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The Nexus of Ownership Structure, Profitability, Financing and Firm Value: Testing the Moderating Role of Firm Size

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Abstract. *This study aims to analyze the influence of managerial ownership, institutional ownership, profitability, and leverage on firm value, with firm size as a moderator. High firm value will send a positive signal to investors. This quantitative study uses 165 observational data obtained from the financial statements of non-cyclical consumer sector companies (2019-2023). This research tests eight hypotheses using panel data regression involving firm size as a moderating variable (Moderated Regression Analysis–MRA). The results show that institutional ownership and leverage (DER) have no effect on firm value. Meanwhile, managerial ownership shows a positive effect on firm value, and profitability (ROE) shows a negative effect on firm value. Furthermore, in testing the moderation model, the firm size variable weakens the effect of institutional ownership on firm value. This interaction effect is not apparent in testing managerial ownership (MAN), profitability (ROE), and leverage (DER) on firm value (PBV). Other findings indicate that firm size in the study does not act as a pure moderator, but rather as a quasi-moderator.*

Keywords: *Company Value, Ownership Structure, Profitability, Leverage, Company Size*

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INTRODUCTION

Financial management aims to maximize shareholder wealth by increasing company value (Sukenti, 2023; Khakim, 2024). These companies are required to also pay attention to their company value. Neoclassical firm theory states that companies exist to generate profits. This theory recognizes profit maximization as a company's primary goal. The first is short-term profit maximization, and the second is long-term profit maximization, with expected value maximization (Setiono, 2018).

Ardini & Adhitya (2022) said that, sompany value is defined as the condition a company achieves in gaining the trust of investors and creditors. One of the company's goals is to maximize company value through profits that serve to benefit shareholders. Although a company is owned by multiple shareholders with different utility functions and managed by non-owner professionals, the company's primary goal is to maximize company value. Jensen & Meckling (2019) define a company as a place where several contracts are made between agents and principals caused by the separation of ownership and control.

This contract system tends to create moral hazard, which arises when the agent is able to take actions beyond the principal's control. Factors influencing firm value are crucial, as a positive firm value sends a positive signal to investors (Huang, 2022; Ahmad et al., 2022; Certo et al., 2001). Therefore, this study examines several factors influencing firm value, such as

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ownership structure, profitability, and leverage. Furthermore, this study explores the potential role of firm size in moderating the influence of ownership structure, profitability, and leverage on firm value (Almomani et al., 2022; Osazuwa & Che-Ahmad, 2016).

Ownership structure explains the proportion of share ownership in a company and the actions taken by these shareholders (Petta & Tarigan, 2017). Ownership structure is believed to influence organizational activities to maximize firm value. Companies strive to achieve their goals by providing management with opportunities to own shares, aligning the interests of managers and shareholders. Fathi et al. (2024) said that, information asymmetry theory highlights how information asymmetry between company management and shareholders or investors can influence perceptions of the company's use of debt.

According to Gatchev et al. (2009), a company's use of debt is considered a negative signal to investors, potentially reducing firm value. A company with a high level of leverage is highly dependent on external loans to finance its activities (Ebel, 2008). However, leverage can also provide positive leverage if used effectively. Profitability indicates a company's ability to generate profits and returns using all its resources. If a company is categorized as potentially profitable in the future, many investors will invest by purchasing its shares, which will impact the company's value.

Company size is a crucial variable influencing company value. For potential investors, company size is a key consideration when selecting a company (Dang et al., 2019). The larger the company, the easier it is for the company to obtain affordable funding sources. Several studies have shown that company size plays a moderating role in analyzing company value. Research by Diana Sari indicates that company size can moderate the effect of profitability on company value. By including company size as a moderating variable, this suggests that large company size strengthens the company's ability to increase profits. Research by Widiastri (2018) shows that company size has a positive effect on company value. These results support signaling theory, which suggests that large company size increases company value.

LITERATURE REVIEW

Information Asymmetry and Agency Theory

Information asymmetry is a condition in which one party has more information than another, potentially allowing one party to take advantage of the other. According to Ndofor (2015), information asymmetry has the potential to create moral hazard, where managers are suspected of engaging in actions that are difficult for principals to observe. Moral hazard occurs due to the separation of ownership and authority that is characteristic of large companies. This issue can be further examined from the perspective of Agency Theory.

Agency Theory explains the relationship between the owner (principal) and the manager (agent) of a company. This theory was first proposed by Jensen & Meckling (2019). Managers are supposed to be responsible for managing the company according to the owner's wishes. However, in agency theory, managers (agents) are suspected of having different agendas, potentially giving rise to agency conflicts. This conflict arises from information asymmetry between the principal and agent. The impact of agency conflicts, according to Jensen & Meckling (2019), is the emergence of agency costs (monitoring costs, bounding costs, and residual loss).

This research can be examined from the perspective of Agency Theory. This theory can be used as a basis for explaining the complexity of ownership structure, profitability, and capital structure within a company. These complexities have the potential to give rise to agency problems. From the perspective of ownership structure, managerial ownership can be one way to minimize agency conflicts. A low agency conflict will support managers in making decisions that align with the principal's expectations, thereby maximizing company profitability and making optimal financing decisions.

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Signal Theory

Signaling theory explains that the sender (management) provides a signal in the form of information reflecting the company's condition, which is beneficial to the recipient (investors). Good or positive information within a company can differentiate it from companies that provide unfavorable information. By providing positive signals to investors, the company's performance is perceived as good by investors and has the potential to increase share prices.

According to Connelly et al. (2011), signaling theory is a perspective from shareholders or users of financial statements regarding a company's opportunities to increase its value in the future, where this information is provided by company management to shareholders. Signals from management include information about what management has done to meet the owner's desires. Putra et al. (2021) explain that signaling aims to reduce information asymmetry for both the company and external parties (investors). Companies with positive signals can attract investors, thereby increasing share prices. Company management strives to provide complete information to potential investors as a basis for making investment decisions.

Trade-off Theory

Trade-off theory explains that the optimal capital structure is a balance between the costs and benefits of using debt, taxes, and agency costs. According to Ghazouani (2013) and Abel (2018), trade-off theory states that every decision to use debt is based on a balance between the benefits of debt, namely tax savings and the cost of capital. This theory assumes that there are tax benefits resulting from using debt, so companies will use debt for a certain period to maximize profits.

Interest payments on debt are made by reducing Earnings Before Interest and Taxes (EBIT), which is income before taxes. Interest payments are not affected by taxes, making debt financing more profitable than issuing shares. The use of debt increases company value up to a certain point (optimal) due to increasing bankruptcy costs and financial distress. Frank & Goyal (2009) suggest that trade-off theory explains factors such as industry leverage, company size, tangibility, and book value. In theory, low leverage has a positive effect on company value, while higher leverage has the potential to reduce profitability, thus negatively impacting company value.

Company Values

Financial management aims to maximize company value. In listed companies, maximizing company value can be achieved by maximizing share price. Company value also reflects investors' perceptions of management success, which is often linked to share price. High share prices tend to reflect high company value. Price to Book Value (PBV) is one measure that can be used to assess company value. PBV is a ratio that calculates the comparison of a company's share price to the net book value per share (Bustani et al., 2021). This ratio can be used by investors to determine a company's stock market value. PBV also indicates the extent to which a company continues to grow. A higher PBV ratio indicates a company's success in creating value for shareholders.

Institutional Ownership and Firm Value

Institutional ownership refers to ownership by governments, financial institutions, legal entities, foreign institutions, trusts, and other institutions at year-end. Institutional investors and large shareholders can be considered potential agents for mitigating agency problems due to their stronger incentives to monitor managerial behavior and company performance. Institutional ownership can enhance oversight of company management performance, reduce agency conflicts, and increase voting power to optimize company value. However, not all institutional investors share the same motivation to ensure a company's long-term well-being. Some investors are interested in short-term trading, quick profits, and turnarounds.

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They are unwilling to bear the costs of long-term monitoring and are not interested in monitoring company management. Institutional ownership in this study will be measured by the percentage of shares held by institutions. Research by Purba & Africa (2019), shows that institutional ownership has a positive effect on company value. This is in line with research by Jafarinejad et al., 2015, which shows that the proportion and stability of institutional ownership are positively correlated with company value. Institutional ownership is associated with higher levels of institutional shareholding and more stable shareholdings over time. The results of this study indicate that the presence of stable institutional investors over the long term is a source of value for diversified companies. This explanation strengthens the author's argument in formulating the second hypothesis. Institutional ownership has a positive effect on firm value.

Managerial Ownership and Firm Value

Managerial ownership is a situation where a manager owns shares in a company. Managerial ownership is the ratio of shares owned by company management (directors, commissioners, and managers) to shares owned by external parties (the public, government, or other companies). Managerial ownership demonstrates a manager's dual role. This dual role optimizes company profits and prevents the company from financial distress or even bankruptcy, which can result in a loss of incentives, returns, and investment. Managerial ownership facilitates integration between managers and shareholders. This relationship mitigates agency problems because managers are also owners.

This argument demonstrates the importance of managerial ownership in a company's ownership structure. The greater the number of shares held by managers, the greater the reduction in agency problems (Chen et al., 2012). Agency conflicts result in monitoring costs, which arise from several factors, including reduced information and management manipulation of company data. Concentrated shares in a few individuals will increase the level of monitoring exercised by these shareholders over the company. This will reduce monitoring costs, thereby increasing company value.

Previous research found that ownership concentration is significantly positively related to firm value. This finding suggests that a large number of concentrated shareholders will reduce the agency costs incurred by principals to monitor company management. Research by Benson found a significant positive effect between the number of shares owned by managers and firm value. The researchers argue that the higher the managerial ownership, the smaller the agency conflict because managers also act as shareholders. This explanation strengthens the authors' argument in formulating the first hypothesis. Managerial ownership has a positive effect on firm value.

Profitability and Company Value

According to Nalurita (2015), the profitability ratio is used to measure a company's ability to generate profits, in relation to sales, assets, and profits and equity. High profitability reflects a company's good prospects and is therefore perceived as a positive signal that can increase the company's value. According to Supriyadi & Terbuka (2011), profitability measures a company's profit through several proxies, such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Gross Profit Margin (GPM).

This study uses Return on Equity (ROE) as a proxy for profitability. Return on equity is crucial for shareholders because this ratio measures the rate of return on their invested capital. Research by Larasati & Bethari shows that profitability has a positive effect on firm value. This means that the higher a company's profitability, the better its value. This will naturally attract investors to invest in the company. This explanation strengthens the author's argument in formulating the third hypothesis. Profitability has a positive effect on firm value.

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Financing Decisions and Firm Value

Capital structure relates to a company's financing decisions, specifically addressing the balance between equity and foreign capital (leverage). Leverage is a tool to measure the extent to which a company relies on creditors to finance its assets. Companies with high levels of leverage rely heavily on external loans to finance their assets. Companies with low levels of leverage finance their assets primarily with equity. Leverage measures the extent of debt used in company expenditures, which can be measured using the Debt-to-Equity Ratio (DER) and the Debt-to-Asset Ratio (DAR).

The debt-to-equity ratio is used to assess debt versus equity. This ratio is calculated by comparing all debt, including current liabilities, with total equity. Research conducted by Ibrahim & Isiaka (2020), indicates a significant negative causal relationship between financial leverage and firm value. In line with research Chitna, the results of this study align with the trade-off theory, which states that the tax benefits and costs of financial distress associated with corporate debt must adhere to a targeted debt ratio, where benefits are maximized against losses are minimized. This description strengthens the author's argument in formulating the third hypothesis. Leverage negatively affects firm value.

Interaction Effect of Firm Size

Company size is a scale that can classify the size of a company. Company size can be measured by total assets, sales, and market capitalization. According to Budisaptorini et al. (2019), "company size is a scale that can classify the size of a company, measured by total assets, sales, share value, and so on." Companies with high assets are often considered to have good prospects and can provide profits to shareholders. Therefore, these shares can remain stable in the capital market and their prices will increase if there is high investor interest.

This study includes company size as a moderating variable suspected of strengthening or weakening the effects of managerial ownership, institutional ownership, profitability, and leverage on company value. Company size is considered to influence company value because the larger the company, the easier it is to obtain funding sources, both internal and external. Larger companies are considered to have less information asymmetry than smaller companies. Research conducted by Natsir & Yusbardini, shows that company size has a significant effect on firm value. This is in line with research conducted by Natsir & Yusbardini which shows that company size has a positive effect on firm value. This explanation strengthens the author's argument in formulating the fifth hypothesis; (1) Company size moderates the effect of managerial ownership on firm value; (2) Company size moderates the effect of institutional ownership on firm value; (3) Company size moderates the effect of profitability on firm value; Company size moderates the effect of leverage on firm value.

METHODS

This quantitative study observed noncyclical consumer sector companies on the Indonesia Stock Exchange using a purposive sampling technique with three criteria. First, companies listed for five consecutive years (2019-2023) in the Noncyclical Consumer Sector. Second, companies conducting an Initial Public Offering (IPO) on the Indonesia Stock Exchange after 2017. Third, companies with institutional and managerial ownership during the analysis period. This sample selection process resulted in 33 companies (out of a population of 129) which were then used to estimate the three econometric equations developed in this study. Each equation model shows the relationship between variables and their measurements, which are presented systematically as follows:

$PBVit = a + \beta1.INSit + \beta2.MANit + \beta3.ROEit + \beta4.DERit + \varepsilon it$ .....Model (1)

$PBVit = a + \beta1.SIZit + \varepsilon it$.....Model (2)

$PBVit = a + \beta1.INSit + \beta2.MANit + \beta3.ROEit + \beta4.LEVit + \beta5.SIZit +$

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β6(INSit*SIZit) + β7(MANit*SIZit) + β8(PRFit*SIZit) +

β9(LEVit*SIZit) + εit.....Model (3)

Description:

a = Constant

β = Regression Coefficient

INS = Institutional Ownership

MAN = Managerial Ownership

ROE = Profitability

DER = Leverage (Financing Decisions)

SIZ = Firm Size

PBV = Price to Book Value (Firm Value)

ε = Residual

Table 1. Definition of Variables and Measurement

Variable	Definisi Variabel	Measurement
Company Value	This is an investor's view of a company with a good image, thus attracting investor trust and impacting its share price.	PBV = $\frac{Market\ Price\ Per\ Share}{Book\ Value\ Per\ Share}$ *Listia Aulia (2023)*
Managerial Ownership	This is a shareholder from management who actively participates in company decision-making (board of directors and board of commissioners).	MO= $\frac{Number\ of\ Managerial\ Shares}{Number\ of\ Outstanding\ Shares}$ X 100% *Nugrahanti (2012)*
Institutional Ownership	This is the company's share ownership held by institutions (banks, insurance companies, investment companies, and pension funds).	IO = $\frac{Jnumber\ of\ institutional\ shares}{Number\ of\ Shares\ Outstanding}$ x 100% *Nugrahanti(2012)*
Profitability	This is a company's ability to generate net profits relative to its total equity.	ROE= $\frac{Net\ Income}{Total\ Equity}$ *Ross, et all (2008)*
Leverage	This is a company's financing decisions, measured by comparing total debt to total equity.	DER= $\frac{Total\ Liabilities}{Total\ Equity}$ *Natsir & Yusbardini (2020)*
Firm Size	This is a scale that indicates the size of a company as measured by total assets or market capitalization.	Size = Logaritma Natural (LN) dari Total Aset *Dang, et al (2018)*

The data analysis technique used in this study utilizes the Eviews application to test panel data in two stages. First, a model selection test is conducted using the Chow test, Lagrange multiplier (LM), and Hausman test. After the best model is found, testing is continued with the classical assumption test. Second, at this stage, model feasibility is tested using the F test and hypothesis testing using the t-test through multiple regression analysis (Moderated Regression Analysis—MRA) to measure the interaction effect between the moderating variables and the independent variables in influencing the dependent variable.

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RESULTS AND DICUSSION

The statistical analysis begins with testing the estimation model specifications using the Chow Test, the Hausman Test, and the Lagrange Multiplier Test. Table 2 presents the results of these tests.

Table 2. Selection of Research Model

Method Test	Chi-Square	Probability
Chow Test	190,380856	0.0000
Hasman Test	1,552746	0,8173
Lagrange Test	117,1737	0,0000

Sumber:Data Olahan 2025

Based on the results of table 2, the Chow test shows a cross-section chi-square probability value of 0.000 which is smaller than 0.05, therefore the selected model is the Fixed Effect Model (FEM). Furthermore, in the Hausman test, the probability value of the random cross-section is 0.8173 which is greater than 0.05, this indication shows that the selected model is the Random Effect Model (REM). In the Lagrange multiplier test, the probability value is 0.000 which is smaller than 0.05, so the selected model is the Random Effect Model (REM). After going through the three model tests above, the selected model for this study is the Random Effect Model (REM).

The next step was to ensure the estimation model was free from violations of basic assumptions. Because the resulting model is a random effects model, classical assumption tests were not performed, as this model uses the Generalized Least Squares (GLS) method. The GLS technique is believed to address time series autocorrelation and cross-sectional correlation. The GLS method produces estimators that meet the best linear unbiased estimator (BLUE) properties, which is a treatment method for addressing violations of the homoscedasticity and autocorrelation assumptions. The GLS method is one way to address heteroscedasticity issues. Therefore, heteroscedasticity testing is no longer necessary because the REM model is already an efficient model.

Based on the data processed using Eviews, statistical results were obtained. Therefore, descriptive analysis was conducted to provide an overview of the statistical data from the collected sample. Descriptive analysis was conducted to determine the average, median, minimum, maximum, and standard deviation values for each research variable indicator. The following is a description of the research variables through descriptive statistics based on the processed data:

Table 3. Statistic Deskriptif

Information	PBV	INS	MAN	PRF	LEV	SIZ
Mean	2,7005	65,1506	6,1492	-1,1908	2,3679	29,0111
Median	1,3479	69,0792	0,8395	0,0713	0,9900	28,9090
Maximum	50,7997	97,9054	48,4610	2,1699	54,9797	32,8599
Minimum	0,1776	11,3561	0,0001	-19,5763	0,1180	24,6549
Std. Dev	5,0132	18,1952	10,6650	1,6919	5,6379	1,5806
Skewness	7,2785	-0,9653	1,9923	-9,8182	6,3818	0,1284
Kurtosis	64,5010	3,8011	6,2369	108,647	52,1204	3,0827
Observations	165	165	165	165	165	165

Sumber: Data Olahan 2025

Based on the results presented above, the minimum, maximum, average, and standard deviation values of 33 Consumer Non-Cyclical Sector Companies on the Indonesia Stock Exchange for the period 2019 to 2023 can be seen. The descriptive statistics in the table above show that the average (mean) value for each variable (PBV, INS, MAN, PRF, LEV, and SIZ) is in the range of -

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1.1908 to 65.1506. This data distribution indicates a relatively good variation value, supported by stable standard deviation data, which is in the range of 1.5806 to 18.1952. Therefore, outlier observation data is not found. This condition supports the next testing stage.

Table 4. Estimation Results

Variabel	Model 1	Model 2	Model 3
	PBV	PBV	PBV
Konstanta	0,4723	17,9361	-42,7133
P-value	(0,6362)	(0,0127)**	(0.0607)*
INS	0,0204	-	0,6131
P-value	(0,1289)	-	(0,0442)**
MAN	0,0590	-	0,3420
P-value	(0,0107)***	-	(0,4845)
ROE	-2,4576	-	-17,2506
P-value	(0,0000)***	-	(0,1409)
DER	0,0269	-	3,7950
P-value	(0,6979)	-	(0,1400)
SIZ	-	-0,5251	1,4583
P-value	-	(0,0336)**	(0,0628)*
INS*SIZ	-	-	-0.0202
P-value	-	-	(0.0542)**
MAN*SIZ	-	-	-0,0096
P-value	-	-	(0,5635)
ROE*SIZ	-	-	0,6091
P-value	-	-	(0,1578)
DER*SIZ	-	-	-0,1235
P-value	-	-	(0,1693)
F	139,129	4,5947	69,3086
P-value	(0,0000)***	(0,0335)**	(0,0000)***
Adjusted R^2	0,7711	0,0214	0,7894

Description: Dependent Variable = PBV; *=10%; **=5%; ***=1%

Source: Processed Data 2025

Based on Table 4, the Adjusted R Square values for each equation are 0.7711 (77.11%), 0.0214 (2.14%), and 0.7894 (78.94%). These results indicate that in the first and third equations, the independent variables are able to provide a good explanation of the dependent variable, while in the second equation, the independent variables are less able to explain the dependent variable. The remaining values in each equation, namely 0.2289 (23.89%), 0.9786 (97.86%), and 0.2106 (21.06%), are determined by other factors. Furthermore, each equation model has a probability F value smaller than the significance level (0.0000 <0.05); (0.0335 <0.05); and (0.0000 <0.0000). Therefore, it can be seen that the first, second, and third equation models are suitable for use in research. Table 4 above shows the test results for Model 1, Model 2, and Model 3.

The results of Model 1 indicate that institutional ownership (INS) (0.1289>0.05) and leverage (DER) (0.6979>0.05) have no effect on firm value (PBV). For the profitability (ROE) variable, the probability value is less than 0.05 (0.000<0.05) and the coefficient value is -2.457, indicating that ROE has a negative and significant effect on firm value. This is different for the managerial ownership variable (0.0107<0.05), which indicates a positive and significant effect on

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firm value. The results of Model 2 indicate that the firm size (SIZ) variable has a coefficient value of -0.0525 and a significant value less than 0.05 (0.0336<0.05), indicating that firm size has a negative and significant effect on firm value. Model 3 is an interaction effect test to examine firm size as a moderating variable. The results of Model 3, after including firm size, indicate that firm size does not moderate managerial ownership, ROE, and DER on firm value (PBV). Firm size only moderates institutional ownership on firm value (PBV).

The Influence of Institutional Ownership on Company Value

The first hypothesis states that institutional ownership has a positive effect on firm value, but the results of this study indicate that institutional ownership has no effect on firm value, so H1 is rejected. The results of this study are inconsistent with research by Sukirni (2012), but this study is in line with research conducted by (Sukmawardini & Ardiansari, 2018) which show that institutional ownership has no effect on firm value. When institutions supervise company management, conflicts of interest among shareholders can reduce company value. Institutions cannot effectively supervise management, this can occur due to information asymmetry between shareholders and management. This information asymmetry becomes a barrier for institutions in supervising management behavior, because the information held by institutions is not as good as that held by management. This makes it difficult for institutions to monitor management behavior, thus institutional ownership has no impact on firm value. The results of this study are inconsistent with agency theory, which argues that institutional ownership plays a role in minimizing agency conflicts between managers and shareholders.

The Influence of Managerial Ownership on Company Value

The second hypothesis states that managerial ownership has a positive effect on firm value. The results of this study support the second hypothesis, thus H2 is accepted. These results align with research conducted by (Mertzanis et al., 2019). Managers and shareholders will strive to increase firm value because if firm value increases, the value of wealth as shareholders will increase. Increasing managerial ownership can help connect the interests of internal parties and shareholders in better decision-making, thereby increasing firm value.

The Influence of Profitability on Company Value

The third hypothesis stated that profitability (ROE) has a positive effect on firm value. However, the results of this study indicate a negative effect on firm value, thus rejecting H3. These findings contradict the pecking order hypothesis, which states that companies tend to use internal financing. The pecking order hypothesis is not a theory explaining a company's optimal capital structure, but rather explains the use of debt as a result of the availability or lack of internal funds. Companies with higher profitability will use relatively less debt than companies with lower profitability. Companies with high profitability tend to prioritize retained earnings over distributions to shareholders.

If a company's net profit increases, its retained earnings also tend to increase. High retained earnings can create negative perceptions among short-term shareholders, who are more focused on immediate dividend income than long-term growth. They perceive the company as not making optimal efforts to return their investment. Shareholders perceive that management is not making maximum efforts to ensure their well-being, which can ultimately impact the stock price and overall company value.

The Influence of Financing Decisions on Company Value

The fourth hypothesis stated that leverage negatively impacts firm value. However, this study showed different results, namely that leverage had no effect on firm value, thus rejecting H4. This study is inconsistent with research conducted by Ibrahim (2020). Leverage measures a company's ability to repay debt, both long-term and short-term. A high DER value indicates that the company's debt is higher than its own model, and this is in line with signaling theory, which states that high leverage will send a negative signal to firm value. The results of this study indicate

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that an increase in DER is not always followed by a decrease in firm value, conversely, a decrease in DER is not always followed by an increase in firm value. This study indicates that the company is unable to utilize funding effectively, thus preventing it from generating higher profits. Failure to allocate funding to high-value-added investments or to projects with returns exceeding the cost of capital causes the company's profitability to remain low. This condition reflects weak financial planning, inappropriate returns on investment decisions, and an unbalanced funding structure. This makes DER an unsuitable basis for assessing financial performance, which affects firm value. The results of this study are in line with research conducted by (Peloza, 2009).

The Effect of Company Size Interaction

The results of the third model test indicate that firm size does not moderate the relationship between managerial ownership, ROE, and DER on firm value, thus H5b, H5c, and H5d are not supported. Firm size only moderates the effect of institutional ownership on firm value. These results align with research (Bhagat & Bolton, 2008), which found that firm size weakens the effect of institutional ownership on firm value. Excessively large firms can diminish the effect of institutional ownership on firm value. This indicates inadequate institutional oversight of management, leading to a tendency to inability to mitigate agency costs and potentially leading to less secure shareholder wealth. This signals a negative signal to investors, suggesting that large firms will reduce firm value. The second model shows that firm size has a negative and significant effect on firm value, and the third model shows a positive effect on firm value at a 10% significance level. This indication shows that company size has a predictive role (independent variable) so that this variable leads to a quasi-moderator.

CONCLUSION

Based on the research results in the first model, (1) institutional ownership and DER have no effect on firm value, (2) ROE has a negative and significant effect on firm value, and (3) managerial ownership has a positive and significant effect on firm value. Furthermore, in the third model, managerial ownership, ROE, and DER, after interacting with firm size, show no effect on firm value. Meanwhile, firm size moderates the effect of institutional ownership on firm value.

SUGGESTIONS

Based on the previous discussion, this study also has several limitations. In terms of research objects, the researcher only used companies in the Consumer Non-Cyclical Sector, thus not reflecting overall market conditions. Furthermore, this study needs to consider other more suitable proxies for firm value. Furthermore, the research period is also a limitation, as the period selected is 2019 to 2023, with the COVID-19 outbreak occurring between 2020 and 2022, which negatively impacted the condition of several companies. Future researchers are expected to add other variables that are not used in this study so as to produce variations in explaining the factors that influence company value.

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