

The Effect of Profitability, Capital Structure, and Corporate Social Responsibility on Firm Value with Managerial Ownership as a Moderating Variable

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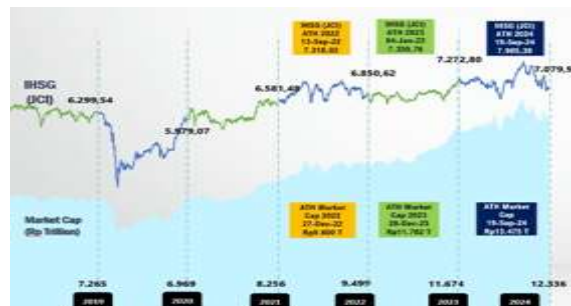
ABSTRACT

This study investigates the impact of profitability, capital structure, and corporate social responsibility (CSR) on business value, with management ownership serving as a moderating factor. The research focuses on companies in the consumer non-cyclical sector listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. The study employs a quantitative approach by analyzing secondary data including annual reports, financial statements, and sustainability disclosures. The sample consists of 75 companies, resulting in 225 firm-year observations selected through purposive sampling. Data analysis is conducted using multiple linear regression and Moderated Regression Analysis (MRA). The empirical results show that profitability, capital structure, and CSR have a positive and significant impact on firm value. These findings suggest that both financial success and sustainability activities help to improve firm valuations in the marketplace. The findings also help managers and investors develop strategies to increase corporate value.

INTRODUCTION

In recent years, global economic uncertainty has significantly reshaped investor behavior, particularly in emerging markets. Firm value has become a central indicator in assessing corporate performance and future prospects, as it reflects how the market perceives a firm's ability to generate sustainable returns. According to the International Monetary Fund (IMF, 2025), the slowdown in global trade, geopolitical tensions, and monetary tightening policies have increased market volatility, thereby intensifying investor sensitivity toward firm-specific information.

This phenomenon is also evident in Indonesia, where macroeconomic indicators demonstrate relative stability, yet capital market performance shows notable fluctuations. As illustrated in Figure 1, although Indonesia's market capitalization increased by 5.67%, the Composite Stock Price Index (IHSG) declined by 2.65%, reflecting weakened investor sentiment toward publicly listed firms.



(Source: OJK, 2024)

Figure 1. Movement of the Indonesia Composite Index (IHSG) 2019–2024

These contrasting trends indicate that macroeconomic stability alone is insufficient to maintain or enhance firm value. Instead, investors increasingly rely on firm-level fundamentals when making investment decisions. Hussain & Khan (2023) argue that domestic uncertainty amplifies the importance of internal corporate indicators, suggesting that firm value is shaped not only by external economic conditions but also by internal performance and governance mechanisms.

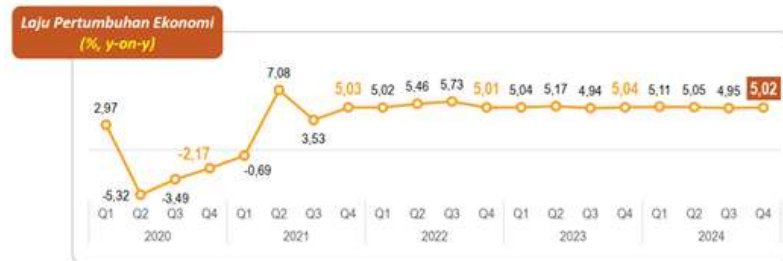
This issue becomes more pronounced in the consumer non-cyclical sector, which is typically regarded as more resilient during economic downturns. Despite this resilience, empirical evidence reveals a declining trend in firm value within this sector over the period 2022–2024. As presented in Figure 2, the average firm value decreased from 1.27 in 2022 to 1.11 in 2024.



(Source: IDX data processed by the author, 2025)

Figure 2. Firm Value Trend in the Consumer Non-Cyclical Sector (2022–2024)

Interestingly, this decline occurs alongside stable economic growth, where Indonesia’s GDP consistently grew at approximately 5% during the same period, as shown in Figure 3.



(Source: BPS, 2025)

Figure 3. Indonesia’s Economic Growth Rate (2020–2024)

The divergence between stable macroeconomic growth and declining firm value highlights a critical gap that cannot be explained solely by external factors. This condition suggests that internal corporate factors, particularly financial performance, capital decisions, and sustainability practices, play a more decisive role in determining firm value.

One of the most widely recognized determinants of firm value is profitability. Profitability reflects a firm’s efficiency in generating earnings from its resources and is often interpreted as a positive signal regarding future performance (Bui & Nguyen, 2023). From a signaling theory perspective (Spence, 1973), high profitability provides credible information to investors about the firm’s operational success and growth potential. Empirical studies have consistently shown that profitability positively influences firm value (Jihadi et al., 2021). However, other studies report insignificant or inconsistent results, particularly in periods of economic disruption (Hasibuan et al, 2025; Sutiningrum, 2021). These inconsistencies indicate that profitability alone may not fully capture the complexity of firm valuation.

In addition to profitability, capital structure plays a crucial role in shaping firm value. Capital structure decisions determine the balance between debt and equity financing, directly affecting financial risk and cost of capital. According to trade-off theory, firms can optimize their capital structure to maximize value by

balancing tax benefits and bankruptcy risks. Nevertheless, excessive leverage may increase financial distress risk and negatively impact firm value (Bui & Nguyen, 2023). Prior studies provide mixed evidence, with some reporting positive effects (Mawardi, 2025) and others identifying negative relationships, suggesting that the impact of capital structure is context-dependent.

Beyond financial indicators, the increasing importance of sustainability has led investors to consider non-financial factors such as corporate social responsibility (CSR). CSR reflects a firm's commitment to social and environmental responsibilities and plays a vital role in building stakeholder trust. Based on legitimacy theory (Dowling & Pfeffer, 1975; Suchman, 1995), firms engage in CSR activities to align their operations with societal expectations, thereby securing legitimacy and long-term survival. Empirical evidence suggests that CSR positively influences firm value by enhancing reputation and reducing perceived risk (Mayzona & Rusmanto, 2025). However, some studies find no direct effect, indicating that the effectiveness of CSR may depend on other moderating factors.

The inconsistent findings regarding profitability, capital structure, and CSR suggest that corporate governance mechanisms may play a critical role in influencing these relationships. One important governance mechanism is managerial ownership, which refers to the proportion of shares held by management. According to agency theory (Jensen & Meckling, 1976), managerial ownership can reduce agency conflicts by aligning the interests of managers and shareholders. From a signaling perspective, higher managerial ownership enhances the credibility of corporate signals, as managers have a direct financial stake in the firm's performance. Therefore, managerial ownership is expected to moderate the relationship between firm fundamentals and firm value.

To ensure a more comprehensive analysis, this study also includes firm size, liquidity, and firm growth as control variables. These variables represent fundamental characteristics that may independently influence firm value and help reduce potential bias in the estimation model (Dang et al., 2018; Bui & Nguyen, 2023).

This study offers several contributions to the existing literature. First, it integrates financial and non-financial determinants of firm value within a unified framework. Second, it introduces managerial ownership as a moderating variable, providing a governance perspective that has not been consistently examined in prior studies. Third, this study employs the ISO 26000 framework to measure CSR, offering a more comprehensive and standardized approach compared to traditional GRI-based measurements. Finally, by focusing on the consumer non-cyclical sector in Indonesia during the post-pandemic recovery period (2022–2024), this study provides valuable insights into firm valuation in an emerging market context.

Therefore, this study aims to examine the effect of profitability, capital structure, and corporate social responsibility on firm value, with managerial ownership as a moderating variable. By addressing inconsistencies in prior findings and incorporating governance mechanisms, this research seeks to provide a more holistic understanding of the determinants of firm value.

This study is motivated by the paradox between stable macroeconomic growth and declining firm value in the consumer non-cyclical sector, which suggests that external economic stability does not necessarily guarantee improved firm performance from the market's perspective. Furthermore, inconsistencies in prior empirical findings regarding the effects of profitability, capital structure, and CSR highlight the need for a more integrative approach that incorporates corporate governance mechanisms.

By introducing managerial ownership as a moderating variable and utilizing the ISO 26000 framework, this study aims to bridge existing research gaps and provide a more comprehensive explanation of firm value dynamics. The findings are expected to contribute to academic literature while offering practical implications for corporate managers and investors in making strategic decisions.

THEORETICAL REVIEW

Signaling Theory

Signaling theory, introduced by Spence (1973), provides a fundamental framework for understanding how information asymmetry between corporate insiders and external investors can be mitigated through credible signals. In capital markets, managers possess superior information regarding the firm's actual performance, risk exposure, and future prospects. Since investors cannot directly observe this private information, they rely on signals conveyed through financial statements, dividend policies, capital structure decisions, and other disclosures.

A key assumption of signaling theory is that not all signals are equally credible. Signals become effective only when they are costly to imitate, thereby distinguishing high-quality firms from low-quality ones. For instance, firms with strong financial performance are more capable of sustaining high profitability or maintaining optimal capital structures, making these signals more reliable indicators of firm quality.

Profitability is widely recognized as one of the most important financial signals. High profitability indicates efficient resource utilization, strong operational performance, and the ability to generate sustainable future cash flows. Consequently, investors interpret high profitability as a positive signal, which increases demand for the firm's shares and ultimately enhances firm value. However, the signaling effect of profitability may weaken in certain contexts, such as during periods of economic instability or when earnings quality is questionable.

Similarly, capital structure decisions also function as signals. The use of debt can signal management confidence in the firm's ability to generate future cash flows sufficient to meet financial obligations. According to signaling theory, firms that voluntarily increase leverage may be perceived as having strong growth prospects. However, excessive leverage may send a negative signal, as it increases the probability of financial distress and bankruptcy risk.

Empirical findings provide mixed evidence regarding these relationships. Jihadi & Vilantika (2021) and Giawa et al. (2024) find that profitability has a positive and significant effect on firm value, supporting the signaling role of earnings performance. In contrast, Mawardi (2025) reports that profitability does not

significantly affect firm value, suggesting that investors may question the sustainability or credibility of profit signals. Regarding capital structure, Mawardi (2025) finds a positive relationship, whereas Bui et al. (2023) document a negative effect, indicating that investors may interpret leverage differently depending on the context.

These inconsistencies highlight that financial signals are not universally interpreted in the same way by investors. Instead, their effectiveness depends on credibility, context, and supporting governance mechanisms. Therefore, this study re-examines the role of profitability and capital structure in influencing firm value.

H1: Profitability has a significant effect on firm value.

H2: Capital structure has a significant effect on firm value.

Legitimacy Theory

Legitimacy theory, developed by Dowling & Pfeffer (1975), posits that firms continuously seek to align their operations with societal norms, values, and expectations to ensure their continued existence and acceptance. Organizations operate within a broader social system, and their legitimacy depends on the perception that their actions are appropriate and desirable within that system (Suchman, 1995).

In this context, corporate social responsibility (CSR) plays a crucial role as a strategic tool for maintaining and enhancing legitimacy. CSR activities demonstrate that firms are not solely focused on profit maximization but also consider social and environmental impacts. As stakeholder awareness increases, companies are expected to disclose more comprehensive information regarding their sustainability practices. CSR disclosure serves as a communication mechanism between firms and stakeholders, enabling companies to shape public perception and strengthen trust. Firms that actively engage in CSR are often perceived as more responsible, ethical, and sustainable, which can enhance their reputation and reduce perceived risk. As a result, investors may assign higher valuations to firms with strong CSR performance.

However, the relationship between CSR and firm value is not always straightforward. Some studies suggest that CSR positively affects firm value by improving reputation and stakeholder relationships (Hasibuan et al., 2025; Mayzona & Rusmanto, 2025). Other studies, such as Kurniasari & Bernawati (2020), find no direct effect, arguing that CSR activities may be perceived as symbolic or may not immediately translate into financial benefits.

This inconsistency suggests that the effectiveness of CSR depends on how stakeholders interpret and evaluate these activities. The use of comprehensive frameworks such as ISO 26000 enhances the credibility of CSR disclosures, as it provides standardized guidelines covering multiple dimensions of social responsibility. Therefore, CSR is expected to influence firm value, although its impact may vary across contexts.

H3: Corporate social responsibility has a significant effect on firm value.

Agency Theory and Managerial Ownership as a Moderating Variable

Agency theory, proposed by Jensen & Meckling (1976), explains the potential conflicts of interest between shareholders (principals) and managers

(agents). These conflicts arise because managers may pursue personal objectives that are not aligned with shareholder interests, leading to agency costs and suboptimal decision-making. One of the key mechanisms to mitigate agency problems is managerial ownership, which refers to the proportion of shares held by managers. When managers become shareholders, their interests become more closely aligned with those of investors, reducing opportunistic behavior and encouraging value-maximizing decisions.

From a governance perspective, managerial ownership also enhances the credibility of corporate signals. Investors are more likely to trust financial and non-financial information when managers have a direct financial stake in the firm. This increased credibility strengthens the effectiveness of signals related to profitability, capital structure, and CSR.

Furthermore, managerial ownership may influence how investors interpret corporate policies. For example, high profitability may be perceived as more sustainable when managers hold significant ownership stakes. Similarly, debt financing decisions may be interpreted as more strategic and less risky when managers are directly exposed to the consequences. In the case of CSR, higher managerial ownership may reduce the perception that CSR activities are merely symbolic, increasing their impact on firm value.

Empirical findings on the moderating role of managerial ownership remain inconclusive. Mawardi (2025) finds that managerial ownership strengthens the relationship between financial variables and firm value, while Giawa et al. (2024) report no significant moderating effect. These mixed results indicate that the role of managerial ownership is context-dependent and requires further investigation.

Based on these arguments, managerial ownership is expected to moderate the relationships between profitability, capital structure, CSR, and firm value.

H4: Managerial ownership moderates the effect of profitability on firm value.

H5: Managerial ownership moderates the effect of capital structure on firm value.

H6: Managerial ownership moderates the effect of corporate social responsibility on firm value.

Conceptual Framework

This study proposes a comprehensive framework that integrates financial performance, financial policy, and sustainability practices in explaining firm value. Profitability, capital structure, and CSR are conceptualized as key determinants of firm value, reflecting both financial and non-financial aspects of corporate performance. Managerial ownership is introduced as a moderating variable that influences the strength and direction of these relationships. By aligning managerial and shareholder interests, managerial ownership enhances the credibility of corporate signals and affects how investors interpret firm information.

In addition, firm size, liquidity, and firm growth are included as control variables to capture firm-specific characteristics that may independently affect firm value. These variables help ensure that the estimated relationships are not biased by omitted factors.

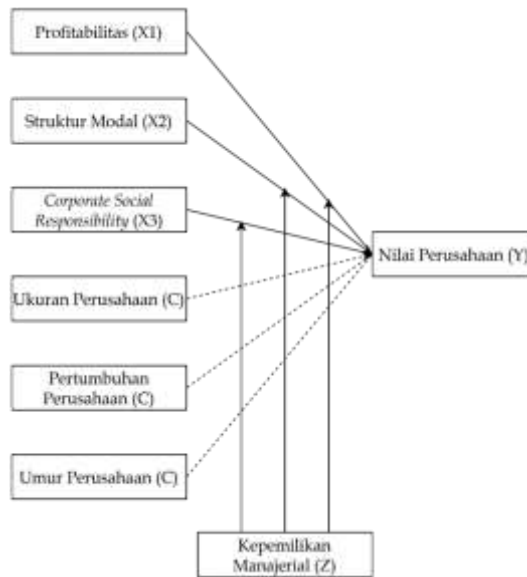


Figure 4. Conceptual Framework of the Study

METHODOLOGY

This study adopts a quantitative research approach to examine the relationships between profitability, capital structure, corporate social responsibility (CSR), and firm value, with managerial ownership acting as a moderating variable. A quantitative design is considered appropriate as it enables the objective measurement of variables and the empirical testing of causal relationships using statistical techniques (Sugiyono, 2023). The study follows an explanatory research design, aiming to identify and analyze the influence of independent variables on firm value within a structured analytical framework.

The data used in this study are secondary in nature and are obtained from publicly available sources, including annual reports, financial statements, and sustainability reports of companies listed on the Indonesia Stock Exchange (IDX). The observation period covers three years, from 2022 to 2024, which represents a crucial phase of post-pandemic economic recovery. The use of secondary data is justified due to its reliability and objectivity, as the financial reports have been audited and officially published, thereby ensuring consistency and accuracy in measuring the research variables.

The population of this study consists of all companies in the consumer non-cyclical sector listed on the Indonesia Stock Exchange. This sector is selected due to its relatively stable characteristics and its essential role in maintaining economic resilience. The sample is determined using purposive sampling, a non-probability sampling technique based on specific criteria relevant to the research objectives (Sugiyono, 2023). The selected companies must consistently publish annual reports, financial statements, and sustainability reports during the 2022–2024 period. Based on these criteria, the final sample consists of 75 companies, resulting in 225 firm-year observations.

In terms of variable measurement, firm value is employed as the dependent variable and is proxied by Tobin's Q, which reflects the market valuation of a firm relative to its asset base. Tobin's Q is widely used in financial

research as it captures both tangible and intangible aspects of firm value. The independent variables include profitability, capital structure, and CSR. Profitability is measured using Return on Equity (ROE), which indicates the firm's ability to generate returns from shareholders' equity. Capital structure is measured using the Debt-to-Equity Ratio (DER), representing the proportion of debt financing relative to equity. CSR is measured using the ISO 26000 framework, which provides comprehensive guidelines for assessing corporate social responsibility across multiple dimensions.

Managerial ownership is incorporated as a moderating variable and is measured as the proportion of shares held by management relative to total outstanding shares. This variable reflects the extent to which managers are directly involved as shareholders, thereby influencing the alignment of interests between management and investors. In addition, this study includes control variables such as firm size, firm growth, and firm age to account for firm-specific characteristics that may independently affect firm value and to improve the robustness of the regression model.

The data collection process is conducted using the documentation method, which involves systematically gathering data from official corporate reports and related documents. This method ensures that the data are verifiable, structured, and suitable for quantitative analysis. The collected data are then analyzed using statistical software, specifically SPSS, to ensure accuracy and efficiency in processing.

The data analysis procedure consists of several stages. Initially, descriptive statistical analysis is performed to provide an overview of the data characteristics, including measures such as mean, minimum, maximum, and standard deviation. Subsequently, classical assumption tests are conducted to ensure that the regression model meets the required assumptions, including normality, multicollinearity, heteroscedasticity, and autocorrelation (Ghozali, 2018).

To test the proposed hypotheses, this study employs multiple linear regression analysis combined with Moderated Regression Analysis (MRA). This approach allows for the examination of both direct effects and interaction effects between variables, particularly the moderating role of managerial ownership. The significance of the relationships is evaluated using the F-test for simultaneous effects and the t-test for partial effects, while the coefficient of determination (R^2) is used to assess the explanatory power of the model. A significance level of 5% ($p < 0.05$) is applied as the threshold for determining statistical significance.

RESULTS

This section presents the empirical findings derived from the statistical analysis conducted to test the proposed hypotheses. The analysis begins with descriptive statistics, followed by classical assumption testing, regression analysis, and hypothesis testing. The descriptive statistics provide an overview of the data distribution across all variables used in this study.

Table 1. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Dev
ROE	225	-0.16	0.90	0.1413	0.13537
DER	225	-1.77	6.47	0.8176	1.03960
CSR	225	0.43	1.00	0.8831	0.16514
KM	225	0.00	13.25	0.2932	1.27777
TOBINSQ	225	0.49	10.57	1.8205	1.50580
SIZE	225	14.31	31.02	21.7347	5.52965
GROWTH	225	-1.00	1.80	0.0680	0.21712
AGE	225	0.00	43.00	14.5333	13.06474

The results indicate that CSR exhibits relatively high and homogeneous values, suggesting consistent disclosure practices across firms. In contrast, capital structure and managerial ownership show higher variability, indicating differences in financial policies and ownership structures among firms. Firm value (Tobin's Q) also demonstrates considerable variation, reflecting diverse market perceptions across companies. Among the control variables, size shows variation in firm scale, while growth appears relatively stable despite a fairly wide range of values, and age demonstrates substantial heterogeneity, indicating that the sample includes both younger and more mature firms. Subsequently, classical assumption tests were conducted to ensure the validity of the regression model.

Table 2. Classical Assumption Tests Summary

Test	Result
Normality	Passed (Monte Carlo Sig = 0.217)
Multicollinearity	No issue (Tolerance > 0.10; VIF < 10)
Heteroskedasticity	No issue (Sig > 0.05)
Autocorrelation	No issue (DW = 1.870)

The results confirm that all classical assumptions are satisfied, indicating that the regression model is appropriate for further analysis. The regression analysis is performed using two models, namely the multiple linear regression model and the moderated regression analysis (MRA) model.

Table 3. Regression Results (Model 1)

Variable	Coefficient	Sig.
ROE	0.772	0.000
DER	0.053	0.149
CSR	0.999	0.000
SIZE	0.060	0.029
GROWTH	0.063	0.277
AGE	-0.011	0.189

The results from Model 1 indicate that profitability (ROE) and CSR have a positive and significant effect on firm value, while capital structure (DER) does

not show a significant effect in this model. Among control variables, firm size has a significant positive effect, whereas growth and firm age are not significant. To further examine the moderating role of managerial ownership, Moderated Regression Analysis (MRA) is conducted.

Table 4. Regression Results (Model 2 - MRA)

Variable	Coefficient	Sig.
ROE	0.447	0.002
DER	0.091	0.029
CSR	0.980	0.000
KM	0.533	0.439
SIZE	0.056	0.040
GROWTH	0.026	0.650
AGE	-0.010	0.251
ROE*KM	0.766	0.002
DER*KM	-0.014	0.915
CSR*KM	-0.671	0.345

The MRA results show that profitability, capital structure, CSR, and size significantly influence firm value. Furthermore, managerial ownership significantly moderates the relationship between profitability and firm value, as indicated by the positive and significant interaction term (ROE*KM). However, managerial ownership does not moderate the relationships between capital structure and firm value, nor between CSR and firm value.

The model is statistically significant, as indicated by the F-test results ($F = 15.323$; $p < 0.05$). Additionally, the adjusted R^2 value of 0.370 suggests that 37% of the variation in firm value can be explained by the variables included in the model. Overall, the findings indicate that profitability, capital structure, and CSR play important roles in determining firm value. However, the moderating role of managerial ownership is limited, as it only strengthens the relationship between profitability and firm value.

DISCUSSION

The findings of this study provide a comprehensive understanding of the determinants of firm value by integrating financial, non-financial, and governance perspectives. The results reveal that profitability, capital structure, and corporate social responsibility (CSR) significantly influence firm value, while the moderating role of managerial ownership varies across relationships.

The positive and significant effect of profitability on firm value supports the fundamental premise of signaling theory, which posits that firms convey private information to external stakeholders through observable indicators such as financial performance (Spence, 1973). Profitability, particularly measured by Return on Equity (ROE), reflects a firm's efficiency in generating returns from shareholders' investments. As such, higher profitability serves as a credible signal that the firm is well-managed and capable of delivering sustainable returns. This finding is consistent with prior empirical studies (Bui et al., 2023; Jihadi et al., 2021),

which highlight that investors tend to respond positively to firms with strong earnings performance.

Moreover, the result indicates that profitability is not merely an accounting measure but also a strategic communication tool in the capital market. Firms with consistently high profitability reduce information asymmetry and increase investor confidence, which ultimately leads to higher firm valuation. This aligns with the argument of Ross (1977), who suggests that financial performance signals play a crucial role in influencing market perception. Therefore, the acceptance of H1 reinforces the importance of profitability as a key determinant of firm value in emerging markets.

The findings also show that capital structure has a positive and significant effect on firm value. This result supports signaling theory as well as the trade-off theory, which suggests that an optimal level of debt can enhance firm value by balancing the benefits of tax shields against the costs of financial distress (Modigliani & Miller, 1963). The positive coefficient indicates that investors perceive the use of debt as a signal of management confidence in the firm's future cash flows. In other words, firms that utilize debt effectively are considered to have strong growth prospects and operational capabilities.

However, this relationship must be interpreted cautiously. While moderate leverage can signal strength, excessive debt may increase financial risk and negatively affect firm value. The positive finding in this study suggests that firms within the sample have managed their capital structure at an optimal level, thereby enhancing market confidence. This is consistent with empirical findings by Mawardi (2025) and Patty et al. (2025), which demonstrate that well-managed leverage contributes positively to firm valuation.

The significant positive effect of CSR on firm value provides strong support for legitimacy theory, which argues that firms engage in social and environmental activities to align with societal expectations and secure legitimacy (Dowling & Pfeffer, 1975; Suchman, 1995). CSR disclosure serves as a mechanism through which firms communicate their commitment to sustainability and ethical practices. As stakeholder awareness increases, CSR becomes an important factor influencing investor decision-making.

This finding indicates that CSR is not merely a compliance activity but a strategic investment that enhances corporate reputation and reduces perceived risk. Firms that actively disclose CSR information, particularly using comprehensive frameworks such as ISO 26000, are more likely to gain stakeholder trust and long-term support. This result is consistent with studies by Hasibuan et al. (2025) and Mayzona and Rusmanto (2025), which show that CSR contributes to firm value by strengthening stakeholder relationships and improving corporate image. In this context, CSR acts as both a legitimacy tool and a signal of long-term sustainability.

Regarding the moderating role of managerial ownership, the results partially support agency theory (Jensen & Meckling, 1976). The significant moderating effect of managerial ownership on the relationship between profitability and firm value suggests that when managers hold equity stakes, their interests become aligned with those of shareholders. This alignment reduces

agency conflicts and encourages managers to focus on value creation. Consequently, profitability becomes a more credible and impactful signal when managerial ownership is high.

This finding is in line with prior research (Mawardi, 2025), which emphasizes that managerial ownership strengthens the relationship between financial performance and firm value. From a signaling perspective, the presence of managerial ownership enhances the credibility of profitability signals, as investors perceive that managers have a direct financial interest in maintaining strong performance. Thus, the acceptance of H4 confirms that governance mechanisms can amplify the impact of financial signals.

However, the study finds that managerial ownership does not moderate the relationship between capital structure and firm value. This suggests that investors evaluate capital structure decisions primarily based on financial risk and performance rather than ownership structure. In other words, the effectiveness of capital structure as a signal is not significantly influenced by whether managers hold shares in the firm. This finding is consistent with Giawa et al. (2024), which report that managerial ownership does not significantly alter the relationship between leverage and firm value.

Similarly, managerial ownership does not moderate the relationship between CSR and firm value. This result implies that CSR activities are driven more by institutional pressures, stakeholder expectations, and corporate strategy rather than managerial share ownership. According to legitimacy theory, CSR is primarily aimed at maintaining social approval and organizational legitimacy, which are external factors that are not directly affected by internal ownership structures (Suchman, 1995). Therefore, the effectiveness of CSR in enhancing firm value depends more on stakeholder perception than on managerial incentives.

Overall, these findings highlight that while managerial ownership plays a role in strengthening financial signals, its influence is limited in the context of non-financial and strategic decisions such as CSR and capital structure. This suggests that the role of corporate governance mechanisms is selective and context-dependent. By integrating signaling theory, legitimacy theory, and agency theory, this study provides a more comprehensive explanation of how different factors interact in determining firm value.

CONCLUSIONS AND RECOMMENDATIONS

This study examines the effects of profitability, capital structure, and corporate social responsibility (CSR) on firm value, with managerial ownership as a moderating variable, within the consumer non-cyclical sector in Indonesia during the 2022–2024 period. The findings reveal that profitability, capital structure, and CSR have a positive and significant impact on firm value, indicating that both financial performance and sustainability practices play important roles in shaping investor perceptions and market valuation.

Furthermore, the results demonstrate that managerial ownership strengthens the relationship between profitability and firm value, suggesting that the alignment of interests between managers and shareholders enhances the effectiveness of financial performance as a signal to the market. However,

managerial ownership does not moderate the relationships between capital structure and firm value, nor between CSR and firm value, implying that these factors are influenced more by broader financial policies and stakeholder considerations rather than internal ownership structures.

Overall, this study highlights that firm value is determined by a combination of financial performance, strategic financial decisions, and corporate legitimacy practices. The integration of signaling theory, agency theory, and legitimacy theory provides a more comprehensive understanding of how firms communicate value to investors. These findings contribute to the literature by emphasizing the selective role of managerial ownership as a governance mechanism and underscore the importance of balancing profitability, financial structure, and social responsibility in enhancing firm value.

FURTHER STUDY

This study is subject to several limitations that should be considered when interpreting the findings. First, the study focuses exclusively on companies in the consumer non-cyclical sector listed on the Indonesia Stock Exchange, which may limit the generalizability of the results to other sectors or countries. Different industries may exhibit varying financial structures, CSR practices, and governance mechanisms that influence firm value differently.

Second, the study covers a relatively short observation period of three years (2022–2024), which may not fully capture long-term trends and dynamic changes in firm performance and market valuation. A longer time horizon could provide more comprehensive insights into the stability and consistency of the observed relationships.

Third, the explanatory power of the model remains moderate, indicating that there are other factors not included in this study that may influence firm value. Variables such as corporate governance quality, innovation, digital transformation, and macroeconomic conditions may provide additional explanatory value and should be considered in future research.

Based on these limitations, future studies are encouraged to expand the scope by including different sectors or conducting cross-country analyses to enhance generalizability. Additionally, future research may incorporate longer observation periods and alternative analytical methods, such as panel data regression or structural equation modeling, to obtain more robust results. Exploring additional variables, particularly those related to corporate governance and sustainability, may also provide deeper insights into the determinants of firm value.

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