with research by Angraini & Agustingsih (2022), and Clarinda et al. (2023), which states that profitability, firm size, and sales growth simultaneously influence firm value.

The Effect of Sales Growth in Moderating Profitability, Leverage and Firm Size on Firm Value.

Based on Table 10, in this context, it can be concluded that sales growth does not always moderate the impact of profitability on firm value. While high sales are typically expected to increase profitability, in this case, the growth was not sufficient to cover increased operational expenses. For example, the firm was forced to increase investment in marketing and distribution to maintain sales volume, ultimately eroding profit margins. This is stated by Santoso & Septini (2022), who stated that sales growth is not a primary indicator and has no significant effect on firm value.

Despite skyrocketing sales growth, low profitability makes investors hesitant to invest in stocks. Firm value, which is often influenced by expectations of future profits, sometimes does not experience a commensurate increase. Investors question the sustainability of sales growth that is not accompanied by stable profitability. Suggests that sales growth is another factor contributing to high firm value.

This is also supported by research by Amin & Muslih (2022), which state that Sales Growth does not affect Firm Size, even though it has a positive impact on Firm Value.

Overall, these findings suggest that a hierarchy of signals shapes firm value in the consumer goods sector:

1. Financial risk (leverage) is the most dominant factor and cannot be offset by growth
 2. Profitability influences firm value only when validated by market performance
 3. Sales growth functions not as a direct driver, but as a conditional enhancer of signal credibility
- This highlights that investors do not evaluate financial indicators in isolation, but rather through an integrated assessment of risk, performance, and market validation.

6. Conclusion

The study concludes that in the Indonesian consumer goods sector, profitability remains the primary driver of firm value, whereas leverage and large firm size are perceived negatively by the market. Crucially, sales growth acts as a "strategic amplifier" for profitability, suggesting that investors only reward high returns when they are backed by top-line expansion. However, sales growth is not a "shield" against financial risk; it does not mitigate the negative impact of high debt. Implications of this study are CEOs should prioritize "Quality Growth." Expanding sales at the expense of margins is counterproductive, as the market specifically rewards the interaction of growth and ROE. Policy Implications: For the Indonesia Stock Exchange (IDX), these findings suggest that market education should focus on "Sustainable Debt Levels," as even high-growth firms are punished for excessive leverage.

Recommendation

Companies are advised to optimize their capital structure by controlling leverage levels to avoid excessively high levels, thereby mitigating risk and increasing investor confidence. Furthermore,

companies need to ensure that sales growth is accompanied by operational cost efficiency to increase profitability significantly. Investors are advised to be more selective, considering leverage ratios and firm size rather than focusing solely on sales growth. Future research is expected to include additional variables, such as dividend policy and good corporate governance, and to expand the sectors and research period to obtain more comprehensive results. Focus on "Asset-Light" growth strategies. Since Size and DER are punished, growing through efficiency rather than heavy capital expenditure is key.

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