Research Trend in Management and Technology

The Effect of Debt Policy, Sales Growth, and Good Corporate Governance on Firm Value in Consumer Non-Cyclicals Companies Listed on the Indonesia Stock Exchange for the 2021–2023 Period

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Abstract
In this research, we examine non-cyclical consumer companies listed on the Indonesia Stock Exchange (IDX) in the period 2021 to 2023 to observe the effect of debt policy, sales growth, and good corporate governance on company value. Good corporate governance is measured by the percentage of independent commissioners, sales growth, and debt policy as measured by the debt to equity ratio (DER) as independent variables. The dependent variable is the company value represented by the price to book value ratio (PBV). The method used is quantitative. Data were obtained from 76 companies selected based on certain criteria. The analysis was carried out using EViews software version 12 with multiple linear regression of panel data. The results of the study show that debt policy has a positive effect on the value of non-cyclical consumer companies. In addition, increased sales also significantly increase company value. However, good corporate governance does not have a significant impact on company value. Simultaneously, the value of non-cyclical consumer companies on the IDX in 2021 to 2023 is influenced by debt policy, sales growth, and good corporate governance.
Keyword: Debt Policy, Sales Growth, Good Corporate Governance, Firm Value, Consumer Non-Cyclicals.

Introduction

A country's economic growth is closely linked to the welfare of its population and investment activities in the business sector. One effort to drive economic growth is through investment in companies, which contributes to increasing firm value (Hidranto, 2023). Firm value is a crucial indicator for investors as it reflects long-term performance and profit potential (Alamsyah, 2019, p. 1). The consumer non-cyclicals sector is considered stable because its products are basic necessities, making it attractive to investors (Nadya, 2023). However, not all companies in this sector demonstrate strong stock performance.

Although considered stable, the consumer non-cyclicals sector has experienced a significant decline. Since early 2021, this sector has dropped by 11.29% year-to-date, making it one of the worst-performing sectors on the Indonesia Stock Exchange (IDX). The stock of PT Unilever Indonesia Tbk (UNVR) fell by 30.95% (Intan & Dewi, 2021). Another example is PT Gudang Garam Tbk (GGRM), which did not distribute dividends for the 2023 fiscal year due to a debt increase of over IDR 881 billion, and its stock price declined by 24.52% in early 2024 (Widowati, 2024). A similar decline occurred at PT Wahana Interfood Nusantara Tbk (COCO), which recorded a 28.06% drop in sales and a net loss of IDR 5.02 billion (Elvira & Laoli, 2023). Additionally, violations of good corporate governance (GCG), such as delayed acquisition reporting by PT Dharma Satya Nusantara Tbk (DSNG), negatively impacted the company's reputation (Wareza, 2021).

Previous studies on the influence of debt policy, sales growth, and good corporate governance (GCG) on firm value have shown varied and inconsistent results. Some studies report positive, negative, or insignificant effects. This indicates a research gap that requires further investigation, particularly in the consumer non-cyclicals sector, which has not been comprehensively analyzed using these three variables simultaneously.

The firm value of companies operating in the consumer non-cyclical sector listed on the Indonesia Stock Exchange between 2021 and 2023 will be examined to ascertain the influence of debt policy, sales growth, and robust corporate governance. This research seeks to address four pivotal inquiries regarding the interplay among debt policy, sales growth, sound corporate governance, and firm value. More precisely, it investigates whether debt policy exerts a favorable impact on firm value, whether sales growth enhances firm value, then whether these three factors collectively affect firm value.

By broadening the understanding of determinants shaping company value, this research aims to offer a theoretical enrichment to financial accounting literature. The findings could serve as valuable guidance for corporate leaders in assessing financial tactics and governance frameworks intended to augment firm value over the long term, as well as assist investors in making more informed investment decisions.

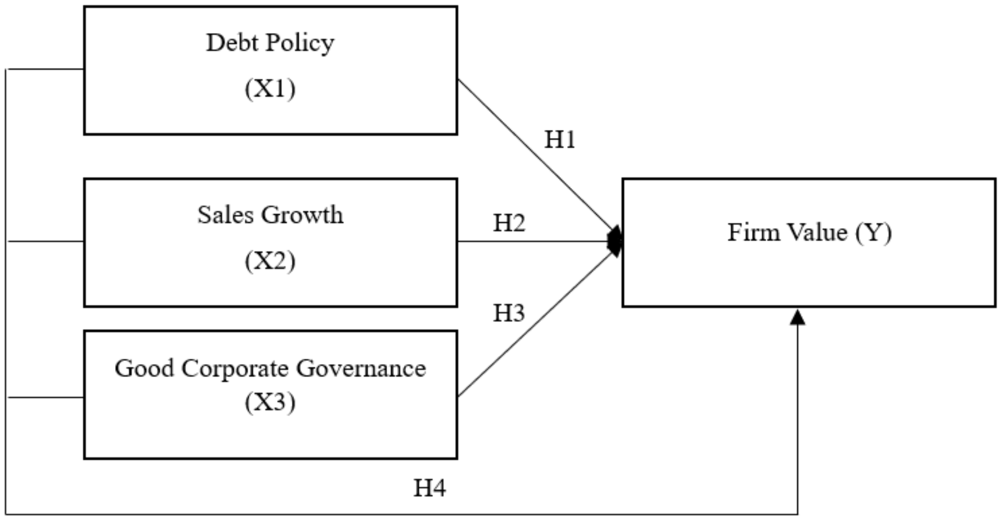

Figure 1. Research Model

Material and Method

Research Design

To test the hypothesis, this research employs a quantitative methodology, using numerical data subjected to statistical analysis. The influence of debt policy, sales growth, and superior corporate governance on firm value is assessed through panel data regression within a correlational framework. The population consists of all consumer non-cyclical companies listed on the Indonesia Stock Exchange (IDX) from 2021 through 2023. A purposive sampling method yielded a selection of 76 companies. Financial documents—including income statements, balance sheets, notes to financial statements (CALK), and stock price data—were extracted from the official IDX website (www.idx.co.id). An outlier elimination process refines the dataset, enhancing the reliability and precision of the analysis. Subsequently, the final evaluation was conducted on 213 firm-year observations.

Instrument and Measures

The instrument used in this study consists of financial statement documents, comprising statements of financial position, profit and loss reports, and explanatory notes to the financial statements (CALK), and stock price data. All documents were obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id). The instruments in this study were not newly developed but were adapted from previous studies. The indicators used for each variable refer to the standards and formulas that have been employed by earlier researchers, such as:

Table 1. Measurement

Construct	Item	Questioner / Indicator	Source
Firm Value	Price to Book Value (PBV)	Market Price per Share / Book Value per Share	Budiati & Fitriyana (2024), Putri & Rahyuda (2020), dan Rukmana & Widyawati (2022)
Debt Policy	Debt to Equity Ratio (DER)	Total Liabilities / Total Equity	Widianingrum & Dillak (2023), Aditomo & Meidiyustiani (2023), dan Saputri et al. (2022)
Sales Growth	Sales Growth	(Sales this year – Sales last year) / Sales last year) x 100%	Fajriah et al. (2022), Manek & As'ari (2024), dan Saparida & Jaelani (2022)
Good Corporate Governance	Independent Commissioners	(Number of independent commissioners / Total number of board commissioners) × 100%	Putra et al. (2022), Parwata & Anggara (2022), dan Muntahanah & Cahyo (2022)

Data Analysis

The data analysis in this research employed a quantitative approach, using panel data alongside multiple linear regression techniques. This method was chosen to determine the influence of several independent variables on the dependent variable. Data processing and examination were conducted using EViews version 12. Key phases of the analysis included: (1) summarizing data with descriptive statistics; (2) selecting the appropriate panel data regression model through Chow, Hausman, then Lagrange Multiplier tests; (3) performing normality assessment; (4) conducting classical assumption diagnostics such as tests for multicollinearity, heteroscedasticity, and autocorrelation; (5) implementing panel data regression analysis; (6) testing hypotheses via t-tests and F-tests; (7) evaluating the coefficient of determination (R^2) to gauge how well the independent variables explain the dependent variable. Given that panel data regression integrates both time-series and cross-sectional data, it facilitates a more thorough exploration of variable relationships across the observed period, justifying its suitability.

Result

Table 1. Descriptive Statistical Analysis

Date: 06/24/25
Time: 18:54
Sample: 2021 2023

	Y	X1	X2	X3
Mean	2.118494	1.289014	0.112526	0.413419
Median	1.432632	0.830000	0.090000	0.400000
Maximum	17.70107	17.04000	1.190000	0.666667
Minimum	-0.606195	-4.860000	-0.850000	0.200000
Std. Dev.	2.271350	2.271837	0.265868	0.087988
Skewness	3.295522	4.165717	0.358605	0.480919
Kurtosis	19.03049	25.87790	6.766981	2.504076
Jarque-Bera	2666.213	5261.200	130.5028	10.39327
Probability	0.000000	0.000000	0.000000	0.005535
Sum	451.2393	274.5600	23.96800	88.05833
Sum Sq. Dev.	1093.714	1094.183	14.98534	1.641296
Observations	213	213	213	213

Selection of Panel Data Regression Model

Table 2. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	20.359970	(73,136)	0.0000
Cross-section Chi-square	528.012434	73	0.0000

Table 3. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.271130	3	0.9654

Table 4. Lagrange Multiplier (LM) Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	158.2419	0.073198	158.3151
	(0.0000)	(0.7867)	(0.0000)

Classical Assumption Test

Table 5. Normality Test

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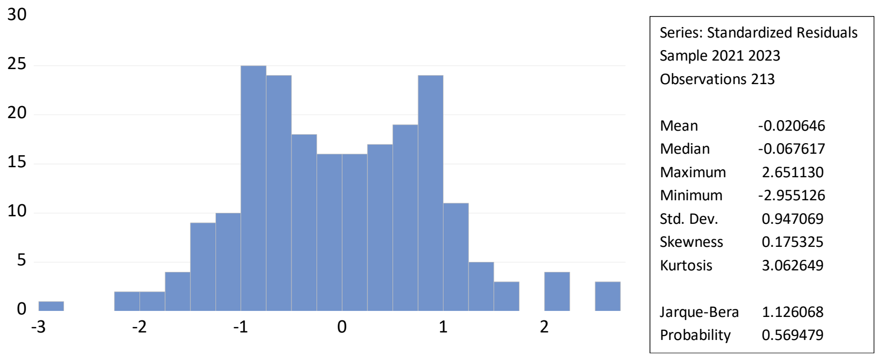

Table 6. Multicollinearity Test

	X1	X2	X3
X1	1.000000	0.025866	-0.105507
X2	0.025866	1.000000	0.045023
X3	-0.105507	0.045023	1.000000

Table 7. Heteroscedasticity Test
Dependent Variable: ABS(RESID)
Method: Panel EGLS (Cross-section random effects)
Date: 06/24/25 Time: 20:37
Sample: 2021 2023
Periods included: 3
Cross-sections included: 74
Total panel (unbalanced) observations: 213
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.641484	0.158949	4.035794	0.0001
X1	0.023107	0.045334	0.509700	0.6108
X2	-0.060914	0.086129	-0.707251	0.4802
X3	-0.164698	0.170451	-0.966251	0.3350

Table 8. Autocorrelation Test

Root MSE	0.336174
Mean dependent var	0.104953
S.D. dependent var	0.354944
Sum squared resid	24.07170
Durbin-Watson stat	1.751406

Panel Data Multiple Linear Regression Analysis
$Y = 0.40 + 0.15X1_{it} + 0.38X2_{it} - 0.09X3_{it} + e_{it}$

Hypothesis Testing

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Table 9. T Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.400380	0.222377	1.800452	0.0732
X1	0.148690	0.067227	2.211745	0.0281
X2	0.381772	0.108112	3.531277	0.0005
X3	-0.090737	0.224669	-0.403870	0.6867

Table 10. F Test and Coefficient of Determination

	0.33617		0.09292
Root MSE	4	R-squared	5
Mean dependent	0.10495	Adjusted R-	0.07990
var	3	squared	5
S.D. dependent	0.35494		0.33937
var	4	S.E. of regression	5
	24.0717		7.13701
Sum squared resid	0	F-statistic	4
Durbin-Watson	1.75140		0.00013
stat	6	Prob(F-statistic)	8

Discussion

1. **The Effect of Debt Policy on Firm Value**

   A probability value of 0.0281 coupled with a positive regression coefficient of 0.148690 indicates debt policy exerts a significant and favorable influence on firm value. Consequently, the null hypothesis (H1), which anticipated a negative impact, is dismissed. This finding aligns with previous research conducted by Tuzzahra et al. (2022), Damarani et al. (2024), and Akhmadi & Robiyanto (2020), all of which demonstrated a positive relationship between debt policy and company value. Such outcomes corroborate signaling theory, which posits that a firm's decision to incur debt signals to investors its optimistic future prospects. Support from majority shareholders and recovery strategies designed by managements such as cost control and improved production efficiency—indicate that the company is not passively responding to financial pressures but is actively rebuilding a healthy internal structure. Interest expenses reduce accounting profit and can lower the tax burden. Thus, strategically, debt policy not only serves as a financing tool but also as an instrument to improve tax efficiency. This provides additional benefits to shareholders and strengthens the positive signals received by investors regarding firm value.

2. **The Effect of Sales Growth on Firm Value**

   A regression coefficient of 0.381772 alongside a p-value of 0.0005 reveals that sales growth markedly enhances firm value. This supports acceptance of hypothesis H2. Corroborating the notion that sales expansion plays a crucial role in elevating company worth, this outcome aligns with research by Fajriah et al. (2022), Holly et al. (2022), and Khoeriyah (2020), Signaling theory suggests that increased sales reflect effective managerial navigation through market challenges, increasing competitiveness. Investors interpret this as a favorable sign. Consequently, heightened investor confidence driven by robust sales growth may lead to an appreciation in the company's value, as it signals rising revenues.

3. **The Effect of Good Corporate Governance on Firm Value**

    Good Corporate Governance, as proxied by independent commissioners, shows no significant impact on firm value, with a probability value of 0.6867 and a coefficient of -0.090737. Therefore, hypothesis H3 is rejected. This result aligns with the findings of Virliandita & Sulistyowati (2024), Rukmana & Widyawati (2022), and Vashti & Nugraheni (2024), which also concluded that independent commissioners do not significantly affect firm value. This finding suggests that the structural presence of independent commissioners does not necessarily reflect effective corporate governance. For companies, it is crucial not only to meet the required number of independent commissioners but also to ensure their quality and active supervisory role. Although some companies have a high proportion of independent commissioners, their firm value does not increase significantly. This indicates that the market may perceive their presence as merely formal compliance if not accompanied by transparency and effective oversight.

4. **The Effect of Debt Policy, Sales Growth, and Good Corporate Governance on Firm Value**

    A statistically significant association exists between firm value and debt policy, sales growth, then strong corporate governance (F-probability = 0.000138). This supports acceptance of hypothesis H4. The findings correspond with research by Rosalina et al. (2021)and Agustianingrum et al. (2023), which confirmed these variables jointly influence firm value. Therefore, it is advisable for management to carefully evaluate all three factors when formulating strategic decisions. Collectively, these variables explain approximately 7.99% of the variation in firm value (R-squared = 0.079905).

Conclusion, Implication, and Recommendation

This research analyzes seventy-six companies within the consumer non-cyclicals sector to assess how debt policy, sales growth, and strong corporate governance influence firm value. Findings indicate that DER, representing debt policy, then PBV, reflecting sales growth, both exert a significant impact on business value, while good corporate governance, represented by independent commissioners, does not demonstrate a statistically significant impact. All three variables simultaneously also influence firm value, although their contribution is relatively small at 7.99%.

Practically, these results highlight the importance of managing capital structure and implementing sales growth strategies to enhance firm value. The number of independent commissioners must be accompanied by improved oversight quality to ensure the effectiveness of good corporate governance. Theoretically, this study enriches the literature on firm value within the consumer non-cyclicals industry, strengthens signaling theory, and helps address inconsistencies in previous research findings, particularly regarding the impact of GCG.

A limitation of this research is its reliance on just three independent variables, thus not covering other factors that may influence firm value. In addition, the scope of the study is limited to the consumer non-cyclicals sector, therefore, the findings cannot be generalized to other industry categories at this stage. It is suggested that future studies to include other variables such as CSR and external factors such as inflation or exchange rates. Expanding the observation period and industrial sector coverage is also expected to enhance the validity and generalizability of the results. Furthermore, the quality of independent commissioners' implementation needs to be evaluated more deeply, not only based on quantity but also on the effectiveness of their roles and oversight.

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