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Determinants Of Firm Value Among Companies In Indonesia's Retail Subsector

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Abstract

This research investigates how cash holding, profitability, and capital structure relate to the value of retailing-subsector firms listed on the Indonesia Stock Exchange (IDX) between 2023 and 2025. Earlier studies have produced inconsistent results depending on the industry and period examined. By testing the three variables together on balanced panel data, this research contributes up-to-date evidence from Indonesian retailers. Using a quantitative approach and purposive sampling, 25 companies and 75 firm-year observations were obtained. Secondary data came from the companies' annual reports and financial statements, while closing share prices were taken from the IDX. Firm value was proxied by the natural logarithm of price to book value (LnPBV), cash holding by the ratio of cash and cash equivalents to total assets, profitability by return on assets (ROA), and capital structure by the debt-to-equity ratio (DER). The analysis was run in EViews 12, where the Chow, Hausman, and Lagrange Multiplier tests pointed to the Random Effect Model. Cash holding and profitability show positive coefficients that are not statistically significant, whereas capital structure shows a positive and statistically significant coefficient. Taken together, the three variables are jointly significant, with an Adjusted R-squared of 22.35%.

Keywords: Firm Value, Cash Holding, Profitability, Capital Structure, Retail Companies

INTRODUCTION

Firm value reflects how the market views a company's present condition and its prospects. For a listed firm, that view shows up in the price investors are prepared to pay per share. A widely used indicator is Price to Book Value (PBV), obtained by dividing the market price per share by the book value per share. When PBV exceeds one, the market

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places a higher value on the firm's equity than on its accounting book value, and shifts in PBV signal how market expectations develop over time.

During the observation period, market valuation in the IDX retailing subsector shifted. According to the IDX Financial Data and Ratio database, the average PBV stood at 1.01 in 2023 (30 companies), rose to 2.22 in 2024 (31 companies), and fell to 1.60 in 2025 (32 companies) (Bursa Efek Indonesia, 2026). PT Mitra Adiperkasa Tbk (MAPI) offers an example at the firm level. Its revenue grew from roughly IDR 33.32 trillion in 2023 to IDR 37.84 trillion in 2024 and IDR 43.08 trillion in 2025. Net income attributable to the owners of the parent, however, slipped from about IDR 1.89 trillion in 2023 to IDR 1.77 trillion in 2024 and then climbed to IDR 2.23 trillion in 2025 (PT Mitra Adiperkasa Tbk, 2026). During the same years, MAPI's PBV went from 2.39 to 1.62 and then to 1.12 (PT Mitra Adiperkasa Tbk, 2026). Because MAPI's trend in 2023-2024 diverged from the subsector average, it is best read as a company-level illustration and not as a stand-in for the whole subsector.

These patterns point to the importance of internal financial decisions when explaining how the market values a firm. Cash holdings supply liquidity for routine operations and unforeseen funding needs, yet surplus cash can sit idle. Profitability shows how well a firm turns its assets into earnings. Capital structure describes the mix of liabilities and equity that funds the business. Borrowing can finance growth and yield tax advantages, but heavy leverage raises obligations and risk. Each of these variables therefore carries a different message about a firm's financial position.

Prior empirical results are inconsistent. Positive links between cash holding and firm value are documented by Jaradat et al. (2021), Ifada et al. (2020), and Halim (2022); Riyadi et al. (2021) instead find a negative link, and Lestari and Hanifah (2020) together with Fitri and Oktavianna (2024) detect no significant effect. Findings on profitability also differ, with positive effects reported by Suryandari and Yuhasril (2023), Aprilianingsih et al. (2024), and Febriane (2024) but a negative effect by Kusna and Setijani (2018). On capital structure, Suryandari and Yuhasril (2023), Kusumarini and Abundanti (2024), and Purnomo et al. (2024) find positive effects, Damayanti and Darmayanti (2022) find a negative one, and Febriane (2024) finds none that is significant.

Although earlier work has linked cash holding, profitability, and capital structure to firm value, the results depend on the industry and period studied. Febriane (2024), for instance, looks at retail firms for 2018–2022, while the other studies cited here concentrate on different sectors. Such differences make a case for testing these relationships within one industry over a more recent window. This study therefore analyzes how cash holding, profitability, and capital structure affect the value of retailing-subsector firms in the Consumer Cyclicals sector listed on the IDX during 2023–2025. By estimating the three financial variables together on recent balanced panel data, it adds

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empirical evidence on which financial indicators relate to firm value among Indonesian retailers.

LITERATURE REVIEW

Signaling Theory.

Signaling theory describes how a party with more information conveys it to a less-informed party through observable signals. Spence (1973) developed this framework for situations of information asymmetry. For companies, managerial decisions and publicly reported financial information can be read by investors as signals of operating condition, financial flexibility, risk, and future prospects. What a signal means depends on context: a larger cash balance may show the ability to meet obligations, but a large balance left unused may be viewed less favorably. Likewise, profitability can point to efficient use of assets, whereas borrowing may reflect either confidence in future cash flows or heightened financial risk.

Signaling theory is applied to cash holding, profitability, and capital structure here because all three can be observed in a company's financial statements. Investors can draw on these indicators to form expectations of the firm, and those expectations may be reflected in the share price and PBV.

Trade-Off Theory.

Trade-off theory views financing and liquidity decisions as a weighing of benefits against costs. For capital structure, debt brings advantages such as tax-deductible interest (Modigliani & Miller, 1963) but also raises the expected costs of financial distress. Accordingly, a firm is expected to aim for a leverage level at which the marginal benefit of debt is offset by its marginal cost (Kraus & Litzenberger, 1973; Myers, 1984). From this standpoint, a firm whose leverage lies below that level can raise its value by borrowing more, while leverage beyond it can erode value.

The same reasoning extends to cash holding. Keeping cash lowers the chance of being unable to settle obligations or finance investment when external funds are expensive, yet it carries an opportunity cost because idle cash yields less than productive investment (Opler et al., 1999). Whether cash holding raises, leaves unchanged, or lowers firm value thus depends on which of the two forces prevails: liquidity benefits or opportunity cost. In this study, signaling theory helps explain how investors may read the observable financial indicators, while trade-off theory helps explain why cash holding and capital structure could relate to firm value in either direction.

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Firm Value.

Firm value is the market's appraisal of a company and is usually captured by the market price of its shares. This study relies on Price to Book Value (PBV), which sets the market price per share against the book value per share. A higher PBV means the market values the firm's equity more highly than its accounting value. Because the raw PBV observations are widely dispersed, the dependent variable is expressed as the natural logarithm of PBV (LnPBV) to dampen the effect of that dispersion.

Cash Holding.

Cash holding denotes the cash and cash equivalents a company retains to fund operations, settle short-term liabilities, and cope with unexpected funding needs. Cash also gives the flexibility to seize investment opportunities (Halim, 2022; Jaradat et al., 2021). Here, cash holding is calculated as cash and cash equivalents divided by total assets, which shows the share of the firm's assets kept in cash and cash equivalents.

Profitability.

Profitability refers to a company's capacity to earn income from the resources it controls. Return on Assets (ROA) expresses net income relative to total assets and is used to judge how efficiently management employs those assets. In general, a higher ROA signals better asset utilization. ROA in this study is net income divided by total assets.

Capital Structure.

Capital structure is the mix of debt and equity financing a company's assets and operations. Borrowed funds can support investment and expansion, yet they create fixed obligations and heighten the risk of financial distress when cash flows fall short. Capital structure is measured here by the Debt to Equity Ratio (DER), computed as total liabilities divided by total equity. A higher DER means liabilities are larger relative to shareholders' equity.

Empirical Evidence and Research Position.

Earlier empirical work yields inconsistent results on how financial decisions relate to firm value. For cash holding, Ifada et al. (2020), Jaradat et al. (2021), and Halim (2022) find positive relationships. Riyadi et al. (2021) find a negative relationship, whereas Lestari and Hanifah (2020) and Fitri and Oktavianna (2024) find no statistically significant effect. Such divergence suggests that the link between cash availability and firm value may hinge on how investors judge a firm's liquidity and its use of retained cash.

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Results on profitability are likewise mixed. Suryandari and Yuhasril (2023), Aprilianingsih et al. (2024), and Febriane (2024) find that profitability raises firm value, but Kusna and Setijani (2018) find a negative relationship. For capital structure, positive effects appear in Suryandari and Yuhasril (2023), Purnomo et al. (2024), and Kusumarini and Abundanti (2024). Damayanti and Darmayanti (2022), however, report a negative effect, and Febriane (2024) detects no significant effect among retail firms.

These inconsistencies imply that the connection between financial variables and firm value can differ by industry and by period. Accordingly, this study analyzes Indonesian retailing-subsector companies over 2023–2025, a window that extends beyond the period covered by Febriane (2024), and tests both the partial and joint relationships of cash holding, profitability, and capital structure with firm value.

HYPOTHESIS DEVELOPMENT

Cash Holding and Firm Value.

A solid cash reserve can act as a favorable signal, since it shows that management is able to fund routine operations and meet unforeseen obligations without turning immediately to external financing. Investors may thus read an adequate cash balance as a sign of financial flexibility. Trade-off theory adds that cash remains valuable as long as its liquidity benefits are greater than the opportunity cost of holding it (Opler et al., 1999). Halim (2022), Ifada et al. (2020), and Jaradat et al. (2021) report positive effects of cash holding. Still, cash can also be seen as an idle resource when it is not tied to productive investment, which is in line with the null results of Lestari and Hanifah (2020) and Fitri and Oktavianna (2024) and the negative effect found by Riyadi et al. (2021). Considering the flexibility argument and the positive evidence in earlier studies, the first hypothesis is stated as follows:

H1: Cash holding is positively associated with firm value.

Profitability and Firm Value.

A high ROA shows that management can turn the assets it controls into earnings. According to signaling theory, such performance can convey operating efficiency and strengthen investor confidence, which may support a higher market valuation. Suryandari and Yuhasril (2023), Aprilianingsih et al. (2024), and Febriane (2024) document positive relationships between profitability and firm value. Kusna and Setijani (2018), conversely, find a negative effect, which suggests that the relationship can differ across samples and periods. Given the positive signal expected from more efficient use of assets, the second hypothesis is:

H2: Profitability is positively associated with firm value.

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Capital Structure and Firm Value.

Borrowing can fund business expansion as well as operating and investment needs. If a company is able to service its obligations, taking on debt may signal management's confidence in future cash flows. Trade-off theory likewise implies that debt can lift firm value when its tax benefits exceed the expected costs of financial distress (Kraus & Litzenberger, 1973; Myers, 1984). A positive relationship is supported empirically by Suryandari and Yuhasril (2023), Purnomo et al. (2024), and Kusumarini and Abundanti (2024), and Karsih and Hidayati (2026), who likewise use DER and LnPBV, find a positive and significant effect. The effect is not uniform, though: Damayanti and Darmayanti (2022) report a negative relationship, and Febriane (2024) finds no significant effect for retail companies. Weighing this evidence, the third hypothesis expects a positive association:

H3: Capital structure is positively associated with firm value.

Figure 1 depicts the conceptual framework connecting the independent variables with firm value.

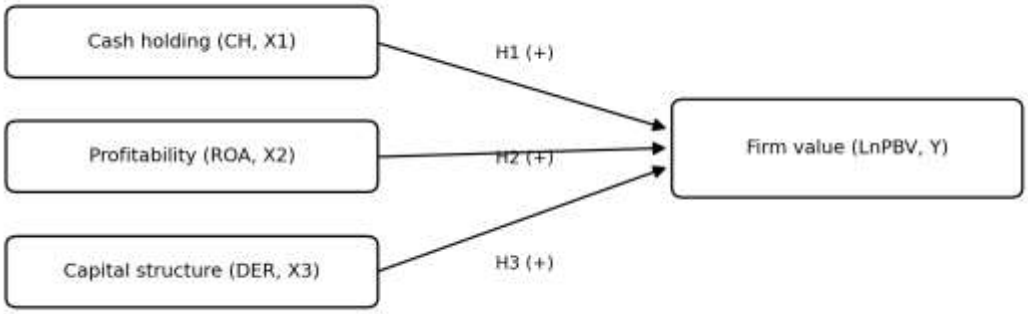


Figure 1. Conceptual Framework

RESEARCH METHOD

Research Approach.

This study uses a quantitative approach with a causal-associative design to test the relationship of cash holding, profitability, and capital structure with firm value (Sugiyono, 2018).

Types and Sources of Data.

The data are secondary and take the form of a balanced panel that pools observations across companies and years (Ghozali & Ratmono, 2017). Data for the empirical analysis were drawn from the sampled companies' annual reports and financial

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statements covering the 2023–2025 observation period, and the closing share prices used to compute PBV were taken from the IDX.

Sampling Technique.

The initial screening frame consisted of 31 issuers in the retailing subsector of the Consumer Cyclicals sector over the 2023–2025 observation window. Purposive sampling was used with three criteria: (1) companies that conducted an initial public offering and listed after 2024 were excluded because their observation period was incomplete; (2) companies delisted during 2023–2025 were excluded; and (3) companies suspended for more than one year during the observation period were excluded. This screening left 25 companies, giving 75 firm-year observations across three years. Table 2 summarizes the sample selection.

Research Instrument.

Microsoft Excel served as the instrument for recording and calculating the secondary financial data gathered from the sampled companies' annual reports and financial statements. The information recorded covered cash and cash equivalents, total assets, net income, total liabilities, total equity, and the inputs needed to compute Price to Book Value (PBV), including the year-end closing share price from the IDX. Data were arranged by company and observation year, and the financial ratios were then calculated following the operational definitions of the study.

Data Collection Technique.

Data were collected through documentation. The relevant financial information was compiled and converted into the required ratios in Microsoft Excel, then analyzed with EViews 12.

Operational Definitions of Variables.

Table 1 sets out the operational definitions and measurement of the research variables.

Table 1. Operationalization and Measurement of Variables

No.	Variable	Conceptual definition	Measurement	Scale
1	Firm value (Y)	Market assessment of the company reflected in its share price	LnPBV = Ln(PBV); PBV = market price per share / book value per share	Ratio
2	Cash holding (X1)	Cash and cash equivalents retained for	CH = (Cash + Cash Equivalents) / Total Assets	Ratio

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No.	Variable	Conceptual definition	Measurement	Scale
		operations and precautionary needs		
3	Profitability (X2)	Ability to generate earnings from the assets owned	ROA = Net Income / Total Assets	Ratio
4	Capital structure (X3)	Combination of liabilities and equity used to finance operations	DER = Total Liabilities / Total Equity	Ratio

Source: Data processed

Theoretical Framework.

Signaling theory and trade-off theory together form the theoretical basis of this study. The former explains how investors may read publicly available financial indicators when assessing a company's condition and outlook; the latter explains how the benefits and costs of holding cash and using debt can show up in firm value. Figure 1 maps how cash holding, profitability, capital structure, and firm value are conceptually related.

Data Analysis Technique.

The panel regression model takes the following form:

$$\mathbf{LnPBV_{it} = \alpha + \beta_1 CH_{it} + \beta_2 ROA_{it} + \beta_3 DER_{it} + \mu_i + \varepsilon_{it}}$$

In this equation, i stands for each of the 25 companies and t for the years 2023–2025; α is the intercept, β_1–β_3 are the regression coefficients, μ_i is the firm-specific random effect, and ε_{it} is the idiosyncratic error.

The analysis proceeds through descriptive statistics, transformation of the dependent variable, selection of the panel model, classical assumption tests, and hypothesis testing. The raw PBV observations have a median of 1.14 and span 0.20 to 147.07, which indicates wide dispersion. PBV was therefore converted to its natural logarithm (LnPBV), as done in earlier research (Ghozali, 2018; Karsih & Hidayati, 2026).

Three panel-data estimators were considered: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). The Chow test contrasts CEM with FEM, the Hausman test contrasts FEM with REM, and the Lagrange Multiplier (LM) test contrasts CEM with REM. Decisions use a 5% significance level: a Chow probability below 0.05 favors FEM, a Hausman probability above 0.05 favors REM, and an LM probability below 0.05 favors REM (Ghozali & Ratmono, 2017).

The chosen model was assessed with the Jarque–Bera test for normality, a correlation matrix for multicollinearity, the Glejser test for heteroskedasticity, and the Durbin–Watson statistic for autocorrelation. Because the hypotheses are directional and

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expect positive coefficients, positive-direction one-tailed probabilities are evaluated at α = 0.05 with 71 degrees of freedom (n − k − 1). For transparency, Table 6 reports both the two-tailed probabilities from EViews and the one-tailed probabilities on which the hypothesis decisions rest.

Data Credibility.

Credibility of the data rests on the use of annual reports and financial statements published by the sampled companies. The financial information was recorded for each company and year, and the ratios were computed according to the operational definitions given in this study. This approach creates a documented trail from the figures in the panel analysis back to the companies' published reports.

RESULTS

Overview of the Research Sample.

The initial screening frame contained 31 retailing-subsector issuers. Two companies that listed after 2024, one that was delisted during the observation period, and three that were suspended for more than one year were removed. The final sample is thus 25 companies observed for three years, or 75 firm-year observations.

Table 2. Summary of Sample Selection

No.	Sample criteria	2023–2025
1	Consumer Cyclicals subsector Retailing issuers initially identified for the 2023–2025 period	31
2	Companies with an IPO/listing before 2023	(2)
3	Companies delisted during 2023–2025	(1)
4	Companies suspended for more than one year during 2023–2025	(3)
	Total sample companies	25
	Observation period (years)	3
	Total observations (25 × 3)	75

Source: Data processed

Descriptive Statistics.

Table 3 summarizes the 75 firm-year observations. Mean LnPBV is 0.2846, with a standard deviation of 1.0957 and values between −1.6171 and 4.9909. Cash holding averages 0.1272, or about 12.7% of total assets, and ranges from 0.0007 to 0.6838. ROA averages 0.0359 (about 3.6%), with a minimum of −0.1400 and a maximum of 0.1600. DER has a mean of 5.5271 but a median of only 0.4300. Its maximum of 160.2600 and

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standard deviation of 19.5575 point to considerable dispersion and to some observations with very high leverage.

Table 3. Descriptive Statistics of Research Variables

Variable	N	Mean	Median	Minimum	Maximum	Std. deviation
LnPBV (Y)	75	0.2846	0.1315	−1.6171	4.9909	1.0957
CH (X1)	75	0.1272	0.0811	0.0007	0.6838	0.1417
ROA (X2)	75	0.0359	0.0400	−0.1400	0.1600	0.0552
DER (X3)	75	5.5271	0.4300	0.0200	160.2600	19.5575

Source: Data processed with Eviews 12

Panel Data Regression Model Selection.

The Chow test gives a cross-section F statistic of 8.1115 (probability 0.0000) and a cross-section Chi-square statistic of 122.8090 (probability 0.0000), and both favor FEM over CEM. The Hausman test yields a Chi-square statistic of 2.8509 with a probability of 0.4152, favoring REM over FEM. The LM test produces a cross-section Breusch–Pagan statistic of 33.5878 with a probability of 0.0000, which favors REM over CEM. Overall, the specification tests point to REM as the appropriate panel model.

Table 4. Panel Data Model Specification Tests

Test	Statistic	d.f.	Probability	Decision
Chow (cross-section F)	8.1115	(24, 47)	0.0000	FEM over CEM
Chow (cross-section Chi-square)	122.8090	24	0.0000	FEM over CEM
Hausman (cross-section random)	2.8509	3	0.4152	REM over FEM
LM (Breusch–Pagan, cross-section)	33.5878	—	0.0000	REM over CEM

Source: Data processed with Eviews 12

Classical Assumption Tests.

For the model with PBV in level form, the Jarque–Bera statistic of the residuals is 125.9771 (probability 0.0000). After the logarithmic transformation, the statistic falls to 1.7202 with a probability of 0.4231, so the residuals of the transformed model meet the normality criterion. Pairwise correlations among the independent variables are 0.2352 (CH and ROA), −0.0070 (CH and DER), and 0.2204 (ROA and DER), all under the 0.80 threshold. Glejser probabilities are 0.9917 for CH, 0.0907 for ROA, and 0.2880 for DER,

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all above 0.05. The weighted Durbin–Watson statistic of 1.9252 falls between dU = 1.7092 and 4 − dU = 2.2908. Under these criteria, no multicollinearity, heteroskedasticity, or first-order autocorrelation was detected.

Table 5. Summary of Classical Assumption Tests

Test	Result	Criterion	Conclusion
Residual normality – PBV level model	JB = 125.9771; p = 0.0000	p > 0.05	Not normal
Residual normality – LnPBV model	JB = 1.7202; p = 0.4231	p > 0.05	Normal
Multicollinearity	CH–ROA = 0.2352; CH–DER = −0.0070; ROA–DER = 0.2204	Correlation < 0.80	No multicollinearity detected
Heteroskedasticity (Glejser)	CH = 0.9917; ROA = 0.0907; DER = 0.2880	All p > 0.05	No heteroskedasticity detected
Autocorrelation (Durbin–Watson)	DW = 1.9252; dU = 1.7092; 4 − dU = 2.2908	dU < DW < 4 − dU	No autocorrelation detected

Source: Data processed with Eviews 12

Random Effect Model Estimation.

Table 6 displays the coefficient estimates of the chosen REM. Its cross-section component carries a standard deviation of 0.8339 and a variance share of 0.7239, while the idiosyncratic component carries a standard deviation of 0.5150 and a variance share of 0.2761. The weighted regression equation is written as:

$$\mathbf{LnPBV = 0.045909 + 0.863484\ CH + 0.461580\ ROA + 0.020333\ DER + \varepsilon}$$

Table 6. Panel Data Regression Estimation Results with the Random Effect Model

Variable	Coefficient	Std. error	t-statistic	p (2-tailed)	p (1-tailed)	Decision
Constant (C)	0.045909	0.229249	0.200257	0.8419	—	—
CH (X1)	0.863484	1.080937	0.798829	0.4271	0.2136	Not supported

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ROA (X2)	0.461580	1.814218	0.254423	0.7999	0.4000	Not supported
DER (X3)	0.020333	0.004192	4.850622	0.0000	0.0000	Supported

Source: Data processed with Eviews 12

Model statistics (weighted): R-squared = 0.254948; Adjusted R-squared = 0.223467; F-statistic = 8.098468; Prob(F-statistic) = 0.000103; Durbin–Watson = 1.925207. One-tailed probabilities are used for the directional hypotheses; values are rounded as reported in the EViews output.

Cash holding and profitability both have positive coefficients that are not statistically significant: 0.863484 with a one-tailed probability of 0.2136 for cash holding, and 0.461580 with a one-tailed probability of 0.4000 for ROA. DER has a positive coefficient of 0.020333 and a one-tailed probability below 0.05, which indicates a positive and statistically significant association with firm value. The F-statistic probability of 0.000103 shows that the three explanatory variables are jointly significant. With an Adjusted R-squared of 0.223467, the model accounts for roughly 22.35% of the variation in LnPBV, and the remaining 77.65% relates to factors outside the model.

Table 7. Summary of Hypothesis Testing Results

Hypothesis	Description	Coefficient result	Conclusion
H1	Cash holding is positively associated with firm value	0.863484 (positive; insignificant)	Not supported
H2	Profitability is positively associated with firm value	0.461580 (positive; insignificant)	Not supported
H3	Capital structure is positively associated with firm value	0.020333 (positive; significant)	Supported

Source: Data processed

DISCUSSION

This section interprets the estimated relationships for the 25 retailing-subsector companies observed during 2023–2025, drawing on signaling theory, the operating characteristics of retail businesses, and the results of earlier studies.

The Impact of Cash Holding on Firm Value.

Cash holding has a positive coefficient of 0.863484, yet its one-tailed probability of 0.2136 is above the 5% significance level, so H1 is not supported. The positive sign is in the direction implied by the argument that cash offers liquidity and flexibility, but the

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result gives insufficient statistical evidence that differences in cash holding go together with differences in firm value in this sample. Retailers need cash to buy inventory, pay suppliers, cover store-related costs, and keep daily operations running, so investors may treat cash mainly as operating liquidity and not as a separate signal of growth opportunities. Seen through trade-off theory, an insignificant coefficient may also mean that, on average, the liquidity benefits of cash and its opportunity cost cancel each other out across the sampled companies. Moreover, the cash-holding ratio cannot show whether cash is put to productive use or simply retained without a clear investment aim. This explanation is plausible, but the present model does not test it directly.

This result agrees with Lestari and Hanifah (2020) and Fitri and Oktavianna (2024), who likewise find no significant relationship between cash holding and firm value. It departs from the positive findings of Ifada et al. (2020), Jaradat et al. (2021), and Halim (2022) and from the negative finding of Riyadi et al. (2021). The gaps may stem from sector characteristics, study periods, sample composition, or differences in how investors read cash balances. The result should therefore be taken as an absence of statistically significant evidence for this retail sample, and not as proof that cash management has no bearing on firm value.

The Impact of Profitability on Firm Value.

ROA has a positive coefficient of 0.461580, but its one-tailed probability of 0.4000 is not statistically significant, so H2 is not supported. Descriptive statistics show a mean ROA of about 3.6%, with observations from a 14% loss to a 16% return, which means profitability differs considerably across the sampled companies. Current-period ROA may not capture everything investors consider when pricing retail shares, especially as they also weigh future sales growth, store expansion, operating margins, and earnings sustainability. Since ROA relates current net income to total assets, it may not by itself reflect the full set of expectations embedded in PBV.

This insignificant result differs from the positive relationships found by Suryandari and Yuhasril (2023), Aprilianingsih et al. (2024), and Febriane (2024), and from the negative relationship found by Kusna and Setijani (2018). Variation in business sectors, observation windows, firm characteristics, and firm-value proxies could explain the differences. Febriane (2024), for example, studies retail companies over 2018–2022, whereas this study spans 2023–2025, a different operating and market environment. The evidence suggests that current profitability, measured only by ROA, was not a statistically significant individual predictor of LnPBV in the sample and period studied.

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The Impact of Capital Structure on Firm Value.

DER has a positive coefficient of 0.020333 and a one-tailed probability below 0.05, so H3 is supported. In the estimated log-linear model, each one-unit rise in DER is associated with an increase in PBV of about 2.05%, other variables held constant. From a signaling perspective, debt can be read favorably if investors believe management will turn the funds into productive operations and generate enough cash flow to meet the resulting obligations. Retailers may borrow to finance inventory, working capital, and the expansion or renovation of stores; when such funding adds to operating capacity, investors may see it as a signal of growth opportunities and not of financial distress. The positive coefficient also fits trade-off theory, which holds that debt can add value when its tax benefits exceed the expected costs of financial distress, although this model does not test that mechanism directly.

This positive result is in line with Suryandari and Yuhasril (2023), Purnomo et al. (2024), and Kusumarini and Abundanti (2024), and it points in the same direction as Karsih and Hidayati (2026), who study DER and LnPBV in food and beverage companies. It differs, however, from the negative relationship reported by Damayanti and Darmayanti (2022) and from the insignificant effect Febriane (2024) found for retail companies. This divergence reinforces the view that the valuation effect of debt may depend on how well a company manages leverage, on its operating characteristics, and on the market period under study.

Two statistical cautions deserve attention. First, DER is highly dispersed, with a mean of 5.5271, a median of 0.4300, and a maximum of 160.2600; this gap suggests that a few highly leveraged observations could strongly influence the estimated coefficient. Second, DER and PBV share equity as a denominator, so a small equity balance can push up both ratios and may produce a positive association even when the underlying operating relationship is more complex. The model does not show that raising debt will necessarily raise firm value. Future work using winsorized DER, debt-to-assets, lagged leverage, or other robustness specifications would help gauge how stable the positive coefficient is.

Simultaneous Effect of the Independent Variables.

The F-statistic probability of 0.000103 shows that cash holding, profitability, and capital structure are jointly associated with firm value in the estimated REM. That joint result does not imply individual significance for each variable, since the partial tests show that only DER is significant at the 5% level. The Adjusted R-squared of 22.35% also shows that the three variables explain only a limited portion of the variation in LnPBV. The remainder may relate to factors outside this model, such as company size, sales and

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asset growth, dividend policy, governance, operating efficiency, and wider market conditions, none of which were included in the current specification.

This study contributes recent empirical evidence on how financial decisions relate to firm value in the Indonesian retailing subsector during 2023–2025, evaluating cash holding, profitability, and capital structure together on balanced panel data. The three variables prove to be jointly significant, although only capital structure shows a statistically significant partial relationship with firm value. This gives an industry- and period-specific view of the financial indicators tied to market valuation. The DER coefficient should nonetheless be interpreted with care, given the large dispersion in leverage observations and the shared equity denominator in DER and PBV.

CONCLUSION

This study set out to examine how cash holding, profitability, and capital structure influence firm value in retailing-subsector companies listed on the IDX during 2023–2025. In the Random Effect Model, cash holding and profitability (measured by Return on Assets, ROA) both have positive coefficients that are not statistically significant. Capital structure, proxied by the Debt to Equity Ratio (DER), is the exception, showing a positive and statistically significant relationship with firm value. Jointly, the three independent variables are significant, with an Adjusted R-squared of 22.35%.

For the sampled companies and period, capital structure is therefore the only one of the three financial indicators with a statistically significant partial relationship to firm value. The positive DER result should still not be taken as general advice to add debt. Given the wide dispersion of DER and the equity denominator it shares with PBV, further robustness testing is needed before broader conclusions are drawn.

Limitations and Suggestions.

This study has several limitations. First, the observation period covers only three years (2023–2025), and the sample consists of 25 retailing-subsector companies, so the findings may not extend to other sectors or longer market cycles. Second, the model contains just three explanatory variables, whereas firm value may also be related to company size, growth opportunities, dividend policy, governance, operating efficiency, and macroeconomic conditions. Third, each construct is captured by a single accounting or market proxy: cash and cash equivalents to total assets for cash holding, ROA for profitability, DER for capital structure, and LnPBV for firm value. Fourth, firm value is analyzed through the natural logarithm of PBV (LnPBV) instead of PBV in its original ratio form. This transformation was chosen because PBV observations were widely dispersed (0.20 to 147.07) and the residuals of the level model failed the normality criterion. As a result, coefficients are read as approximate proportional changes in PBV, the reported

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estimates hold for LnPBV only, and they cannot be compared directly with studies that use untransformed PBV. The log transformation also lessens, but does not remove, the influence of extreme observations. Fifth, DER has a very wide range and a large gap between its mean and median, and DER and PBV share equity as a denominator. These features may affect the estimated relationship, and since robustness checks such as winsorizing or excluding extreme DER observations were not performed, the stability of the DER coefficient remains unassessed. Finally, the purposive-sampling criteria exclude companies with incomplete listing histories, delisting events, or long suspensions, which may limit how representative the sample is.

Future studies could lengthen the observation period and compare retailers with firms in other sectors. Adding variables such as firm size, sales growth, asset growth, dividend policy, corporate governance, and operating efficiency would broaden the explanatory scope of the model. Researchers may also try alternative measures of firm value, profitability, cash holding, and leverage, and run robustness tests that winsorize extreme DER observations or substitute a debt-to-assets measure for DER. For management and investors, the findings suggest that debt should be judged against operating capacity and cash-flow generation, not treated as an inherently favorable signal simply because the leverage ratio is higher.

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