International Journal of Economics, Business Management and Accounting (IJEBMA)
Vol.7, No.2, 2025: 165-182

Determinant of Firm Value and the Role of Firm Size as a Moderating Variable: Empirical Evidence from Top 100 Listed Companies in Indonesia

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ARTICLEINFO

Keywords: Firm Value, Profitability, Tax Planning, Leverage, Firm Size

Received : 14 May
Revised : 17 June
Accepted : 19 July

ABSTRACT

Firm value reflects investors' confidence in a company's management capabilities, ultimately affecting their financial returns. Assessing a firm's value is crucial for investment decisions as it shapes investor perceptions. This research aims to examine the influence of profitability, tax planning, and leverage on firm value in Indonesian companies listed on the Kompas 100 index, with firm size as a moderating variable. The samples were selected using purposive sampling, yielding 222 observations from 37 companies. The panel data were analyzed using moderated regression analysis with EViews 13. The findings reveal that whereas leverage has no appreciable beneficial effect on firm value, profitability and tax planning do. Furthermore, firm size significantly moderates these relationships, enhancing the positive effects of profitability and tax planning, and mitigating the negative impact of leverage on firm value. This research implies that in corporate management should prioritize profitability through operational efficiency and sustainable growth strategies, and utilize legal and efficient tax planning to enhance firm value

INTRODUCTION

Every company now has the chance to operate in a more expansive and competitive commercial environment thanks to advancements in the business and economic sectors. As a member of ASEAN, Indonesia engages in the ASEAN Economic Community (AEC), where intense competition pushes companies to meet stakeholder expectations for sustainable and efficient operations (Sukoco et al., 2018).

Maximizing firm value is a core goal for companies, as it directly contributes to enhancing shareholder prosperity. This value, often indicated by the stock price, represents how investors assess the company's performance and overall success (Sartono, 2014). A growth in the firm's value is shown by an increase in the present value of future cash flows or income that investors expect to receive. A high firm value usually indicates a solid financial position and is believed to have good prospects, while a low firm value tends to be perceived otherwise.

Firm value fluctuates due to various factors, with profitability being a key determinant. Profitability reflects how effectively a company generates earnings through its core operations. When a company demonstrates strong profit-generating capabilities, it tends to raise investors' expectations for higher returns (Kasmir, 2018). Ultimately, this contributes to the enhancement of firm value. However, findings from previous studies remain inconclusive. While several researchers have found that profitability exerts a significant positive influence on firm value (Aji & Atun, 2019; Fadli, 2022; Santoso & Devica Pratiwi, 2023; Siregar et al., 2023; Tambunan et al., 2024), contrasting with evidence from Panjaitan & Supriyati (2023) states a significant negative relationship between the two variables.

Besides profitability, tax planning plays a critical role in shaping firm value. As the initial step in tax management, tax planning involves gathering relevant information and analyzing applicable tax laws to identify strategies that can efficiently reduce tax liabilities (Suandy, 2017). By implementing tax planning strategies, companies can improve their efficiency in settling tax liabilities and demonstrate compliance with fiscal regulations, which may enhance firm value. However, findings from prior studies remain inconsistent. For instance, Le et al. (2022) and Putra & Edastami (2024) found that tax planning negatively influences firm value. Conversely, Hidayat & Pesudo (2019) and Hanifah & Ayem (2022) reported a significant positive relationship. Meanwhile, other studies, such as those by Aji & Atun (2019), Santoso & Devica Pratiwi (2023), and Tambunan et al. (2024) determined that there is no discernible effect of tax preparation on corporate value.

However, in the process of making financial decisions, companies often have to consider leverage. Leverage serves as an indicator to determine the degree to which a company relies on borrowed funds to finance its assets. It reflects the proportion of asset funding that originates from debt rather than equity (Kasmir, 2018). Leverage has an important role in influencing firm value. Proper utilization of debt can increase a firm's value in the eyes of investors. However, if not controlled properly, high leverage can also be a factor that

increases financial risk and reduces firm value. The findings of earlier studies reveal discrepancies, where studies carried out by Fadli (2022), Panjaitan & Supriyati (2023), Putra & Edastami (2024) suggested that leverage positively and significantly influences firm value. However, contrasting findings were reported by Santoso & Devica Pratiwi (2023) and Tambunan et al. (2024) who observed no notable impact of leverage on firm value.

In this study, firm size may act as a moderator, either amplifying or diminishing the influence of leverage, tax planning, and profitability on firm value. Firms are classified into large and small categories based on their size. Firms of a large size have better access to capital markets, wider business diversification, and higher operational stability than smaller companies.

The Kompas100 Index is a collection of 100 leading stocks that have gone through a rigorous selection process by the Kompas team in collaboration with the Indonesia Stock Exchange (IDX). This index was chosen as the object of research because of the routine evaluation carried out annually by the IDX, where the list of companies in this index is reviewed and updated regularly. Companies that no longer meet the criteria, such as stock liquidity and healthy financial condition, will be replaced by other viable companies. As a result of this evaluation process, some companies can maintain a position consistently in the Kompas100 index, while others are only listed for a certain period. The differences in the duration over which a company is retained indicate differences in the quality and stability of those companies, and these differences can form the basis for analyses examining how company characteristics affect firm value.

Kompas 100 Index recorded a gain of 0.09% in the post-COVID-19 pandemic, that higher than the Composite Stock Price Index, which experienced a decline of 0.66% in the same period. Several stocks in this index managed to post returns of more than 10% on a YTD basis until March 30, 2023. On the other hand, several stocks experienced a sharp correction with a decline of more than 20% (Nurjani, 2023). Therefore, investors are advised to be more selective in choosing stocks in the Kompas 100 Index.

Given the conflicting findings in prior studies and observed phenomena, additional research is necessary to explore the factors influencing firm value. With a focus on businesses in the Kompas 100 index. This study attempts to look into the impacts of profitability, tax planning, and leverage on company value, utilizing the moderating variable of firm size. The findings should help financial managers, investors, and legislators make strategic decisions pertaining to corporate value by offering useful insights.

LITERATURE REVIEW

Signaling Theory

Signaling theory, initially proposed by Spence (1973), explains that the party possessing information sends signals specific information that reflects the company's condition to external stakeholders such as investors. This theory describes how companies take actions to communicate management's perspective on the company's prospects to investors (Brigham & Houston, 2019). This theory refers to the company's efforts to convey signals through

financial reports to investors to increase shareholder value. These cues may take the shape of several types of information that describe management's attempts to fulfill the owner's desires. To determine whether the information is a positive or negative signal, the company's submitted and received information from investors will first be reviewed and analyzed.

Agency Theory

The first person to create agency theory was Jensen & Meckling (1976). This idea describes a particular kind of contract-based interaction between an organization's owner and management. It implies that the owner grants management the right to act on his behalf based on the type of agreement in place between the parties, where management is entrusted with resources and capabilities, and in turn acts as the owner under the agreement.

However, individuals tend to have a wide range of interests (conflicting interests), and as a result, the interests of owners and management may differ. Company owners expect managers to make decisions that aim to increase their wealth. On the other hand, managers also have personal interests, such as wanting to earn bigger salaries and bonuses, which are sometimes not in line with the owners' objectives. Agency problems arise as a result of differences in interests between owners and management. Agency costs are incurred to align the interests of management with those of the owners.

Firm Value

According to Sartono (2014), firm value, which is directly related to stock price, is a reflection of how investors view a company's performance. A higher stock price increases the firm's value and boosts market confidence in both the company's prospects and its current performance. Four common measures of firm value include Price to Book Value, Earnings Per Share, Price Earnings Ratio, and Tobin's Q ratio (Harmono, 2017).

Tobin's Q ratio was selected as the indicator for assessing business value in this study because it accounts for the company's market price as well as all of its debt and equity components, including common shares and total assets (Kim et al., 2015). Tobin's Q is measured by adding the firm's market capitalization and debt, then dividing the result by its total assets.

Profitability

Profitability indicates a firm's ability to earn income within a specific timeframe and serves as a gauge for evaluating management's efficiency in running the company (Kasmir, 2018). Strong profitability signals solid financial health and favorable future outlooks. As noted by (Hanafi, 2015), profitability assesses how well a company generates returns from sales, overall assets, and outstanding shares.

The indicator used in measuring profitability is Return on Asset (ROA). Because ROA shows how well a corporation generates income from all of its assets, researchers use this ratio to gauge profitability. The more effectively a business uses its assets to produce profits, the higher the ROA value. (Kasmir, 2018). In other words, ROA provides an overall perspective on a company's efficiency in producing net income from its total assets, making it a suitable indicator for assessing profitability and financial performance.

Tax Planning

According to (Pohan, 2014), tax planning involves designing strategies to manage corporate taxes efficiently, allowing taxpayers to reduce their tax burdens through methods that include avoidance, tax evasion, and tax saving. Meanwhile, (Suandy, 2017) explains that tax planning is the initial stage of tax management, where information is gathered and tax regulations are analyzed to determine appropriate actions for tax savings. Reducing tax obligations is typically the main objective of tax planning.

The Effective Tax Rate (ETR), derived from the ratio of tax costs to income before taxes, is widely used to reflect a company's tax planning practices, as it reveals how much tax is truly paid on earnings.

Leverage

According to Kasmir (2018), leverage shows how much of a company's assets are financed by borrowed money. It shows how well-equipped the business is to pay its debts, both current and future, particularly if it is liquidated. Leverage arises when a company utilizes borrowed capital or external funds to support its operations, creating an obligation to repay the debt according to agreed conditions.

This study measures leverage using the Debt to Equity Ratio (DER), which reflects the proportion between a company's liabilities and its shareholder equity (Hanafi, 2015). A lower DER value suggests a stronger capability of the company to fulfill its long-term liabilities. Conversely, a high DER signifies a greater reliance on debt to finance the company's activities. For creditors, a high DER is considered risky because it indicates a high liability burden and increases the potential for default. Conversely, for companies, the use of large amounts of debt can be a profitable strategy as long as it can be managed properly. This is because high leverage allows the company to increase assets and potential profits without having to increase its capital.

Firm size

According to a number of metrics, including total assets, capital turnover, workforce size, market share, total investment, and production capacity, firm size is defined as the scope of business operations (Phengdrawan et al., 2024). Large firms generally have greater access to resources, markets, and financing, also tend to be more stable in the face of business risks. In contrast, small firms usually have more limited resources but are more flexible in adapting to market changes. According to Hashmi et al. (2020), firm size refers to the scale used to classify companies based on the size of market capitalization, total assets, sales, and number of employees.

In this study, firm size is determined by market capitalization. Market capitalization, a primary measure of a company's stock market size, is derived by multiplying the total shares available by their closing market price. It shows the current worth of the company's wealth (Dang et al., 2018; Hashmi et al., 2020). According to Gujarati & Porter (2010), to minimize the possibility of heteroscedasticity because market capitalization is in currency units of millions or more, market capitalization must be natural logarithmized.

Profitability and Firm Value

Because profitability gauges how much a company can make in a certain time frame, it is one of the elements that might impact firm value (Kasmir, 2018). The firm's worth will still be impacted by the level of profitability the business generates. Because high profit levels indicate promising potential returns, companies that consistently make substantial profits are typically more appealing to investors. Furthermore, investors find great profitability to be a compelling reason to purchase a firm's stock.

Studies on the connection between corporate value and profitability (Aji & Atun, 2019; Fadli, 2022; Santoso & Devica Pratiwi, 2023; Siregar et al., 2023; Tambunan et al., 2024) indicate that profitability significantly increases firm value. A high degree of profitability might indicate favorable company prospects and attract positive signals from investors, which, according to signaling theory, might then affect increasing company value (Brigham & Houston, 2019). According to research by Panjaitan & Supriyati (2023) profitability has a substantial negative impact on business value.

H1: Profitability has a positive and significant effect on firm value.

Tax Planning and Firm Value

The first stage of corporate tax management is tax planning, which tries to minimize the amount of tax due while still correctly fulfilling tax duties in order to maximize profits for the business. Tax planning is typically done by businesses to lessen the amount of taxes that need to be paid.

Investors may be encouraged to engage in the company by tax planning efforts, which are planned measures to guarantee the tax expense is as low as possible by utilizing current legislation to achieve a rise in profit after tax, according to signaling theory (Brigham & Houston, 2019). On the other hand, based on agency theory (Jensen & Meckling, 1976), tax planning can have a negative impact if managers use tax strategies to cover up their opportunistic behavior, such as manipulating earnings reports or a lack of transparency can decrease firm value.

Research on tax planning on firm value conducted by Le et al. (2022) and Putra & Edastami (2024) claims that tax preparation significantly reduces the value of a company. Studies carried out by Hidayat & Pesudo (2019) and Hanifah & Ayem (2022) claims that tax preparation significantly increases the worth of a company. Research conducted by Aji & Atun (2019), Santoso & Devica Pratiwi (2023), Tambunan et al. (2024) claims that tax preparation has no bearing on a company's value.

H2: Tax planning has a positive and significant effect on firm value.

Leverage and Firm Value

The company's funding structure and capacity to use outside funding sources are reflected in its leverage. The percentage of funds utilized to finance the company's equity is determined by this ratio, which originates from debt, which is derived from creditors (Hanafi, 2015). A corporation with high leverage will have a lot of debt. Leverage management is necessary since using a lot of debt can make a company more valuable.

According to studies on the impact of leverage on business value, leverage significantly increases firm value (Fadli, 2022; Panjaitan & Supriyati, 2023; Putra

& Edastami, 2024). Because businesses can employ debt's multiplier impact (financial leverage) to boost shareholder returns, this suggests that a proportionate use of debt can raise firm value. Based on studies conducted by Santoso & Devica Pratiwi (2023) and Tambunan et al. (2024) leverage has no discernible impact on business value.

H3: Leverage has a positive and significant effect on firm value.

Firm Size Moderation Effect

Firm size acts as a moderator in the relationship between tax planning, profitability, leverage, and firm value. Large companies typically have advantages in terms of reputation, access to external financing, market influence, and investor trust. When large companies achieve high levels of profitability, markets and investors tend to respond more positively than small companies with the same level of profitability, as large companies are considered more stable and have stronger growth potential. Research conducted by Panjaitan & Supriyati (2023) and Siregar et al. (2023) claims that the correlation between business value and profitability can be strengthened and moderated by business size. Then, according to a study by Aji & Atun (2019), firm size was unable to mitigate the impact of the link between profitability and firm value.

The tax planning technique used by large corporations is more effective and efficient, and has a beneficial effect on investor views of firm value since they often have superior tax management systems, stronger resources, and access to experienced tax consultants. Research by Putra & Edastami (2024) suggests that company size can enhance or reduce tax planning's impact on firm value, implying that larger firms are generally more capable of leveraging tax strategies to improve their value. In contrast, Aji & Atun (2019) claim that firm size does not affect the connection between tax planning and firm value as a moderating factor.

Research conducted by Putra & Edastami (2024), states that firm size significantly moderates and strengthens the correlation between leverage and firm value. This indicates that companies with larger firm size tend to have better financial and managerial capacity to manage debt effectively, so that the use of leverage in large companies can increase firm value. Large firm size is also usually associated with operational stability and a favorable reputation among investors, so the risk of using debt is considered lower and acceptable to the market. However, according to research by Panjaitan & Supriyati (2023), business size can attenuate and diminish the relationship between leverage and firm value. Because they have access to other, more affordable, and reliable sources of finance, including retained earnings or stock, large corporations are more likely to be cautious when using debt; hence, leverage has little impact and may even be interpreted negatively by investors.

H4a: Firm size can moderate the effect of profitability on firm value.

H4b: Firm size can moderate the effect of tax planning on firm value.

H4c: Firm size can moderate the effect of leverage on firm value.

Conceptual Framework

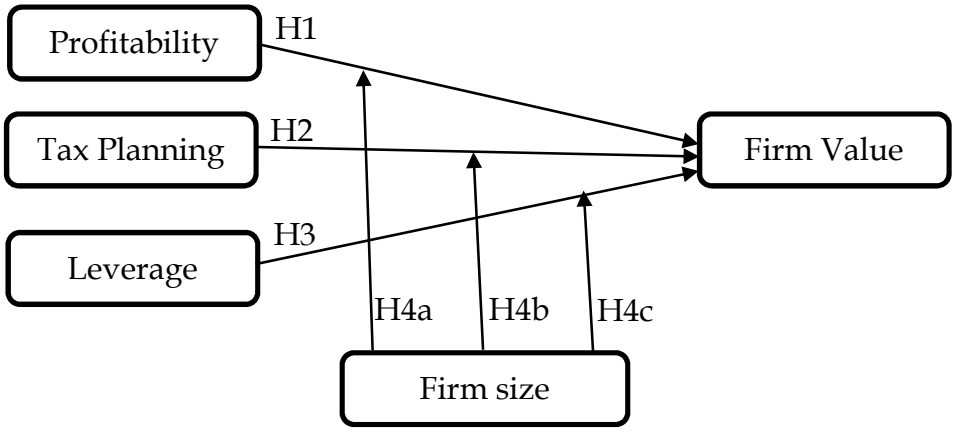

Figure 1. Conceptual Framework

METHODOLOGY

Types of Research

The association between the variables is tested in this study using quantitative approaches. The quantitative method is a research strategy grounded in positivist philosophy, employed to study specific groups and samples, involving the gathering of data through various research tools and analysis through statistical techniques (Sugiyono, 2020).

Population and Sample

The Indonesia Stock Exchange (www.idx.co.id) and corporate websites provide secondary data for this study. The population includes all firms in the Kompas 100 Index from 2018 to 2023. Purposeful sampling was applied based on specific criteria (Sugiyono, 2020).

Table 1. Sample Selection Procedure.

No	Criteria	Total
1	Companies consistently included in the Kompas 100 Index on the Indonesia Stock Exchange between 2018 and 2023	54
2	Companies that report their financial statements in a currency other than the Rupiah	(6)
3	Companies that recorded financial losses during the 2018–2023 period	(11)
	Number of sample companies	37
	Year of observation	6
	Total observation data	222

Source: Data Processed, 2025.

Measurement of Research Variables

Table 2. Measurement of Variables

Variables	Measurement	Empirical Studies
Firm Value (Dependent)	$\text{Tobin's Q} = \frac{\text{EMV} + \text{D}}{\text{Total Asset}}$	(Fadli, 2022), (Le et al., 2022), (Siregar et al., 2023), (Tambunan et al., 2024)
Profitability (Independent)	$\text{ROA} = \frac{\text{Net Income}}{\text{Total Asset}}$	(Aji & Atun, 2019), (Fadli, 2022), (Santoso & Devica Pratiwi, 2023), (Siregar et al., 2023), (Tambunan et al., 2024)
Tax Planning (Independent)	$\text{ETR} = \frac{\text{Total Tax Expanse}}{\text{Pretax Income}}$	(Aji & Atun, 2019), (Hanifah & Ayem, 2022), (Le et al., 2022), (Putra & Edastami, 2024), (Tambunan et al., 2024)
Leverage (Independent)	$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$	(Fadli, 2022), (Panjaitan & Supriyati, 2023), (Putra & Edastami, 2024), (Santoso & Devica Pratiwi, 2023), (Tambunan et al., 2024)
Firm Size (Moderating)	SIZE = Ln (Market Capitalization)	(Dang et al., 2018), (Hashmi et al., 2020)

Source: Data Processed, 2025

Data Analysis Methods

This research employs panel data and utilizes Moderated Regression Analysis (MRA) to explore how specific variables influence the strength of correlations between independent and dependent factors (Ghozali & Ratmono, 2017). MRA helps determine if these moderators enhance or reduce such effects (Wendy, 2020). The optimal regression model is chosen after conducting Hausman, Chow, and Lagrange Multiplier tests. Additionally, classical assumption checks involve the Jarque-Bera test for normality, the correlation matrix to detect multicollinearity, and the Glejser test for heteroscedasticity (Anura et al., 2025). The regression model equation applied in this investigation is as follows:

1. Model 1: $Qit = \alpha + \beta1ROAit + \beta2ETR\ it + \beta3DER\ it + \varepsilon it$
2. Model 2: $Q\ it = \alpha + \beta1ROAit + \beta2ETRit + \beta3DERit + \beta4SIZEit + \beta5(ROA\_SIZE)it + \beta6(ETR\_SIZE)it + \beta7(DER\_SIZE)it + \varepsilon it$

Description:

Qit	= Tobin's Q (Firm Value) per firm over time
α	= Constant
β1' - β7	= Regression Coefficient
ROAit	= Return on Assets (Profitability) per firm over time
ETRit	= Effective tax rate (Tax Planning) per firm over time
DERit	= Debt to Equity Ratio (Leverage) per firm over time
SIZEit	= Market Capitalization (Firm Size) per firm over time

ROA_SIZEit = Interaction of Profitability and Firm Size per firm over time
ETR_SIZEit = Interaction of Tax Planning and Firm Size per firm over time
DER_SIZEit = Interaction of Leverage and Firm Size per firm over time
Ɛit = Residual per firm over time

RESULT

Descriptive Statistic

The minimum, maximum, mean, standard deviation, and number of observations all provide descriptive statistics (Ghozali & Ratmono, 2017).

Table 3. Descriptive Statistic Results

	Q	ROA	ETR	DER	SIZE
Mean	1.977789	0.077310	0.205745	1.906359	31.35562
Maximum	17.67834	0.446758	0.717842	16.07858	34.68615
Minimum	0.336194	0.000622	0.000473	0.088160	28.33134
Std. Dev.	2.282192	0.069783	0.105991	2.605727	1.380991
Observations	222	222	222	222	222

Source: Data Processed, 2025.

222 observations were employed in this study, as shown in Table 3. Firm value ranges from 0.336194 to 17.67834, with a mean of 1.977789 and a standard deviation of 2.28219. Profitability has a standard deviation of 0.069783, a minimum of 0.000622, a high of 0.446758, and an average of 0.077310. With values ranging from 0.000473 to 0.717842, the tax planning has a mean of 0.205745 and a standard deviation of 0.105991. With values ranging from 0.088160 to 16.07858, leverage displays a mean of 1.906359 and a standard deviation of 2.605727. The standard deviation of firm size is 1.380991, with an average of 31.35562, a minimum of 28.33134, and a maximum of 34.68615.

Model Selection

Three regression models are used in panel data analysis to determine which is best. Numerous tests are performed, such as the Chow, Lagrange multiplier, and Hausman tests. The Common Effects Model (CEM), Random Effects Model (REM), and Fixed Effects Model (FEM) are the models that are being compared.

Table 4. Model Testing Results

Model Selection Test	Cross Section		Results	
	Model-1	Model-2	Model-1	Model-2
Uji Chow	Prob 0.0000 < 0.05	Prob 0.0000 < 0.05	FEM	FEM
Uji Hasuman	Prob 0.0004 > 0.05	Prob 0.0000 < 0.05	FEM	FEM
Uji Lagrange Multiplier	Prob 0.0000 < 0.05	Prob 0.0000 < 0.05	REM	REM

Source: Data Processed, 2025.

For Models 1 and 2, Table 4 shows that FEM is the most suitable model to use in this investigation.

Classical Assumption

This study used three classic assumption tests, which are as follows:

Table 5. Classical Assumption Test Results

Variables	Normality		Multicollinearity		Heteroscedasticity
	Jarque-Bera	Prob.	Correlations		Prob.
			ETR	DER	
ROA			0.095585	-0.325196	0.0022
ETR	589.5311	0.000000		0.016925	0.2607
DER					0.9662

Source: Data Processed, 2025.

Table 5 reveals that the normality test results (0.000000 < 0.05) demonstrate that the data in this study do not follow a normal distribution. The Central Limit Theorem (Dielman, 1961 in Pranadipta & Natsir, 2023) stated that when the sample size exceeds 30 (n > 30), the data can be regarded as normally distributed, so the data is still considered normal. The data does not exhibit multicollinearity, as indicated by the multicollinearity test results (correlations <0.90). DER and ETR data are homoscedastic (0.2607 & 0.9662 > 0.05).

Regression Analysis

Table 6. Regression Analysis Results

Model	Variables	Coefficient	Std. Error	t-Statistic	Prob.
1	Constant	0.338380	0.321832	1.051418	0.2945
	ROA	19.29354	1.810435	10.65685	0.0000
	ETR	2.176886	0.812825	2.678174	0.0081
	DER	-0.157485	0.097945	-1.607887	0.1096
	R-squared	0.917562	F-statistic	51.94175	
	Adjusted R-squared	0.899897	Prob(F-statistic)	0.000000	
2	Constant	-12.82638	5.564636	-2.304981	0.0223
	ROA	-298.5925	22.36136	-13.35305	0.0000
	ETR	-44.65095	13.31394	-3.353699	0.0010

Model	Variables	Coefficient	Std. Error	t-Statistic	Prob.
	DER	3.584230	1.122307	3.193626	0.0017
	SIZE	0.455604	0.181414	2.511409	0.0129
	ROA_SIZE	9.662816	0.699561	13.81268	0.0000
	ETR_SIZE	1.449640	0.435539	3.328384	0.0011
	DER_SIZE	-0.117781	0.036864	-3.195055	0.0017
	R-squared	0.971908	F-statistic	143.2181	
	Adjusted R-squared	0.965122	Prob(F-statistic)	0.000000	

Source: Data Processed, 2025.

From the regression analysis result, the following equation is obtained:

Model 1 : $Q = 0.338380 + 19.29354ROA + 2.176886ETR - 0.157485DER + \varepsilon_{it}$

Model 2 : $Q = -12.82638 - 298.5925ROA - 44.65095ETR + 3.584230DER + 0.455604SIZE + 9.662816(ROA\_SIZE) + 1.449640(ETR\_SIZE) - 0.117781(DER\_SIZE) + \varepsilon_{it}$

Regression analysis in Model 1 is conducted to analyze how profitability (ROA), tax planning (ETR), and leverage (DER) affect firm value (Tobin's Q). According to the findings, ROA has a favorable and noteworthy impact (β = 19.29354, p-value = 0.0000) and ETR (β = 2.176886, p-value = 0.0081) on firm value. In contrast, DER (β = -0.157485, p-value = 0.1096) found no significant effect.

Furthermore, Moderate Regression Analysis in Model 2 found that firm size (SIZE) can moderate and strengthen the effect of profitability (β = 9.662816, p-value = 0.0000) and tax planning (β = 1.449640, p-value = 0.0011) on firm value. Firm size significantly moderates and weakens leverage's impact on firm value (β = 0.117781, p = 0.0017). Its significant interaction with profitability, tax planning, and leverage classifies it as a quasi-moderator (Ghozali & Ratmono, 2017).

Model 1 shows that profitability (ROA), tax planning (ETR), and leverage (DER) collectively account for 89.99% of the fluctuation in the firm's worth (Tobin's Q). The unexplained 10.01% variation is due to factors outside this study. When firm size (SIZE) is added as a moderator in Model 2, the difference in the firm's independent factors' overall impact on firm value increases to 96.51% with factors beyond the purview of this study influencing the remaining 3.49%.

Table 7. Research Hypothesis Results

Hypothesis	Statement	Result
H1	Profitability has a positive and significant effect on firm value.	Accepted
H2	Tax planning has a positive and significant effect on firm value.	Accepted
H3	Leverage has a positive and significant effect on firm value.	Rejected
H4a	Firm size can moderate the effect of profitability on firm value.	Accepted
H4b	Firm size can moderate the effect of tax planning on firm value.	Accepted
H4c	Firm size can moderate the effect of leverage on firm value.	Accepted

Source: Data Processed, 2025.

DISCUSSION

Profitability and Firm Value

The research reveals that increased profitability strongly enhances the value of a firm. The added value that a business can offer its shareholders increases with profitability, and this is reflected in rising stock prices. Investors will find the company more appealing if it can generate strong returns for its stockholders, which will ultimately raise the firm's worth.

This aligns with previous research showing a strong positive correlation between firm value and profitability (Aji & Atun, 2019; Fadli, 2022; Santoso & Devica Pratiwi, 2023; Siregar et al., 2023; Tambunan et al., 2024). However, these results differ from Panjaitan & Supriyati (2023), who found that profitability has a major negative impact on business value.

Tax Planning and Firm Value

The study's findings indicate that tax planning significantly affects corporate value. The t-statistic for tax planning indicates a positive trend. This finding suggests that tax planning activities, which are organized measures to minimize tax expenses by making use of current laws, can result in higher post-tax profits. Consistent or rising profits attract investors, raising share prices and firm value (Brigham & Houston, 2019).

This aligns with studies showing a positive link between tax planning and firm value (Hanifah & Ayem, 2022; Hidayat & Pesudo, 2019). However, some research (Le et al., 2022; Putra & Edastami, 2024) and (Aji & Atun, 2019; Santoso & Devica Pratiwi, 2023; Tambunan et al., 2024) finds negative or no effect of tax planning on firm value

Leverage and Firm Value

The findings of this study show that leverage does not significantly impact firm value. The t-statistic shows a negative trend, but the effect is not statistically significant. This suggests that leverage is not a primary determinant of firm value, likely because the company already has adequate funding to finance its assets without relying on additional debt. If debt is used excessively, the costs incurred may not be worth the benefits, which in turn can decrease firm value.

Based on signaling theory (Brigham & Houston, 2019), leverage can be a tool to signal the market, but if the signal is not strong enough, ambiguous, or not trusted by investors, then the firm value is not much impacted by leverage.

This is consistent with a study by Santoso & Devica Pratiwi (2023) and Tambunan et al. (2024) that indicated leverage has no discernible contribution to firm value. However, the outcomes of this study differ from those reported in other research on Fadli (2022), Panjaitan & Supriyati (2023), Putra & Edastami (2024), which found that leverage significantly and favorably affects firm value.

Firm Size Moderates the Influence of Profitability on Firm Value

This study's results indicate that firm size has a moderating role by amplifying the effect of profitability on firm value. Larger companies benefit from wider market access, facilitating entry into new markets, forming strategic alliances, and expanding more lucrative business opportunities. Leveraging these advantages allows the company to boost profits significantly, making it more appealing to investors and ultimately increasing its firm value. This aligns with the research by Panjaitan & Supriyati (2023) and Siregar et al. (2023) which found that the link between firm value and profitability is strengthened by business size. However, these results contrast with Aji & Atun (2019), found that firm size has no moderating effect on the link between profitability and firm value.

Firm Size Moderates the Influence of Tax Planning on Firm Value

This study shows that firm size strengthens the effect of tax planning on firm value. Larger companies, with more resources and expert tax consultants, can better optimize tax strategies, boosting firm value. This aligns with research indicating that firm size influences the tax planning firm value relationship (Putra & Edastami, 2024). The findings of the study, however, contradict those of Aji & Atun (2019), who contend that firm size is powerless to mitigate the effect of tax preparation on firm value.

Firm Size Moderates the Influence of Leverage on Firm Value

This study found that firm size weakens the effect of leverage on firm value. This suggests that in larger companies, the negative contribution of leverage on firm value is less pronounced. Larger firms typically enjoy a stronger reputation among creditors, enabling them to secure loans with lower capital costs. Additionally, market confidence in the stability and operational strength of big companies reduces the perceived risk associated with high leverage. Therefore, while leverage still affects firm value, its adverse impact is softened in larger organizations.

These findings align with Panjaitan & Supriyati (2023), who reported that firm size significantly weakens the leverage–firm value relationship. However, this contrasts with Putra & Edastami (2024), who found that firm size can strengthen the impact of leverage on firm value..

CONCLUSION AND RECOMMENDATION

Profitability and tax planning significantly boost firm value for Kompas 100 companies on the Indonesia Stock Exchange (2018-2023), while leverage shows no significant effect. Additionally, firm size strengthens the positive impact of profitability and tax planning but reduces the influence of leverage on firm value.

Company management needs to prioritize increasing profitability through operational efficiency and sustainable growth strategies to drive firm value. Optimizing tax planning legally and efficiently can be used as a strategy to increase firm value without having to increase financial risk. In addition, company management also needs to consider firm size as a strategic factor in managing key financial factors, because firm size acts as an amplifier or weakener in influencing firm value. Before making investment decisions, Investors are expected to consider factors related to such as profitability and tax planning strategies to firm value.

FURTHER STUDY

Recognizing the limitations of this research is essential, especially since its scope of the sample is limited to companies in the Kompas 100 index. Future research is expected to cover a wider scope of research samples, such as in certain sectors. Future researchers can also integrate other additional variables not examined in the present study to deepen the understanding of firm value.

ACKNOWLEDGMENT

First and foremost, I sincerely thank my supervisor and all the lecturers at the Faculty of Economics and Business, Tanjungpura University, for their invaluable guidance, support, and dedication throughout this study. I am incredibly appreciative of my family's unwavering support and prayers, which have always been a tremendous source of courage. Additionally, I wholeheartedly appreciate everyone who has contributed, directly or indirectly, to the successful completion of this research.

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