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Effect of Profitability and Firm Size on Firm Value Moderated by PROPER

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ABSTRACT

This study aims to determine the effect of profitability and company size on company value with environmental performance (PROPER) as a moderating variable in food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2019–2023. The research questions asked are whether profitability and company size affect company value, and whether environmental performance (PROPER) can moderate this relationship. The research method used is a quantitative approach with moderated regression analysis (MRA) techniques, and secondary data was obtained from company annual reports and PROPER publications from the Ministry of Environment and Forestry (KLHK). The results show that profitability does not significantly affect company value, company size has a significant negative effect on company value, and environmental performance (PROPER) does not moderate the effect of profitability or company size on company value. These findings indicate that financial aspects are still the dominant factor in determining company value, while environmental performance is not yet fully considered by investors. The results of this study are expected to be taken into consideration by companies to improve transparency and environmental responsibility in order to strengthen company value in the eyes of investors.
Keywords*: profitability; company size; environmental performance (PROPER); company value.*

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INTRODUCTION

Economic growth and the dynamics of the business world have prompted many companies, especially in the manufacturing sector, to maintain their competitiveness in an increasingly competitive market. According to Wijaya (2020), Investors consider various aspects before making an investment, one of which is evaluating the company's performance to understand its condition and achievements. This is in line with the opinion that (Wati *et al*., 2021), which states that fierce business competition requires company management to demonstrate its best performance. Company performance is very important because it affects the company's market value and investors' interest in investing or withdrawing their investments. In this situation, companies are required to continuously improve their performance in order to achieve their main objectives.

According to Ayu (2019), Company value reflects the current condition of the company and can illustrate its future prospects, so company value is considered to influence investors' perceptions of the company. In the context of manufacturing companies, high company value is very important because this sector contributes significantly to the national economy and attracts the attention of many investors. An increase in company value reflects increased prosperity for owners or shareholders, therefore achieving high company value is a primary goal, especially for companies that have gone public (Sumartono *et al.,* 2020). Investors tend to value companies that have good and stable financial performance, as well as bright growth prospects in the future. The higher the value of a company, the greater the interest of investors in investing in that company, which can have a positive impact on stock prices and the company's access to funding sources.

One of the main factors affecting company value is profitability. High profitability is a positive signal for investors, indicating good company performance, which can increase company value. This condition has been proven by previous studies that indeed prove that higher profitability will have an impact on company value. This is supported by research conducted by (Soge & Brata, 2021) and (Mia Novianti *et al*., 2023) which states that profitability has a positive effect on company value.

Furthermore, still in the context of signal theory, (Ross, 1977) explains how the relationship between company size and company value can be described through the signaling theory approach. Company size is considered a positive signal that indicates that the company has sufficient resources to manage investments and operate efficiently. Large companies often reflect good development and growth, which can ultimately increase company value (Dwiastuti & Dillak, 2019). Larger companies also demonstrate greater operational capabilities, enabling them to respond positively to the market and contribute to an increase in company value. In general, company size influences investor assessment and decision-making. This is supported by previous research (Hidayat & Khotimah, 2022) which proves that company size has a positive effect on company value.

From the previous discussion, it can be concluded that profitability and company size can have a positive effect on company value. However, other studies have found different results, such as the study conducted by (Savitri et al., 2021), (Nur utami & Widati, 2022) and (Thaib & Dewantoro, 2017) which states that profitability actually has a negative effect on company value. As for (Anggraini & MY, 2021) and (Kalbuana *et al.,* 2021) which states that company size actually has a negative effect on company value. With inconsistent research results, these contradictory findings have led to a research gap, particularly regarding the effect of profitability and company size on company value. To address this research gap, this study will develop a research model by identifying other factors that may indirectly influence the relationship between profitability and company size on company value. These factors can act as moderating variables that strengthen or weaken the relationship between profitability and company size on company value. This study proposes the participation of companies in the Ministry of Environment's PROPER program as a moderating variable. It is assumed that companies participating in the PROPER program carry out more environmentally friendly operational activities, which are expected to have an impact on operational efficiency and provide a positive image in the eyes of investors. Thus, companies participating in the PROPER program are expected to strengthen the influence of profitability and company size on company value.

The company's participation in the PROPER program above refers to the theory of legitimacy. The theory of legitimacy proposed by (Dowling & Pfeffer, 1975) explains that companies seek legitimacy from the public and stakeholders by demonstrating that their operations are in line with social values, norms, and expectations. To ensure their survival, companies seek legitimacy or positive recognition from investors, creditors, consumers, the government, and the surrounding community (Badjuri et al., 2021). This means that companies are not only required to be economically profitable, but also socially responsible. By maintaining a positive image in the public eye, companies can gain and maintain social support, which ultimately contributes to the long-term survival of the company.

Based on this theory, this study proposes the company performance rating program (PROPER) as a moderator of the relationship between profitability and company size on company value. This study will examine in greater depth whether companies that participate in the PROPER program will have a greater impact on company value, particularly the impact of profitability and company size, compared to companies that do not participate in the PROPER program, or non-PROPER companies.

This study aims to analyze how profitability and company size affect company value in the food and beverage sub-sector, while also testing the moderating role of PROPER, which can strengthen or mediate this relationship. It is hoped that this study will provide insights for management in integrating financial performance and environmental sustainability through PROPER to increase corporate value in a sustainable manner, as well as serve as a reference for regulators and stakeholders regarding the strengthening of environmental policies that have a positive impact on corporate market value. Scientifically, this research contributes by combining financial and non-financial variables in the context of corporate value, enriching the literature on sustainable management and business, and opening opportunities for further research.

The research is expected to help food and beverage companies increase their corporate value by optimizing profits and company size, as well as implementing appropriate programs for poverty alleviation. In addition, the results of this study are useful for regulators in strengthening environmental policies that support corporate market value. Scientifically, this study enriches knowledge about the

relationship between financial performance and environmental performance in increasing corporate value.

The benefits of the Proper program for food and beverage companies include improving the company's image as a business actor that is responsible for the environment, thereby increasing consumer and investor confidence. Proper also helps companies comply with environmental regulations by providing technical training from the government, reducing the risk of sanctions and social conflicts, and improving ESG ratings that are important for business continuity. With a good environmental reputation, companies have the potential to strengthen their market value and competitiveness at the national and global levels.

THEORETICAL BASIS AND HYPOTHESIS DEVELOPMENT

Signal Theory

Signal theory was first introduced by (Spence, 1973) which explains that information owners provide signals in the form of information that reflects the condition of the company, which can benefit recipients such as investors. This theory explains how managers disseminate signals to investors to reduce the information gap through company financial reports. A healthy report is one in which the company's financial statements show a good capital structure, high liquidity ratio, smooth marketing investments, and good company size, informing accounting costs. This becomes a good signal for stakeholders. In this study, PROPER is used as a moderating variable that strengthens the relationship between profitability and company size on company value. The relationship between signal theory and this study is that companies with high PROPER ratings provide strong additional signals regarding the company's commitment to environmental sustainability and social responsibility. Then, rather than that PROPER also helps reduce information asymmetry between companies and investors by providing additional information on the environmental standards achieved by companies.

Legitimacy Theory

According to (Dowling & Pfeffer, 1975) Stating that in legitimacy theory, organizations strive to create harmony between the social values inherent in organizational activities and the norms that exist in the social environment of which the organization is a part. In order to survive, companies obtain legitimacy or recognition from various parties, such as investors, creditors, consumers, the government, and the surrounding community (Badjuri et al., 2021). Thus, legitimacy plays an important role in supporting the survival of companies because legitimacy helps companies to gain support and recognition from influential parties. In the context of this study, the PROPER program serves as a moderating variable that strengthens the relationship between social responsibility activities and company value. With a good PROPER rating, companies send an additional signal to the public and investors regarding their reputation and commitment to managing environmental impacts, which in turn can increase legitimacy and strengthen company value.

Company Value

Company value is the selling price as a continuously operating entity, which is highly valued by investors because maximizing company value can improve shareholder welfare through high returns on capital. Company value also influences investment decisions and reflects the company's actual performance through its share price. In this study, the PBV, PER, and Tobin's Q ratios are used to analyze company value as an indicator of how investors view the market value of shares compared to book value (Stevanio Lamberto, n.d.).

Profitability

Profitability can be viewed as a ratio that describes an entity's ability to generate profits, both in terms of its relationship to asset sales and shareholder equity. Therefore, for long-term investors, this

profitability analysis is highly relevant, as it is reflected in the actual distribution of dividends (Mustanda, 2016).

Company Size

Company size is an extension of the fact that large companies will have large market capitalization, large book value, and high profits. Meanwhile, small companies will have small market capitalization, smaller book value, and lower profits. Large and growing companies can demonstrate future profit levels, and this ease of financing can affect company value and provide useful information for investors (Prasetia *et al*., 2014).

Environmental Performance (PROPER)

Environmental performance is a key indicator in assessing the extent to which a company is able to manage the impact of its activities on the environment. According to (Zainab & Burhany, 2020), Environmental performance is the result of implementing an environmental management system that focuses on controlling aspects that impact the environment. This system includes various efforts such as waste management, energy efficiency, use of environmentally friendly raw materials, and compliance with regulations related to environmental protection. Environmental performance is also an important benchmark in building a company's reputation.

Hypothesis Development

Profitability Versus Firm Value

Profitability indicates a company's ability to generate profits from its operational activities within a certain period. Profitability reflects the effectiveness of management in managing resources to achieve optimal financial performance. According to (Kharisma & Priyadi, 2018), The higher the profit margin, the greater the investor confidence in the company's ability to create economic value, which ultimately increases the company's value. This is in line with the view that (Rositaningrum & Soleh, 2024), which states that companies with high profitability are considered more efficient, stable, and have good growth prospects. In the context of signaling theory, high profitability sends a positive signal to investors about the company's financial condition and prospects, thereby driving an increase in the company's value.

H1: Profitability has a positive effect on company value

Company Size and Company Value

Company size reflects the amount of resources owned by a business entity and is an important factor that can affect company value. Companies with large total assets have better capabilities in managing resources, obtaining external funding, and attracting investor confidence through their financial stability. In addition, large companies tend to have a better reputation and a higher ability to generate sustainable profits, thereby increasing the market's positive perception of company value. According to (Kusumaningrum & Iswara, 2022), Company size has a positive effect on company value because large companies have easier access to funding and a better image in the capital market. Therefore, it can be concluded that the larger the company size, the higher the company value.

H2: Company size has a positive effect on company value.

Environmental Performance (PROPER) in Moderating Profitability Against Company Value

Environmental performance is the result of implementing an environmental management system that focuses on controlling aspects that impact the environment (Zainab & Burhany, 2020). A company's participation in the PROPER program, which reflects its environmental performance, has the potential to strengthen the influence of profitability on company value. Based on the legitimacy theory proposed by Dowling & Pfeffer (1975), Companies seek to gain legitimacy from the public by demonstrating that their activities are in line with social values, norms, and expectations. In this situation, good environmental performance through PROPER can provide additional legitimacy to companies, thereby strengthening the influence of profitability on company value. Profitability is a performance indicator that reflects a company's ability to generate profits. High profitability generally has a positive relationship with company value because it indicates operational efficiency and good growth prospects. However, this relationship is not only determined by the ability to generate profits, but also by how the

company is perceived by the community and investors. Several previous studies conducted by (Rahmanita, 2020) which states that environmental performance moderates the relationship between Corporate Environmental Disclosure (CED) and company value, and (Siagian, 2021) states that environmental performance moderates the relationship between environmental costs and company performance, and influences the improvement of company business performance. Based on this description, it can be formulated as follows:

H3: PROPER Environmental Performance has an influence in moderating company size on company value.

Environmental Performance (PROPER) in Moderating Company Size Against Company Value

Based on legitimacy theory, PROPER acts as a moderator that strengthens the relationship between company size and company value. A good PROPER rating provides additional legitimacy to large companies, which not only increases public trust but also attracts investor interest. Therefore, large companies need to strive to improve their environmental performance in order to obtain a good PROPER rating, which in turn can increase company value in a sustainable manner. Environmental performance is the result of implementing an environmental management system that focuses on controlling aspects that impact the environment (Zainab & Burhany, 2020). Previous studies conducted by (Rahmanita, 2020) state that environmental performance moderates the relationship between Corporate Environmental Disclosure (CED) and company value and (Siagian, 2021) states that environmental performance moderates the relationship between environmental costs and company

performance, and influences the improvement of company business performance. Based on this description, it can be formulated as follows:

H4: PROPER Environmental Performance has an influence in moderating company size on company value.

Based on the development of the hypothesis, Figure 1 presents the framework of this study.

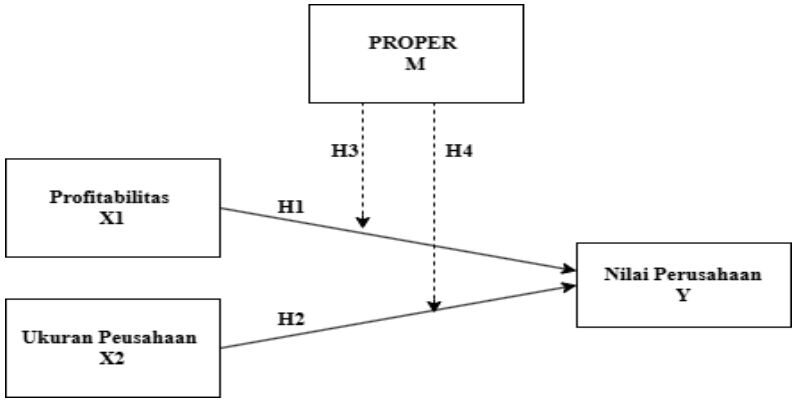

Figure 1 Conceptual Framework

RESEARCH METHODOLOGY

This study uses a quantitative approach by utilizing secondary data obtained from the official website of the Indonesia Stock Exchange (IDX) (www.idx.co.id). The data used are the financial reports of the companies that are the objects of this study. Data analysis was performed statistically using hypothesis testing, which was processed using the STATA computer program. The population in this study was manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023. The sampling technique used was purposive sampling, which is the selection of samples based on certain criteria or considerations in order to obtain data that is representative and in accordance with the research objectives.

Table 1 Operational Definitions and Measurement of Research Variables

Variable	Definition	Measurement
Company Value	According to (Aprilawati & Ali, 2022) Company value is a reputation earned by a company based on its operational activities during a certain period. The calculation uses Tobin's Q ratio.	Tobins Q= $\frac{EMV+D}{EBV}$ Description: EMV = Market Value of Equity D = Book Value of Total Debt EBV = Book Value of Total Equity

Profitability	According to (Christine & Winarti, 2022), Profitabilitas merupakan tingkat k The company's ability to generate profits by utilizing existing resources. Profitability analysis examines how well a company uses its assets and capital to generate maximum profits. Return on Assets (ROA) is calculated based on the return on the total assets used by the company, thus showing the amount of net profit measured by asset value.	ROA = $\frac{Laba\ Bersih}{Total\ Assets}$ Description: ROA = Return on Assets
Company Size	The size of a company reflects its level of success in gaining public trust, as seen from the amount of assets it controls after undergoing business management and development processes (Oktaviani et al., 2019). The calculation uses the natural logarithm (LN).	$Size = Ln(Total\ Asset)$ Keterangan: LN = Natural Logarithm
PROPER	According to (Zainab & Burhany, 2020), Environmental performance is the result of implementing an environmental management system that focuses on controlling aspects that impact the environment. This system includes various efforts such as waste management, energy efficiency, use of environmentally friendly raw materials, and compliance with regulations related to environmental protection. The calculation uses DUMMY.	$Y=\alpha+\beta 1X+\beta 2D+\varepsilon$ Explanation: Y = dependent variable X = independent variable other than PROPER D = PROPER dummy variable (1 if the company receives PROPER, 0 if not) α = intercept β_1,β_2 = regression coefficients ε = error term

The sample used was all food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2023. The sampling criteria used were as follows: (1) The company had published its financial statements completely and consistently during the period 2019-2023. (2) The company presented the data required in this study completely during the period 2019 2023. The independent variables in this study were Profitability (X1) and Company Size (X2). The dependent variables were Company Value (Y) and PROPER (M) as a moderating variable.

RESULTS AND DISCUSSION

RESULTS

Number of obs 200 The sample size used was 200 observations. F(3,196) | 98.05 | F-statistic value for simultaneous testing (testing all independent variables together). Prob > F 0.0000 Because the p-

value is < 0.05, the model is significant overall. This means that the independent variables together have a significant effect on the dependent variable. R-squared 0.6001 60.01% of the variation in the dependent variable can be explained by the model. *Adj R-squared* 0.5940 The adjusted value is 59.4%, which is quite high for a socio-economic model. Root MSE 517.79 This indicates an average deviation (error) of approximately 517 units from the actual value.

CHOW TEST

Tabel 2 Chow Test

```
. xtreg y x1 x2 z, fe

Fixed-effects (within) regression               Number of obs      =       200
Group variable: perusahaan                      Number of groups   =        40

R-squared:                                      Obs per group:
     Within  = 0.0236                                         min =         5
     Between = 0.0530                                         avg =       5.0
     Overall = 0.0495                                         max =         5

                                                F(3,157)           =      1.26
corr(u_i, Xb) = 0.1199                          Prob > F           =    0.2885

------------------------------------------------------------------------------
           y | Coefficient  Std. err.      t    P>|t|     [95% conf. interval]
-------------+----------------------------------------------------------------
          x1 |  -11.78918   158.1692    -0.07   0.941    -324.2033     300.625
          x2 |   -2.17935   95.58881    -0.02   0.982    -190.9853    186.6266
           z |  -174.7236   89.85021    -1.94   0.054    -352.1947    2.747608
       _cons |   350.4195   2726.775     0.13   0.898    -5035.477    5736.316
-------------+----------------------------------------------------------------
     sigma_u |   781.4765
     sigma_e |   219.10891
         rho |   .92711754   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0: F(39, 157) = 26.93                     Prob > F = 0.0000
```

Source: Data processed with Stata, 2025.

Based on the results of panel data regression analysis using the Fixed Effect (FE) model with Tobin's Q and ROA, SIZE, and Dummy moderation, it was found that the model had 200 observations with 40 groups (companies). The R-squared (within) value of 0.0236 indicates that the variation in Tobin's Q that can be explained by ROA, SIZE, and Dummy moderation within companies is relatively small, while the rho value of 0.927 indicates that approximately 92.7% of the total variation is caused by differences between companies or individual effects. The F test result in the Fixed Effect model shows a Prob > F value of 0.2885, which means that the model as a whole is not significant at the 5% level. However, the Chow test result shows an F test value of 26.93 with a Prob > F of 0.0000, which is less than 0.05. This indicates that there are significant differences between companies, so the Fixed Effect model is more appropriate to use than the Common Effect model. Thus, it can be concluded that the unique characteristics of each company influence the relationship between the independent and dependent variables, so they need to be considered in the analysis to produce more accurate estimates.

BRAKE TEST

Tabel 3 Brake Test

```
. xtreg y x1 x2 z, re

Random-effects GLS regression                   Number of obs      =       200
Group variable: perusahaan                      Number of groups   =        40

R-squared:                                      Obs per group:
     Within  = 0.0035                                         min =         5
     Between = 0.5106                                         avg =       5.0
     Overall = 0.4798                                         max =         5

                                                Wald chi2(3)       =     43.69
corr(u_i, X) = 0 (assumed)                      Prob > chi2        =    0.0000

------------------------------------------------------------------------------
           y | Coefficient  Std. err.      z    P>|z|     [95% conf. interval]
-------------+----------------------------------------------------------------
          x1 |   31.17154   160.8419     0.19   0.846    -284.0727    346.4158
          x2 |  -197.0766    32.1773    -6.12   0.000     -260.143   -134.0103
           z |  -73.84725   85.56263    -0.86   0.388    -241.5469    93.85242
       _cons |   5843.478    909.141     6.43   0.000     4061.594    7625.361
-------------+----------------------------------------------------------------
     sigma_u |   500.67946
     sigma_e |   219.10891
         rho |   .83926837   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

Source: Data processed with Stata, 2025

The REM test results show that the model is simultaneously significant with Prob > chi² = 0.0000 and R² of 0.4798. The Company Size variable has a negative and significant effect on the Company Value variable with a coefficient of -197.0766 (p = 0.000), while Profitability and PROPER are not significant. The rho value of 0.8393 indicates that most of the variation is caused by differences between companies. Thus, the REM model is considered quite good and suitable for use.

CLASSICAL ASSUMPTION TEST

NORMALITY TEST

Tabel 4 Normality Test

```
. swilk x1 x2 y z

                    Shapiro-Wilk W test for normal data
```

Variable	Obs	W	V	z	Prob>z
x1	200	0.77542	33.504	8.080	0.00000
x2	200	0.85629	21.439	7.053	0.00000
y	200	0.22506	115.609	10.930	0.00000
z	200	0.99712	0.430	-1.945	0.97408

Source: Data processed with Stata, 2025.

Based on the Shapiro–Wilk test results, it is known that the variables of Profitability, Company Size, and Company Value have significance values below 0.05, so they are not normally distributed. Only the PROPER variable as a moderator is normally distributed. However, because there are 200 observations, the violation of normality can be tolerated and the regression model remains valid for further analysis. In regression with a large sample size (n = 200), the violation of the normality assumption in the independent variables is not a major problem, because based on the Central Limit Theorem, the residual distribution will approach normal.

MULTICOLINEARITY TEST

Tabel 5 Multicolinearity Test

```
. correlate x1 x2
(obs=200)
```

	x1	x2
x1	1.0000	
x2	0.1280	1.0000

Source: data processed with Stata, 2025.

The correlation test results show the following values for the relationship between independent variables: the correlation between Profitability and Company Size is 0.1280, between Profitability and PROPER as a moderator is 0.1846, and between Company Size and PROPER as a moderator is 0.5469. All correlation values are below the general tolerance limit of 0.80, so it can be concluded that there is no multicollinearity between the independent variables or with the moderating variable. Thus, each variable can be used in the regression model without causing problems of strong linear relationships between the independent variables.

HETEROSCEDASTICITY TEST

Tabel 6 Heteroscedasticity Test

```
. quietly reg y x1 x2 z

.
. hettest

Breusch-Pagan/Cook-Weisberg test for heteroskedasticity
Assumption: Normal error terms
Variable: Fitted values of y

H0: Constant variance

    chi2(1) = 293.26
Prob > chi2 = 0.0000
```

Source: Data processed with Stata, 2025

Based on the results of the heteroscedasticity test using the Breusch-Pagan/Cook-Weisberg method, a $Chi^2(1)$ value of 293.26 was obtained with Prob > Chi^2 = 0.0000. A probability value smaller than the significance level of 0.05 (0.0000 < 0.05) indicates that the null hypothesis (H_0), which states that the error variance is constant (no heteroscedasticity), is rejected.

Hypothesis Testing
One-Tailed Hypothesis Test

Tabel 7 One-tailed Hypothesis Test

```
. regress y x1
```

Source	SS	df	MS	Number of obs	=	200
				F(1, 198)	=	0.25
Model	164481.754	1	164481.754	Prob > F	=	0.6190
Residual	131253444	198	662896.18	R-squared	=	0.0013
				Adj R-squared	=	-0.0038
Total	131417925	199	660391.585	Root MSE	=	814.18

y	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
x1	-218.1534	437.9514	-0.50	0.619	-1081.801	645.4945
_cons	189.1007	62.0582	3.05	0.003	66.7208	311.4805

Source: Data processed with Stata, 2025

The regression results show that Profitability does not have a significant effect on Company Value with a p-value of 0.619 > 0.05. The coefficient x1 of -218.1534 indicates a negative relationship, but because it is not significant, Profitability does not have a meaningful effect on Company Value. The

R^2 value of 0.0013 also indicates that the model's explanatory power is very low, so hypothesis one is rejected.

Two-Tailed Hypothesis Test

Table 8 Hypothesis Test 2

```
. regress y x2
```

Source	SS	df	MS	Number of obs	=	200
				F(1, 198)	=	198.08
Model	65722952.5	1	65722952.5	Prob > F	=	0.0000
Residual	65694972.9	198	331792.792	R-squared	=	0.5001
				Adj R-squared	=	0.4976
Total	131417925	199	660391.585	Root MSE	=	576.01

y	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
x2	-225.0895	15.99301	-14.07	0.000	-256.628	-193.551
_cons	6597.59	457.9693	14.41	0.000	5694.466	7500.713

Source: Data processed with Stata, 2025

The regression results show that Company Size has a negative and significant effect on Company Value with a p-value of 0.000 < 0.05 and a coefficient of -225.0895. This means that every one-unit increase in Company Size will decrease Company Value by 225.09 units. The R^2 value = 0.5001 indicates that 50.01% of the variation in Company Value can be explained by Company Size, making this model strong and significant, thus accepting hypothesis two.

Three Hypothesis Test

Table 9 Hypothesis Test 3

```
. regress y x1 z x1z
```

Source	SS	df	MS	Number of obs	=	200
				F(3, 196)	=	2.40
Model	4663064.93	3	1554354.98	Prob > F	=	0.0688
Residual	126754860	196	646708.472	R-squared	=	0.0355
				Adj R-squared	=	0.0207
Total	131417925	199	660391.585	Root MSE	=	804.18

y	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
x1	284.4228	694.6965	0.41	0.683	-1085.617	1654.463
z	-288.9729	125.474	-2.30	0.022	-536.4253	-41.5205
x1z	-489.4245	897.8952	-0.55	0.586	-2260.201	1281.352
_cons	366.611	94.64191	3.87	0.000	179.9638	553.2582

Source: Data processed with Stata, 2025

The regression results show that only the PROPER variable as a moderator has a significant effect on Company Value with a p-value of 0.022 < 0.05, while the Profitability (p = 0.683) and x1z (p =

0.586) variables are not significant. The PROPER coefficient of -288.9729 indicates a negative effect on Company Value. The R value is , so hypothesis three is rejected.

Four Hypothesis Test

Table 10 Hypothesis Test 4

```
. regress y x2 z x2z
```

Source	SS	df	MS	Number of obs	=	200
				F(3, 196)	=	98.05
Model	78868114.8	3	26289371.6	Prob > F	=	0.0000
Residual	52549810.6	196	268111.279	R-squared	=	0.6001
				Adj R-squared	=	0.5940
Total	131417925	199	660391.585	Root MSE	=	517.79

y	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
x2	-342.7219	22.74782	-15.07	0.000	-387.5839	-297.86
z	-3955.944	987.4567	-4.01	0.000	-5903.349	-2008.54
x2z	156.6444	34.68565	4.52	0.000	88.23942	225.0494
_cons	9524.885	610.445	15.60	0.000	8321.001	10728.77

Source: Data processed with Stata, 2025

The regression results show that all variables, Company Size, PROPER as a moderator, and x2z, have a significant effect on y because each has a p-value < 0.05. The x2 variable has a significant negative effect (coefficient -342.7219, p = 0.000), the PROPER variable also has a significant negative effect (coefficient -3955.944, p = 0.000), while the interaction x2z has a significant positive effect (coefficient 156.6444, p = 0.000). The R^2 value = 0.6001 indicates a strong model because it can explain 60.01% of the variation in Company Value, so hypothesis 4 is accepted.

DISCUSSION

The Effect of Profitability on Company Value

Hypothesis one is rejected, as the statistical test results indicate that profitability does not have a significant effect on company value. Profitability is considered a key indicator in assessing company performance. However, the results of this study show that the effect of profitability on company value can vary and is not always significant. This is because profitability alone is not sufficient to describe the overall condition of a company and its market value, which is influenced by various other factors (Fitria & Kuraesin, 2022). research by (Lokobal & Rosmawati, 2024) and (Hidayat, 2022) shows that profitability has no effect or even a negative effect on company value, because profits are not always followed by an increase in market value if management is unable to manage assets efficiently and operating costs increase. In addition, other studies in the food and beverage sector conducted before and after the COVID-19 pandemic indicate that profitability does not have a statistically significant effect on company value (significance > 0.05), and factors such as leverage and company size often have a more dominant influence. This is reinforced by the finding that company value is influenced by various market factors and complex capital structures, so that profitability alone is not sufficient to adequately predict company value. Therefore, under certain conditions, profitability can become less relevant as a predictor of company value when other risk factors, costs, and capital structures are more decisive in determining investor perceptions of company value (Lokobal & Rosmawati, 2024).

The Effect of Company Size on Company Value

The second hypothesis was accepted, whereby statistical tests showed that company size had a negative and significant effect on company value. Company size is often considered an indicator of strength and good operational capacity, which can positively affect company value. Research by (Novelia *et al*., 2020) confirm that companies with large assets are more trusted by investors and tend to have higher company values. However, some contexts may show negative effects due to the higher

burdens and risks of large companies. Research by (Sunarya *et al*., 2025) shows that leverage and company size together have a significant negative impact on company value, especially in the industrial services sub-sector, because large companies are not always more efficient in managing finances and debt, causing company value to decline. In addition, research by (Trisakti *et al*., 2023) The property and real estate sector has also found that large companies face higher business risks and more complex management, while small companies can generate large revenues without significant operational burdens, thereby negatively impacting company value.

The Effect of Environmental Performance (PROPER) in Moderating Profitability on Company Value

Hypothesis three was rejected, as the statistical test results indicated that environmental performance (PROPER) did not moderate the effect of profitability on company value. This shows that a company's status in the PROPER program did not strengthen or weaken the relationship between profitability and company value. In other words, both companies with good environmental performance and those not participating in PROPER still show a similar relationship between profitability and company value. This means that the results of this study reject the proposed hypothesis and indicate that other factors, such as financial performance and business prospects, play a greater role in determining company value than environmental aspects. The results of this study are not in line with previous studies, such as those conducted by (Rahmanita, 2020), (Siagian, 2021) as well as (Sapulette et al., 2021), which found that companies with good environmental performance tend to have higher company values. However, this study is in line with research conducted by (Lingkungan & Perusahaan, 2023) which states that not all investors consider environmental performance as a reference in making investment decisions, because good environmental performance does not necessarily reflect a company's ability to provide profitable returns for investors. In this study, no evidence was found that environmental performance acts as a moderator that strengthens the relationship between profitability and company value. Companies in the non-PROPER category with high profitability are still able to achieve good company value, while companies in the PROPER category do not show significant advantages in this relationship.

The Influence of Environmental Performance (PROPER) in Moderating Company Size on Company Value

The fourth hypothesis was accepted, with statistical test results indicating that the environment (PROPER) is able to moderate the influence of company size on company value. Good environmental performance can improve stakeholders' perceptions and trust in the company, thereby increasing company value, especially in large companies that usually face higher operational burdens and risks. In this context, large companies with high environmental performance through the PROPER program demonstrate a commitment to good environmental management, which has an impact on operational stability, reduction of social and legal risks, and optimization of resource use, so that the negative burdens that are usually attached to large size can be minimized and company value can increase significantly. Studies show that companies with high PROPER ratings tend to have better relationships with the community, regulators, and business partners, which also opens up opportunities for cooperation and access to environmentally friendly funding, reinforcing the positive effect of company size on value after being moderated by environmental performance. The results of this study are in line with other studies, such as those conducted by (Rahmanita, 2020), (Siagian, 2021) as well as *(Sapulette et a*l., 2021) which found that companies with good environmental performance tend to have higher company values

CONCLUSION

This study analyzes the effect of profitability and company size on company value, with proper playing a moderating role. This study was conducted on companies in the food and beverage sub-sector.

Based on the problem identification, research objectives, theoretical framework, hypotheses, and test results, it can be concluded that profitability does not have a significant effect on company value, while company size has a significant negative effect on company value. In addition, environmental performance as measured by the PROPER program is unable to moderate the effect of profitability and company size on company value. These findings indicate that financial aspects are still the main factors considered by investors in assessing company value, while environmental performance has not yet become a major concern in the context of its influence on company value. Therefore, companies need to improve transparency and environmental responsibility to strengthen their value and reputation in the eyes of investors and support business sustainability in the future.

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