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THE ROLE OF THE ECONOMIC ENVIRONMENT IN INFLUENCED THE RELATIONSHIP BETWEEN FINANCIAL PERFORMANCE AND COMPANY VALUE IN INDONESIA

O PAPEL DO AMBIENTE ECONÔMICO NA INFLUÊNCIA SOBRE A RELAÇÃO ENTRE O DESEMPENHO FINANCEIRO E O VALOR DA EMPRESA NA INDONÉSIA

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Abstract

The economic environment plays a significant role in influencing the relationship between financial performance and firm value. This study aims to examine whether the economic environment, proxied by interest rates, inflation, and Gross Domestic Product (GDP), can influence the relationship between financial performance, proxied by Return on Assets (ROA), Debt to Equity Ratio (DER), Current Ratio (CR), and Total Asset Turnover (TATO), and firm value, proxied by Price Book Value (PBV). The study was conducted on food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX) during the period 2018–2024. The results show that of the four financial performance indicators, only ROA, DER, and TATO influence PBV. The only

Resumo

O ambiente econômico desempenha um papel significativo na influência da relação entre o desempenho financeiro e o valor da empresa. Este estudo visa examinar se o ambiente econômico, representado pelas taxas de juros, inflação e Produto Interno Bruto (PIB), pode influenciar a relação entre o desempenho financeiro, representado pelo Retorno sobre Ativos (ROA), Índice de Endividamento (DER), Índice de Liquidez Corrente (CR) e Giro do Ativo Total (TATO), e o valor da empresa, representado pelo Valor Patrimonial por Ação (VPPA). O estudo foi conduzido com empresas do subsetor de alimentos e bebidas listadas na Bolsa de Valores da Indonésia (IDX) durante o período de 2018 a 2024. Os resultados mostram que, dos quatro indicadores de desempenho

economic environment that has been shown to moderate is inflation, which strengthens the influence of ROA on PBV and acts as a quasi-moderator. The implication of this study is that in financial analysis, understanding the role of the economic environment is crucial for predicting future financial performance and firm value. Therefore, companies must monitor changes in the economic environment and adjust their business strategies to increase company value.

Keywords: Economic Environment. Corporate Value. Financial Performance.

financeiro, apenas o ROA, o DER e o TATO influenciam o VPPA. O único fator do ambiente econômico que demonstrou moderar foi a inflação, que fortalece a influência do ROA sobre o VPPA e atua como um quase-moderador. A implicação deste estudo é que, na análise financeira, a compreensão do papel do ambiente econômico é crucial para prever o desempenho financeiro futuro e o valor da empresa. Portanto, as empresas devem monitorar as mudanças no ambiente econômico e ajustar suas estratégias de negócios para aumentar o valor da empresa.

Palavras-chave: *Ambiente Econômico. Valor Corporativo. Desempenho Financeiro.*

1 INTRODUCTION

The establishment of a company has objectives related to the implementation of management and business functions, both short-term and long-term. Gaining profit by utilizing available resources is a company's short-term goal, while its long-term goal is to maximize company value (Hernomo, 2017).

The primary goal of a profit-oriented company then implies increasing company value and enhancing shareholder confidence. With a similar intent, Hery (2017: 312) states that the company's goal is to generate both short-term and long-term profits by selling products or services to customers. Jogiyanto (2009: 124) states that the company's goal is to maximize profits, enrich investors, and then establish a minimum company value, which is reflected in the stock price.

Company value is one of the most important factors that investors must consider when making investment decisions (Kholis *et al*., 2018). One factor that can influence company value is financial performance. A company's financial performance is one of the factors prospective investors consider when deciding to invest in stocks. For every company, maximizing financial performance is a must to ensure that its shares remain attractive to investors (Fauzan, 2020).

One way to measure a company's value is using financial ratios, including price-to-book value (PBV). According to Rubiyanto *et al*. (2020), PBV is the ratio of a stock's market value to its book value. PBV provides a signal or indication of investors'

perceptions of a company, reflecting whether the stock is overvalued or undervalued. A PBV greater than one indicates that investors are willing to purchase shares at a higher price than their book value. Therefore, a high PBV indicates a high level of shareholder prosperity (Brigham & Houston, 2018: 151).

Jannata & Pertiwi (2022) state that the food and beverage industry is one of many industries with a strong market share, considering that food and beverages are primary needs for society, along with housing. Therefore, this sector represents a business opportunity with good potential for generating profits. The Central Statistics Agency (BPS) recorded that the gross domestic product (GDP) at constant prices (ADHK) for the food and beverage industry reached IDR 813.06 trillion in 2022, a 4.90% increase compared to IDR 775.10 trillion in the previous year. According to the Ministry of Industry (Kemenperin), this industry growth was driven by increased food and beverage commodity production. Another factor was the increase in CPO exports due to high global demand throughout last year. The slowest growth rate for the food and beverage industry occurred in 2020, at 1.58%. This is believed to be due to the Covid-19 pandemic in Indonesia.

Due to its positive prospects, many investors are investing in this industry sector, one of which is through stock purchases. Stock investors, as company owners, expect to receive high dividends, so they will choose companies with a good reputation and the ability to generate profits. In other words, investors will always expect the value of their investments to increase. (Harjito & Martono, 2014).

The average PBV ROA DER CR TATO INF INT GDP of food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2024 period is shown in Figure 1 below.

Figure 1

Average PBV ROA DER CR TATO INF INT GDP of food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2024 period.

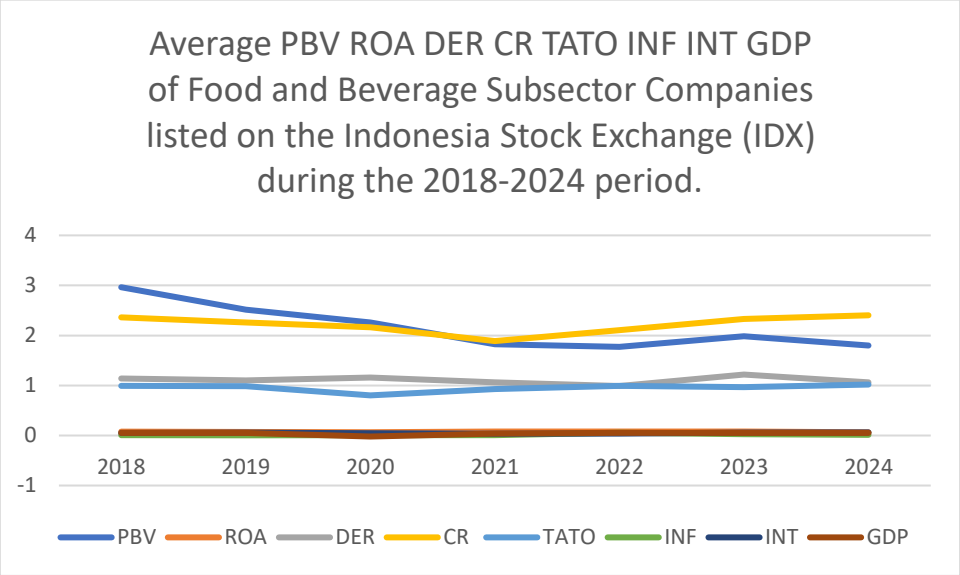


Figure 1 shows a continued decline in the average PBV of companies in the food and beverage subsector from 2018 to 2022. The highest average PBV occurred in 2018, at 2.96 times, meaning the company's stock market price was 2.96 times higher than its book value per share. The lowest average PBV occurred in 2022, at 1.77 times. This decline is believed to be influenced by the COVID-19 outbreak, which has caused a global economic downturn.

One consideration for investors when purchasing shares is the company's performance. According to Hanafi (2016: 36), there are four types of financial ratios frequently used: profitability, solvency, liquidity, and activity ratios.

Profitability is a company's ability to generate profits in relation to sales, total assets, and equity (Destiani & Hendriyani, 2021). Profitability is crucial for companies to maintain their long-term business continuity, as profitability indicates whether a company has good future prospects (Simanjuntak, 2020). Increased company value typically results from efficient asset utilization, as indicated by a higher ROA (Husna & Satria, 2019). One measure of profitability is the return on assets (ROA). ROA demonstrates a company's capability to use its assets to generate after-tax profits (Destiani & Hendriyani, 2021).

Investors should consider this ratio when investing in stocks, as it can be an indicator of a company's efficiency in using assets to generate profits. The higher the ROA, the higher the company's profits (Kholis *et al*., 2018).

The highest return on assets was achieved in 2021, at 7.99%. The lowest average return on assets occurred in 2020, at 6.54%. High profitability indicates a company's good prospects (Lubis *et al*., 2017). Therefore, the company is able to operate its assets efficiently to achieve its goal of achieving optimal profits while utilizing owner capital. Therefore, the size of the profitability measurement can impact the company because it is related to shareholder welfare.

Solvency is a ratio that measures a company's ability to repay debts (Destiani & Hendriyani, 2021). Solvency is measured by the debt-to-equity ratio (DER). The DER indicates the amount of capital required to cover a company's total liabilities (Nurfauzi, 2014).

The higher the DER, the greater the risk of the company. Therefore, many investors avoid companies with a high DER. Therefore, investors are more attracted to companies with a low debt-to-equity ratio (Kholis *et al*., 2018). However, this ratio also provides opportunities for companies to expand, which can increase profits and ultimately have a positive impact on company value, as proxied by price-book value (Misran & Chabachib, 2017).

The highest debt to equity ratio occurred in 2020, at 1.16. The lowest average debt to equity ratio was recorded in 2022, at 0.99.

In this case, solvency fluctuates. Solvency reflects a company's performance in meeting all obligations from equity or capital used to repay debt (Sondakh *et al*., 2019). Excessive debt can threaten a company's liquidity, thus reducing its value. However, by properly managing funding commitments, returns on capital provided by shareholders can be paid.

Another financial ratio that influences company value is the liquidity ratio. According to Hery (2018: 166), the liquidity ratio reflects a company's capacity to cover its short-term obligations. The liquidity ratio describes the relationship between a company's current assets and current liabilities (Brigham & Houston, 2018: 134). This study uses the current ratio as a measure of a company's liquidity. A high current ratio indicates a company's capacity to cover its short-term obligations. A company's high liquidity capacity implies investor confidence in investing, which ultimately increases

stock prices. Therefore, it can be assumed that the current ratio has a positive effect on price-book value.

The highest current ratio occurred in 2018, at 2.36. The lowest current ratio was recorded in 2021, at 1.89.

Activity ratios measure how effectively a company utilizes all its available resources. All activity ratios involve comparing sales levels and investment in various types of assets. Activity ratios assume that there should be a proper balance between sales and various asset elements, such as inventory, fixed assets, and other assets. (Panji Elaga *et al*., 2018)

This ratio influences company value because a higher total asset turnover indicates the greater effectiveness of a company's assets in generating profits. This is a positive signal for investors and triggers an increase in the company's stock price. A rising stock price also increases the PBV. Therefore, it can be assumed that total asset turnover influences PBV.

A company will be better able to maximize its asset utilization and increase sales if its TATO has a higher value. Conversely, a lower TATO value indicates a company's inability to maximize its assets (Dewi *et al*., 2022). The highest activity ratio (TATO) occurred in 2018, at 0.99. The lowest average TATO was recorded in 2020, at 0.80.

Previous research on profitability, solvency, liquidity, and activity levels affecting firm value has yielded mixed results. Pioh *et al*. (2018) found that ROA partially positively impacts firm value (PBV). This is similar to research by Kholis *et al*. (2018), Jonathan & Purwaningsih (2023), Nurwulandari & Wahid (2023), Ardhana *et al*. (2023), Utami (2017), Bama *et al*. (2021), and Prabowo (2023), which clarified that ROA individually has a positive effect on firm value (PBV). This conclusion differs from research by Simanjuntak (2019) and Wijaya *et al*. (2021), which states that ROA partially has a negative effect on firm value (PBV). In contrast, studies by Aprilia *et al*. (2018) and Sudaryo *et al*. (2020), Sausan *et al*. (2020), Kurniawan (2021), Nurhayati *et al*. (2022), and Razak *et al*. (2020) found that ROA did not affect PBV.

In their studies, Pioh *et al*. (2018) and Kholis *et al*. (2018) found that DER had a partial positive effect on firm value (PBV). However, these results differ from those of Wijaya *et al*. (2021), Jonathan & Purwaningsih (2023), Chhabra & Gupta (2024), Nurwulandari & Wahid (2023), Sausan *et al*. (2020), and Wulan *et al*. (2022), which found that DER had a partial negative effect on PBV. Other researchers, including Aprilia

et al. (2018), Ardhana *et al*. (2023), Kurniawan (2021), and Razak *et al*. (2020), found that DER did not affect PBV.

Research conducted by Wulan *et al*. (2022) clarified that CR partially had a positive effect on firm value. However, these results differed from those of Aprilia *et al*. (2018), Nurwulandari & Wahid (2023), Muslikin & Alim (2023), Rewalise & Muljiyati (2023), Prabowo (2023), and Hastuti (2022), which concluded that the current ratio had a negative effect on firm value. Other researchers, including Sudaryo *et al*. (2020), Utami (2017), Nurhayati *et al*. (2022), and Razak *et al*. (2020), found that CR did not affect PBV.

Research on the activity ratio (total asset turnover) to firm value (price to book value) also showed conflicting results. Research by Wulan *et al*. (2022), Nurwulandari & Wahid (2023), and Chhabra & Gupta (2024), Utami (2017), Sausan *et al*. (2020), Muslikin & Alim (2023), and Kurniawan (2021) clarified that, individually, TATO positively impacts firm value. This description differs from the research by Aprilia *et al*. (2018) and Rewalise & Muljiyati (2023), which found that TATO negatively impacts firm value. This is similar to the research conducted by Faidzah *et al*. (2022), which clarified that TATO negatively impacts firm value. In their research, Sudaryo *et al*. (2020) and Bama *et al*. (2021) clarified that individually, TATO does not affect firm value.

In operating, companies require a conducive environment to support their performance. This environment encompasses the political, economic, social, and technological (PEST) environments. The economic environment includes interest rates, inflation, and national income or gross domestic product.

Interest rates are payments for services provided by the use of economic resources in the form of money. In business practice, this interest rate represents the cost of using debt, or the cost of capital, in the form of the cost of debt. When setting interest rates, banks consider the benchmark interest rate set by the monetary authority, known in Indonesia as Bank Indonesia. This benchmark interest rate is known as the BI 7-day reverse repo rate. If this benchmark interest rate increases, BI signals that the banking sector should increase lending rates; conversely, if the benchmark interest rate decreases, it indicates that BI wants the banking sector to lower lending rates.

Lower interest rates result in higher price-to-earnings ratios, and vice versa (R. Hake, 2024). The impact of interest rate increases can vary across sectors. Financial

institutions can benefit from higher interest rates because they can increase loan profit margins (Hall, 2025).

Interest rates can moderate the influence of Return on Assets (ROA) on company value in several ways: (1) Cost of Capital: High interest rates can increase the company's cost of capital, thereby reducing the company's ability to generate profits and reducing the influence of ROA on company value; (2) Investor Expectations: High interest rates can change investor expectations about the company's prospects and the economy in general, thus reducing the effect of ROA on company value.; (3) Stock Valuation: High interest rates can reduce a company's stock valuation because it increases the cost of capital and reduces the company's ability to generate profits, thus reducing the effect of ROA on company value; (4) Return on Investment: High interest rates can make investors more selective in choosing investments, so that companies with high ROA may be valued more if they can demonstrate the ability to generate stable and increasing profits.

Interest rates can moderate the effect of Current Ratio (CR) on company value in several ways: (1) Cost of Capital: High interest rates can increase a company's cost of capital, so that companies with high CR may be valued more because of their ability to meet their short-term obligations; (1) Liquidity Risk: High interest rates can increase a company's liquidity risk, so that companies with high CR may be valued more because of their ability to face liquidity risks; (3) Effect on Profitability: High interest rates can reduce a company's profitability, so that companies with high CR may be valued more because of their ability to maintain liquidity and face Financial stress; (4) Investor Expectations: High interest rates can change investor expectations about the company's prospects and the economy in general, so that companies with high CR may be more valued due to their ability to weather uncertainty.

Interest rates can moderate the effect of Debt to Equity Ratio (DER) on company value in several ways: (1) Cost of Debt: High interest rates can increase the company's cost of debt, so that companies with high DER may be more vulnerable to financial stress and decline in company value; (2) Default Risk: High interest rates can increase the default risk of companies with high DER, so that investors may be more cautious in valuing these companies; (3) Effect on Profitability: High interest rates can reduce the profitability of companies with high DER, because higher interest costs can reduce company profits; (4) Investor Expectations: High interest rates can change investor

expectations about the company's prospects and the economy in general, so that companies with high DER may be riskier and less valued.

Interest rates can moderate the effect of Total Asset Turnover (TATO) on company value in several ways: (1) Effect on Income: Interest rates High interest rates can reduce the company's ability to increase revenue, so that companies with high TATO may not be able to increase the company's value significantly; (2) Cost of Capital: High interest rates can increase the company's cost of capital, so that companies with high TATO may not be able to utilize their assets effectively to increase the company's value; (3) Effect on Profitability: High interest rates can reduce the company's profitability, so that companies with high TATO may not be able to at increasing company value if profitability is low.; (4) Investor Expectations: High interest rates can change investor expectations about the company's prospects and the economy in general, so companies with high TATO may not be able to increase company value if investors are more cautious.

Inflation indicates a continuous increase in general prices. The level of inflation is indicated by changes in the consumer price index over time. Inflation positively affects companies through the difference between relatively low input prices and relatively high selling prices. However, if inflation is too high, this incentive for companies does not occur and can even be detrimental due to a decrease in people's purchasing power, which impacts sales.

Regarding the explanation of inflation, it can be stated that inflation can moderate the effect of Return on Assets (ROA) on company value in several ways: (1) Effect on Profitability: High inflation can reduce company profitability due to increased production and operational costs, so companies with high ROA may not be able to increase company value significantly; (2) Real Value of Assets: Inflation can reduce the real value of company assets, so a high ROA may not fully reflect the company's ability to generate profits; (3) Economic Uncertainty: High inflation can create economic uncertainty, so investors may be more cautious in assessing companies with high ROA.; (4) Effect on Capital Cost: Inflation can increase a company's cost of capital, so companies with high ROA may not be able to utilize the profits generated to increase the company's value.

Inflation can moderate the effect of the Current Ratio (CR) on company value in several ways: (1) Effect on Liquidity: High inflation can reduce the real value of a company's current assets, so companies with high CR may not be able to maintain their

liquidity effectively; (2) Production and Operational Costs: Inflation can increase a company's production and operational costs, so companies with high CR may not be able to utilize their liquidity to increase the company's value; (3) Economic Uncertainty: High inflation can create economic uncertainty, so investors may be more cautious in assessing companies with high CR; (4) Effect on Cash Management: Inflation can affect a company's cash management, so companies with high CR may need to maintain greater cash to deal with uncertainty.

Inflation can moderate the effect of Debt to Equity Ratio (DER) on company value in several ways: (1) Cost of Debt: High inflation can increase a company's cost of debt, so companies with a high DER may be more vulnerable to financial stress; (2) Real Value of Debt: Inflation can reduce the real value of a company's debt, so companies with a high DER may be able to reduce their debt burden; (3) Economic Uncertainty: High inflation can create economic uncertainty, so investors may be more cautious in assessing companies with a high DER.; (4) Effect on Profitability: Inflation can affect a company's profitability, so companies with a high DER may be more vulnerable to declining profitability.

Inflation can moderate the effect of Total Asset Turnover (TATO) on company value in several ways: (1) Effect on Income: High inflation can increase company revenue, but it can also increase production and operational costs, so companies with high TATO may not be able to increase company value significantly; (2) Real Value of Assets: Inflation can reduce the real value of company assets, so a high TATO may not fully reflect the company's ability to generate income; (3) Economic Uncertainty: High inflation can create economic uncertainty, so investors may be more cautious in valuing companies with high TATO; (4) Effect on Efficiency: Inflation can affect the efficiency of a company in managing its assets, so companies with high TATO may need to improve their efficiency to increase company value.

Gross domestic product is the total goods and services produced by an economy, expressed in monetary units during one year. From an expenditure perspective, the value of gross domestic product is all expenditures for household consumption, corporate investment expenditures, government spending, and expenditures from foreign communities on goods and services. Domestic services. The higher the GDP, the greater its role in strengthening a company's sales and positively impacting its performance.

Gross Domestic Product (GDP) can moderate the effect of Return on Assets (ROA) on company value in several ways: (1) Effect on Income: High GDP can increase company revenue, so companies with high ROA can increase their value; (2) Economic Growth: High GDP can increase economic growth, so companies with high ROA can take advantage of opportunities to increase their value; (3) Economic Uncertainty: Low or negative GDP can create economic uncertainty, so investors may be more cautious in assessing companies with high ROA; (4) Effect on the Cost of Capital: High GDP can affect a company's cost of capital, so companies with high ROA can take advantage of the low cost of capital to increase their value.

GDP can moderate the influence of Current Ratio (CR) on company value in several ways: (1) Influence on Liquidity: High GDP can increase company liquidity, so that companies with high CR can take advantage of opportunities to increase company value; (2) Economic Growth: High GDP can increase economic growth, so that companies with high CR can take advantage of opportunities to increase revenue and company value.; (3) Economic Uncertainty: Low or negative GDP can create economic uncertainty, so that companies with high CR can demonstrate the ability to face uncertainty and increase company value; (4) Influence on Investor Confidence: High GDP can increase investor confidence, so that companies with high CR can increase company value because they are considered more stable and able to face risks.

GDP can moderate the influence of Debt to Equity Ratio (DER) on company value in several ways: (1) Influence on Debt Cost: High GDP can affect the company's debt cost, so that companies with high DER can take advantage of low debt costs to increase company value; (2) Economic Growth: High GDP can increase economic growth, so that companies with high DER can take advantage of opportunities to increase revenue and company value; (3) Economic Uncertainty: Low or negative GDP can create economic uncertainty, so that companies with high DER can be considered riskier and company value can decrease; (4) Effect on Debt Repayment Ability: High GDP can increase a company's ability to repay debt, so that companies with high DER can increase company value because they are considered more capable of repaying debt.

GDP can moderate the effect of Total Asset Turnover (TATO) on company value in several ways: (1) Effect on Income: High GDP can increase company revenue, so that companies with high TATO can take advantage of opportunities to increase company value; (2) Economic Growth: High GDP can increase economic growth, so that

companies with high TATO can take advantage of opportunities to increase revenue and company value.; (#) Effect on Efficiency: High GDP can increase company efficiency, so that companies with high TATO can increase company value because they can utilize their assets effectively; (4) Economic Uncertainty: Low or negative GDP can create economic uncertainty, so companies with high TATO need to improve their efficiency to increase company value.

Based on the description above, there appears to be a gap in research findings. This research examines the effect of financial performance, as proxied by ROA, DER, CR, and TATO, on PBV. Furthermore, research examining the influence of interest rates, inflation, and GDP as variables that strengthen or weaken the influence of financial performance on PBV is almost non-existent. This is what makes this research novel.

The purpose of this research is to examine whether financial performance, as proxied by ROA, DER, CR, and TATO, influences PBV and whether interest rates, inflation, and GDL influence this influence. For academics, the results of this research can be used as reference information for research on similar topics. For companies, the results of this research can be used as information for consideration in activities to increase company value. For investors, the results of this research can be used to increase information. information about the value of food and beverage companies so that investors can make the right investment decisions.

2 LITERATURE REVIEW

2.1 Signalling theory

The signaling theory was first proposed by Spence (1973), stating that the sender (the owner of information) provides a signal or signal regarding the company's situation to the recipient (investor) in the form of information (Jannata & Pertiwi, 2022). According to Brigham & Houston (2018), signaling theory clarifies management's assumptions or perceptions regarding the company's future growth, which can influence the relationship between potential investors and the company.

This signal is information that describes management's efforts to fulfill the owner's wishes. This information is assumed to be an important parameter for investors and business actors when making investment decisions. This information takes the form of

notes or explanations regarding past, current, and future business conditions, and their impact on the company. The reliability of the information contained in financial statements, which represents the company's value, is a positive signal that can influence the opinions of investors, creditors, and other stakeholders when making investment, credit, and similar decisions.

2.2 The relationship between profitability and firm value

Profitability is proxied by return on assets (ROA). ROA is a ratio that measures the return on assets. The efficiency of corporate management significantly influences profitability; the better management manages assets and capital, the higher the profits (Misran & Chabachib, 2017). This is supported by previous research conducted by Pioh *et al*. (2018) and Kholis *et al*. (2018), which found that return on assets influences price-to-book value. The following hypothesis is formulated:

H1: Return on assets influences price-to-book value.

2.3 The relationship between solvency ratios and firm value

The debt-to-equity ratio (DER) is one of the solvency ratios. The solvency ratio illustrates a company's ability to repay debts with equity; the higher the DER, the greater the company's financial risk (Misran & Chabachib, 2017). This assumption is supported by the research findings of Wijaya *et al*. (2021) and Wulan *et al*. (2022), which found that DER influences PBV. The following hypothesis is developed:

H2: DER influences price to book value.

2.4 Relationship between liquidity ratios and firm value

The current ratio indicates the level of short-term credit risk or a company's ability to repay its debts. The current ratio is obtained by dividing a company's current assets by its current liabilities. Therefore, the higher the current ratio, the better the company's ability to meet current obligations or repay its debts (Misran & Chabachib, 2017).

A company's high liquidity influences investor confidence, which ultimately increases its stock price. Therefore, it can be assumed that the current ratio influences

price to book value. This is supported by the findings of previous research by Wulan *et al*. (2022), which found that the current ratio influences PBV. The following hypothesis is developed:

H3: The current ratio influences price to book value.

2.5 The relationship between activity ratios and firm value

One activity ratio is total asset turnover (TATO), which is obtained by dividing total sales by total assets. This ratio measures how many assets are used in a company's operations, or how many times those assets are turned over during a specific period (Misran & Chabachib, 2017).

The higher the total asset turnover, the more efficiently the company's assets generate profits. This is a positive signal for investors and triggers an increase in the company's stock price. Rising stock prices also increase the PBV. Therefore, it can be assumed that total asset turnover influences PBV. This is supported by previous research findings by Wulan *et al*. (2022), which found that TATO influences PBV. The following hypothesis is developed:

H4: TATO affects price to book value.

2.6 Interest rates moderate the effect of ROA on firm value

The moderating effect of interest rates on ROA's influence on PBV is that if interest rates are low, the effect of ROA on firm value may be stronger, as companies can leverage the low cost of capital to increase profits and firm value. If interest rates are high, the effect of ROA on firm value may be weaker, as companies face a high cost of capital and reduce their ability to generate profits. Based on this explanation, the following hypothesis can be formulated:

H5: Interest Rates Moderate the Effect of ROA on PBV

2.7 Interest rates moderate the effect of CR on firm value

The moderating effect is that if interest rates are low, the effect of CR on firm value may be weaker, as companies Companies can easily access funding, and liquidity

is not a major issue. If interest rates are high, the effect of CR on firm value may be stronger, as companies with high CR demonstrate the ability to face liquidity risks and maintain liquidity. In a moderating context, interest rates can influence the strength of the relationship between CR and firm value. Therefore, it is important to consider interest rates as a moderating variable in analyzing the effect of CR on firm value. Based on the above description, the following hypothesis can be formulated:

H6: Interest Rates Moderate the Effect of CR on PBV

2.8 Interest rates moderate the effect of DER on firm value

The moderating effect of interest rates on the effect of DER on PBV is that if interest rates are low, the effect of DER on firm value may be weaker, as low debt costs can enable companies with high DER to still generate profits and increase firm value. If interest rates are high, the effect of DER on firm value may be stronger, as companies with high DER may be more vulnerable to financial distress and declines in firm value. In a moderating context, interest rates can influence the strength of the relationship between DER and firm value. Therefore, it is important to consider interest rates as a moderating variable in analyzing the effect of DER on firm value.

Based on the above description, the following hypothesis can be formulated:

H7: Interest Rates Moderate the Effect of DER on PBV

2.9 Interest rates moderate the effect of TATO on firm value

The moderating effect of interest rates on the effect of TATO on PBV is that if interest rates are low, the effect of TATO on firm value may be stronger, as companies can leverage the low cost of capital to increase revenue and profitability. If interest rates are high, the effect of TATO on firm value may be weaker, as companies may be unable to utilize their assets effectively to increase firm value due to the high cost of capital. In the context of moderation, interest rates can influence the strength of the relationship between TATO and firm value. Therefore, it is important to consider interest rates as a moderating variable in analyzing the effect of TATO on firm value.

Based on the above description, the following hypotheses can be formulated:

H8: Interest Rates Moderate the Effect of TATO on PBV

2.10 Inflation moderates the effect of ROA on firm value

The moderating effect of inflation on ROA on PBV is that if inflation is low, the effect of ROA on firm value may be stronger, as firms can utilize generated profits to increase firm value. If inflation is high, the effect of ROA on firm value may be weaker, as firms may be unable to utilize generated profits to increase firm value due to increased production and operational costs. In the context of moderation, inflation can influence the strength of the relationship between ROA and firm value. Therefore, it is important to consider inflation as a moderating variable in analyzing the effect of ROA on firm value.

Based on the above description, the following hypotheses can be formulated:

H9: Inflation Moderates the Effect of ROA on PBV

2.11 Inflation moderates the effect of CR on firm value

The moderating effect of inflation on CR on PBV is that if inflation is low, the effect of CR on firm value may be weaker, as companies can easily access funding and liquidity is less of a concern. If inflation is high, the effect of CR on firm value may be stronger, as companies with a high CR demonstrate the ability to weather uncertainty and maintain liquidity. In the context of moderation, inflation can influence the strength of the relationship between CR and firm value. Therefore, it is important to consider inflation as a moderating variable in analyzing the effect of CR on firm value.

Based on the above description, the following hypotheses can be formulated:

H10: Inflation Moderates the Effect of CR on PBV

2.12 Inflation moderates the effect of DER on firm value

The moderating effect of inflation on the effect of DER on Firm Value (PBV) is that

if inflation is low, the effect of DER on firm value may be stronger, because companies with high DER may be more vulnerable to financial distress and declines in firm value. If inflation is high, the effect of DER on firm value may be weaker, because companies with high DER may be able to reduce their debt burden and increase firm value. In the context of moderation, inflation can affect the strength of the relationship

between DER and firm value. Therefore, it is important to examine Consider inflation as a moderating variable in the analysis of the effect of DER on firm value.

Based on the above description, the following hypotheses can be formulated:

H11: Inflation Moderates the Effect of DER on PBV

2.13 Inflation moderates the effect of TATO on firm value

The moderating effect of inflation on the effect of TATO on Firm Value (PBV) is that if inflation is low, the effect of TATO on firm value may be stronger, as the company can effectively utilize its assets to increase revenue and firm value. If inflation is high, the effect of TATO on firm value may be weaker, as the company needs to increase efficiency and navigate economic uncertainty to increase firm value. In the context of moderation, inflation can influence the strength of the relationship between TATO and firm value. Therefore, it is important to consider inflation as a moderating variable in the analysis of the effect of TATO on firm value.

Based on the above description, the following hypotheses can be formulated:

H12: Inflation Moderates the Effect of TATO on PBV

2.14 GDP moderates the effect of ROA on firm value

The moderating effect of GDP on the effect of ROA on Firm Value (PBV) is that if GDP is high, the effect of ROA on firm value may be stronger, as firms can exploit opportunities to increase revenue and firm value. If GDP is low, the effect of ROA on firm value may be weaker, as firms need to navigate economic uncertainty and reduce costs to increase firm value. In a moderating context, GDP can influence the strength of the relationship between ROA and firm value. Therefore, it is important to consider GDP as a moderating variable in analyzing the effect of ROA on firm value.

Based on the above description, the following hypotheses can be formulated:

H13: GDP Moderates the Effect of ROA on PBV

2.15 GDP moderates the effect of CR on firm value

The moderating effect of GDP on CR's influence on firm value (PBV) is that if GDP is high, the effect of CR on firm value may be weaker, as companies with high CR may not be considered a significant factor in increasing firm value. If GDP is low, the effect of CR on firm value may be stronger, as companies with high CR may demonstrate their ability to weather economic uncertainty and increase firm value. In a moderation context, GDP can influence the strength of the relationship between CR and firm value. Therefore, it is important to consider GDP as a moderating variable in analyzing the effect of CR on firm value.

Based on the above description, the following hypotheses can be formulated:

H14: GDP Moderates the Effect of CR on PBV

2.16 GDP moderates the effect of DER on firm value

The moderating effect of GDP on DER on Firm Value (PBV) is that if GDP is high, the effect of DER on firm value may be weaker, as companies with high DER can exploit opportunities to increase revenue and firm value. If GDP is low, the effect of DER on firm value may be stronger, as companies with high DER may be perceived as riskier, and firm value may decline. In the context of moderation, GDP can influence the strength of the relationship between DER and firm value. Therefore, it is important to consider GDP as a moderating variable in analyzing the effect of DER on firm value.

Based on the above description, the following hypothesis can be formulated:

H15: GDP Moderates the Effect of DER on PBV

2.17 GDP moderates the effect of TATO on firm value

The moderating effect of GDP on the effect of TATO on Firm Value (PBV) is: If GDP is high, the effect of TATO on firm value may be stronger, as firms can exploit opportunities to increase revenue and firm value. If GDP is low, the effect of TATO on firm value may be weaker, as firms need to improve efficiency and navigate economic uncertainty to increase firm value. In a moderating context, GDP can influence the

strength of the relationship between TATO and firm value. Therefore, it is important to consider GDP as a moderating variable in analyzing the effect of TATO on firm value.

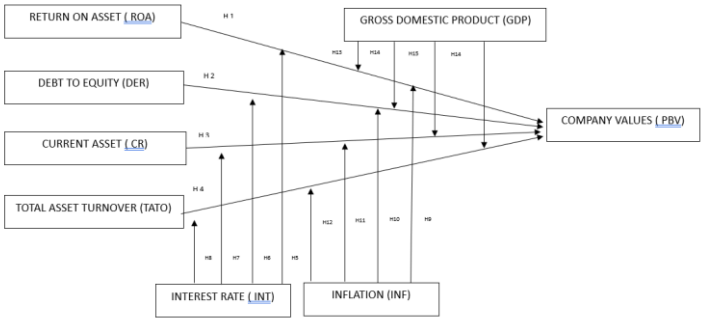
Based on the above description, the following hypothesis can be formulated:

H16: GDP Moderates the Effect of TATO on PBV

Based on the above description, the conceptual framework is depicted in Figure 2.

Figure 2

Framework of Thought



3 RESEARCH METHODOLOGY

3.1 Operational definition of variables

3.1.1 Company value

Company value is measured using price-to-book value, which compares the stock's market price with its book value. The price-to-book value formula is as follows:

$$\text{PBV} = \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share} \qquad (1)$$

The market price per share is quoted from the balance sheet, while the book value per share is obtained through the calculation:

$$Book\ Value\ per\ Share = \frac{Total\ Equity}{Number\ of\ shares\ outstanding} \qquad (2)$$

3.2 Return on Assets (ROA)

According to Kadim & Sunardi (2019), ROA is a ratio that represents the return on assets utilized by a company, or a measure related to management efficiency. ROA is determined by dividing net profit after tax by total assets. The formula for return on assets is as follows:

$$\text{ROA} = \frac{Net\ profit\ after\ tax}{Total\ Assets} \qquad (3)$$

3.3 Debt to equity ratio (DER)

DER describes the debt-to-equity ratio in corporate financing, indicating a company's equity capacity to me*et al*l its obligations (Widodo, 2019). The debt-to-equity ratio formula is as follows:

$$\text{DER} = \frac{Total\ Debt}{Total\ Equity} \qquad (4)$$

3.4 Current ratio (CR)

Seto *et al*. (2023) state that CR measures a company's ability to pay its current liabilities with its current assets. Another definition states that the current ratio is a measure of a company's liquidity. A higher CR indicates a greater ability of the company to pay its debts. The current ratio formula is as follows:

$$\text{CR} = \frac{Current\ asset}{Current\ Liabilities} \qquad (5)$$

3.5 Total Asset Turnover (TATO)

TATO is the ratio of turnover used in a company's activities to its balance sheet volume. This ratio illustrates the ability of a company's assets to accumulate total turnover. A higher TATO indicates the more efficiently a company uses its assets to increase total turnover. The more efficiently a company uses its assets to generate

revenue, the better its performance (Widodo, 2019). The following is the formula for total asset turnover:

$$\text{TATO} = \frac{Total\ Sales}{Total\ Assets} \qquad (6)$$

3.6 Interest rate

The interest rate is the average benchmark interest rate set by Bank Indonesia, subtracted by:

INT = Average BI 7-day repo rate (7)

3.7 Inflation

Inflation is a general and persistent increase in the prices of goods and services over a specific period. Inflation is measured using the formula:

INF :(CPIt - CPIt-1)/CPIt-1 (8)

CPI: Consumer Price Index

3.8 Gross Domestic Product (GDP)

GDP (Gross Domestic Product) is the total value of all goods and services produced within a country within a specific period, usually one year. GDP is measured using the formula:

GDP = C + I + G + X – M (9)

C: Household consumption expenditure; I: Private investment expenditure; G: Government spending; X: Exports; I: Imports

3.19 Population and sample

In this study, the population was all 84 companies in the food and beverage subsector listed on the Indonesia Stock Exchange (IDX) between 2018 and 2024. The sample used a purposive sampling method, meaning the sample was selected based on specific criteria. The sampling criteria were as follows: (1) Food and beverage subsector companies listed as public companies on the Indonesia Stock Exchange during the 2018-2024 period; (2) Food and beverage subsector companies that consistently published annual financial reports during the 2018-2024 period; (3) Food and beverage subsector companies that use the Indonesian Rupiah (IDR) as their currency; (4) Food and beverage subsector companies with assets exceeding IDR 1,000,000,000,000 (one trillion rupiah).

Based on the population size and sampling criteria, a sample size of 11 was obtained with observations spanning seven years, resulting in a total of 77 observations.

3.10 Data type and source

The type of data applied in this study is quantitative, expressed in numerical form. The data used in this study is secondary, meaning the data source does not directly provide the data to the researcher or data collector (Sugiyono, 2019: 296). Specifically, the data consists of the financial reports of each food and beverage subsector company for the 2018-2022 period sampled and published by the Indonesia Stock Exchange. Table 3.3 lists the names of the companies sampled in this study.

3.11 Data collection method

This study employed a documentation method for data collection, namely by observing the financial reports of food and beverage subsector companies published on the Indonesia Stock Exchange (www.idx.co.id) and the official websites of each company, Bank Indonesia, the Central Bureau of Statistics, and the Financial Services Authority (OJK).

3.12 Data analysis techniques

The data processing and analysis method in this study uses the Eviews application, while the analysis utilizes a panel data regression model. Panel data is a combination of time series and cross-sectional data. The time series in question covers the period 2018 to 2022, and the cross-section in question comprises eleven food and beverage sub-sector companies listed on the Indonesia Stock Exchange. The data will be processed in the following order: (1) Regression Estimation Model Selection. The tests that contribute to model selection are: (i) the Chow Test, which is conducted to select the most appropriate model for estimating panel data, whether common effects or fixed effects; (ii) the Hausman Test, which is conducted to select the most appropriate model for estimating panel data, whether random effects or fixed effects; (iii) the Lagrange Multiplier (LM) Test, which is used to select the best model between the random effects model and the common effects model; (2) the Classical Assumption Test is conducted to ensure the regression model meets the criteria for the best linear, unbiased estimator (BLUE). The classical assumption test used depends on the results of the model selection. If the selected model is CEM or FEM, the classical assumption test that must be carried out is the Heteroscedasticity and Multicollinearity Test. Meanwhile, if the selected model is REM, then the Test that must be carried out is the Normality Test and Multicollinearity Test; (3) Panel Data Regression Analysis is carried out to test the affiliation of cross-section and time series data by using double subscripts (i and t) in its writing (Sitorus & Yuliana, 2018). Based on the problem formulation and conceptual framework of the research that has been shown previously, the regression model proposed in the research, namely:

$$Yit = a + b1\ X1it + b2\ X2it + b2\ X3it + b2\ X4it + b2\ Z1it + b2\ Z2it + b2\ Z3it\ eit \quad (10)$$

description:

Y = Price to Book Value
a = Constant
X1 = Return on Assets
X2 = Debt to Equity Ratio
X3 = Current Ratio

X4 = Total Asset Turnover
Z1 = Interest Rate
Z2 = Inflation
Z3 = GDP
b = Regression Coefficient of Each Independent Variable
e = Error
i = Eleven Samples
t = Research Period (2018-2024)

(4) Hypothesis Testing: The aim is to find out or check whether the regression coefficient obtained is significant. This test includes the t-test and F test as well as the Moderated Regression Analysis (MRA) test. The MRA test is carried out in 3 steps, namely: (1) Equation 1, namely the influence of X on Y; (2) Equation 2, namely the influence of X, Z on Y; (3) Equation 3, namely the influence of X, Z, X and Z interaction on Y. Moderation results are divided into: (1) Pure moderation (pure moderation), this is if the b2 coefficient is stated to be insignificant but the b3 coefficient is statistically significant; (2) Quasi moderation (pseudo moderation), this is if the b2 coefficient is stated to be significant and the b3 coefficient is statistically significant. (3) Homologizing moderation (potential moderation), this occurs if the b2 coefficient is declared insignificant and the b3 coefficient is not statistically significant; (4) Predicting moderation (moderation as a predictor), this occurs if the b2 coefficient is declared significant and the b3 coefficient is not statistically significant.

4 RESULTS AND DISCUSSION

4.1 Result

4.1.1 Model selection results

The regression model selection is listed in Table 1.

Table 1

Regression Model Selection Results

No	Test	Prob	Selected Model
1	Chow Test	0,000	FEM
2	Hausman Test	1,000	REM
3	Lagrange Test	0,000	REM

Based on Table 1, the data will be analyzed using the Random Effects Model (REM).

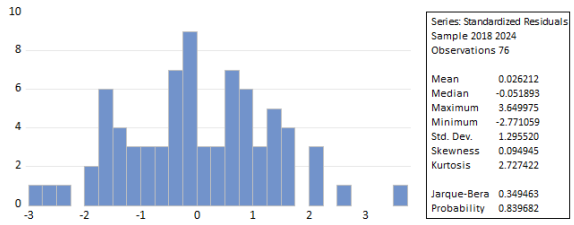
4.1.2 Classical assumption test results

Because the selected model is REM, the mandatory classical assumption tests are the normality test and the multicollinearity test.

4.1.3 Normality test

Figure 6

Normality Test Results



Based on Figure 6, the probability value is greater than 0.05, indicating that the data is normally distributed and suitable for testing.

4.1.4 Multicollinearity test

Multicollinearity tests are only performed on independent variables. The test results can be seen in Table 2.

Table 2

Multicollinearity Test Results

	ROA	CR	DER	TATO
ROA	1	0.455878	-0.48092	0.412291
CR	0.455878	1	-0.45765	0.100924
DER	-0.48092	-0.45765	1	-0.23276
TATO	0.412291	0.100924	-0.23276	1

Table 2 shows that all variables have values below 0.9. Therefore, there is no multicollinearity, and the data are suitable for testing.

4.1.5 Panel Data Regression (REM)

Table 3

Results of REM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.79811	0.690406	-1.156	0.2517
ROA	10.29195	3.307553	3.111651	0.0027
CR	0.067693	0.10538	0.642365	0.5228
DER	0.648447	0.17681	3.66747	0.0005
TATO	1.584361	0.47854	3.310826	0.0015
INT	3.002946	9.388936	0.319839	0.7501
INF	-13.1055	4.61428	-2.8402	0.0059
GDP	-2.49651	3.596487	-0.69415	0.49

The regression equation is:

$$PBV_{it} = -0.79811 + 10.29195\ ROA_{it} + 0.648447\ DER_{it} + 0.067693\ CR_{it} + 1.584361 TATO_{it} + 3.002946 INT_{it} - 13.1055 INF_{it} - 2.49651\ GDP\ CR_{it} \quad (11)$$

The regression equation yields the following information:

The constant α of -0.79811 indicates that if the independent variable is zero, the PBV value is -0.79811.

The ROA (X1) value of 10.29195 indicates that every 1% increase in ROA will be followed by a 10.29195% increase in PBV, assuming the other coefficients are held constant or equal to zero.

The DER (X2) coefficient value of 0.648447 indicates that every 1% increase in DER will be followed by a 0.648447% increase in PBV, assuming the other coefficients are held constant or equal to zero.

The CR (X3) coefficient value of 0.067693 indicates that every 1% increase in CR will be followed by a 0.067693% increase in PBV, assuming the other coefficients are held constant or equal to zero.

The TATO coefficient (X4) of 1.584361 indicates that every 1% increase in TATO will be followed by a 1.584361% increase in PBV, assuming the other coefficients are held constant or equal to zero.

The INT coefficient (Z1) of 3.002946 indicates that every 1% increase in INT will be followed by a v% increase in PBV, assuming the other coefficients are held constant or equal to zero.

The INF coefficient (Z2) of -13.1055 indicates that every 1% increase in INF will be followed by a 13.1055% decrease in PBV, assuming the other coefficients are held constant or equal to zero.

The GDP coefficient (Z3) of -2.49651 indicates that every 1% increase in GDP will be followed by a 2.4965% decrease in PBV, assuming the other coefficients are held constant or equal to zero.

4.2 Hypothesis Testing

4.2.1 Partial Test Results (t)

Based on Table 2, the ROA variable has a probability value of 0.0027, <0.05, indicating that ROA affects PBV (Firm Value). The CR variable has a probability value of 0.5228, >0.05, indicating that CR does not affect PBV (Firm Value). The DER variable has a probability value of 0.0005, <0.05, indicating that DER affects PBV (Firm Value). The TATO variable has a probability value of 0.0015, <0.05, indicating that TATO affects PBV (Firm Value).

4.2.2 Moderated Regression Analysis (MRA) results

Based on Table 2, the independent variables influencing PBV are ROA, DER, and TATO. Table 3 shows the results of the Moderated Regression Test for these three variables.

Table 4

Results of the Moderated Regression Analysis (INT)

	Prob _ROA		**Prob_ DER**		**Prob_TATO**	
Equation 1						
	C	0.0001	C	0.0014	C	0.8049
	ROA	0.0065	DER	0.0107	TATO	0,0000
	Adjusted R-squared	0.075903	Adjusted R-squared	0.068678	Adjusted R-squared	0.214005
Equation 2						
	C	0.0932	C	0.0649	C	0.8273
	ROA	0.0056	DER	0.0127	TATO	0
	INT	0.2874	INT	0.4348	INT	0.9354
	Adjusted R-squared	0.076654	Adjusted R-squared	0.06336	Adjusted R-squared	0.20042
Equation 3						
	C	0.8574	C		C	0.9986
	ROA	0.187	DER	0.2806	TATO	0.0000
	INT	0.2337	INT	0.3112	INT	0.7972
	INT_ROA	0.4201	INT_DER	0.1067	INT_TATO	0.2567
	Adjusted R-squared	0.069117	Adjusted R-squared	0.075081	Adjusted R-squared	0.193919

Equation	**Prob _ROA**		**Prob_ DER**		**Prob_TATO**	
1						
	C	0.0001	C	0.0014	C	0.8049
	ROA	0.0065	DER	0.0107	TATO	0,0000
	Adjusted R-squared	0.075903	Adjusted R-squared	0.068678	Adjusted R-squared	0.214005
2						
	C	0.0932	C	0.0649	C	0.8273
	ROA	0.0056	DER	0.0127	TATO	0
	INT	0.2874	INT	0.4348	INT	0.9354
	Adjusted R-squared	0.076654	Adjusted R-squared	0.06336	Adjusted R-squared	0.20042
3						
	C	0.8574	C		C	0.9986
	ROA	0.187	DER	0.2806	TATO	0.0000
	INT	0.2337	INT	0.3112	INT	0.7972
	INT_ROA	0.4201	INT_DER	0.1067	INT_TATO	0.2567
	Adjusted R-squared	0.069117	Adjusted R-squared	0.075081	Adjusted R-squared	0.193919

Based on Table 4, for ROA, equation 1 is significant, equation 2 is not significant, and equation 3 is not significant. The conclusion is that INT is a moderating homolgizer. Potential becomes a moderating variable in the influence of ROA on stock returns. For DER, equation 1 is significant, equation 2 is not significant, and equation 3 is not significant. The conclusion is that INT is a moderating homolgizer. Potential becomes a

moderating variable in the influence of DER on stock returns. For TATO, equation 1 is significant, equation 2 is not significant, and equation 3 is not significant. The conclusion is that INT is a moderating homolgizer. Potential becomes a moderating variable in the influence of TATO on stock returns.

Table 5

Results of Moderated Regression Analysis INF

Equation	Prob _ROA		Prob_ DER		Prob_TATO	
1						
	C	0.0001	C	0.0014	C	0.8049
	ROA	0.0065	DER	0.0107	TATO	0.0000
	Adjusted R-squared	0.075903	Adjusted R-squared	0.068678	Adjusted R-squared	0.214005
2						
	C	0,0000	C	0.0004	C	0.7103
	ROA	0.003	DER	0.0122	TATO	0,0000
	INF	0.0073	INF	0.0183	INF	0.0005
	Adjusted R-squared	0.14251	Adjusted R-squared	0.125026	Adjusted R-squared	0.323425
3						
	C	0.0019	C	0.0001	C	0.9455
	ROA	0.0002	DER	0.4996	TATO	0.0000
	INF	0.2906	INF	0.0074	INF	0.7164
	INF_ROA	0.0171	INF_DER	0.0844	INF_TATO	0.2264
	Adjusted R-squared	0.191881	Adjusted R-squared	0.144863	Adjusted R-squared	0.332047

Table 5 shows that for the ROA variable, equation 1 is significant, equation 2 is significant, and equation 3 is significant. The conclusion is that the INF is a quasi-moderating variable. The adj-square value of equation 1: 0.075903 < equation 2: 0.14251, indicating that the INF strengthens the influence of ROA on stock returns. For DER, equation 1 is significant, equation 2 is significant, and equation 3 is insignificant. The conclusion is that the INF is a moderating predictor, meaning that it is only a predictor in the relationship formed. For TATO, equation 1 is significant, equation 2 is insignificant, and equation 3 is insignificant. The conclusion is that the INF is a moderating homogenizer. It has the potential to be a moderating variable in the influence of TATO on stock returns.

Table 6

Results of Moderated Regression Analysis: GDP

Equation	Prob _ROA		Prob_ DER		Prob_TATO	
1						
	C	0.0001	C	0.0014	C	0.8049
	ROA	0.0065	DER	0.0107	TATO	0.0000
	Adjusted R-squared	0.075903	Adjusted R-squared	0.068678	Adjusted R-squared	0.214005
2						
	C	0.0001	C	0.002	C	0.8583

	ROA	0.0062	DER	0.0117	TATO	0.0000
	GDP	0.6701	GDP	0.9561	GDP	0.0417
	Adjusted R-squared	0.065966	Adjusted R-squared	0.055547	Adjusted R-squared	0.244529
3						
	C	0.0106	C	0.0017	C	0.8445
	ROA	0.0166	DER	0.6002	TATO	0
	GDP	0.4786	GDP	0.4261	GDP	0.9035
	GDP_ROA	0.2954	GDP_DER	0.3917	GDP_TATO	0.2527
	Adjusted R-squared	0.078262	Adjusted R-squared	0.044307	Adjusted R-squared	0.22818

Based on Table 6, for ROA, equation 1 is significant, equation 2 is insignificant, and equation 3 is insignificant. The conclusion is that GDP is a moderating homogenizer. It has the potential to be a moderating variable in the effect of ROA on stock returns. For DER, equation 1 is significant, equation 2 is insignificant, and equation 3 is insignificant. The conclusion is that GDP is a moderating homogenizer. It has the potential to be a moderating variable in the effect of DER on stock returns. For TATO, equation 1 is significant, equation 2 is insignificant, and equation 3 is insignificant. The conclusion is that GDP is a moderating homogenizer. It has the potential to be a moderating variable in the effect of TATO on stock returns.

4.3 Discussion

4.3.1 The effect of Return on Assets (ROA) on company value

This is in line with signaling theory, which states that a company's high level of profitability can be used as a reference for investors to invest. A higher ROA ratio will attract investors to invest, and a higher ROA will be followed by an increase in company value. This means that increasing a company's revenue signals that the company has good prospects.

The results of this study align with previous research conducted by Pioh *et al*. (2018) and Kholis *et al*. (2018), which explained that ROA has a positive and significant effect on company value.

4.3.2 The effect of Debt to Equity Ratio (DER) on company value

This is in line with the theory of Modigliani and Miller, which states that company value and shareholder wealth are not influenced by capital structure. An unaffected capital

structure indicates that investors do not use DER to make decisions about buying or selling a company's shares. These results align with previous research conducted by Aprilia *et al*. (2018), which explained that DER has no effect on company value.

4.3.3 The effect of the Current Ratio (CR) on firm value

Based on the results of the partial t-test, the current ratio (CR) obtained a probability value of 0.5228, greater than 0.05. This indicates that the CR has no effect on firm value (PBV). Annisa & Chabachib (2020) stated that the current ratio measures a company's liquidity level; the more liquid a company is, the higher the current ratio. A high current ratio indicates a company's capacity to cover its short-term obligations. A company's high liquidity capacity implies investor confidence in investing, which can increase company value. However, a high current ratio also indicates a high level of working capital invested in current assets, which can lead to inefficiency. In other words, a company that is too liquid can also result in reduced profitability and even lower company value. Liquidity does not always guarantee a positive or negative response from the market. These results contradict previous research by Wulan *et al*. (2022), which clarified that CR has a positive effect on firm value.

4.3.4 The effect of Total Asset Turnover (TATO) on firm value

Based on the results of the partial t-test, the TATO variable obtained a probability value of 0.0114, less than 0.05, and a t-statistic of 2.626136. This indicates that TATO has a positive effect on firm value (PBV).

These results align with previous research conducted by Wulan *et al*. (2022), which explained that TATO has a positive and significant effect on firm value. Misran & Chabachib (2017) concluded that TATO influences firm value. This significant effect indicates that a higher total asset turnover indicates a more efficient use of overall assets in generating sales/revenue, thus attracting investors and triggering an increase in the company's stock price. A higher stock price will increase the PBV.

4.3.5 The role of interest rates in moderating the effect of ROA on stock value

Based on the analysis, interest rates do not moderate the effect of ROA on firm value (price to book value, PBV). A company's profit essentially reflects the reduction in costs and expenses from sales. Interest expense is a cost component, but in the characteristics of manufacturing companies, it is not a significant component, and thus, its role is not particularly dominant in the total cost structure. However, because this variable can conceptually moderate the effect of ROA on PBV but does not have a direct effect on PBV, interest rates are considered a moderating homogenizer, meaning they have the potential to act as a moderating variable when observed in other industries and time periods.

4.3.6 The role of interest rates in moderating the effect of Debt to Equity Ratio (DER) on stock value

Based on the analysis, interest rates do not moderate the effect of DER on firm value (price to book value, PBV). Financial leverage, as proxied by the debt-to-equity ratio (DER), essentially indicates the ratio of debt to equity. A high DER indicates high debt and has implications for interest costs. However, even if high debt usage can generate positive value in the form of increased profits, it does not guarantee that interest rates strengthen or weaken the effect of leverage on stock value. However, because this variable can conceptually moderate the effect of DER on PBV and does not have a direct effect on PBV, interest rates are stated as a moderating homogenizer, meaning they have the potential to act as a moderating variable when observed in other industries and time periods.

4.3.7 The role of interest rates in moderating the Effect of TATO on stock value

Total asset turnover is a company's ability to generate sales using its assets. Conceptually, if interest rates are low, companies will incur more debt to increase asset investments, thus increasing assets, which will generate greater sales. However, additional assets are not always financed with loans; companies can use equity as an alternative. Therefore, the research findings that interest rates do not moderate the effect

of TATO on stock value are justified. However, because this variable can conceptually moderate the effect of TATO on PBV and does not have a direct effect on PBV, interest rates are considered a moderating homogenizer, meaning they have the potential to act as a moderating variable when observed in other industries and time periods.

4.3.8 The moderating role of inflation the effect of ROA on stock value

Inflation indicates price increases over time. Inflation strengthens ROA in relation to increased profits because, with inflation, companies record lower acquisition costs and then sell products and services at higher prices. Therefore, with inflation, profits increase. Inflation also affects stock value by decreasing public purchasing power, which in turn lowers the stock price or PBV. Because inflation moderates ROA in influencing PBV, but also directly affects PBV, this moderating effect is quasi-indirect.

4.3.9 The role of inflation in moderating the effect of DER on stock value

Inflation indicates price increases over time. Inflation strengthens DER in relation to decreased value because inflation is usually responded to with tight monetary policy, which increases interest rates and impacts company value. Therefore, with inflation, profits decline if the company's funding composition tends to be highly leveraged. Because inflation moderates DER in influencing PBV, but because not all moderation criteria are met, inflation plays a moderating role in this case.

4.3.10 The role of inflation moderates the effect of TATO on stock value

Inflation indicates price increases over time. Inflation reduces consumer purchasing power and impacts sales. TATO decreases if inflation is high, but moderate inflation that is acceptable to the market will increase sales. Therefore, the reinforcing effect of inflation on TATO in increasing company value is conditional. Therefore, with inflation, profits can decrease or increase depending on market response. In this regard, inflation cannot moderate the effect of TATO on company value. However, because this variable can conceptually moderate the effect of TATO on PBV and does not have a direct

effect on PBV, INF is declared a moderating homogenizer, meaning it has the potential to act as a moderating variable when observed in other industries and time periods.

4.3.11 The role of GDP moderates the effect of ROA on stock value

In principle, an increase in GDP can increase household consumption, and as a result, company sales will also increase. However, not all increased income will be used to increase consumption, so the impact on sales increases cannot be conclusively demonstrated. Therefore, the role of GDP in increasing company sales is not always strengthening but can also be ineffective. Therefore, the finding that GDP does not strengthen the effect of ROA on PBV is justified. However, because this variable conceptually moderates the effect of ROA on PBV but does not have a direct effect on PBV, GDP is considered a moderating homolgizer, meaning it has the potential to act as a moderating variable when observed in other industries and time periods.

4.3.12 The role of GDP in moderating the effect of DER on stock value

An increase in public income does not necessarily encourage companies to increase their debt or increase equity through the sale of new shares. It is possible that increased income is not used for investment but may be used for investment, speculation, or savings. Therefore, not all increases in income will strengthen DER and affect stock value. However, because this variable conceptually moderates the effect of DER on PBV but does not have a direct effect on PBV, GDP is considered a moderating homolgizer, meaning it has the potential to act as a moderating variable when observed in other industries and time periods.

4.3.13 The role of GDP in moderating the effect of TATO on stock value

An increase in public income does not necessarily encourage companies to increase their sales. It's possible that increased income isn't used for consumption, which would lead to increased sales. Therefore, not all increases in income will strengthen TATO, which would affect stock value. However, because this variable can conceptually moderate the effect of TATO on PBV and doesn't have a direct effect on PBV, GDP is

considered a moderating homogenizer, meaning it has the potential to act as a moderating variable when observed in other industries and time periods.

5 CONCLUSION

Financial performance factors that influence company value are ROA, DER, and TATO. ROA indicates a company's ability to generate high returns for investors. A high ROA can increase company value. An optimal DER can increase company value by utilizing debt to finance profitable projects. The higher the TATO, the more efficient the company is in managing its assets. A high TATO can increase company value because it indicates the company's ability to generate high sales from its assets.

CR does not affect company value. This indicates that a company may have a high CR due to having many current assets, but this does not necessarily mean the company is generating high profits.

Interest rates and GDP have not been shown to strengthen or weaken the influence of ROA, DER, and TATO on company value. Inflation strengthens the influence of ROA on company value, but not DER and TATO.

The implications of the role of the economic environment on the influence of financial performance on company value can be explained as follows: (1) The Influence of the Economic Cycle: A stable and growing economic environment can improve a company's financial performance, which in turn increases company value. Conversely, a recession or economic instability can reduce financial performance and company value; (2) Interest Rates: Changes in interest rates can affect a company's cost of capital, which impacts financial performance and company value. A low interest rate environment can increase investment and consumption, thereby increasing company value; (3) Inflation: High inflation rates can increase production costs and reduce consumer purchasing power, which negatively impacts financial performance and company value; (4) Government Regulations: Government regulations that support or hinder business can affect financial performance and company value. For example, regulations that support investment can increase company value; (5) Market Conditions: Competitive or monopolistic market conditions can affect financial performance and company value. Companies operating in competitive markets must increase efficiency and innovation to increase company value.

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All authors contributed equally to the development of this article.

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