

THE EFFECT OF SALES GROWTH AND FINANCIAL
PERFORMANCE (ROA) ON FIRM VALUEMelinda Dwi Kurniawati¹⁾, Maya Novitasari²⁾, Ahmad Nur Aziz³⁾.¹ Faculty of Economics and Business, PGRI Madiun University
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Abstrak

Riset ini ditujukan guna menguji sejauh mana dampak *sales growth* serta *financial performance* (ROA) terhadap *firm value*. Subjek yang diamati berfokus pada entitas di sektor consumer non-cyclical yang terdaftar resmi di Bursa Efek Indonesia (BEI) sepanjang kurun waktu 2021-2025. Pendekatan kuantitatif diterapkan sebagai kerangka utama dalam metode penelitian ini. Berdasar pada kriteria *purposive sampling*, diperoleh total sampel sebanyak 507 unit data perusahaan. Hasil akhir penelitian memaparkan bahwa *sales growth* tidak memberikan dampak terhadap *firm value*. Di sisi lain, *financial performance* terbukti membawa pengaruh positif dan signifikan terhadap *firm value*.

Kata Kunci: *Sales Growth, Financial Performance (ROA), Firm Value*

Abstract

This study aims to examine the impact of sales growth and financial performance, measured by return on assets, on firm value among non-cyclical consumer sector companies listed on the Indonesia Stock Exchange during the 2021 to 2025 period. Employing a quantitative research approach, the investigation analyzed a final sample of 507 firm-year observations selected through purposive sampling. The empirical findings reveal that sales growth exerts no significant influence on firm value, whereas financial performance demonstrates a positive and statistically significant effect on firm value.

Keywords: *Sales Growth, Financial Performance (ROA), Firm Value*

A. INTRODUCTION

Firm value reflects investors' assessment of a company's condition and prospects. A higher firm value instills greater investor confidence in making investments, as the company is perceived to have the potential for future share price appreciation (Carolin & Susilawati, 2024). However, in practice, firm value is highly susceptible to

fluctuations in operational and financial performance. This phenomenon is evident in the case of PT Bumi Teknokultura Ungguk Tbk., which experience an 88.7% decline in sales dropping from IDR 635.6 billion in 2024 to IDR 72 billion in 2025 (Ipotnews, 2026). PT Mayora Indah Tbk recorded a net profit of IDR 2.86 trillion in 2025. This represents a 4.5% decrease from IDR 3.01 trillion in 2024. This was due to cost of goods sold and operating expenses (Melani, 2026).

Sales represent a company's primary revenue-generating activity, thus an increase in sales reflects corporate growth and has the potential to enhance firm value (Freshillya et al., 2025). Sales growth reflects the company's operational success in executing effective marketing strategies and product innovation, as well as its ability to identify market opportunities. Conversely, a sharp decline in sales can signal negativity to investors, as the company's operational capability may be perceived as weak. Previous studies have yielded mixed results, Erdi (2024) presents findings indicating that sales growth influences firm value, whereas Santioso (2025) found no such influence.

In addition to sales growth, financial performance (ROA) is also a factor that can influence firm value. According to Agusalm et al. (2025) an improvement in financial performance (ROA) demonstrates a company's ability to conduct operational activities profitably. Companies generating substantial profits attract investors due to their perceived strong performance, thereby potentially increasing firm value. Investors always seek substantial returns on their investments. The ROA metric helps investors assess how effectively a company converts its assets into profit. Previous research has shown varied outcomes, Astuti & Lestari (2024) stated that financial performance affects firm value, while.

Driven by empirical inconsistencies in prior research, this study re-examines the impact of sales growth and financial performance, measured by return on assets, on firm value among non-cyclical consumer goods companies listed on the Indonesia Stock Exchange during the 2021 to 2025 period.

THEORITICAL REVIEW AND HYPOTHESIS DEVELOPMENT

Signaling Theory

According to Spence (1973), Signaling theory posits that information regarding a firm's operational condition and future performance prospects functions as a critical signal to external market participants. Information communicated to the market through financial performance metrics provides investors with actionable signals to evaluate the firm's financial health, operational efficacy, and underlying economic value and influences its stock price (Herbowo & Inadi, 2025). According to Neliana & Destiana (2021), signaling theory represents the shareholders' perspective on a company's prospects for increasing firm value in the future, based on information provided by company management.

Firm Value

Companies generally have the primary objective of maximizing firm value. According to Warsiki & Dewi (2023), firm value is a crucial factor for corporate sustainability, as high firm value can boost investor confidence in making investments. Firm value is enhanced by optimizing corporate performance through leveraging strengths and minimizing weaknesses (Khoiroh et al., 2024). According to Febe & Ardianti (2026), firm value reflects the level of investor confidence in long-term growth prospects and the effectiveness of corporate management regarding capital investment, rather than merely representing the stock price on the Indonesia Stock Exchange.

Sales growth and Firm value

Sales growth is a crucial or key indicator for a company in expanding its business. According to Novitasari et al. (2025), Sales growth reflects the trajectory of a firm's market expansion over a given period. From a signaling theory perspective, strong top-line revenue expansion serves as a positive market signal, indicating robust market demand, expanding operational capacity, and commercial viability. Consequently, firms that consistently achieve high sales growth rates signal favorable future earning potential to market participants, which in turn enhances investor confidence and drives

an increase in firm value (Adelyya & Putri, 2022). This aligns with the research findings of Agustar & Nilawati (2025), which indicate that sales growth has a significant positive effect on firm value. Arianti & Yatiningrum (2022), note that positive sales growth increasing from one period to the next indicates that firm value will also rise.

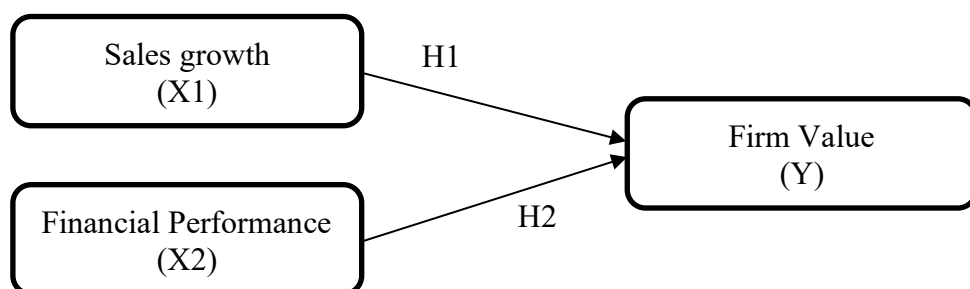
H1 = Sales growth has a significant effect on firm value.

Financial performance (ROA) and Firm value

Return on Assets (ROA), serving as a metric of financial performance, evaluates a firm's operational efficiency in utilizing its asset base to generate earnings (Atul et al., 2022). Within a signaling theory framework, a superior ROA delivers a positive market signal to external investors, indicating effective asset deployment and strong profit-generating capabilities. Consequently, this favorable signal enhances market confidence, driving increased investor demand for the company's equity and ultimately enhancing firm value.(Savitri & Abdullah, 2023). Consistent with Almubarak et al. (2025), Companies with high Return on Assets (ROA) and consistently rising profits demonstrate effective management operating in accordance with established procedures; this generates a positive response from shareholders and drives up the share price. Increased demand for shares drives up share prices, which has the potential to increase the company's value. This aligns with empirical research conducted by Zulhilmi et al. (2022), which state that financial performance has a significant positive effect on firm value.

H2 = Financial performance (ROA) has a significant effect on Firm value.

Figure 1. Research Model



B. METHOD

This study analyzes the impact of sales growth and financial performance, measured by return on assets, on firm value. The study population comprises 565 non-cyclical consumer sector companies listed on the Indonesia Stock Exchange during the 2021 to 2025 period. Utilizing a purposive sampling technique, a final sample of 507 firm-year observations was selected for empirical analysis. Statistical processing was executed using IBM SPSS Statistics version 24 software. Operationalization of variables defines sales growth as the percentage change in net sales, financial performance via return on assets, and firm value through Tobin's Q.

Table. 1 Variable Measurement

Variable	Indicator	References
Sales Growth (X1)	$\text{Sales Growth} = \frac{\text{Sales}_t - \text{Sales}_{t-1}}{\text{Sales}_{t-1}}$	(Budiharjo, 2023)
Financial Performance (ROA)	$\text{ROA} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$	(Astuti & Lestari, 2024)
Firm Value	$\text{Tobin's Q} = \frac{\text{MVE} + \text{Total Liabilities}}{\text{Total Assets}}$	(Yabela et al., 2026)

C. RESULTS AND DISCUSSIONS**Descriptive Statistics****Tabel 2. Descriptive Statistics**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Sales Growth	507	-0,887	14,640	0,19852	0,919760
Financial Performance (ROA)	507	-0,689	0,944	0,04174	0,119797
Firm Value	507	0,459	22,488	1,79720	1,728978
Valid N (listwise)	507				

Source: SPSS 24

1. The sales growth variable exhibits a wide range of values, spanning from a minimum of -0.887 to a maximum of 14.640. The construct records a mean value of 0.19852 with a standard deviation of 0.919760, reflecting notable dispersion across net sales expansion within the sample.
2. Financial performance, proxied by Return on Assets, displays a minimum value of -0.689 and a maximum value of 0.944. The mean Return on Assets stands at 0.04174 with a standard deviation of 0.119797, reflecting variations in earnings generation efficiency among the sampled firms.
3. Firm value ranges from a minimum of 0.459 to a maximum of 22.488. The average firm value is 1.79720 with a standard deviation of 1.728978, indicating substantial diversity in market valuation across the evaluated companies.

Classical Assumptions

1. Normality Test

Table 3. Normality Test Result

One-Sample Kolmogorov-Smirnov Test			
			Unstandardizes Residual
N			363
Normal Parameters	Mean		0,0000000
	Std. Deviation		0,43821800
Most Extreme Differences	Absolute		0,068
	Positive		0,068
	Negative		-0,049
Test Statistics			0,068
Monte Carlo	Sig.		0,069
Sig. (2-tailed)	99% Confidence Interval	Lower Bound	0,063
		Upper Bound	0,076

Based on the presented output, the two-tailed Monte Carlo significance value is 0.069, which exceeds the 0.05 threshold. Based on this statistical criterion, the empirical data conform to a normal distribution.

2. Multicollinearity Test

Table 4. Multicollinearity Test Result

Coefficients ^a		
Model	Collinearity Statistics	
	Tolerance	VIF
(constant)		
Sales growth	0,972	1,029
Financial performance (ROA)	0,972	1,029
Dependent Variabel : Firm value		

Source: SPSS 24

Based on the diagnostic evaluations, both independent variables sales growth and financial performance yield tolerance values exceeding the 0.10 threshold alongside variance inflation factor values below 10. Consequently, the empirical regression model demonstrates an absence of multicollinearity among the explanatory constructs.

3. Heteroscedasticity Test

Table 5. Heteroscedasticity Test Result

Coefficients ^a		
Model	t	Sig.
Constant	21,367	0,000
Sales growth	0,759	0,448
Financial performance (ROA)	-0,453	0,651
Dependent Variabel: ABS_RES		

Source: SPSS 24

Based on the diagnostic evaluations using the Glejser test, the sales growth variable yields a significance value of 0.448, while the financial performance variable yields a significance value of 0.651. Because both probability values exceed the 0.05 alpha threshold, the statistical evidence confirms that the regression model is free from heteroscedasticity.

4. Autocorrelation Test

Table 6. Autocorrelation Test Result

Model Summary ^b	
Model	Durbin-Watson
1	1,985
a. Predictors: (Constant), FP, SG	
b. Dependent Variabel: FV	

Source: SPSS 24

Based on the diagnostic evaluations, the Durbin-Watson statistic is 1.985. For a sample size of 363 observations with two explanatory constructs, the upper critical threshold stands at 1.833, yielding an upper boundary value of 2.167 for the difference calculation. Because the calculated Durbin-Watson statistic falls within the designated decision region between 1.833 and 2.167, the empirical regression model demonstrates an absence of autocorrelation.

5. Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Test Results

Model	Coefficients ^a		
	Unstandardized Coefficients		Standardized Coefficient
	B	Std. Error	Beta
1 (Constant)	0,029	0,020	
Sales Growth	0,119	0,254	0,040
Financial Performance	2,474	0,413	0,304

Source: SPSS 24

Based on the multiple linear regression equation, the statistical findings yield the following interpretations:

1. The constant parameter of 0.029 indicates that when sales growth and financial performance are held at zero, the estimated baseline firm value stands at 0.029.
2. The regression coefficient for sales growth of 0.119 indicates that for every one-unit increase in sales growth, holding financial performance constant,

firm value is projected to increase by 0.119 units, reflecting a positive linear relationship between revenue expansion and corporate valuation.

3. The regression coefficient for financial performance of 2.474 indicates that for every one-unit increase in Return on Assets, holding sales growth constant, firm value is projected to increase by 2.474 units, demonstrating that enhanced earnings generation relative to total assets corresponds with higher firm valuation.

F-test (Goodness of fit)

Table 8. F-test Results (Goodness of fit)

ANOVA ^a					
Model	Sum of Square	df	Mean Square	F	Sig.
Regression	4,712	2	2,356	19,595	0,000
Residual	43,163	359	0,120		
Total	47,875	361			
a. Dependent Variable: FV					
b. Predictors: (Constant), FP, SG					

Source: SPSS 24

Based on the empirical output, the regression model yields an calculated F-statistic of 19.595 with an associated probability value of 0.000, which falls well below the 0.05 significance threshold. This statistical outcome confirms that the independent variables sales growth and financial performance exert a statistically significant simultaneous effect on firm value. Consequently, the empirical regression model demonstrates robust goodness-of-fit and suitability for explanatory analysis..

t-test (Partial test)

Table 9. t-test result

Coefficients ^a		
Model 1	t	Sig.
(Constant)	1,477	0,140
Sales growth	0,785	0,433
Financial performance (ROA)	5,985	0,000

 Dependent Variabel: FV

Source: SPSS 24

Based on the partial hypothesis testing results, the statistical outcomes and theoretical interpretations are structured as follows:

1. The sales growth variable yields a t-statistic of 0.785 with an associated significance value of 0.140, which exceeds the 0.05 threshold. Consequently, sales growth exhibits no statistically significant effect on firm value, leading to the rejection of **H1**. Although a firm may demonstrate revenue expansion, such top-line growth fails to enhance market valuation if it is accompanied by proportional increases in operating expenditures and administrative overhead. This outcome indicates that market participants do not view revenue growth in isolation as a sufficient indicator of corporate health; rather, investors evaluate management's capability to convert top-line expansion into net earnings while maintaining operational cost efficiency.
2. The financial performance variable, proxied by Return on Assets, yields a t-statistic of 5.985 with a significance value of 0.000, falling well below the 0.05 threshold. Consequently, financial performance exerts a statistically significant positive effect on firm value, leading to the acceptance of **H2**. A higher Return on Assets reflects superior managerial efficiency in deploying capital resources to generate profits. Within the framework of signaling theory, this strong earnings capability serves as a credible positive signal to external market participants, bolstering investor confidence, elevating equity demand, and ultimately driving corporate market valuation.

Coefficient of Determination (R^2) Test

Table 10. (R^2) Test Results

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,314	0,098	0,093	0,34674
a. Dependent Variable: FV				

b. Predictors: (Constant), SG, FP

Source: SPSS 24

Based on the diagnostic evaluations, the regression model yields an Adjusted R-squared value of 0.093. This result indicates that the combined explanatory power of the independent variables sales growth and financial performance accounts for 9.3% of the variance in firm value. The remaining 90.7% of the variance is attributable to exogenous factors and unobserved variables outside the scope of this empirical model.

D. CONCLUSIONS

Based on the partial test results, the empirical findings demonstrate that: (1) firm value is not influenced by sales growth, and (2) financial performance, proxied by Return on Assets, exerts a statistically significant positive effect on firm value. Nevertheless, this study exhibits key limitations, particularly regarding the restricted set of independent variables and the omission of moderating, mediating, or control variables that could provide a more comprehensive explanation of the underlying mechanisms governing the relationships between sales growth, financial performance, and firm value.

E. SUGGESTIONS

Future research is advised to incorporate additional independent variables alongside moderating, mediating, or control constructs such as capital structure, dividend policy, firm size, or corporate governance to capture a more comprehensive perspective on the determinant mechanisms driving corporate valuation.

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