

**THE EFFECT OF PROFITABILITY, LEVERAGE, AND GOOD CORPORATE
GOVERNANCE ON FIRM VALUE
(A STUDY OF CONSUMER NON-CYCLICALS SECTOR COMPANIES LISTED
ON THE INDONESIA STOCK EXCHANGE FOR THE 2020–2024 PERIOD)**



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Abstract

The consumer non-cyclicals sector plays a strategic role in the national economy by providing essential goods that remain in demand under various economic conditions. Amid market competition and economic dynamics during the 2020–2024 period, companies in this sector need to enhance firm value to attract investor confidence. This study aims to analyze the effect of profitability, leverage, and good corporate governance on firm value, both simultaneously and partially, among consumer non-cyclicals companies listed on the Indonesia Stock Exchange. This study employed a quantitative approach using secondary data collected through the documentation of annual reports and audited financial statements for the 2020–2024 period. The sample was selected using purposive sampling, resulting in 43 companies with 215 observation units. Data were analyzed using panel data regression with the Fixed Effect Model through EViews. The findings indicate that leverage is a factor more closely considered by investors as a signal of the company's optimism in supporting operational expansion, compared with short-term profitability and the formal supervisory structure of the board of commissioners. Companies are advised to manage debt prudently to maintain financial stability and market confidence, while continuing to prioritize sustainability and sound corporate governance.

Keywords: Profitability, Leverage, Good Corporate Governance, Firm Value, Consumer Non-Cyclicals

INTRODUCTION

Firm value is an important indicator for publicly listed companies because it reflects investors' perceptions of corporate performance and future prospects (Mukhsin & Herawati, 2022). In the consumer non-cyclicals sector, maintaining firm value is particularly important because, despite the relatively stable demand for essential goods, companies remain exposed to changes in purchasing power, financial performance, financing decisions, and corporate governance. These conditions indicate that the defensive characteristics of the sector do not necessarily guarantee stable market valuation.

Firm value is generally reflected in stock prices in the capital market. High stock prices indicate investor confidence in a company's performance and prospects, thereby increasing its investment attractiveness. One of the sectors that attracts considerable investor interest is the consumer non-cyclicals sector, which provides essential goods with relatively stable demand and is less affected by economic cycles. Nevertheless, companies in this sector still face pressures related to profitability, financing structure, and governance mechanisms that may influence investors' assessment of firm value. The growth of this sector is in line with the increasing population and household income, which encourages competition and demands continuous performance improvement. However, the use of debt as a source of expansion financing may increase corporate leverage, potentially raising financial risk and reducing firm value when it is not managed optimally (Damayanti et al., 2023).

An empirical indication of fluctuations in firm value during the observation period can be observed in PT Unilever Indonesia Tbk (UNVR). In 2024, the company experienced a significant decline in its share price, reaching its lowest level since 2010. Based on Indonesia Stock Exchange data, UNVR's share price fell to IDR 2,330 per share, representing a correction of approximately 33.71% since the beginning of 2024. This decline reflected weakening investor confidence in the company's prospects, which consequently affected its firm value. This condition shows that companies with a strong position in the consumer non-cyclicals sector may still experience a decline in firm value when their performance and future prospects do not meet market expectations (IDX Channel, 2024, April 23).

In addition to the phenomenon observed during the 2020–2024 research period, developments in 2025 are used in this study only as supporting contextual evidence to demonstrate that pressure on the consumer non-cyclicals sector continued after the observation period, rather than as part of the data analyzed in the empirical model. According to a report by Kontan.co.id, throughout 2025 the IDX Consumer Non-Cyclicals Index showed relatively weak performance compared with other sectors on the Indonesia Stock Exchange. At the close of trading on September 10, 2025, the index stood at 716.53, rising only 0.26% on a daily basis and recording a monthly gain of 1.72%; however, on a year-to-date basis, it was still down by 0.06%. This condition differed from the performance of several leading issuers, such as PT Indofood CBP Sukses Makmur Tbk, which continued to record positive growth. One of the main factors putting pressure on the sector was weakening consumer purchasing power, particularly among lower- and middle-income groups, which reduced demand for essential goods. Although this 2025 phenomenon falls outside the 2020–2024 observation period, it reinforces the relevance of examining the determinants of firm value because sectoral pressures persisted beyond the study period. Consequently, investors tend to be more cautious when allocating investments to this sector (Kontan.co.id, 2025).

A company's financial condition is an important indicator in assessing its ability to create value for shareholders. One of the main aspects is the company's ability to generate profits effectively and efficiently through the utilization of its assets. Return on Assets (ROA) is used to measure a company's profitability in generating earnings from its total assets. A high ROA indicates efficient asset management, increases investor confidence, and has the potential to enhance firm value (Hermuningsih, 2014). However, several studies have shown that an increase in ROA is not always followed by an increase in firm value, particularly under certain economic conditions or within specific sectors. Therefore, the relationship between the two remains inconsistent and requires further examination (Soebiantoro et al., 1984).

Profitability is a ratio that measures a company's ability to generate profits through the utilization of its assets, sales, or shareholders' equity. In this study, profitability is proxied by Return on Assets (ROA), which indicates the effectiveness of a company in generating profits from its total assets. Based on signaling theory, a high ROA provides a positive signal to investors regarding the company's future prospects. This increases investor confidence, encourages demand for the company's shares, and may potentially raise stock prices and firm value. Therefore, theoretically, profitability has a positive effect on firm value (Purwaningtyas & Abbas, 2021).

Leverage is a ratio that measures the extent to which a company uses debt to finance its assets. High leverage indicates a strong dependence on debt financing, which may increase financial risk and reduce investor confidence if the company fails to meet its obligations, thereby potentially decreasing firm value (Vaticasari & Suryono, 2022; Aisyah & Wahyuni, 2020). However, optimal leverage may improve a company's performance and firm value. Therefore, the effect of leverage remains inconsistent, as some studies indicate that leverage has no effect on firm value (Hergianti & Retnani, 2020), while other studies find a positive effect (Sari & Wahidahwati, 2021).

Good corporate governance (GCG) is also an important factor that may influence firm value because effective governance mechanisms can reduce agency problems, strengthen supervision, and increase investor confidence. In this study, GCG is represented by the board of commissioners as a corporate supervisory mechanism. The board of commissioners is responsible for overseeing corporate strategy, management performance, and the proper implementation of accountability. The board serves as a supervisory mechanism and provides guidance in corporate management. Independent commissioners act as a balancing force in decision-making because they come from outside the company and are therefore expected to be more objective in supervising the board of directors, including in the evaluation of financial statements and annual reports (Amaliyah & Herwiyanti, 2019; Munawar et al., 2022).

Previous empirical studies have not provided consistent conclusions regarding the effects of profitability, leverage, and good corporate governance on firm value. Some studies report that these variables have a positive and significant effect on firm value, whereas other studies find that their effects are insignificant or differ when tested individually (Munawar et al., 2022; Nugraha et al., 2022). In particular, differences in findings regarding ROA and leverage indicate that strong profitability or the use of debt does not necessarily produce the same effect on firm value across companies. Likewise, the effectiveness of good corporate governance mechanisms in increasing firm value remains dependent on the governance

characteristics and conditions of the companies examined. Therefore, the research gap in this study lies in the inconclusive empirical evidence concerning the effects of ROA, leverage, and good corporate governance on firm value, particularly in consumer non-cyclicals companies listed on the Indonesia Stock Exchange during the 2020–2024 period. This inconsistency provides the basis for re-examining the three determinants within the same sector and observation period.

Based on the empirical phenomenon and the identified research gap, this study aims to analyze the effects of Return on Assets (ROA), leverage, and good corporate governance on firm value in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. This study is expected to provide more comprehensive empirical evidence regarding the extent to which profitability, capital structure, and corporate governance mechanisms contribute to variations in firm value, and serve as a consideration for investors and management in making decisions related to corporate performance and firm value.

REVIEW OF LITERATURE

Signaling Theory

Signaling theory explains that companies provide signals to external parties, particularly investors, to reduce information asymmetry between management and outside stakeholders. Under this theory, management, as the internal party, possesses more complete information about the company's condition and performance than investors, as external parties. This information gap may create uncertainty in the assessment of the company. Therefore, companies are encouraged to disclose financial and non-financial information through financial reports, performance reports, and corporate policies to convince investors of the company's prospects. The signals provided influence investor perceptions and serve as a basis for investment decision-making, thereby affecting firm value. Without adequate information, investors tend to assign a lower valuation to the company and may hesitate to invest. Thus, reducing information asymmetry through clear and relevant signals is essential for increasing investor confidence and firm value (Nugraha et al., 2022; Nur et al., 2024).

In this study, signaling theory is primarily used to explain financial signals conveyed through profitability and leverage. Profitability, measured by Return on Assets (ROA), provides information regarding the company's ability to generate profits from its assets, while leverage, measured by the Debt-to-Equity Ratio (DER), provides information regarding the company's financing structure and financial risk. Strong profitability may be interpreted by investors as a positive financial signal regarding future prospects. Likewise, leverage that is maintained at an appropriate and manageable level may signal management's ability to utilize external financing to support corporate growth. These financial signals may influence investor assessments and, consequently, firm value.

Although corporate governance mechanisms may also convey information to the market, the board of commissioners and independent commissioners are not explained solely through signaling theory. Their supervisory roles are more directly associated with agency theory because they are designed to control managerial behavior and mitigate conflicts of interest between managers and shareholders.

Agency Theory

Agency theory explains the contractual relationship between shareholders as principals and management as agents. The separation of ownership and control may create agency conflicts because managers may have interests that differ from those of shareholders. Managers also generally possess more information regarding corporate activities than shareholders, creating information asymmetry and opportunities for opportunistic behavior. Therefore, governance mechanisms are required to monitor management and ensure that managerial decisions are aligned with shareholders' interests.

In this study, the board of commissioners and independent commissioners serve as monitoring mechanisms that can mitigate agency conflicts. The board of commissioners supervises management performance and provides strategic oversight, while independent commissioners are expected to provide more objective supervision because they are not affiliated with management or controlling shareholders. Effective supervision can limit opportunistic managerial behavior, improve accountability and transparency, and protect shareholders' interests. Consequently, stronger governance mechanisms are expected to reduce agency problems, strengthen investor confidence, and contribute positively to firm value. Thus, agency theory provides the primary theoretical foundation for explaining the relationship between the board of commissioners, independent commissioners, and firm value.

Firm Value

Firm value represents the total market value of a company, reflected in its share price; an increase in share price will raise the company's overall value. High firm value indicates strong performance and increases investor confidence in future prospects. It can be measured using several proxies, including Price to Book Value (PBV), which compares market price to book value. A high PBV reflects strong market confidence and is widely used by investors and researchers to assess whether a stock is undervalued or overvalued due to its simplicity and ease of interpretation. PBV is also relatively stable because it is based on book value, which is less volatile than earnings, making it relevant even during profit fluctuations. In addition, PBV is useful for asset-intensive companies as it better reflects net asset value and allows comparison across firms within the same industry to identify attractive valuation levels.

Profitability

Profitability, measured by Return on Assets (ROA), reflects a company's ability to generate profit from its assets. A higher ROA indicates efficient resource management, better financial performance, and the potential to increase firm value (Lucia Evelina et al., n.d.). From the perspective of signaling theory, a higher ROA represents a positive financial signal because it indicates management's effectiveness in utilizing corporate assets to generate earnings. Such information may strengthen investors' expectations regarding future performance and consequently increase firm value.

Leverage

Leverage reflects the extent to which a company uses debt to finance its assets. It is measured by the Debt-to-Equity Ratio (DER), which shows the proportion of debt to shareholders' equity. Optimal leverage can support business expansion and increase firm value, whereas excessive leverage may raise financial risk and reduce investor confidence (Vaticasari & Suryono, 2022; Hulu et al., 2023). From the perspective of signaling theory,

the use of debt at an appropriate and manageable level may provide a positive financial signal because it reflects management's confidence in the company's ability to generate sufficient future cash flows to meet its obligations. However, excessive leverage may instead be interpreted as a negative signal because it increases financial distress risk. Based on the argument adopted in this study that appropriately managed leverage can support expansion and improve corporate value, leverage is expected to have a positive effect on firm value.

Good Corporate Governance (GCG)

Good Corporate Governance (GCG) is a system that ensures companies are managed transparently, accountably, and responsibly to protect stakeholder interests. In this study, GCG is measured through the board of commissioners and independent commissioners, which oversee management, maintain objectivity, reduce conflicts of interest, and strengthen investor confidence (Nadhiyah & Fitria, 2021; Hulu et al., 2023).

From the perspective of agency theory, these governance mechanisms are particularly important because they reduce agency conflicts arising from the separation between ownership and management. The board of commissioners performs a monitoring function over management, while independent commissioners strengthen the objectivity and independence of that supervision. Therefore, stronger board supervision is expected to reduce managerial opportunism and improve alignment between management decisions and shareholders' interests, which may ultimately increase firm value.

RESEARCH METHOD

This study employs a quantitative approach to examine the effects of Return on Assets (ROA), leverage, the board of commissioners, and independent commissioners on firm value in consumer non-cyclicals companies listed on the Indonesia Stock Exchange during the 2020–2024 period. This study is causal in nature and aims to explain the cause-and-effect relationships among the research variables.

The data used are secondary data obtained from companies' financial statements and annual reports available through the Indonesia Stock Exchange and the official websites of the respective companies. Data were collected using the documentation method.

The population of this study comprises all consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The sample was selected using purposive sampling based on predetermined criteria, resulting in 43 companies with a total of 215 observations. The observation period covers five consecutive years from 2020 to 2024. Thus, the 43 sampled companies generated 215 firm-year observations (43 companies $\times$ 5 years). This structure indicates that the study employs a balanced panel because each sampled company is observed throughout the entire five-year period.

The dependent variable in this study is firm value, measured using Price to Book Value (PBV). PBV is calculated by dividing the market price per share by the book value per share and is measured on a ratio scale. Profitability is measured using Return on Assets (ROA), calculated by dividing net income by total assets and multiplying the result by 100%. Leverage is measured using the Debt-to-Equity Ratio (DER), which is calculated by dividing total liabilities by total equity. The board of commissioners is measured based on the total number of commissioners within the company, while independent commissioners are measured by the proportion of independent commissioners to the total number of

commissioners. The data required to measure these variables were obtained from companies' financial statements, annual reports, and Indonesia Stock Exchange data.

The data were analyzed using panel data regression with the assistance of EViews, employing the Common Effect Model, Fixed Effect Model, and Random Effect Model. Model selection was conducted using the Chow test, Hausman test, and Lagrange Multiplier test. The Chow test was used to determine the appropriate model between the Common Effect Model and Fixed Effect Model, the Hausman test was used to select between the Fixed Effect Model and Random Effect Model, and the Lagrange Multiplier test was used to select between the Common Effect Model and Random Effect Model.

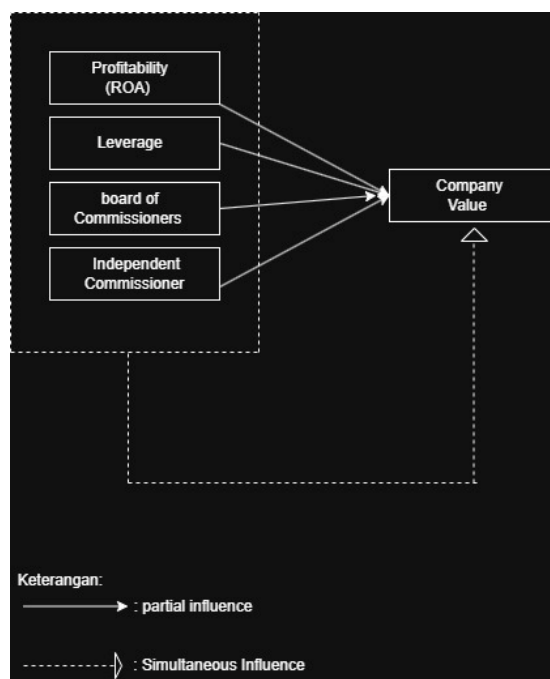
Classical assumption tests were subsequently performed, including tests of normality, multicollinearity, heteroscedasticity, and autocorrelation. Hypothesis testing was conducted using the t-test, F-test, and coefficient of determination (R^2) to examine the partial effects of each independent variable, the simultaneous effects of the independent variables, and the explanatory power of the regression model in explaining variations in firm value.

Research Hypothesis

Based on the conceptual framework above, the hypotheses of this study are formulated as follows:

- H1: Profitability, measured by Return on Assets (ROA), has a positive effect on firm value in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.
- H2: Leverage, measured by the Debt-to-Equity Ratio (DER), has a positive effect on firm value in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.
- H3: The board of commissioners has a positive effect on firm value in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.
- H4: Independent commissioners have a positive effect on firm value in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.
- H5: Profitability, leverage, the board of commissioners, and independent commissioners simultaneously have a significant effect on firm value in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

Research Model



RESULTS AND DISCUSSION

Classical Assumption Tests

Heteroscedasticity Test

The heteroscedasticity test was conducted to determine whether there is inequality in the variance of residuals across observations in the regression model. The results of the heteroscedasticity test in this study are presented in the following table.

Table 1

Heteroscedasticity Test Results

Test Statistic	Value	Probability
F-statistic	0.513854	0.6732
Obs*R-squared	1.559822	0.6685
Scaled explained SS	7.220708	0.0652

Source: EViews output, data processed by the author (2026).

The heteroscedasticity test in this study was conducted to determine whether there was any inequality in the variance of residuals across observations in the regression model. The test was performed using the Breusch–Pagan–Godfrey method. Based on the test results, the probability value of the F-statistic was 0.6732, while the probability value of Obs*R-squared was 0.6685. Both probability values were greater than the 0.05 significance level; therefore, the null hypothesis was accepted. This indicates that the regression model does not exhibit heteroscedasticity, or in other words, the residual variance is constant (homoscedastic). Thus, it can be concluded that the panel data regression model used in this study has satisfied the classical assumption of homoscedasticity and is appropriate for further analysis.

Multicollinearity Test

The multicollinearity test aims to determine whether there is a strong linear relationship among the independent variables that may interfere with the accuracy of the regression model. The results of the multicollinearity test are presented below.

Table 2
Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.126039	5.119500	N/A
X1	0.027707	1.029516	1.005008
X2	0.012352	1.709121	1.001348
X3	0.064671	4.366928	1.003659

Source: EViews output, data processed by the author (2026)

Based on Table 2, the multicollinearity test was conducted to determine whether there was a high correlation among the independent variables in the regression model. This study employed the Variance Inflation Factor (VIF) method. The test results show that the Centered VIF values were 1.005008 for Profitability (X1), 1.00138 for Leverage (X2), and 1.003659 for Good Corporate Governance (X3). All values were far below the threshold of 10 and close to 1, indicating the absence of a high correlation among the independent variables. Therefore, it can be concluded that the regression model in this study does not suffer from multicollinearity, and the independent variables are suitable for further analysis.

Panel Data Regression Model Selection

Chow Test

The Chow test is used to determine the most appropriate model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM) in panel data analysis. The results of the Chow test are presented below.

Table 3
Chow Test Results

Effects Test	Statistic	d.f.	Probability
Cross-section F	12.079510	(41, 165)	0.0000
Cross-section Chi-square	291.204497	41	0.0000

Source: EViews output, data processed by the author (2026)

Based on Table 3, the Chow test was used to determine the most appropriate panel data regression model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). The test results show a Cross-section F value of 12.079510 with a probability value of 0.0000, as well as a Cross-section Chi-square value of 291.204497 with a probability value of 0.0000. These probability values are lower than the 0.05 significance level; therefore, H_0 is rejected and H_1 is accepted. Thus, the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM). The analysis was subsequently continued with the Hausman test to determine the most suitable model between the Fixed Effect Model (FEM) and the Random Effect Model (REM).

Hausman Test

The Hausman test is used to determine the most appropriate model between the Fixed Effect Model (FEM) and the Random Effect Model (REM) in panel data regression by

examining whether there is a correlation between individual effects and the independent variables. The model selection decision is based on the probability value (p-value).

Table 4
Hausman Test Results

Test Summary	Chi-Square Statistic	Chi-Square d.f.	Probability
Cross-section random	13.621161	3	0.0035

Source: EViews output, data processed by the author (2026).

Based on the test results, the Chi-Square Statistic was 13.621161 with 3 degrees of freedom and a probability value of 0.0035. This value is lower than the 0.05 significance level; therefore, H_0 is rejected, and H_1 is accepted. Thus, the Fixed Effect Model (FEM) is more appropriate than the Random Effect Model (REM). Based on the results of the Chow test and the Hausman test, it can be concluded that the panel data regression model used in this study is the Fixed Effect Model (FEM).

Panel Data Regression Analysis

Based on the results of the panel data regression model selection, it can be concluded that the most appropriate model for this study is the Fixed Effect Model (FEM). The selection of this model was based on the results of the Chow test and the Hausman test. The Chow test indicated that the FEM was more suitable than the Common Effect Model (CEM), while the Hausman test also showed that the FEM was more appropriate than the Random Effect Model (REM). Therefore, the panel data regression analysis in this study employed the Fixed Effect Model (FEM). The following table presents the regression analysis results obtained using EViews.

Table 5
Fixed Effect Model Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Probability
C	1.537645	0.087097	17.65448	0.0000
LN _{X1}	-0.014167	0.030637	-0.462417	0.6444
LN _{X2}	0.159869	0.044382	3.602162	0.0004
X ₃	0.001391	0.006301	0.220805	0.8255
Effect Specification				
Cross Section Fixed (Dummy Variables)				
Weighted Statistics				
R-squared	0.991548	Mean dependent var	7.479187	
Adjusted R-squared	0.989294	S.D. dependent var	9.362158	
S.E. of regression	0.155660	Sum Squared resid	3.997973	
F-statistic	439.9933	Durbin Watson stat	1.535491	
Prob. (F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.729302	Mean dependent var	1.748153	
Adjusted R-squared	5.971094	Durbin Watson stat	2.413003	

Source: EViews output, data processed by the author (2026)

Based on the Fixed Effect Model (FEM) regression results, the panel data regression equation is as follows:

$$LNY_{it} = 1,537645 - 0,014167(LNX1_{it}) + 0,159869(LNX2_{it}) + 0,001391(X3_{it}) + \varepsilon_{it}$$

Where:

LNY = Firm Value (natural logarithm of firm value)

LNX1 = Profitability (natural logarithm of ROA)

LNX2 = Leverage (natural logarithm of leverage)

X3 = Good Corporate Governance (GCG)

ε = Error term

The constant value of 1.537645 indicates that when all independent variables are equal to zero, firm value is 1.537645. Profitability (LNX1) has a coefficient of -0.014167 with a p-value of 0.6444 (> 0.05), indicating a negative but insignificant effect on firm value. Leverage (LNX2) has a coefficient of 0.159869 with a p-value of 0.0004 (< 0.05), indicating a positive and significant effect on firm value. Meanwhile, GCG (X3) has a coefficient of 0.001391 with a p-value of 0.8255 (> 0.05), indicating a positive but insignificant effect on firm value.

Coefficient of Determination (R^2)

Table 6
Coefficient of Determination Results

Statistic	Value	Statistic	Value
R-squared	0.991548	Mean dependent variable	7.479187
Adjusted R-squared	0.989294	S.D. dependent variable	9.362158
S.E. of regression	0.155660	Sum squared residual	3.997973
F-statistic	439.8393	Durbin-Watson statistic	1.535491
Prob(F-statistic)	0.000000		

Source: EViews output, data processed by the author (2026)

Based on the panel data regression results using the Fixed Effect Model (FEM), the R-squared value was 0.991548 (99.15%), indicating that profitability, leverage, and GCG explain 99.15% of the variation in firm value. The remaining 0.85% is explained by other variables outside the model. In addition, the Adjusted R-squared value of 0.989294 (98.93%) indicates that, after adjusting for the number of variables and observations, the model's ability to explain firm value remains very high.

Simultaneous Test (F-Test)

The simultaneous test (F-test) is a regression analysis method used to examine whether all independent variables jointly have a significant effect on the dependent variable. In this study, the independent variables consist of profitability, leverage, and good corporate governance, while the dependent variable is firm value. The F-test results are presented in the following table.

Table 7
Simultaneous Test (F-Test) Results

Statistic	Value		
R-squared	0.991548	Mean dependent var	7.479187
Adjusted R-squared	0.989294	S.D.dependent var	9.362158
S.E. of regression	0.155660	Sum squared resid	3.997973
F-statistic	439.9393	Durbin-Watson stat	1.535491
Prob (F-statistic)	0.000000		

Source: EViews output, data processed by the author (2026).

The F-test was conducted to determine whether profitability, leverage, and Good Corporate Governance (GCG) simultaneously affect firm value. Based on the test results, the F-statistic value was 439.9393, with a Prob(F-statistic) value of 0.000000. This probability value is lower than the 0.05 significance level; therefore, H_0 is rejected and H_1 is accepted. Thus, it can be concluded that profitability, leverage, and GCG simultaneously have a significant effect on firm value.

Partial Test (t-Test)

The partial test (t-test) is a regression analysis method used to measure the effect of each independent variable individually on the dependent variable.

Table 8
Partial Test (t-Test) Results

Variable	Coefficient	Std. Error	t-Statistic	Probability
C	1.537645	0.087097	17.65448	0.0000
LN _{X1}	-0.014167	0.030637	-0.462417	0.6444
LN _{X2}	0.159869	0.044382	3.602162	0.0004
X ₃	0.001391	0.006301	0.220805	0.8255

Source: EViews output, data processed by the author (2026).

In this study, the partial test was conducted at a significance level of 0.05. The decision-making criterion is that if the probability value is less than 0.05, H_0 is rejected and H_1 is accepted, indicating that the independent variable has a significant partial effect on the dependent variable. Conversely, if the probability value is greater than 0.05, H_0 is accepted, and H_1 is rejected, indicating that the independent variable does not have a significant partial effect on the dependent variable.

Discussion

The Effect of Profitability on Firm Value

Based on the t-test results, the profitability variable (LN_{X1}) obtained a regression coefficient of -0.014167 with a probability value of 0.6444. This probability value is greater than the 0.05 significance level ($0.6444 > 0.05$); therefore, H_1 is rejected. Thus, profitability does not have a significant effect on firm value. This result indicates that increases or decreases in profitability were not able to significantly influence firm value during the study period.

The Effect of Leverage on Firm Value

Based on the t-test results, the leverage variable (LN_{X2}) obtained a regression coefficient of 0.159869 with a probability value of 0.0004. This probability value is lower than the 0.05 significance level ($0.0004 < 0.05$); therefore, H_2 is accepted. Thus, leverage has a positive and significant effect on firm value. This result indicates that the higher the leverage of a company, the more likely its firm value is to increase.

The Effect of Good Corporate Governance on Firm Value

Based on the t-test results, the Good Corporate Governance (X₃) variable obtained a regression coefficient of 0.001391 with a probability value of 0.8255. This probability value is greater than the 0.05 significance level ($0.8255 > 0.05$); therefore, H_3 is rejected. Thus, Good Corporate Governance does not have a significant effect on firm value. This result indicates that changes in the level of Good Corporate Governance were not able to significantly influence firm value during the study period.

CONCLUSION

This study aimed to examine the effects of profitability, leverage, and Good Corporate Governance (GCG) on firm value in consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The findings indicate that profitability, leverage, and GCG simultaneously have a significant effect on firm value. However, the partial analysis shows that profitability does not have a significant effect on firm value, whereas leverage has a positive and significant effect. Meanwhile, Good Corporate Governance, as proxied by the board of commissioners and independent commissioners, does not have a significant effect on firm value. These findings suggest that, during the study period, firm value was more strongly associated with the company's financing structure than with profitability and corporate governance mechanisms.

Companies are advised not to focus solely on improving financial performance, but also to optimize profitability through efficient asset utilization and maintain leverage at an optimal level to avoid increasing financial risk. In addition, the consistent implementation of Good Corporate Governance through the principles of transparency, accountability, responsibility, independence, and fairness should continue to be strengthened to enhance investor confidence and support corporate sustainability. Investors are also advised not to rely solely on financial indicators, but to evaluate capital structure and the quality of corporate governance as part of a more comprehensive and sustainable investment decision-making process.

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