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The Influence of Earnings Manipulation, Strength of Financial Position, Financial Distress and Capital Structure on Firm Value

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Abstract

Purpose – *This study focuses on the influence of earnings manipulation, financial position strength, financial distress, and capital structure on firm value.*

Design/methodology/approach – *This study uses a quantitative method. By using secondary data. With a population of 166 companies in the non-primary consumer goods sectors listed on the Indonesia Stock Exchange in 2022 and 2024. The sample for this study consists of 45 companies listed on the Indonesia Stock Exchange in 2022 and 2024. The total number of observations is 135.*
The total number of observations in this study is 135. The analysis technique used to test the hypotheses is multiple regression analysis using Eviews9 software

Findings – *The results of this study indicate that earnings management variables have a negative and insignificant effect on firm value. Financial position strength variables have a negative and insignificant effect on firm value. Financial distress variables have a positive and significant effect on firm value. Capital structure variables have a positive and significant effect on firm value.*

Research limitations/implications – *This study aims to provide information about company value and can be beneficial for decision-making as well as serve as a reference for further research.*

JEL : G30, G32, G33, M41

INTRODUCTION

The non-primary consumer goods sector, or the sustainable consumer sector, is an industry group that produces goods and services whose demand is highly influenced by economic conditions. This industry encompasses retail, hospitality, entertainment, recreation, and tourism, whose business activities are highly sensitive to changes in the economic cycle.

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Dependence on consumer purchasing power makes companies in this sector vulnerable to financial pressure when economic conditions weaken. Nevertheless, the non-primary goods sector still has high growth potential because it is supported by product innovation, marketing creativity, and the company's ability to respond to market trend dynamics. These characteristics make the sector adaptable and offer opportunities for creating added value for investors, especially during economic expansion. Beside flexibility, the relatively high profit margins on non-primary products also provide room for companies to significantly increase their corporate value.

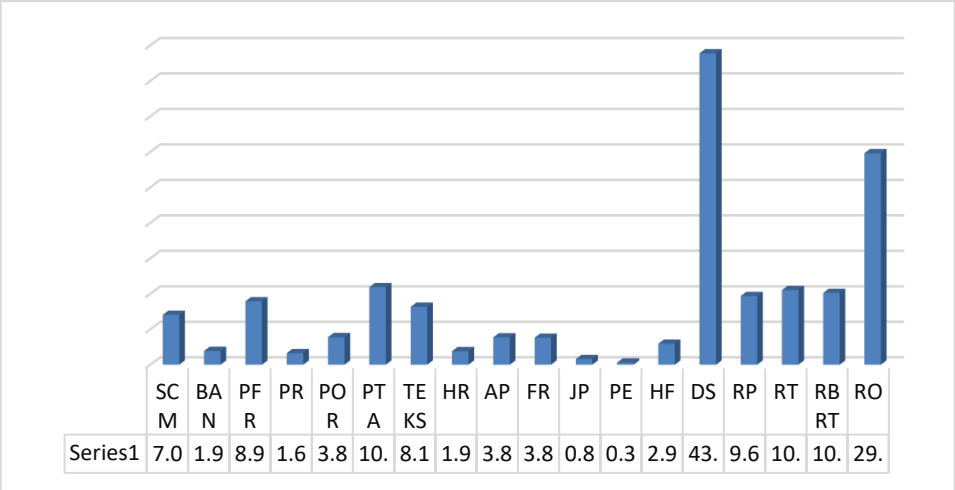

Figure 1. Capital Structure Performance

The differences in characteristics between sub-sectors are reflected in the capital structure data in Figure 1. There is a fairly sharp variation in leverage among the 17 industry subsectors, ranging from very high leverage levels in departments stores and automotive retail to low leverage levels in broadcasting, educational services, and resort hotels & cruise ships. Other subsectors such as clothing & textile retail, household goods retail, and home furniture manufacturers are at medium leverage levels. This variation indicates differences in investment needs, reliance on debt financing, and the financing strategies used by each subsector. Understanding these variations is important for analyzing how financial factors affect firm value in the non-primary consumer goods industry.

Firm value in this sector is influenced by various factors, one of which is earnings manipulation. When a company engages in earnings manipulation, the financial statements no longer reflect the true economic condition. Investors who use financial statements as the basis for decision-making may overvalue a company. Although earnings manipulation can create the perception of good performance in the short term, such practices can erode investor confidence when information discrepancies are revealed, leading to lower stock prices and company value. Previous research has shown inconsistent results; some studies have found a negative impact of the research findings by (Kumalasari & Puspaningsih, 2023) on manufacturing companies listed on the Indonesia Stock Exchange for the period 2016 – 2018, and (Witjaksono, 2020) on manufacturing companies listed on the Indonesia Stock Exchange for the period 2014 – 2016. However, other studies have found a positive impact on company value, as shown by research by (Raharja & Pamungkas, 2025) on manufacturing companies in

the consumer goods industry sector listed on the Indonesia Stock Exchange for the period 2019 – 2023.

Beside earnings manipulation, the strength of financial position is also an important factor in determining company value. A strong financial position is characterized by adequate liquidity, manageable leverage, and a good level of profitability. This condition sends a signal of stability and growth prospects to investors. Companies with a solid financial position are considered to have a lower risk of bankruptcy and a better ability to capitalize on investment opportunities (Faisal et al., 2024; Faisal & Sari, 2023). However, there are also research findings indicating that a strong financial position does not always increase company value, as some industries are actually considered more attractive to investors when companies are more aggressive in taking risks thru external financing. Previous research has shown inconsistent results; some studies have found a positive influence of the research findings by (Syafitri & Rakhmawati, 2024) on companies in the banking sector listed on the Indonesia Stock Exchange from 2018 to 2023, while other studies have found a negative influence on company value, as shown in the research by (Witjaksono, 2020) on manufacturing companies listed on the Indonesia Stock Exchange from 2014 to 2016.

Another factor that influences company value is financial distress. Financial distress typically lowers investor confidence due to the increased risk of default and uncertainty about future cash flows (Faisal et al., 2021). Companies experiencing financial distress are also likely to take operational restriction measures, sell assets, or restructure debt, all of which can lower market perception of growth prospects. Nevertheless, some studies have found that financial distress can positively impact company value in certain situations, such as when investors see potential for recovery or when the market assesses that restructuring actually improves the company's operational efficiency. Some found a negative influence from the research findings conducted by (Parti, 2022) on mining companies listed on the Indonesia Stock Exchange, (Damayanti et al., 2023) on property and real estate companies listed on the Indonesia Stock Exchange for the period 2018 – 2021, (Putri et al., 2025) on Property and Real Estate Companies listed on the Indonesia Stock Exchange for the period 2016 – 2020, (Damayanti et al., 2023) on property and real estate companies listed on the Indonesia Stock Exchange for the period 2018 – 2021, (Witjaksono, 2020) on manufacturing companies listed on the Indonesia Stock Exchange for the period 2014 – 2016, while other studies found a positive influence on company value from research conducted by (Arum & Hakim, 2023) on the banking sector listed on the Indonesia Stock Exchange for the period 2017 – 2021, (Kusumawati & Haryanto, 2022) on Property and Real Estate companies for the period 2016-2020.

Capital structure is another important factor in influencing company value. If managed well, using debt at an optimal level can increase company value thru tax benefits (tax shield) and improved return on equity. However, excessive use of debt can lead to a greater risk of bankruptcy, thereby decreasing company value. The differences in research findings regarding the influence of capital structure indicate that the impact of debt is highly dependent on industry characteristics, business risk, and the company's ability to manage financial burdens. Some studies have found a positive influence, such as the findings of (Syafitri & Rakhmawati, 2024) on the Property and Real Estate Sector for the period 2018 – 2022, (Setiawan et al., 2021) on the Property and Real Estate Sector for the period 2014 – 2018, and (Purnamasari & Fauziah, 2022) on service companies in the Hotel, Restaurant, and Tourism sub-sector for the period

2019 – 2020. However, other studies have found a negative influence on company value, such as the research conducted by (Aggita & Stiawan, 2023) on the LQ-45 sector for the period 2017 – 2021 and (Santoso & Widjaja, 2022) on the consumer goods sector for the period 2015 – 2019.

The variation in sector conditions, the phenomenon of leverage between sub-sectors, and the inconsistency of previous research findings highlight the need for further research in the context of non-primary consumer industries. Therefore, this research was conducted to analyze the influence of Earnings Manipulation, Strength of Financial Position, Financial Distress, and Capital Structure on firm Value in non-primary consumer companies for the period 2022–2024.

LITERATUR REVIEW

Signalling Theory

Signaling Theory was first proposed by Michael (Spence, 1973), who stated that by providing a signal, the information owner attempts to convey information that can be used by the information recipient. Signaling Theory explains how a company should signal to report users. This signal can be information about management's efforts to meet the owner's wishes. This could be a promotion or other information highlighting the company's superiority over others.

Agency Theory

Agency theory, developed by (Jensen & Meckling, 1976), explains the relationship between shareholders (the principal) and managers (the agent). According to agency theory, an agency relationship is formed when one or more individuals (the principal) hire others (the agent) to provide a service and then grant the agent decision-making authority. While the company owners (shareholders) are the ones who want to make as much profit as possible at the lowest cost, the management team is a professional agency that understands better how to run the business so that the owners make as much profit as possible.

Trade-Off Theory

The trade-off theory is a development theory by (Jensen & Meckling, 1976), expanded by Myers in 1977. According to the trade-off theory in finance, the ideal capital structure is achieved by balancing the benefits of debt, such as the tax shield gained from reducing tax burdens thru interest on debt, with the costs of debt, including bankruptcy risk and agency costs arising from conflicts of interest between shareholders and creditors.

Pecking Order Theory

The Pecking Order Theory is a capital structure theory introduced by Myers and Majluf (1984). This theory explains that companies have a hierarchy of preferences when choosing funding sources to finance operational and investment activities. This hierarchy is not chosen randomly, but is based on considerations of information costs, risk, and their impact on market perception.

Earnings Manipulation

Manipulation is the attempt by a group or individual to influence the behavior, attitudes, and opinions of others without their awareness (Kuntarto, 2021). Profit is the net

income received by producers or sellers, which is the difference between revenue (sales proceeds) and expenses incurred (Ahman, 2007). From the definition above, it can be concluded that earnings manipulation or profit manipulation is an effort by an individual or group to influence a company's revenue so that the company's financial statements look good. In this case, profit is considered the difference between revenue earned and expenses incurred, where manipulation serves as a strategy to increase that revenue without making the target aware of its influence.

Strength of Financial Position

Strength is an internal condition that is a driving factor for the company's success (Indonesia, 2016). Financial position is a systematic report on the company's assets, liabilities, and equity as of a specific date (Thian, 2022). From the definition, it can be concluded that the strength of financial position is the internal state of the company, such as management capabilities, resources, or competitive advantages, which serves as the main driver of success and directly affects the statement of financial position.

Financial Distress

Financial distress is a condition where a company does not have sufficient cash available from revenue to meet its obligations (Hidar, 2025). According to (Abidin, 2022), financial distress is a condition where a company's finances are unhealthy or in crisis.

Capital Structure

Capital structure is the amount of debt and equity used to finance operations and investments (Addinpujoartanto et al., 2024). Capital structure is permanent financing that describes the position of long-term debt with equity consisting of common stock, retained earnings, and preferred stock (Anita et al., 2023).

Hypotheses development

Earnings Manipulation on Firm Value

Earnings manipulation, or profit manipulation, is an effort by an individual or group to influence a company's revenue so that the company's financial statements look good. Jensen and Meckling (1976) created agency theory to explain the relationship between shareholders (the principal) and managers (the agent). There is a conflict because agents may prioritize their personal interests, such as bonuses, over maximizing the principal's value. When managers alter financial statements to influence reported earnings, often to make them look better, this is called earnings manipulation, which is a form of agent opportunism. The explanation above is consistent with research conducted by (Kumalasari & Puspaningsih, 2023) which states that earnings manipulation negatively affects company value. The conflict of interest between the principal and the agent causes the manager Companies make various efforts to make their performance look good to investors, one of which is by committing fraud in their financial statements.

H_1: Earnings manipulation has a negative effect on company value.

Strength of Financial Position on Firm Value

The strength of financial position is the internal state of the company, such as

management capabilities, resources, or competitive advantages, which serves as the main driver of success and directly affects the statement of financial position. Companies with a strong financial position can usually meet all their financial obligations on time, have more assets than debts, and continue to generate profits. A strong financial position indicates that the business is stable and resilient to risks such as declining sales or uncertain economic situations. The explanation above aligns with research conducted by (Utama et al., 2025), which states that the strength of financial position positively influences company value. In this context, financial position is considered a systematic reflection of assets, liabilities, and equity on a specific date, where strength helps increase assets or offset liabilities to achieve better financial stability.

H_2: Strength of Financial Position has a positive effect on company value.

Financial Distress on Firm Value

Financial distress is a condition where a company or individual is unable to generate sufficient income or earnings, thus being unable to meet its financial obligations (Halim, 2025). Financial distress can significantly reduce a company's value. If a business faces financial difficulties, investors lose confidence in it, leading to a massive sell-off of shares and a decline in market price because they are concerned the business will go bankrupt. The explanation above is consistent with research conducted by (Parti, 2022) on mining sector companies listed on the Indonesia Stock Exchange for the period 2014, which stated that financial distress negatively affects company value. The increasing financial difficulty indicates that the company in question has a high level of debt and has not been able to effectively analyze its debt level.

H_3: Financial Distress has a negative effect on company value.

Capital Structure on Firm Value

Ideal capital structure management can increase company value because it demonstrates how effectively the business utilizes available funding sources. According to the Pecking Order Theory, proposed by Myers and Majluf (1984), organizations have three options for obtaining funds: using internal funds (retained earnings), using debt, and issuing new shares. This theory emphasizes that managers prefer to use internal funds because the information cost is lower. This aligns with previous research (Purnamasari & Fauziah, 2022; Setiawan et al., 2021; Syafitri & Rakhmawati, 2024) which states that capital structure has a positive effect on firm value. Companies tend to prioritize internal funding before using external debt and equity. So a capital structure that reflects controlled use of debt can be perceived as a rational and efficient financing decision. In the context of the non-primary consumer goods sector, which is highly influenced by demand fluctuations and economic cycles, the use of an optimal capital structure thru selective debt utilization can help companies maintain funding flexibility and support product expansion and innovation without the need for immediate equity issuance, which could potentially lead to ownership dilution.

H_4: Capital structure has a positive effect on company value

RESEARCH METHODOLOGY

This study aims to investigate, analyze, and gather evidence regarding the influence of independent variables such as earnings manipulation, financial position strength, and capital structure financial distress on the dependent variable, firm value. The research design for this study uses a quantitative approach. The type of data used is quantitative data. Quantitative data research is empirical research where the data is in the form of numbers. Research methodology generally measures consumer behavior, knowledge, opinions, or attitudes. The sampling design in this study is non-probability sampling using purposive sampling. For the implementation period, panel data was used, which is a combination of cross-sectional and time series data, analyzed using hypothesis testing.

Table 1. Variable measuring instruments and sources of measurement

No	Variabel	Measurement	Source
1	Firm Value	$PBV = \frac{Price\ per\ Share}{Earning\ per\ Share}$	(Aggita & Stiawan, 2023)
2	Earnings Manipulation	MSORE = -4.84 + 0.920*DSRI + 0.528*GMI + 0.404*AQI + 0.892*SGI + 0.115*DEPI – 0.172*SGAI– 0.327*LVGI + 4.697*TATA	(Kumalasari & Puspaningsih, 2023)
3	*Strength of Financial Position*	F_SCORE = F_ROA + F_ΔROA + F_CFO + F_ACCRUAL + F_ΔLEVER + F_ΔLIQUID + EQ_OFFER	(Witjaksono, 2020)
4	Financial Distress	Z″ = 6,56X1 + 3,26X2 + 6,72X3 + 1,05X4	(Damayanti et al., 2023)
5	Capital Structure	$Debt\ to\ Equity\ Ratio = \frac{Total\ Debt}{Total\ Equity}$	(Syafitri & Rakhmawati, 2024)

Source: Author's work

Based on the criteria, 45 companies out of 166 in the non-primary consumer goods sector met the requirements for this study over a 3-year period, resulting in 135 data observations. The technique used in this study is non-probability sampling. Non-probability sampling is a sampling method that essentially uses certain considerations determined by the researcher. The type of non-probability sampling is purposive sampling. Purposive sampling is a sampling method that selects sample members from a population determined entirely (subjectively) by the researcher. This research uses secondary data with the data source used in this study coming from the financial statements of industrial sector companies listed on the Indonesia Stock Exchange for the period 2022 – 2024, obtained from www.idx.co.id for the years 2022 – 2024. In obtaining data for this research, two techniques were used: literature research and field research. (1) Literature Research: Researchers obtained data related to the problem being studied thru previous research journals, books, and the internet related to the research theme. (2) Field Research: The type of data used in this study is secondary data. This research was conducted on industrial sector companies listed on the Indonesia Stock Exchange for the period 2022-2024, all of whose financial data has been published and audited by public accountants and has been fully disclosed on the Indonesia Stock Exchange.

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RESULTS

Descriptive statistical analysis explains the independent and dependent variables as well as the moderation variables used in this study, the independent variables in question are earnings manipulation, strength of financial position, and financial distress. The dependent variable in this study is the company's value and there is a moderation variable, namely, capital structure. Based on the results of the study, it is known that the minimum, maximum, average and standard deviation values. Each variable was used in the observation period of 2022 – 2024. Here is a table of descriptive statistical results:

Table 2. Descriptive Test Results

	FV	EM	SFS	FD	CS
Mean	1.381090	-0.795310	1.309717	6.202003	1.186368
Median	0.231800	-3.668600	1.049200	5.595500	0.541800
Maximum	37.92250	79.79500	16.45400	25.40810	19.03070
Minimum	0.000000	-11.63980	-7.781300	3.459500	0.039100
Std. Dev.	4.624975	13.38533	2.479700	2.658737	2.297308
Skewness	5.976792	5.215408	2.858314	3.702469	5.533243
Kurtosis	41.06491	29.44558	19.21853	23.44936	38.08299
Jarque-Bera	8954.019	4545.960	1663.428	2660.677	7612.219
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	186.4471	-107.3668	176.8118	837.2704	160.1597
Sum Sq. Dev.	2866.313	24008.37	823.9540	947.2303	707.2018
Observations	135	135	135	135	135

Selection of the Best Panel Data Model

Chow Test

Decision-making criteria and based on the value of F calculated:

- If the probability (Prob) on the cross-section F<0.05 and if F calculates > F table then a better model is Fixed Effect.
- If the probability (Prob) on the Cross Section F is >0.05 and If F is calculated < F table then a better model is Common Effect

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.318520	(44,86)	0.1372
Cross-section Chi-square	69.601871	44	0.0083

Source: Eviews9 Data Processing

Based on the results of the Chow Test using Eviews9, it is stated that *the probability value of Cross Section* F is 0.137 which is less than the insignificance level value (α= 0.05). This means that the best model used is the *Common Effect Model* (CEM). Therefore, a Lagrange

Multiplier Test is needed in order to choose the best model between *the Random Effect Model* and *the* Common Effect Model

Lagrange Multiplier Test

Decision-making criteria and based on LM values:

- If the significance on Both < 0.05 and if the value of LM > Chi square then the better model is Random Effect
- If it is significant on Both > 0.05 and if the value of LM < Chi square table then the better mode 1 is Common Effect.
-

Tabel 4. Uji Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.192719	0.094650	0.287369
	(0.6607)	(0.7583)	(0.5919)
Honda	-0.438997	0.307653	-0.092875
	--	(0.3792)	--
King-Wu	-0.438997	0.307653	0.209353
	--	(0.3792)	(0.4171)
Standardized Honda	-0.221876	0.840235	-5.310105
	--	(0.2004)	
Standardized King-Wu	-0.221876	0.840235	-2.166337
	--	(0.2004)	--
Gourierioux, et al.*	--	--	0.094650
			(>= 0.10)

*Mixed chi-square asymptotic critical values:

1%	7.289
5%	4.321
10%	2.952

Source: Eviews9 Data Processing

Based on the results of *the Langrange Multiplier* test, the significant value for Both is 0.66 where this result is bigger than the insignificant level value (α= 0.05). In this case, it means that the best model used is *the Common Effect Model* (CEM). In this case, based on the chow test and *langrange test, the dominant model* is *the Common Effect Model* (CEM), so the best model used is *the Common Effect Model* (CEM).

Hypothesis Test

This study tested the hypothesis using multiple regression analysis. To assess the significance of the test results, the t-test was used to test the partial effect of each independent variable, the F-test was used to test the simultaneous effect of all independent variables on

the dependent variable, and the coefficient of determination (R^2) was used to measure how much of the variation in the dependent variable could be explained by the independent variables in the model.

Partial Test (T-test)

Partial tests are used to identify the significance of the influence of independent variables individually on dependent variables. The significance level used in this analysis is 0.05. If the significance value is > 0.05, then H_0 is accepted and H_a is rejected, which means that there is no significant influence between the variables studied. For further details, here is the partial test table:

Table 5. T-Test (Fixed Effect Model)

Variabel	Prediksi	Coeficient	T-Statistik	Prob.
C		-3.8624	-5.9668	0.0000
EM	-	-0.0007	-0.0410	0.9673
SFS	+	-0.1475	-1.4864	0.1396
FD	-	0.5912	6.4111	0.0000
SM	+	1.4914	13.9698	0.0000
R-Square				0,6401
Adjusted R-Square				0.6291
F-Statistic				57.8227
Prob (F-statistic)				0.0000

Source: Processed data (2025)

Based on the partial test value table, it is used to determine the significant influence of independent variables on dependent variables. The results of the test using *the Common Effect Model* (CEM) can be concluded as follows:

1. Earnings Manipulation has a negative effect on firm Value

   The first hypothesis (H1) formulated in this study states that Earnings Manipulation has a negative influence on firm Value. However, the results of this study support this research hypothesis, obtaining a coefficient value of -0.0007 with a significance level of 0.967. The probability value is divided by two, resulting in a significance level of 0.967/2 = 0.4835, which is greater than the significance level (α= 0.05). This indicates that there is a non-significant influence of the variable Earnings Manipulation on Firm Value. Therefore, H_1 is accepted and H_0 is rejected. Therefore, the higher the value of Earnings Manipulation, the lower the value of the company that the company will own.

2. Financial Position Strength has a positive effect on firm Value.

   The second hypothesis (H2) formulated in this study states that Financial Position Strength has a positive effect on firm Value. However, the results of this study do not support this research hypothesis, with a coefficient value of -0.147 and a significance level of 0.139. The probability value is divided by two, resulting in a significance level of 0.139/2 = 0.0695, which is greater than the significance level (α= 0.05). This indicates that there is no significant effect of the Strength of Financial Position variable on Company Value. Therefore, H_2 is rejected and H_0 is accepted.

Therefore, the higher the value of Strength of Financial Position, the lower the firm Value.

3. Financial Difficulty Negatively Impacts firm Value

The third hypothesis (H3) formulated in this study states that financial difficulty negatively affects firm Value. However, the results of this study do not support this research hypothesis, obtaining a coefficient value of 0.591 with a significance level of 0.000. The probability value is divided by two, resulting in a significance level of 0.000/2 = 0.000, which is smaller than the significance level (α= 0.05). This indicates that there is a significant influence of the Financial Distress variable on Firm Value. Therefore, H_3 is rejected and H_0 is accepted. Therefore, the higher the Financial Distress value, the greater the likelihood of the company experiencing Firm Value.

4. Capital Structure has a positive influence on Firm Value

The fourth hypothesis (H4) formulated in this study states that Capital Structure has a positive influence on Firm Value. However, the results of this study support the hypothesis in this research, obtaining a coefficient value of 1.491 with a significance level of 0.000. The probability value is divided by two, resulting in a significance level of 0.000/2 = 0.000, which is less than the significance level (α= 0.05). This states that there is a significant influence of the Capital Structure variable on firm Value. So H_4 is accepted and H_0 is rejected. Therefore, the larger the Capital Structure, the greater the firm Value.

DISCUSSIONS

Earnings Manipulation has a negative effect on Firm Value

The results of the first hypothesis test (H_1) are stated that Earnings Manipulation has a negative effect on the Firm Value. Based on a partial test (t test) using the Common Effect Model (CEM) test, this study uses the one tail hypothesis, the probability value divided by 2 (two) is greater than the significant level at (α= 0.05) and it is found that t table < t calculate. Thus it can be stated that the one hypothesis (H_1) is accepted. Where the manager's actions of modifying the profit report for personal gain actually create disharmony with shareholders. Earnings management practices expand information, leading investors to understand that financial statements no longer reflect the true underlying conditions. Empirically, these results are consistent with research (Kumalasari & Puspaningsih, 2023) on companies listed on the Indonesia Stock Exchange (IDX) in the manufacturing sector for the period 2016-2018, which found that earnings manipulation negatively affects firm value. When management intentionally manipulates profits to look good or more stable than they are, the market picks up on the dishonesty, which erodes investor confidence. This lack of trust leads investors to view the company as a high-risk entity, causing its value to decline.

Strength of Financial Position has a Negative effect on Firm Value

The results of the second hypothesis test (H_2) are stated that Strength of Financial Position negative Effects on Firm Value. Based on a partial test (t test) using the Common

Effect Model (CEM) test, this study uses the one tail hypothesis, the probability value divided by 2 (two) is greater than the significant level at (α= 0.05) and it is found that t table < t calculate. Thus it can be stated that the second hypothesis (H_2) is rejected. These findings contradict the hypothesis and are not entirely consistent with the theoretical framework used. These results align with research (Witjaksono, 2020) which found that the Strength of Financial Position (SFS) negatively affects Frim Value (FV). Investors often interpret overly liquid financial positions or overly defensive capital structures as a sign that the company is less aggressive in expansion, innovation, or market penetration. The market views such financial strength as indicating low asset utilization for productive activities, which subsequently depresses future profit expectations.

Financial Distress Positive Affects Firm Value

The results of the third hypothesis test (H_3) are stated that the Financial Distress (FD) has a Positive effect on the Firm Value. Based on a partial test (t test) using the Common Effect Model (CEM) test, this study uses the one tail hypothesis, the probability value divided by 2 (two) is smaller than the significant level at (α= 0.05) and it is found that t table < t calculate. Thus it can be stated that the third hypothesis (H_3) is rejected. These findings contradict the hypothesis and are not entirely consistent with the theoretical framework used. These results are consistent with research (Arum & Hakim, 2023; Kusumawati & Haryanto, 2022) which found that Financial Distress (FD) has a positive effect on Company Value (CV). When a company is in distress, the managers room for opportunistic action becomes increasingly limited because oversight from creditors, shareholders, and other external parties tends to increase. This condition forced management to undertake operational and financial restructuring, such as cost efficiency, divestment of underproductive assets, and improvement of capital structure, in order to restore the company's performance. From an investor's perspective the restructuring is seen as an effort to reduce agency costs that previously arose from conflicts of interest between managers and owners. With the presence of financial distress, managers are driven to align strategic decisions more closely with shareholder interests, thereby increasing expectations for future performance improvement and firm value.

Capital Structure has a positive effect on Firm Value

The results of the fourth hypothesis test (H_4) were stated that the Capital Structure had a positive effect on the Firm Value. Based on a partial test (t test) using the Common Effect Model (CEM) test, this study uses the one tail hypothesis, the probability value divided by 2 (two) is smaller than the significant level at (α= 0.05) and it is found that t table < t calculate. Thus it can be stated that the fourth hypothesis (H_4) is accepted. These findings are consistent with the hypothesis and align with the theoretical framework used. The results of this study indicate that the stronger the capital structure implemented, the more the company's value will increase. These results are consistent with research by (Syafitri & Rakhmawati, 2024) on companies listed on the Indonesia Stock Exchange in the property and real estate sector from 2018 to 2022, which found that capital structure has a positive influence on firm value. When a company chooses debt at a certain stage, the market views this decision as information that the company has strong cash flow prospects. This step reflects management's confidence

in future profitability, which is realized in an increase in company value because investors perceive that the company is able to strategically utilize leverage to maximize financial potential without increasing information uncertainty.

CONCLUSIONS

Earnings manipulation has a negative and statistically insignificant effect on company value. This can be seen from the negative sign on the coefficient in the Common Effect Model table and the significant value of the probability above 0.05. Therefore, it can be explained that the level of earnings manipulation is high, and companies with a high level of earnings manipulation can reduce investor confidence. This is because the financial statements, which are the source of investor information, no longer reflect the true situation. In Agency Theory, it is shown that companies with a high level of earnings manipulation tend to affect investor confidence and can reduce the company's image or value. Financial Position Strength has a negative and statistically insignificant effect on firm value. This can be seen from the negative sign on the coefficient in the Common Effect Model table and the insignificant probability value above 0.05. Therefore, it can be explained that the stronger the financial position a company has. The company will appear less aggressive in expanding and innovating for its business. In Signal Theory, a strong financial position tends to indicate the presence of idle funds within the company. Financial distress has a positive and statistically significant effect on company value. This can be seen from the positive sign on the coefficient in the general effect model table and the significant probability value below 0.05. Therefore, it can be explained that the higher the financial difficulties experienced by the company, the more it forces management to restructure in order to improve the company's long-term performance. Capital structure has a positive and statistically significant effect on firm value. This can be seen from the positive sign on the coefficient in the Common Effect Model table and the significant probability value below 0.05. When a company chooses debt at a certain stage, the market views this decision as information that the company has strong cash flow prospects.

Future researchers can consider variables that potentially influence firm value, such as financial reporting fraud, tax avoidance, earnings smoothing, and dividend policy. Compare the non-primary consumer goods sector with other sectors like primary consumer goods, technology, and healthcare to determine whether these variables have a negative or positive impact on firm value. Providing research writing that is useful for educating users of financial statements who will be using non-primary consumer goods sector companies. Investors in the non-primary consumer goods sector are advised not only to focus on the reported profit level, but also to examine the quality of earnings and the company’s funding structure. Investors need to be more cautious about companies that show increasing profits but are accompanied by excessive increases in leverage, as using debt beyond safe limits can increase the risk of financial distress and lower the company’s value in the long run. In the context of the non-primary consumer goods sector, which is sensitive to economic cycles, the safe limit for debt usage should be kept at a moderate level to maintain a positive signal to the market without burdening operational cash flow.

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