

Managerial Ownership Moderating Financial Determinants of Firm Value in Indonesian Resource Firms

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ABSTRACT

In emerging markets, financial information does not always translate consistently into firm value because information asymmetry and governance conditions can affect how investors interpret financial signals. This study examines whether managerial ownership moderates the effects of financial determinants on firm value in Indonesian resource-based firms. Drawing on Agency Theory and Signaling Theory, panel data comprising 236 firm-year observations from energy, basic materials, and consumer non-cyclical companies listed on the Indonesia Stock Exchange (IDX) during 2021–2023 were analyzed using multiple regression and Moderated Regression Analysis (MRA). Profitability ($t = 4.638$, $p < 0.001$), accounting prudence ($t = 2.923$, $p = 0.004$), and tax planning ($t = 2.624$, $p = 0.009$) positively affected firm value, whereas leverage ($p = 0.447$) and liquidity ($p = 0.675$) had no significant effects. Managerial ownership strengthened the effects of profitability ($t = 2.310$, $p = 0.022$), accounting prudence ($t = 3.100$, $p = 0.002$), and tax planning ($t = 2.015$, $p = 0.045$), but did not moderate the effects of leverage or liquidity. The direct-effects model explained 17.9% of the variance in firm value ($R^2 = 0.179$), increasing to 23.1% after the interaction terms were included ($R^2 = 0.231$). These findings identify managerial ownership as a governance mechanism that enhances the credibility of selected financial signals in an emerging-market setting.

Keywords: Accounting Prudence; Emerging Markets; Firm Value; Managerial Ownership; Profitability; Tax Planning

JEL Classification: G32; G34; M41

INTRODUCTION

Firm value remains a central concern in corporate finance, yet its determinants are not always consistently reflected in market outcomes, particularly in emerging markets. In Indonesia, firms operating in resource-based sectors, including energy, basic materials, and consumer non-cyclicals, have experienced persistent declines and volatility in stock prices during the 2021–2023 period despite exhibiting varying levels of financial performance. This condition creates a critical paradox: while financial indicators such as profitability are theoretically expected to enhance firm value, market responses often remain weak or inconsistent. Such evidence suggests that financial signals alone may not be sufficient to influence investor perception, particularly in environments characterized by high information asymmetry and relatively weak governance mechanisms. Recent studies confirm that profitability generally acts as a positive signal of firm performance and future cash flows (Kencana & Surwanti, 2025; Sarker & Hossain, 2024; Zhong & Song, 2025), yet the effects of other financial determinants, including leverage, liquidity, accounting prudence, and tax planning, remain inconclusive and context-dependent (Hartono et al., 2025; Ishak & Selamat, 2024; Wijayanto & Supanto, 2025). This inconsistency highlights the need for a more comprehensive explanation of how firm value is formed.

From a theoretical perspective, agency theory explains that conflicts of interest between principals and agents may distort managerial decisions and weaken the alignment between firm performance and shareholder value (Cabezón, 2025). At the same time, signaling theory posits that financial disclosures serve as mechanisms through which firms communicate their quality to external stakeholders, thereby reducing information asymmetry (Bafera & Kleinert, 2023; Connelly et al., 2025; Steigenberger et al., 2025). However, recent literature emphasizes that the effectiveness of financial signals depends not only on the information disclosed but also on the credibility of the signal sender (Wahyuda et al., 2025). In this context, corporate governance mechanisms play a crucial role in enhancing or undermining the credibility of financial signals. Despite this, prior studies have largely examined financial determinants and governance structures separately, thereby failing to capture the interaction mechanisms through which governance may condition the impact of financial information on firm value (Kencana & Surwanti, 2025; Miao et al., 2023; Sarker & Hossain, 2024).

These limitations highlight several critical research gaps. First, there is an unresolved empirical gap concerning the inconsistent effects of financial determinants on firm value, particularly in emerging markets with heterogeneous institutional environments (Zhong & Song, 2025). Second, a theoretical gap exists in explaining how financial signals are interpreted by investors in the presence of governance mechanisms, as most studies assume a direct and uniform relationship between financial performance and firm value. Third, a contextual gap persists due to the limited empirical evidence from resource-based firms in Indonesia, which operate under unique regulatory and market conditions and are highly exposed to external shocks. More importantly, the moderating role of managerial ownership in shaping the effectiveness of financial signals remains underexplored, despite its theoretical relevance in aligning managerial incentives with shareholder interests and reducing agency conflicts.

This study aims to examine the effects of profitability, accounting prudence, tax planning, leverage, and liquidity on firm value, while investigating the moderating role of managerial ownership in shaping these relationships. The significance of this study lies in addressing the inconsistency of prior empirical findings by introducing a governance-based perspective that explains how financial signals are interpreted by the market. The novelty of this research is reflected in its mechanism-based approach, which

conceptualizes managerial ownership not merely as a control variable, but as a credibility filter that strengthens the effectiveness of financial signals in influencing firm value. By integrating financial determinants and governance structures within a moderated framework, this study provides a more comprehensive explanation of firm value formation. The contribution of this research is threefold. First, it extends agency theory and signaling theory by demonstrating that governance mechanisms condition the transmission of financial information to the market. Second, it provides empirical evidence on the interaction effects between financial performance and managerial ownership in determining firm value. Third, it offers practical implications for corporate managers and policymakers in designing governance structures that enhance financial reporting credibility, strengthen investor confidence, and improve firm valuation, particularly in emerging market contexts characterized by high uncertainty and information asymmetry.

LITERATURE REVIEW

Firm value has increasingly been examined through the lens of both agency theory and signaling theory, particularly in emerging markets characterized by higher information asymmetry and weaker governance enforcement. Agency theory posits that the separation between ownership and control creates conflicts of interest between principals and agents, which may lead to opportunistic managerial behavior and suboptimal firm outcomes (Cabezon, 2025; Kencana & Surwanti, 2025; Sarker & Hossain, 2024). Recent studies emphasize that governance mechanisms are essential in mitigating agency conflicts and improving decision-making quality, thereby enhancing firm value (Amanamah, 2024; Hsu & Yang, 2022; Miao et al., 2023; Rajpurohit & Rijwani, 2022).

Signaling theory complements this perspective by suggesting that firms convey information about their quality through financial disclosures, which serve as signals to investors (Bafera & Kleinert, 2023; Steigenberger et al., 2025). However, the effectiveness of such signals depends on their credibility, which is influenced by governance structures and managerial incentives. Recent empirical evidence indicates that financial information alone may not be sufficient to influence firm value unless supported by credible governance mechanisms (Wahyuda et al., 2025). Thus, the interaction between financial determinants and governance becomes critical in explaining firm value formation.

Financial Determinants of Firm Value

Profitability is widely recognized as a primary determinant of firm value, as it reflects a firm's ability to generate returns and future cash flows. Empirical studies consistently find that higher profitability signals superior performance and increases investor confidence, thereby enhancing firm value (Wijayanto & Supanto, 2025). However, recent evidence suggests that the effect of profitability may vary depending on the credibility of financial reporting and governance conditions (Kencana & Surwanti, 2025; Sarker & Hossain, 2024).

Accounting prudence, as a conservative reporting approach, enhances the reliability of financial information by reducing overstatement risks. Studies indicate that prudent accounting practices improve investor trust and positively affect firm value (Amanamah, 2024; Hsu & Yang, 2022; Rajpurohit & Rijwani, 2022). Nevertheless, excessive conservatism may delay the recognition of economic performance, leading to mixed market responses.

Tax planning represents a strategic effort to optimize after-tax income. While efficient tax planning can enhance firm value by increasing net cash flows, aggressive tax strategies may raise concerns regarding transparency and governance risks (Hartono et al., 2025; Wahyuda et al., 2025). Therefore, the effect of tax planning on firm value remains conditional.

Leverage reflects a firm's financing decisions and has both positive and negative implications for firm value. Moderate leverage may enhance value through tax benefits and financial discipline, while excessive leverage increases financial risk and may reduce firm valuation (Karaca et al., 2025). Similarly, liquidity indicates a firm's ability to meet short-term obligations, but excessive liquidity may signal inefficient resource utilization (Beck et al., 2023; Ishak & Selamat, 2024; Laghari et al., 2022). These mixed findings suggest that financial determinants alone cannot fully explain firm value.

Managerial Ownership as a Moderating Mechanism

Managerial ownership is considered a key governance mechanism that aligns managerial interests with those of shareholders. When managers hold equity stakes, they are more likely to act in the best interest of shareholders, thereby reducing agency conflicts and improving firm performance (Kencana & Surwanti, 2025; Sarker & Hossain, 2024). Recent literature suggests that managerial ownership not only affects firm value directly but also moderates the relationship between financial determinants and firm value. In particular, managerial ownership enhances the credibility of financial signals, making them more effective in influencing investor decisions (Amanamah, 2024; Hsu & Yang, 2022; Miao et al., 2023; Rajpurohit & Rijwani, 2022). Consequently, managerial ownership can be conceptualized as a credibility filter that strengthens the transmission of financial information to the market.

Hypotheses Development

Profitability and Firm Value

Profitability reflects a firm's ability to generate earnings from its assets and is widely recognized as a primary signal of firm performance. According to signaling theory, higher profitability provides a credible signal of future cash flows and firm efficiency, which positively influences investor perception and market valuation (Bafera & Kleinert, 2023; Steigenberger et al., 2025). From an agency theory perspective, higher profitability also indicates effective managerial performance in maximizing shareholder wealth, thereby reducing agency conflicts. Empirical studies consistently find that profitability positively affects firm value, particularly in emerging markets where investors rely heavily on financial signals (Avinda et al., 2025; Kencana & Surwanti, 2025; Sarker & Hossain, 2024; Wijayanto & Supanto, 2025). Therefore, profitability is expected to enhance firm value.

H1: Profitability has a positive effect on firm value.

Accounting Prudence and Firm Value

Accounting prudence, as a conservative financial reporting approach, plays a critical role in enhancing the credibility of financial information. Under signaling theory, prudence reduces the risk of overstatement and strengthens the reliability of financial signals conveyed to investors (Obiedallah & El Mahdy, 2025). From the perspective of agency theory, prudent accounting limits managerial opportunism and reduces information asymmetry between managers and shareholders. Empirical evidence suggests that firms adopting conservative accounting practices tend to exhibit higher firm value due to increased investor trust and improved financial transparency (Amanamah, 2024; Hsu & Yang, 2022; Rajpurohit & Rijwani, 2022). Thus, accounting prudence is expected to positively influence firm value.

H2: Accounting prudence has a positive effect on firm value.

Tax Planning and Firm Value

Tax planning represents a strategic effort to minimize tax obligations and enhance after-tax profitability. According to signaling theory, efficient tax planning may signal managerial capability in optimizing firm resources, thereby improving investor confidence (Wahyuda et al., 2025). However, agency theory suggests that aggressive tax planning may also reflect opportunistic behavior if it reduces transparency or increases risk. Empirical findings indicate that tax planning can positively affect firm value when it is perceived as efficient and compliant, but its effect may vary depending on governance conditions (Hartono et al., 2025). Therefore, tax planning is expected to influence firm value.

H3: Tax planning has a positive effect on firm value.

Leverage and Firm Value

Leverage represents the extent to which a firm relies on debt financing. From the perspective of agency theory, leverage can reduce agency costs by imposing financial discipline on managers, as debt obligations require firms to generate sufficient cash flows (Karaca et al., 2025). In contrast, excessive leverage may increase financial risk and lead to value destruction. Signaling theory suggests that leverage may serve as a signal of firm confidence, but its interpretation depends on the firm's financial stability. Empirical studies show mixed results regarding the impact of leverage on firm value, indicating that the relationship is not uniform (Dsouza et al., 2025; Karaca et al., 2025). Accordingly, leverage is expected to influence firm value.

H4: Leverage has an effect on firm value.

Liquidity and Firm Value

Liquidity reflects a firm's ability to meet its short-term obligations and maintain financial stability. Under signaling theory, adequate liquidity signals financial strength and reduces the perceived risk of financial distress (Beck et al., 2023). However, agency theory suggests that excessive liquidity may lead to inefficient resource allocation, as managers may hold idle assets rather than invest them productively. Empirical findings indicate that liquidity has an ambiguous effect on firm value, depending on how efficiently resources are utilized (Beck et al., 2023; Ishak & Selamat, 2024; Laghari et al., 2022; Saksono et al., 2024). Thus, liquidity is expected to influence firm value.

H5: Liquidity has an effect on firm value.

Managerial Ownership, Profitability, and Firm Value

Managerial ownership aligns the interests of managers and shareholders by providing managers with direct financial stakes in the firm. According to agency theory, this alignment reduces opportunistic behavior and enhances decision-making quality (Kencana & Surwanti, 2025; Sarker & Hossain, 2024). From a signaling theory perspective, managerial ownership enhances the credibility of financial disclosures, as managers are more likely to provide accurate information when they bear the consequences of their decisions. Empirical studies suggest that managerial ownership strengthens the relationship between profitability and firm value by increasing the credibility of financial performance signals (Amanamah, 2024; Hsu & Yang, 2022; Nugroho & Budiman, 2022; Rajpurohit & Rijwani, 2022; Wijayanto & Supanto, 2025). Therefore, managerial ownership is expected to moderate the relationship between profitability and firm value.

H6: Managerial ownership positively moderates the relationship between profitability and firm value.

Managerial Ownership, Accounting Prudence, and Firm Value

Managerial ownership is also expected to strengthen the relationship between accounting prudence and firm value. From an agency theory perspective, managers with ownership stakes are more likely to adopt conservative accounting practices that protect long-term firm value. Under signaling theory, the presence of managerial ownership enhances the credibility of prudence as a signal of reporting quality. Empirical evidence indicates that governance mechanisms amplify the positive impact of accounting quality on firm value (Miao et al., 2023). Thus, managerial ownership is expected to moderate the effect of accounting prudence on firm value.

H7: Managerial ownership positively moderates the relationship between accounting prudence and firm value.

Managerial Ownership, Tax Planning, and Firm Value

In the context of tax planning, managerial ownership is expected to influence how tax strategies are perceived by investors. Agency theory suggests that managerial ownership reduces opportunistic tax behavior, ensuring that tax planning decisions align with shareholder interests. From a signaling perspective, tax planning becomes a more credible signal of efficiency when managers have ownership stakes. Empirical studies confirm that governance mechanisms shape the relationship between tax strategies and firm value (Hartono et al., 2025; Nugraha, 2023; Wahyuda et al., 2025). Therefore, managerial ownership is expected to moderate the relationship between tax planning and firm value.

H8: Managerial ownership positively moderates the relationship between tax planning and firm value.

Managerial Ownership, Leverage, and Firm Value

Managerial ownership may also influence the relationship between leverage and firm value. Agency theory suggests that managers with ownership stakes are more cautious in using debt, thereby reducing financial risk. Under signaling theory, leverage decisions made by owner-managers may be interpreted more positively by investors due to increased credibility. Empirical evidence suggests that governance structures influence financing decisions and their impact on firm value (Dewi & Novitasari, 2022; Kencana & Surwanti, 2025; Sarker & Hossain, 2024). Thus, managerial ownership is expected to moderate the relationship between leverage and firm value.

H9: Managerial ownership moderates the relationship between leverage and firm value.

Managerial Ownership, Liquidity, and Firm Value

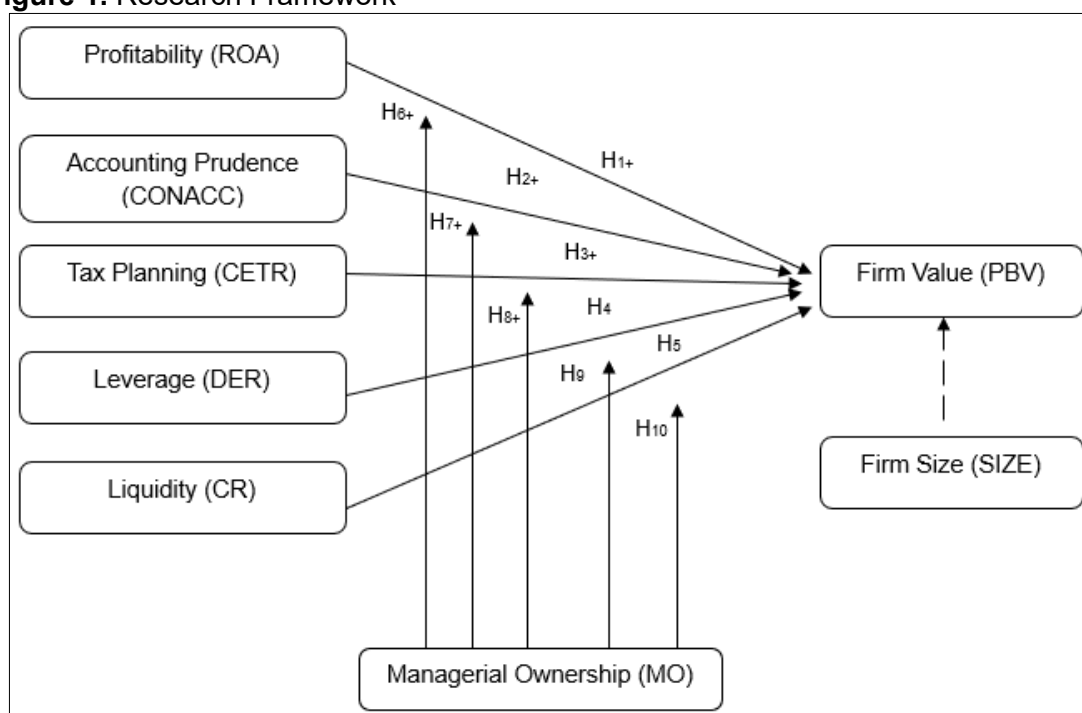
Finally, managerial ownership is expected to influence the relationship between liquidity and firm value. From an agency theory perspective, ownership alignment reduces the likelihood of inefficient cash hoarding. Under signaling theory, liquidity becomes a more credible signal of financial strength when managers have ownership stakes. Empirical findings indicate that governance mechanisms affect how liquidity is managed and perceived by investors (Amanamah, 2024; Hsu & Yang, 2022; Rajpurohit & Rijwani, 2022). Therefore, managerial ownership is expected to moderate the relationship between liquidity and firm value.

H10: Managerial ownership moderates the relationship between liquidity and firm value.

Conceptual Framework

Based on the theoretical and empirical discussions presented in the preceding sections, firm value is influenced by a combination of financial performance indicators and corporate governance mechanisms. Financial determinants such as profitability, accounting prudence, tax planning, leverage, and liquidity provide important signals to investors regarding a firm's operational efficiency, financial stability, and future prospects. However, the effectiveness of these signals in shaping market valuation is not uniform and may depend on the credibility of the information conveyed. In emerging markets characterized by higher information asymmetry, governance mechanisms play a crucial role in strengthening or weakening the impact of financial information on firm value. In particular, managerial ownership is expected to act as a moderating variable that enhances the credibility of financial signals by aligning managerial interests with those of shareholders. In addition, firm size is included as a control variable, as it may influence firm value through economies of scale, market power, and access to resources. Accordingly, this study proposes an integrated conceptual framework that captures both the direct effects of financial determinants and the moderating role of managerial ownership in explaining firm value.

Figure 1. Research Framework



As illustrated in Figure 1, firm value, measured using price-to-book value (PBV), is positioned as the dependent variable. The framework proposes that profitability (ROA), accounting prudence (CONACC), tax planning (CETR), leverage (DER), and liquidity (CR) directly affect firm value, as specified in H1–H5. Managerial ownership (MO) is incorporated as a moderating variable that may strengthen or weaken each of these relationships, as proposed in H6–H10. Firm size (SIZE) is included as a control variable to account for differences in firm characteristics that may independently affect firm value. This framework therefore integrates financial determinants and a governance mechanism to explain how financial information is translated into market valuation.

RESEARCH METHOD

Sampling

This study adopts a quantitative research design to examine the effects of financial determinants on firm value and the moderating role of managerial ownership. The target population comprises 311 companies from the energy, basic materials, and consumer non-cyclical sectors listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. Specifically, the population consists of 81 energy companies, 105 basic materials companies, and 125 consumer non-cyclical companies. These sectors were selected because of their contribution to the Indonesian economy and their exposure to commodity-price movements and market fluctuations, making them relevant to the analysis of firm value dynamics (Kencana & Surwanti, 2025; Sarker & Hossain, 2024).

The unit of analysis is the firm-year observation, which captures both cross-sectional and time-series variation in corporate finance data (Wijayanto & Supanto, 2025). A purposive sampling technique was employed to select companies that met the predetermined research criteria (Peck & Olsen, 2024; Sekaran & Bougie, 2025; Gujarati & Porter, 2025). Companies were included if they remained listed throughout the observation period, published complete financial statements containing the information required to measure all research variables, reported positive earnings, and had managerial ownership. Companies that were delisted, newly listed, reported losses, or had no managerial ownership during the observation period were excluded (Hartono et al., 2025). The sample-selection process is presented in Table 1.

Table 1. Sample Selection Process

No.	Sample-Selection Criteria	Number of Companies/Observations
1	Companies in the energy, basic materials, and consumer non-cyclical sectors listed on the IDX during 2021–2023	311
2	Companies delisted during the 2021–2023 observation period	(15)
3	Companies reporting losses during the 2021–2023 observation period	(42)
4	Companies conducting an initial public offering during the 2021–2023 observation period	(48)
5	Companies without managerial ownership during the 2021–2023 observation period	(125)
Companies meeting the sample-selection criteria		81
Observation period		3 years
Potential firm-year observations (81×3)		243
Firm-year observations excluded following data transformation and outlier assessment		(7)
Final firm-year observations included in the analysis		236

Note: The exclusion criteria were applied sequentially. Numbers in parentheses indicate companies or firm-year observations excluded from the sample.

As shown in Table 1, the sequential application of the sample-selection criteria resulted in 81 eligible companies. Observing these companies over the three-year period generated 243 potential firm-year observations. Following data transformation and outlier assessment, seven firm-year observations were excluded. Consequently, the final dataset comprised 236 firm-year observations used in the empirical analysis.

Data Collection

This study utilizes secondary data obtained from publicly available sources, including audited annual reports, financial statements, and corporate governance disclosures of

firms listed on the IDX. The use of secondary data is widely accepted in accounting and finance research due to its objectivity and reliability (Peck & Olsen, 2024; Sekaran & Bougie, 2025).

Financial data and governance information are collected from official IDX databases and company reports, ensuring consistency and comparability across firms. The data collection process involves extracting key financial indicators, ownership structures, and firm characteristics over the observation period. Only audited financial statements are used to ensure data accuracy and credibility, which is critical for empirical analysis (Amanamah, 2024; Hsu & Yang, 2022; Rajpurohit & Rijwani, 2022; Wijayanto & Supanto, 2025).

Measures

The dependent variable in this study is firm value, measured using PBV, which reflects the market's valuation of a firm relative to its book value. PBV is widely used as a proxy for firm value because it captures investor perceptions of growth potential and future performance (Kencana & Surwanti, 2025; Sarker & Hossain, 2024).

The independent variables consist of five financial determinants. Profitability is measured using return on assets (ROA), which represents a firm's ability to generate earnings from its assets and is a key indicator of operational efficiency (Wijayanto & Supanto, 2025). Accounting prudence is measured using accrual-based conservatism (CONACC), which reflects the degree of conservative financial reporting (Obiedallah & El Mahdy, 2025). Tax planning is proxied by the cash effective tax rate (CETR), which captures the efficiency of tax management (Hartono et al., 2025; Wahyuda et al., 2025). Leverage is measured using the debt-to-equity ratio (DER), which indicates the firm's reliance on debt financing (Karaca et al., 2025). Liquidity is measured using the current ratio (CR), representing the firm's ability to meet short-term obligations (Beck et al., 2023; Laghari et al., 2022).

The moderating variable is managerial ownership, measured as the percentage of shares held by managers relative to total outstanding shares. This variable captures the alignment of managerial and shareholder interests, which is a key mechanism in reducing agency conflicts (Kencana & Surwanti, 2025; Miao et al., 2023; Sarker & Hossain, 2024). The control variable is firm size, measured as the natural logarithm of total assets, which accounts for differences in firm characteristics that may influence firm value (Wijayanto & Supanto, 2025).

To test the hypotheses, this study employs multiple regression analysis and Moderated Regression Analysis (MRA), which is widely used to examine interaction effects between variables (Hayes, 2022; Peck & Olsen, 2024). Interaction terms are constructed by multiplying each independent variable by managerial ownership to capture the moderating effects. Prior to hypothesis testing, diagnostic tests including normality, multicollinearity, heteroscedasticity, and autocorrelation are conducted to ensure the validity of the regression model (Gujarati & Porter, 2025; Wooldridge, 2025). Additionally, the use of panel data enhances the robustness of the analysis by capturing both time and firm-specific variations (Wijayanto & Supanto, 2025).

RESULTS

Sample Profile

This study uses archival company-level data obtained from financial statements, annual reports, and corporate governance disclosures rather than data collected from individual respondents. Therefore, conventional demographic characteristics such as age, gender,

education, and occupation are not applicable. Accordingly, the sample profile is presented according to the companies' sectoral classification.

Table 2. Population and Sample Distribution by Sector

Sector	Population	Population (%)	Sample Firms	Sample (%)	Potential Firm-Year Observations
Energy	81	26.05	23	28.40	69
Basic Materials	105	33.76	26	32.10	78
Consumer Non-Cyclicals	125	40.19	32	39.51	96
Total	311	100.00	81	100.00	243

Note: Potential firm-year observations were calculated by multiplying the number of sample firms by the three-year observation period. Seven observations were subsequently excluded following data transformation and outlier assessment, resulting in 236 final firm-year observations.

As shown in Table 2, the study population comprises 311 companies, consisting of 81 energy companies (26.05%), 105 basic materials companies (33.76%), and 125 consumer non-cyclical companies (40.19%). The final sample includes 23 energy companies (28.40%), 26 basic materials companies (32.10%), and 32 consumer non-cyclical companies (39.51%). Consumer non-cyclicals constitute the largest sample group, followed by basic materials and energy. Overall, the sectoral composition of the sample broadly reflects the population distribution. The 81 sample companies generated 243 potential firm-year observations, of which 236 were retained for the empirical analysis after data transformation and outlier assessment.

Descriptive Statistics

Descriptive statistics provide an overview of the distribution and characteristics of the variables included in the study. This analysis enables readers to understand the central tendency and variability of the data before the inferential analysis is conducted (Peck & Olsen, 2024; Wooldridge, 2025). The descriptive statistics for all variables are presented in Table 3.

Table 3. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
PBV	236	0.17	9.59	1.97	1.71
ROA	236	3.21	58.52	9.17	9.52
CONACC	236	-0.94	0.07	-0.30	0.21
CETR	236	-844.98	234.28	-34.90	88.97
DER	236	5.86	845.34	93.82	109.40
CR	236	39.30	1330.90	250.90	190.46
MO	236	0.00	92.03	17.66	24.93
SIZE	236	25.16	32.85	29.128	1.78

Note: Price-to-Book Value/Firm Value (PBV), Return on Assets/Profitability (ROA), Accrual-Based Conservatism/Prudence (CONACC), Cash Effective Tax Rate/Tax Planning (CETR), Debt-to-Equity Ratio/Leverage (DER), Current Ratio/Liquidity (CR), Managerial Ownership (MO), Firm Size (SIZE).

The results in Table 3 show substantial variation across firms, indicating heterogeneity in financial performance and firm characteristics. Firm value (PBV) exhibits a wide range, suggesting differing market perceptions across companies. Profitability (ROA) also shows high dispersion, reflecting variation in operational efficiency. The negative mean of accounting prudence (CONACC) indicates the presence of conservative reporting practices. Meanwhile, the substantial variation in tax planning (CETR), including its

extreme negative and positive values, indicates considerable heterogeneity in the tax-related characteristics of the sampled firms. These extreme values should be interpreted cautiously, as they may be influenced by differences in taxable income, cash tax payments, and specific accounting or tax conditions during the observation period, rather than solely reflecting differences in tax strategies. High leverage and liquidity values further indicate differences in financial structure and short-term financial management. Overall, the variability in the data supports the need for regression analysis to examine the relationships among variables (Peck & Olsen, 2024; Wijayanto & Supanto, 2025).

Classical Assumption Tests

Prior to hypothesis testing, classical assumption tests are conducted to ensure that the regression model meets the required statistical assumptions, including normality, multicollinearity, heteroscedasticity, and autocorrelation (Gujarati & Porter, 2025; Wooldridge, 2025).

Table 4. Normality Test (Kolmogorov–Smirnov)

Model	N	Test Statistic	Sig.
After transformation	236	0.036	0.200

The results in Table 4 indicate that the significance value is 0.200, which exceeds the threshold of 0.05, confirming that the data are normally distributed after transformation. This satisfies the normality assumption required for regression analysis (Peck & Olsen, 2024).

Table 5. Multicollinearity Test

Variable	Tolerance	VIF
ROA	0.809	1.235
CONACC	0.923	1.084
CETR	0.956	1.046
DER	0.748	1.337
CR	0.791	1.264
SIZE	0.908	1.101

Note: Return on Assets/Profitability (ROA), Accrual-Based Conservatism/Prudence (CONACC), Cash Effective Tax Rate/Tax Planning (CETR), Debt-to-Equity Ratio/Leverage (DER), Current Ratio/Liquidity (CR), Firm Size (SIZE).

Table 5 shows that all tolerance values exceed 0.10 and all VIF values are below 10, indicating no multicollinearity among the independent variables. This suggests that the regression coefficients can be estimated reliably (Gujarati & Porter, 2025).

The heteroscedasticity test is conducted to examine whether the variance of the residuals remains constant across observations. The presence of heteroscedasticity may lead to inefficient parameter estimates and biased standard errors, thereby affecting the validity of statistical inference. To ensure the robustness of the regression model, this study employs both statistical and graphical approaches, namely the Glejser test and scatterplot analysis, which are widely used in empirical finance and accounting research (Gujarati & Porter, 2025; Wooldridge, 2025).

Table 6. Glejser Test Results

Variable	Coefficient	t-value	Sig.
Constant	0.512	1.842	0.067
ROA	0.003	0.921	0.358
CONACC	0.041	1.233	0.219
CETR	0.000	0.884	0.378

DER	0.000	0.755	0.451
CR	0.000	0.669	0.504
SIZE	-0.009	-1.112	0.267

Note: Return on Assets/Profitability (ROA), Accrual-Based Conservatism/Prudence (CONACC), Cash Effective Tax Rate/Tax Planning (CETR), Debt-to-Equity Ratio/Leverage (DER), Current Ratio/Liquidity (CR), Firm Size (SIZE).

As shown in Table 6, all independent variables have significance values greater than 0.05, indicating that none of the variables significantly explain the absolute residuals. This suggests that the model does not exhibit heteroscedasticity based on the Glejser test. Therefore, the variance of the residuals can be considered constant, and the regression model satisfies the homoscedasticity assumption (Gujarati & Porter, 2025).

Multiple Regression Analysis

Multiple regression analysis is employed to examine the direct effects of financial determinants on firm value. This method allows for the simultaneous estimation of the influence of multiple independent variables on the dependent variable while controlling for firm-specific characteristics (Peck & Olsen, 2024; Wooldridge, 2025). The regression model includes profitability, accounting prudence, tax planning, leverage, liquidity, and firm size as the control variables.

Table 7. Multiple Regression Results

Variable	Coefficient (B)	Std. Error	t-value	Sig.
Constant	0.921	0.373	2.469	0.014
ROA	0.012	0.003	4.638	0.000
CONACC	0.302	0.103	2.923	0.004
CETR	0.001	0.000	2.624	0.009
DER	0.000172	0.000	0.761	0.447
CR	0.000053	0.000	0.420	0.675
SIZE	-0.027	0.013	-2.155	0.032
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R ²	0.179			
Adjusted R ²	0.169			
F-Statistics	12.847			
Sig. (F)	0.000			

Note: Return on Assets/Profitability (ROA), Accrual-Based Conservatism/Prudence (CONACC), Cash Effective Tax Rate/Tax Planning (CETR), Debt-to-Equity Ratio/Leverage (DER), Current Ratio/Liquidity (CR), Firm Size (SIZE).

As presented in Table 7, profitability (ROA), accounting prudence (CONACC), and tax planning (CETR) have positive and statistically significant effects on firm value, indicating that these financial indicators play an important role in shaping market valuation. In contrast, leverage (DER) and liquidity (CR) are not statistically significant, suggesting that financing structure and short-term liquidity do not directly influence firm value in this context. The control variable, firm size (SIZE), exhibits a negative and significant effect, implying that larger firms may face lower growth expectations or reduced valuation premiums. The adjusted R² value of 0.169 indicates that the model explains 16.9% of the variation in firm value, which is acceptable given the complexity of firm valuation in emerging markets (Kencana & Surwanti, 2025; Sarker & Hossain, 2024; Wijayanto & Supanto, 2025).

Moderated Regression Analysis (MRA)

To examine the moderating role of managerial ownership, MRA is conducted by incorporating interaction terms between managerial ownership and each independent

variable. This approach enables the assessment of whether managerial ownership strengthens or weakens the relationship between financial determinants and firm value (Hayes, 2022).

Table 8. Moderating Regression Results

Variable	Coefficient (B)	Std. Error	t-value	Sig.
Constant	0.884	0.391	2.261	0.025
ROA	0.010	0.002	4.090	0.000
CONACC	0.275	0.098	2.806	0.005
CETR	0.001	0.000	2.447	0.015
DER	0.000150	0.000	0.698	0.486
CR	0.000048	0.000	0.389	0.698
MO	0.000192	0.001	0.155	0.877
ROA*MO	0.000206	0.000	2.310	0.022
CONACC*MO	0.015	0.005	3.100	0.002
CETR*MO	0.000004	0.000	2.015	0.045
DER*MO	0.000002	0.000	0.812	0.418
CR*MO	0.000001	0.000	0.623	0.534
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R ²	0.231			
Adjusted R ²	0.212			
F-Statistics	11.932			
Sig. (F)	0.000			

Note: Return on Assets/Profitability (ROA), Accrual-Based Conservatism/Prudence (CONACC), Cash Effective Tax Rate/Tax Planning (CETR), Debt-to-Equity Ratio/Leverage (DER), Current Ratio/Liquidity (CR), Managerial Ownership (MO).

The results in Table 8 indicate that managerial ownership significantly moderates the relationship between profitability, accounting prudence, and tax planning and firm value, as evidenced by the positive and significant interaction terms. This suggests that the effectiveness of these financial signals is strengthened when managerial ownership is higher, supporting the role of governance in enhancing signal credibility. In contrast, the interaction terms for leverage and liquidity are not statistically significant, indicating that managerial ownership does not alter their effects on firm value. The increase in adjusted R² from 0.169 to 0.212 demonstrates that the inclusion of interaction terms improves the explanatory power of the model. Overall, these findings confirm that managerial ownership acts as an important moderating mechanism in the relationship between financial determinants and firm value (Hayes, 2022; Kencana & Surwanti, 2025; Sarker & Hossain, 2024).

DISCUSSION

The Influence of Financial Determinants on Firm Value

The first hypothesis test indicates that profitability influences firm value. Profitability represents a firm's ability to generate earnings from its assets and serves as a primary indicator of financial performance. Within the framework of signaling theory, profitability acts as a strong signal of future cash flow potential and operational efficiency, thereby enhancing investor confidence and market valuation (Bafera & Kleinert, 2023; Steigenberger et al., 2025; Wijayanto & Supanto, 2025). The findings of this study confirm that profitability has a positive and significant effect on firm value, suggesting that firms with higher profitability are more likely to attract investors and achieve higher valuation. This result is consistent with previous studies that document a positive relationship between profitability and firm value (Kencana & Surwanti, 2025; Sarker & Hossain, 2024). However, some studies argue that profitability may not always translate

into higher firm value when investors question the sustainability or credibility of reported earnings (Amanamah, 2024; Hsu & Yang, 2022; Rajpurohit & Rijwani, 2022; Wahyuda et al., 2025), highlighting the importance of governance mechanisms in strengthening financial signals.

The second hypothesis test shows that accounting prudence influences firm value. Accounting prudence reflects a conservative approach to financial reporting that reduces the risk of overstatement and enhances the reliability of financial information. From the perspective of signaling theory, prudence increases the credibility of financial disclosures, making them more informative for investors (Obiedallah & El Mahdy, 2025). The results of this study indicate that accounting prudence has a positive and significant effect on firm value, suggesting that firms adopting conservative reporting practices are perceived as more transparent and trustworthy. This finding is consistent with prior studies showing that higher reporting quality is associated with higher firm value (Amanamah, 2024; Hsu & Yang, 2022; Kencana & Surwanti, 2025; Miao et al., 2023; Rajpurohit & Rijwani, 2022; Sarker & Hossain, 2024). Nevertheless, other studies suggest that excessive conservatism may delay the recognition of economic gains, potentially weakening its positive impact (Wijayanto & Supanto, 2025).

The third hypothesis test indicates that tax planning influences firm value. Tax planning reflects managerial efforts to optimize after-tax income through efficient financial strategies. According to signaling theory, effective tax planning may signal managerial capability and financial efficiency, thereby enhancing firm value (Hartono et al., 2025; Wahyuda et al., 2025). The findings confirm that tax planning has a positive and significant effect on firm value, indicating that investors perceive tax efficiency as a value-enhancing activity. This result aligns with studies that document a positive association between tax planning and firm value when it is conducted within acceptable limits (Kencana & Surwanti, 2025; Sarker & Hossain, 2024). However, other studies highlight that aggressive tax avoidance may increase risk and reduce firm value due to potential regulatory scrutiny (Amanamah, 2024; Hsu & Yang, 2022; Rajpurohit & Rijwani, 2022; Wijayanto & Supanto, 2025).

The fourth hypothesis test shows that leverage does not influence firm value. Leverage represents the extent to which firms rely on debt financing and has both positive and negative implications. Agency theory suggests that leverage may reduce agency costs by disciplining managers, while excessive leverage increases financial risk (Karaca et al., 2025). The results indicate that leverage is not statistically significant, suggesting that investors may not consider debt levels as a primary determinant of firm value in this context. This finding is consistent with studies reporting mixed or insignificant effects of leverage (Dsouza et al., 2025). It also suggests that the impact of leverage may depend on industry characteristics and market conditions.

The fifth hypothesis test indicates that liquidity does not influence firm value. Liquidity reflects a firm's ability to meet short-term obligations and maintain financial stability. Although signaling theory suggests that liquidity may signal financial strength, the findings show that liquidity does not significantly affect firm value. This implies that investors may prioritize long-term profitability and growth potential over short-term financial stability (Wijayanto & Supanto, 2025). These findings are consistent with studies showing that liquidity has an ambiguous or insignificant effect on firm value (Beck et al., 2023; Laghari et al., 2022).

The Moderating Role of Managerial Ownership

The sixth hypothesis test indicates that managerial ownership strengthens the relationship between profitability and firm value. Managerial ownership aligns managerial

and shareholder interests, reducing agency conflicts and enhancing decision-making quality (Kencana & Surwanti, 2025; Miao et al., 2023; Sarker & Hossain, 2024). The results show that managerial ownership significantly strengthens the effect of profitability on firm value, indicating that profitability becomes a more credible signal when managers have ownership stakes. This finding is consistent with prior studies highlighting the role of ownership structure in enhancing financial performance signals (Amanamah, 2024; Hsu & Yang, 2022; Rajpurohit & Rijwani, 2022; Wijayanto & Supanto, 2025).

The seventh hypothesis test indicates that managerial ownership strengthens the relationship between accounting prudence and firm value. This suggests that conservative reporting practices are more effective when supported by governance mechanisms. From a signaling theory perspective, managerial ownership enhances the credibility of prudence as a signal of reporting quality (Miao et al., 2023). These findings are consistent with studies demonstrating that governance mechanisms improve the effectiveness of financial reporting (Kencana & Surwanti, 2025; Sarker & Hossain, 2024).

The eighth hypothesis test indicates that managerial ownership strengthens the relationship between tax planning and firm value. This finding suggests that tax strategies are perceived more positively when managers have ownership stakes, as this reduces concerns about opportunistic behavior. These results align with studies showing that governance mechanisms influence the effectiveness of tax planning (Amanamah, 2024; Hartono et al., 2025; Hsu & Yang, 2022; Rajpurohit & Rijwani, 2022; Wahyuda et al., 2025).

The ninth and tenth hypothesis tests indicate that managerial ownership does not moderate the relationships between leverage and liquidity and firm value. These findings suggest that governance mechanisms may not fully mitigate the risks associated with debt financing or inefficiencies in liquidity management. Investors may perceive leverage and liquidity as structural financial factors that are less sensitive to governance influences. This result is consistent with studies that report limited moderating effects of governance on these variables (Dsouza et al., 2025).

CONCLUSION

This study examines the influence of financial determinants on firm value and the moderating role of managerial ownership in Indonesian resource-based firms. The findings indicate that profitability, accounting prudence, and tax planning significantly enhance firm value, suggesting that investors place greater emphasis on performance-related and credibility-enhancing financial signals. In contrast, leverage and liquidity are found to have no significant effect, implying that structural financial characteristics may not be the primary considerations in market valuation within this context.

Furthermore, this study demonstrates that managerial ownership plays an important role in strengthening the relationship between financial determinants and firm value, particularly for profitability, accounting prudence, and tax planning. This highlights the importance of governance mechanisms in enhancing the credibility of financial information and aligning managerial incentives with shareholder interests.

The results provide important implications for corporate managers and policymakers. Firms should prioritize improving profitability, maintaining prudent accounting practices, and implementing efficient tax strategies to enhance firm value. Additionally, increasing managerial ownership may serve as an effective governance mechanism to strengthen investor confidence and improve the effectiveness of financial signals.

LIMITATION

Despite its contributions, this study is subject to several limitations, including the focus on a specific sector and country context, as well as the use of secondary data. Future research is encouraged to expand the scope by incorporating cross-country analysis, additional governance variables, and more advanced econometric techniques to address potential endogeneity issues. Such extensions would provide a more comprehensive understanding of firm value formation in different institutional environments.

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DECLARATION OF CONFLICTING INTERESTS

The authors declare no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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