PROFITABILITY AND COMPANY VALUE OF NON-CYCLICAL CONSUMER SECTOR ISSUERS LISTED ON THE INDONESIA STOCK EXCHANGE IN 2022–2024

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Abstract

This study examines the effect of profitability on firm value among non-cyclical consumer companies listed on the Indonesia Stock Exchange (IDX) from 2022 to 2024. Profitability is assessed through Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), while firm value is represented by the Price to Book Value (PBV) ratio. Multiple linear regression accompanied by classical assumption testing is employed in the analysis. The empirical results demonstrate that ROA and NPM exert a positive and significant influence on firm value, whereas ROE shows a positive but statistically insignificant effect. These findings verify that asset utilization efficiency and consistent profit margins serve as stronger determinants of firm valuation compared to returns generated from equity. Overall, profitability constitutes a critical factor in shaping firm value and offers strategic insights for managerial efforts aimed at enhancing financial performance.

Keywords: *Profitability, ROA, ROE, NPM, Firm Value, PBV.*

1. Introduction

Profitability serves as a key indicator that illustrates a company's ability to generate profits and evaluate the efficiency of its resource management. In the non-cyclical consumer sector, profitability plays an increasingly crucial role, given that this sector tends to be stable and continues to operate even in the face of economic pressures. Data from the Indonesia Stock Exchange reveals that companies in the non-cyclical consumer sector experienced variations in profitability and company value between 2022 and 2024, in line with the post-pandemic economic recovery process. This development raises questions about the internal factors that drive company value in this sector. Previous studies have shown that profitability generally has a positive impact on company value, although empirical results are often inconsistent. Some studies find that ROA and NPM are strong predictors of company value, while ROE is sometimes insignificant due to differences in capital structure and funding strategies. This inconsistency signals an opportunity for further research, especially in the context of the post-pandemic period, which has not been fully explored, and the unique characteristics of the non-cyclical consumer sector in terms of income stability.

Theoretically, this study refers to signal theory, which states that profitability acts as an important signal for investors in assessing a company's prospects. Companies with high profitability are perceived as entities capable of generating stable and sustainable cash flows, which in turn can increase investor confidence and reinforce perceptions of the company's value (Spence, 1973;

Connelly et al., 2011). In practical terms, this study contributes to management and investors' understanding of which indicators are most relevant in increasing company value in this stable sector. The structure of this article is as follows: (1) Introduction; (2) Literature Review and Hypotheses Development; (3) Research Methodology; (4) Results; (5) Discussions and Conclusions; and (6) Limitations of Research.

Problem Statement

Based on the introduction described above, the problem statement of this paper are as follows:

1. Does ROE have a significant effect on company value in the non-cyclical consumer sector on the Indonesia Stock Exchange for the period 2022-2024?
2. How does ROA affect company value?
3. Does NPM have a positive effect on company value?

Research Objectives

Based on the problems described above, the objectives of this paper are as follows:

1. To analyze the effect of ROE on company value in the consumer non-cyclicals sector on the Indonesia Stock Exchange for the period 2022-2024.
2. To examine the effect of ROA on company value in this sector.
3. To determine the effect of NPM on company value.

2. Literature Review and Hypotheses Development

Profitability serves as a basic performance indicator that measures a company's capacity to generate profits from available resources. Profitability ratios, including Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), are often applied in financial studies to assess a company's operational efficiency and financial potential. According to Priatna (2016), profitability ratios indicate the extent to which a company has been successful in optimizing its assets, equity, and revenue to generate profits. In global literature, profitability is consistently viewed as an important element in shaping investor perceptions and determining a company's value (Pervan & Višić, 2012).

Company value, which is usually measured through Price to Book Value (PBV), reflects how far the market estimates a company's price relative to its book equity value. According to Rai Prastuti (2016), company value is a key measure of shareholder welfare, as it reflects the company's anticipated growth and risk level. Bui, T. N., Nguyen, X. H., & Pham, K. T. (2023) illustrated that firm value can be evaluated using various financial indicators, including revenue growth, profitability, earnings per share, market value to book value ratio, and Tobin's Q. In addition, non-financial factors, such as brand recognition, market share value, product quality, marketing efficiency, and production value, can also be used to assess firm value.

The Effect of ROA on Company Value.

Return on Assets (ROA) indicates a company's capacity to generate profits through the utilization of its total managed assets. The higher the ROA value, the more effective the company is in utilizing assets to generate profits, which in turn increases investor confidence and contributes to an increase in Price to Book Value (PBV). Previous studies, such as those conducted by Sofiani (2022) and Pervan & Višić (2012), show that ROA has a significant positive impact on company value in various industries. The alignment between the theoretical

framework, prior research, and empirical data strengthens the rational basis for formulating the first hypothesis.

H1: Return on Assets (ROA) has a positive and significant effect on company value (PBV).

The Effect of ROE on Company Value.

Return on Equity (ROE) measures the rate of return on net income to shareholders based on invested equity. According to Hidayat, W.W. (2019), theoretically, a high ROE should increase investor interest because it reflects management's effectiveness in managing its own capital. However, several studies in Indonesia and Southeast Asia have found inconsistent effects of ROE due to variations in capital structure and leverage (Cahya, 2020). Considering previous theory and empirical results, the second hypothesis is formulated as follows:

H2: Return on Equity (ROE) has a positive and significant effect on firm value (PBV).

The Effect of NPM on Company Value.

Net Profit Margin (NPM) indicates a company's capacity to generate profits from its revenue after accounting for all costs. Empirical studies show that a high NPM indicates operational efficiency and performance stability, which in turn increases investor confidence (Halik, A.C., 2018). This alignment strengthens the argument that profit margin is a key determinant of firm value, and thus, the third hypothesis of this study is formulated as follows:

H3: Net Profit Margin (NPM) has a positive and significant effect on firm value (PBV).

3. Research Methodology

The research uses secondary data sourced from the official website of the Indonesia Stock Exchange (IDX) at www.idx.co.id. Specifically, the data comprises financial statements and annual reports of companies listed on the IDX.

The population for this study includes all companies classified within the consumer non-cyclical sector listed on the Indonesia Stock Exchange during the research period of 2022 to 2024. From this population, a purposive sampling method was employed to select the sample based on certain predetermined criteria to ensure data completeness and relevance. These criteria are as follows:

1. The company must belong to the consumer non-cyclical sector and be listed on the IDX throughout the 2022-2024 period.
2. The company must have consistently published complete and accessible financial reports and annual reports for each year within this period.
3. The availability of complete data on variables pertinent to this study, such as profitability measures and company value indicators.

Applying these criteria resulted in a sample of 10 companies in the consumer non-cyclical sector. This study uses panel data, consisting of observations across multiple years for each company, specifically three consecutive years (2022, 2023, and 2024), resulting in a total of 30 observations (10 companies × 3 years).

The sample companies are as follows:

1. PT. SARIGUNA PRIMATIRTA TBK
2. PT. INDOFOOD SUKSES MAKMUR TBK

3. PT. INDOFOOD CBP SUKSES MAKMUR TBK
4. PT. GUDANG GARAM TBK
5. PT. NIPPON INDOSARI CORPINDO TBK
6. PT. MAYORAINDAH TBK
7. PT. ULTRAJAYA MILK INDUSTRY & TRADING COMPANY TBK
8. PT. HM SAMPOERNA TBK
9. PT. BUYUNG POETRA SEMBADA TBK
10. PT. GARUDAFOOD PUTRA PUTRI JAYA TBK

The regression analysis in this study treats the dataset as panel data, combining cross-sectional units (companies) with time series observations (years). This approach allows for capturing company-specific effects over time and improves estimation efficiency.

The justification for the sample size and period is based on the availability of complete and consistent financial data that satisfy the study's variable requirements. Although the sample size is relatively small, it ensures data quality and relevance, which is critical for the robustness of the findings. Companies excluded from the sample lacked either complete financial reports or data vital to the research variables, thus maintaining sample integrity.

Variables and Measurement
Independent Variable (X)

- Return on Assets (ROA) - X1
  ROA is used to assess a company's ability to generate profits by utilizing all its assets. This ratio reflects management's effectiveness in managing operational assets. The higher the ROA, the better the company's performance.
  Formula:
  $$Return\ on\ Assets = \frac{Net\ Income}{Total\ Assets}$$

- Return on Equity (ROE) - X2
  ROE measures the extent to which a company is capable of using shareholders' equity to generate profits. This ratio indicates the effectiveness of equity management. A high ROE demonstrates the company's ability to optimize funds invested by shareholders.
  Formula:
  $$Return\ on\ Equity = \frac{Net\ Income}{Total\ Equity}$$

- Net Profit Margin (NPM) - X3
  NPM indicates the level of efficiency in generating net profit from every rupiah of sales. This ratio is useful to assess the company's ability to control costs and generate profit. The higher the NPM, the stronger the company's profitability.
  Formula:
  $$Net\ Profit\ Margin = \frac{Net\ Income}{Net\ Sales}$$

Dependent Variable (Y)

- Company Value (Price to Book Value - PBV)
  Company value reflects the market's perception of the company's performance and prospects. In this study, company value is measured using the Price to Book Value (PBV) ratio, which compares the market price per share to the book value per share.
  Formula:
  Price to Book Value Ratio: $\frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$

  To maintain methodological consistency and clarity, PBV is calculated and reported as a ratio. If initial data are in absolute terms (e.g., total market capitalization), they are adjusted or converted following the PBV formula so that the outcome remains a ratio that can be accurately interpreted.

4. Result

Descriptive Statistics Test

Tabel 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	30	1.00	18.00	7.7667	5.13059
ROE	30	1.00	27.00	13.5333	7.56459
NPM	30	1.00	18.00	7.7000	4.84341
PBV	30	398984608.00	2281757756.00	1341852906.5333	352158545.31401
Valid N (listwise)	30				

The descriptive statistics in Table 1 summarize the profitability and firm value characteristics of the 10 non-cyclical consumer companies observed over 30 firm-year observations.

1. ROA (Return on Assets)
   ROA ranges from 1.00 to 18.00, with a mean of 7.77 and a standard deviation of 5.13. This suggests that, on average, the sample firms generate a moderate level of profit relative to their assets, with substantial dispersion indicating that some firms are far more efficient in asset utilization than others.
2. ROE (Return on Equity)
   ROE varies between 1.00 and 27.00, with an average of 13.53 and a standard deviation of 7.56. The relatively high mean and wide spread imply that, while many firms are able to deliver attractive returns to shareholders, there are notable differences in how effectively equity capital is employed across the sample.
3. NPM (Net Profit Margin)
   NPM values lie between 1.00 and 18.00, with a mean of 7.70 and a standard deviation of 4.84. This indicates that the typical firm earns a net profit of around 7–8 percent of sales, but cost control and pricing power differ meaningfully among companies.

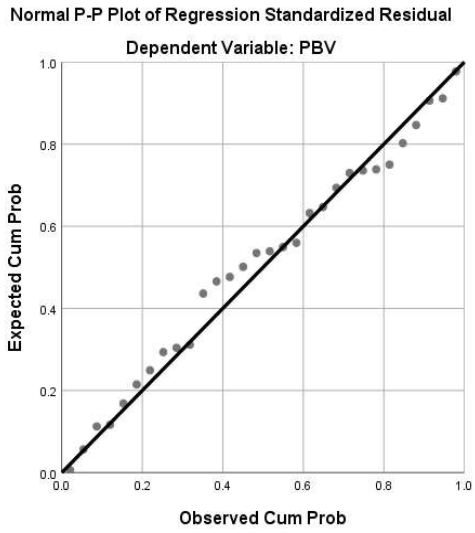
4. PBV (Price to Book Value)
   The raw PBV-related figures in the table are reported in large monetary amounts because they are based on unscaled market value and book value data. For the purposes of analysis, these values are converted into the PBV ratio (market price per share divided by book value per share), so that firm value is interpreted as a dimensionless multiple rather than a nominal amount. After this scaling, the distribution of PBV indicates that several firms trade at multiples above their book value, reflecting investors' relatively favorable assessments of their prospects, while others trade closer to book value, consistent with more conservative market expectations.

Classical Assumption Test
Normality Test

Tabel 2. One-Sample Kolmogorov-Smirnov Test

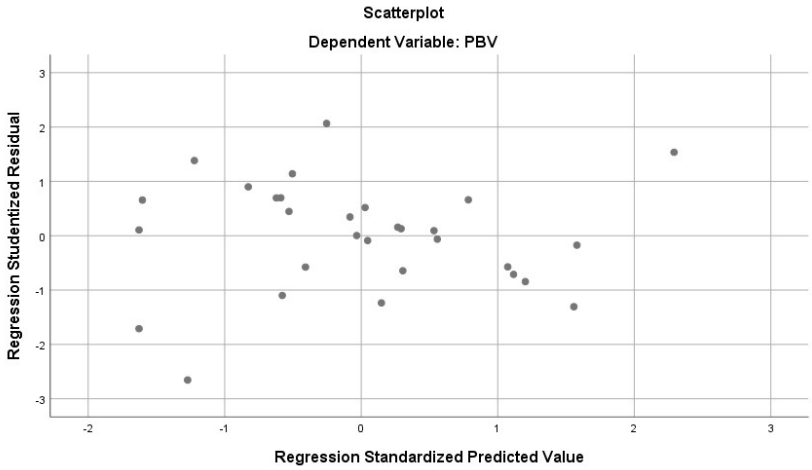
		Unstandardized Residual
N		30
Normal Parameters[a,b]	Mean	-.0000002
	Std. Deviation	227902518.21479884
Most Extreme Differences	Absolute	.099
	Positive	.071
	Negative	-.099
Test Statistic		.099
Asymp. Sig. (2-tailed)		.200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

The normality of the residuals was tested using the One-Sample Kolmogorov–Smirnov test. The Asymp. Sig. (2-tailed) value of 0.200 is greater than the 0.05 threshold, indicating that the residuals are normally distributed and that the normality assumption of the regression model is satisfied.



Picture 1. P-P Plot Normalitas

The results of the normality test using the Normal P-P Plot graph show that the residual points are scattered around the diagonal line and follow the direction of that line. This condition indicates that the residual distribution approximates a normal distribution. Therefore, the assumption of normality in the regression model can be considered fulfilled.



Picture 2. Scatterplot

Based on the scatterplot between standardized predicted values and standardized residuals on the dependent variable PBV, it can be seen that the data points are scattered randomly above and below the zero axis without forming a clear pattern. This random distribution indicates that there are no signs of heteroscedasticity in the regression model used. Thus, the assumption of heteroscedasticity can be considered fulfilled. This shows that the regression model is suitable for use in further analysis because the estimation results obtained have consistent residual variance.

Multicollinearity Test

Multicollinearity is tested to evaluate whether the independent variables in the regression model are overly correlated, which can distort coefficient estimates and complicate interpretation. The tolerance values for ROA, ROE, and NPM are 0.432, 0.448, and 0.703, respectively, all above 0.10. Meanwhile, the VIF values are 2.314, 2.231, and 1.421, all below 10. These values indicate that multicollinearity is not a problem. These results show that the predictors do not have strong correlations between variables, so the regression model meets the assumption of non-multicollinearity and the coefficient estimates can be considered stable and suitable for further analysis.

Heteroscedasticity Test

Tabel 3. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	253019849.470	58898916.366		4.296	.000
	ROA	6478088.486	7937807.427	.229	.816	.422
	ROE	-8102638.326	5286606.342	-.423	-1.533	.137
	NPM	-2704936.194	6590939.293	-.090	-.410	.685

a. Dependent Variable: ABS_RES

If the Sign Value > 0.05, then there is no evidence of heteroscedasticity..

The Glejser heteroskedasticity test shows that the significance values for ROA (0.422), ROE (0.137), and NPM (0.685) are all greater than 0.05, indicating that the regression model is free from heteroskedasticity and that the residual variance can be regarded as constant across the full range of predictor values. Meeting the homoskedasticity assumption helps ensure that the estimated regression coefficients are efficient and that their standard errors are accurate, so the hypothesis tests and interpretations drawn from the model are statistically dependable.

Autocorrelation Test

Table 4. Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.762[a]	.581	.533	240691885.42542	1.852

a. Predictors: (Constant), NPM, ROE, ROA

b. Dependent Variable: PBV

The Durbin–Watson value of 1.852 lies between the upper bound (dU = 1.6498) and 4 − dU = 2.3502, indicating that the regression residuals do not suffer from autocorrelation. Under this condition, the assumption of independent errors is satisfied, so the estimated coefficients and statistical tests produced by the regression model are considered reliable for further analysis.

Hypothesis Testing
T-test

Table 5. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	845765996.212	98320232.374		8.602	.000
	ROA	29739704.075	13250618.499	.433	2.244	.034
	ROE	6604297.078	8824956.317	.142	.748	.461
	NPM	22822128.340	11002285.319	.314	2.074	.048

a. Dependent Variable: PBV

1. Effect of ROA on Firm Value (PBV)
The t-test result shows a significance value of 0.034 (< 0.05), indicating that ROA has a positive and significant effect on firm value. This means that the more efficiently a company utilizes its assets to generate profits, the higher its market valuation tends to be.
Thus, H1—which states that ROA positively influences firm value—is accepted.

2. Effect of ROE on Firm Value (PBV)
The significance value of 0.461 (> 0.05) indicates that ROE has a positive but statistically insignificant effect on firm value. This implies that variations in return on equity do not exert a strong enough influence to significantly alter the company's market valuation.
Therefore, H2—which states that ROE positively influences firm value—is rejected.

3. Effect of NPM on Firm Value (PBV)
The significance value of 0.048 (< 0.05) shows that NPM has a positive and significant effect on firm value. A higher net profit margin reflects stronger operational efficiency and more stable profitability, which contributes to increased investor confidence and enhanced firm valuation.
Accordingly, H3—which states that NPM positively influences firm value—is accepted.

F-test

Based on the ANOVA results in Table 7, the F-test produces a significance value (Sig.) of 0.000, which is below the 0.05 threshold. This indicates that Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) jointly have a statistically significant effect on firm value (PBV), so the simultaneous hypothesis that ROA, ROE, and NPM together influence PBV is supported.

Table 6. ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2090206413642027520.000	3	696735471214009220.000	12.027	.000[b]
	Residual	1506247176450754050.000	26	57932583709644384.000		
	Total	3596453590092781600.000	29			

a. Dependent Variable: PBV

b. Predictors: (Constant), NPM, ROE, ROA

Based on data processing using multiple linear regression, the t-test was used to assess the effect of each independent variable on company value (PBV), and the F-test was used to see the simultaneous effect of all variables.

H1: ROA has a positive and significant effect on company value.

The t-test results show that ROA has a significance value of 0.034 (<0.05), so it can be concluded that ROA has a significant effect on PBV and H1 is accepted.

H2: ROE has a positive and significant effect on company value.

The t-test shows that ROE has a significance value of 0.461 (>0.05), and although the ROE regression coefficient is positive, the effect is not statistically significant. Thus, ROE does not have a significant effect on PBV, and H2 is rejected.

H3: NPM has a positive and significant effect on company value.

The NPM variable shows a significance value of 0.048 (<0.05), which means that NPM has a significant effect on PBV, so H3 is accepted.

In simultaneous testing through the F-test, the significance value obtained was below 0.05. This indicates that ROA, ROE, and NPM together can significantly explain the variation in PBV. Thus, the regression model used is considered feasible and relevant to explain company value in the non-cyclical consumer sector during the research period.

5. Discussions and Conclusions

The results of the study indicate that ROA and NPM significantly increase company value, in line with the findings of Sofiani (2022) and Cahya (2020), which confirm that asset utilization efficiency and profit margins are important determinants of market valuation. Conversely, ROE has no significant effect, indicating that variations in capital structure or leverage may affect ROE's ability to predict company value. These findings reinforce signaling theory, which states that profitability indicators serve as performance signals that investors consider. From a managerial perspective, improving asset efficiency and controlling costs are key strategies for strengthening company value. For investors, ROA and NPM can be used as more reliable parameters for assessing company performance than ROE.

Profitability has been proven to have a significant effect on company value for non-cyclical consumer sector issuers during the 2022–2024 period. ROA and NPM have a positive and significant effect on company value, while ROE, although positive, does not show statistical significance. These results emphasize the importance of operational efficiency and asset management in increasing company valuation.

6. Limitations of Research

This study has several limitations that need to be considered. First, the scope of data is limited to companies in the non-cyclical consumer sector during the period 2022–2024. This relatively short observation period has the potential to limit the study's ability to capture profitability thresholds and company value dynamics from a long-term perspective.

Second, the analysis model only integrates three profitability indicators (ROA, ROE, and NPM) as independent variables. Other variables that theoretically affect company value, such as company scale, capital structure or leverage, sales growth, and market risk, are not included in the model, thereby reducing the model's ability to explain company value variations comprehensively.

Third, this study faces constraints in generalizing the results. With a sample consisting of only 10 companies in one particular sector, the findings may not be applicable to other sectors with different characteristics, such as technology, basic industry, or finance.

As a recommendation for further research, future studies should extend the observation period, involve more sectors, and integrate additional variables such as company size, leverage, and market risk factors. In addition, analyzing panel data using fixed effects or random effects models can provide deeper insights into the dynamic relationship between profitability and company value. This approach is expected to produce a more comprehensive understanding of the factors that influence company value across various economic conditions and sectors.

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