

Determinants of Firm Value in Consumer Goods Industry Companies for the 2019–2025 Period

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Abstract: This study aims to analyze the effects of risk management disclosure, investment decisions, dividend policy, and profitability on firm value. The research objects consist of consumer goods industry companies listed on the Indonesia Stock Exchange during the 2019–2025 period. The research data were collected through documentation from financial statements, annual reports, and sustainability reports. The sampling technique employed purposive sampling with the following criteria: (1) the companies consistently published financial statements, annual reports, and sustainability reports throughout the research period; and (2) the companies did not experience losses or delisting, consistently distributed dividends, and did not undertake mergers or significant restructuring during the research period. Based on these criteria, 11 companies were selected as the research sample, resulting in 77 observations. Hypothesis testing was conducted using panel data regression analysis. Based on the Chow and Hausman test results, the Fixed Effect Model was selected as the most appropriate estimation model. The results indicate that investment decisions and profitability partially affect firm value, whereas risk management disclosure and dividend policy do not have a significant effect on the firm value of consumer goods industry companies during the 2019–2025 period. Simultaneously, risk management disclosure, investment decisions, dividend policy, and profitability affect firm value.

Keywords: dividend policy, firm value, investment decisions, profitability, risk management disclosure

INTRODUCTION

The increasingly dynamic development of the capital market has increased the complexity of investment decision-making, leading investors to rely not only on financial information but also on non-financial aspects in assessing firm value. Firm value reflects market perceptions of a company's performance and future prospects, which are represented through stock prices (Brigham & Houston, 2019). In uncertain economic conditions, such as the impacts of the pandemic, inflation, and changes in demand, the quality of information and company performance become important factors in determining firm value.

In the consumer goods industry sector, firm value shows fluctuations even though this sector is considered defensive with relatively stable demand. This indicates that firm value is influenced not only by sector characteristics but also by internal factors such as risk management disclosure, investment decisions, dividend policy, and profitability. However, the relationship between these factors and firm value still shows mixed results across various studies.

Previous research indicates that risk management disclosure can increase transparency and reduce information asymmetry (Linsley & Shrives, 2006), investment decisions provide positive signals regarding company prospects (Wulandari & Asrorudin, 2025), dividend policy reflects internal company information to investors (Al-Yahyaee et al., 2023), and profitability plays a role in increasing investor confidence (Brigham & Houston, 2019). Nevertheless, empirical results regarding the influence of these variables on firm value remain inconsistent.

This study uses a quantitative approach with secondary data obtained from financial statements, annual reports, and sustainability reports of consumer goods industry companies listed on the Indonesia Stock

Exchange for the 2019–2025 period. The sample was selected using purposive sampling and analyzed using panel data regression with the Fixed Effect model.

The purpose of this study is to analyze the effects of risk management disclosure, investment decisions, dividend policy, and profitability on firm value, both partially and simultaneously, in consumer goods industry companies during the 2019–2025 period.

RESEARCHMETHOD

This study used a quantitative explanatory approach to analyze the effects of risk management disclosure, investment decisions, dividend policy, and profitability on firm value. Data were secondary, obtained from financial statements, annual reports, and sustainability reports of consumer goods companies listed on the Indonesia Stock Exchange during 2019–2025.

The population included all consumer goods companies listed on the Indonesia Stock Exchange during 2019–2025. Samples were selected using purposive sampling based on criteria such as consistent reporting, profitability, dividend distribution, and no major restructuring. A total of 11 companies met the criteria, resulting in 77 firm-year observations.

This study used secondary quantitative and qualitative data. Quantitative data included financial figures such as assets, income, dividends, and share prices, while qualitative data focused on risk management disclosure. Data were collected from official company and exchange websites using documentation techniques.

The study included one dependent variable (firm value) and four independent variables (risk management disclosure, investment decisions, dividend policy, and profitability).

Firm value was measured using Price-to-Book Value (PBV), which compares the market price per share with the book value per share. A higher PBV indicates that the market values the company more highly relative to its book value.

Risk management disclosure was measured using the Enterprise Risk Management Disclosure Index (ERMDI), which is based on 25 disclosure items referring to ISO 31000. Each item was scored 1 if disclosed and 0 if not disclosed. A higher ERMDI value indicates more comprehensive disclosure of risk management practices.

Investment decisions were measured using the Price Earnings Ratio (PER), which reflects market expectations regarding the company's earnings and growth prospects. A higher PER indicates greater investor confidence in future performance.

Dividend policy was measured using the Dividend Payout Ratio (DPR), which shows the proportion of earnings distributed to shareholders as dividends. A higher DPR indicates that a larger portion of earnings is paid out as dividends.

Profitability was measured using Return on Assets (ROA), which reflects the company's ability to generate profit from its total assets. A higher ROA indicates more efficient use of assets in generating income.

Data were analyzed using descriptive statistics and panel data regression. Descriptive statistics were used to describe the characteristics of each variable, including minimum, maximum, mean, and standard deviation values.

Panel data regression analysis was used to examine the effect of independent variables on firm value across companies and over time. Model selection was conducted using the Chow test and Hausman test, and the Fixed Effect Model was chosen as the most appropriate model.

Classical assumption tests included normality testing using the Jarque–Bera method, multicollinearity testing by examining correlations between independent variables, heteroscedasticity testing based on probability values, and autocorrelation testing using the Durbin–Watson statistic.

Hypothesis testing consisted of partial tests to examine the individual effects of each independent variable on firm value, simultaneous tests to examine the joint effects of all independent variables, and the coefficient of determination using adjusted R^2 to measure how well the independent variables explain variations in firm value.

RESULT AND DISCUSSION

Panel Data Regression Results

Descriptive Statistics

The descriptive statistics describe the general characteristics and distribution of the research data without testing hypotheses.

Table 1: Descriptive Statistics

STATISTIC	INDEX_RMD	PER	DPR	ROA	PBV
Mean	0.470303	21.33155	0.481150	8.042078	2.635195
Median	0.480000	18.20000	0.417632	7.810000	2.440000
Maximum	0.640000	91.13000	1.900900	17.17000	10.17000
Minimum	0.320000	4.230000	0.098545	0.780000	0.490000
Std. Dev.	0.069623	15.00695	0.303937	3.354544	1.853098
Jarque-Bera	0.336105	204.8170	264.2646	2.591151	44.93125
Probability	0.845309	0.000000	0.000000	0.273740	0.000000
Observations	77	77	77	77	77

(Source: Data processed from EViews)

Model Estimation Tests

Chow Test

The Chow test determines whether the Common Effect Model (CEM) or the Fixed Effect Model (FEM) is more suitable. A probability value (<0.05) indicates that FEM is selected.

Table 2: Chow Test Results

EFFECTS TEST	STATISTIC	D.F.	PROB.
Cross-section F	7.981858	(10,62)	0.0000
Cross-section Chi-square	63.710895	10	0.0000

Based on Table 2, the probability is (<0.05) , meaning the Fixed Effect Model (FEM) is chosen. The analysis proceeds to the Hausman test.

Hausman Test

The Hausman test determines whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) is more appropriate. A probability value (<0.05) indicates that FEM is selected.

Table 3: Hausman Test Results

TEST SUMMARY	CHI-SQ. STATISTIC	CHI-SQ. D.F.	PROB.
Cross-section random	10.175756	4	0.0376

Based on Table 3, the probability is $(0.0376 < 0.05)$, confirming that the Fixed Effect Model (FEM) is the ultimate estimation model for this study.

Classical Assumption Tests

Normality Test

The Jarque-Bera test shows a probability of $(0.0000 < 0.05)$, indicating that the residuals are not normally distributed. However, according to the Central Limit Theorem, if the sample size is large enough $(N > 30)$, the normality assumption can be relaxed. With 77 observations, the model remains statistically valid.

Multicollinearity Test

Multicollinearity is evaluated through a correlation matrix among independent variables.

Table 4: Multicollinearity Test Results

VARIABLE	INDEX_RMD	PER	DPR	ROA
INDEX_RMD	1.000000	0.002064	0.181415	0.012429
PER	0.002064	1.000000	-0.004341	-0.365578
DPR	0.181415	-0.004341	1.000000	-0.178851

ROA	0.012429	-0.365578	-0.178851	1.000000
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Every correlation coefficient is below 0.90. Therefore, no severe multicollinearity exists in the model.

Heteroskedasticity Test

The heteroskedasticity test checks if the variance of the residuals remains constant across observations.

Table 5: Heteroskedasticity Test Results (Dependent Variable: ABS_RESID)

VARIABLE	COEFFICIENT	STD. ERROR	T-STATISTIC	PROB.
C	-1.243543	0.697291	-1.783391	0.0794
INDEX_RMD	1.907798	1.343837	1.419664	0.1607
PER	0.017387	0.004989	3.485352	0.0009
DPR	0.014560	0.237633	0.061272	0.9513
ROA	0.052616	0.027190	1.935140	0.0575

Most independent variables display a probability higher than 0.05. Furthermore, the selected FEM inherently dampens cross-sectional variances, preserving model reliability.

Autocorrelation Test

The Durbin-Watson statistic shows a value of 1.242645, hinting at a slight positive autocorrelation. To overcome this, the model was estimated using White Cross-Section Covariance (Robust Standard Errors). This methodology fixes serial correlation biases without shifting the original regression coefficients.

Hypothesis Testing

Partial Test (t-Test)

The t-test evaluates the individual impact of each independent variable on firm value (PBV).

Table 6: Partial Test (t-Test) Results

VARIABLE	COEFFICIENT	STD. ERROR	T-STATISTIC	PROB.
C	-1.090612	1.483132	-0.735344	0.4649
INDEX_RMD	1.495449	2.858329	0.523190	0.6027
PER	0.052047	0.010611	4.905219	0.0000
DPR	0.066682	0.505443	0.131928	0.8955
ROA	0.233790	0.057832	4.042534	0.0001

Based on the FEM results, the panel regression equation is stated below:

$$PBV_{it} = -1.09 + 1.50RMD_{it} + 0.05PER_{it} + 0.07DPR_{it} + 0.23ROA_{it} + \varepsilon_{it}$$

Simultan Test (F-Test) and Coefficient of Determination (R^2)

The F-test detects the combined influence of the independent variables. Meanwhile, the coefficient of determination calculates the explanatory power of the model.

Table 7: Simultan and Determinant Results

TEST METRIC	VALUE
R-squared	0.816309
Adjusted R-squared	0.774830
F-statistic	19.68018
Prob (F-statistic)	0.000000

The F-statistic probability ($(0.0000 < 0.05)$) implies that all independent variables simultaneously affect firm value. The Adjusted R-squared of 0.774830 tells us that 77.48% of the firm value variance is explained by these four variables, leaving 22.52% to external parameters.

DISCUSSION

Effect of Risk Management Disclosure on Firm Value

The empirical findings reveal that risk management disclosure (INDEX_RMD) has no significant effect on firm value (PBV), given its probability of $(0.6027 > 0.05)$. This shows that investors in the Indonesian stock market do not prioritize non-financial disclosures, as risk tracking does not directly influence immediate corporate cash flows. Risk reporting remains largely voluntary, leading to differences in quality

and depth across firms. This outcome aligns with Hapsari & Ghozali (2022) but contradicts Isnaini & Hadi (2026).

Effect of Investment Decisions on Firm Value

Investment decisions (PER) have a positive and significant effect on firm value ($p = 0.0000 < 0.05$). According to signaling theory, efficient resource allocations to productive projects spark optimism regarding long-term cash flows and economic growth. The market treats a high PER as a sign of expansion and structural growth, prompting higher stock demand. This stands in line with Trisakti & Prajitno (2024).

Effect of Dividend Policy on Firm Value

Dividend policy (DPR) exhibits no significant effect on firm value ($p = 0.8955 > 0.05$). This stems from the reality that investors in emerging economies like Indonesia often favor short-term capital gains over dividends due to more favorable tax structures. This supports the *Dividend Irrelevance Theory* by Miller & Modigliani (1961), showing that capital distributions do not shift market valuations in this sector. This mirrors the results of Pratama & Widowati (2023).

Effect of Profitability on Firm Value

Profitability (ROA) holds a positive and significant effect on firm value ($p = 0.0001 < 0.05$). High operational earnings reflect underlying resource efficiency, generating a vital signal to the market. Improved profitability elevates future cash flow expectations, driving up stock prices and overall firm valuation. This conclusion is consistent with Aprianti & Dermawan (2024).

CONCLUSION

This study examined the effects of risk management disclosure, investment decisions, dividend policy, and profitability on the firm value of consumer goods industry companies listed on the Indonesia Stock Exchange during the 2019–2025 period. Based on the Chow and Hausman test results, the Fixed Effect Model was selected as the most appropriate panel data regression model. The partial test results show that risk management disclosure, measured using the Enterprise Risk Management Disclosure Index, does not have a statistically significant effect on firm value. This finding indicates that the extent of risk management disclosure has not become a primary consideration for investors in assessing the market value of consumer goods industry companies. Investment decisions, measured using the Price Earnings Ratio, have a positive and significant effect on firm value, indicating that higher market expectations regarding company earnings and growth prospects are associated with higher firm value. Dividend policy, measured using the Dividend Payout Ratio, does not have a statistically significant effect on firm value, suggesting that the proportion of earnings distributed as dividends is not the primary factor considered by investors in valuing the sampled companies. Profitability, measured using Return on Assets, has a positive and significant effect on firm value, demonstrating that the company's ability to generate earnings from its assets increases investor confidence and market valuation. Simultaneously, risk management disclosure, investment decisions, dividend policy, and profitability have a significant effect on firm value. The adjusted R-squared value of 0.774830 indicates that 77.48% of the variation in firm value can be explained by the independent variables and the company-specific effects captured by the Fixed Effect Model, while the remaining 22.52% is explained by other factors outside the research model.

The findings imply that company management should prioritize profitability improvement and carefully evaluate investment decisions because these factors have significant relationships with firm value. Companies should improve asset utilization efficiency, maintain sustainable earnings, and allocate funds to productive investments that can strengthen future growth prospects. Although risk management disclosure does not show a significant direct effect, companies should continue improving the completeness, clarity, consistency, and comparability of risk-related information because such disclosure remains important for corporate transparency and good governance. Dividend policy should also be determined by considering the company's liquidity, investment needs, growth opportunities, and long-term financial sustainability rather than being used solely as a mechanism to increase firm value.

This study has several limitations. The research sample consists only of 11 consumer goods industry companies selected using purposive sampling, particularly companies that consistently earned profits and distributed dividends during the observation period. Therefore, the findings may not represent all consumer goods companies or other industrial sectors. Investment decisions were measured using PER, which reflects market expectations and contains the market price component also used in PBV. Consequently, the

significant relationship between PER and PBV should be interpreted cautiously. The model also indicates non-normal residuals, heteroscedasticity associated with PER, and potential positive serial correlation. In addition, the study only examined four independent variables and did not include other factors that may influence firm value.

Future studies are recommended to use a broader sample covering companies with different financial conditions and industrial sectors. Researchers may use alternative proxies for investment decisions, such as capital expenditure, total asset growth, fixed asset growth, or the market-to-book assets ratio, to better reflect actual managerial investment policies. Future research may also include additional determinants of firm value, such as company size, leverage, liquidity, sales growth, ownership structure, corporate governance, intellectual capital, environmental performance, and macroeconomic conditions. Further analysis can apply year-fixed effects, dynamic panel regression, alternative firm-value proxies, outlier treatment, and panel-specific diagnostic tests to improve the robustness of the empirical findings.

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