



**THE MODERATING EFFECT OF MARKET POWER ON FINANCIAL
POLICIES, CASH CONVERSION CYCLE, AND DEBT CAPITAL TOWARD
FIRM VALUE IN CYCLICAL INDUSTRIES**

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Abstract

This study aims to examine the effect of working capital investment policy, working capital financing policy, cash conversion cycle (“CCC”), and debt capital on firm value, as well as to analyze the moderating role of market power in these relationships. The research focuses on non-financial companies operating in cyclical industries listed on the Indonesia Stock Exchange (“IDX”) during the period 2020–2024. Using a quantitative approach, the study employs panel data regression analysis with a total sample of 40 firms observed over five years, resulting in 200 firm-year observations. Firm value is proxied by Tobin’s Q, while market power is proxied by the firm’s market share, measured as the ratio of firm sales to total sales of all firms in the sample. The empirical analysis is conducted using EViews software with fixed-effect and random-effect model selection procedures. This research contributes to the financial management literature by integrating working capital policies, debt capital, and market power within a comprehensive framework, particularly in the context of emerging markets and cyclical industries.

Keywords: Firm Value, Market Power, Working Capital Policy, Cash Conversion Cycle, Debt Capital, Cyclical Industry



INTRODUCTION

Over the past five years, firms have experienced increasingly intense competitive pressure driven by changes in global economic conditions and rising competition among firms. The competitive pressure is particularly significant for firms operating in industries that are sensitive to market and macroeconomic conditions, as firm performance and firm value are highly affected by fluctuations in the business environment (Bashir & Ahmad, 2025a).

In the context of emerging markets, non-financial firms face a high dependence on internal cash flows and greater business uncertainty, making financial policy decisions crucial for maintaining performance and enhancing firm value (Zia Ur Rehman & Ur Rehman, 2021). Firm value represents a key indicator for evaluating the success of corporate financial policies because it reflects investors' perceptions of firm performance and long-term prospects (Njoku & Lee, 2025).

Working capital management constitutes one of the most critical aspects of value creation, particularly for firms operating under liquidity pressure and volatile market conditions. Empirical evidence provided by (Bashir & Ahmad, 2025a) shows that investment policy and the CCC have a significant effect on firm value, highlighting the importance of efficient working capital management in improving market valuation. In contrast, excessively conservative financing policy has been found to reduce firm value by limiting financial flexibility and growth opportunities.

Beyond working capital policies, capital structure decisions also play a vital role in shaping investors' perceptions of firm value, particularly through the use of debt capital as a primary source of financing for non-financial firms (Zia Ur Rehman & Ur Rehman, 2021). Recent evidence from (Njoku & Lee, 2025) indicates that debt capital has a negative effect on firm value when examined independently, as higher leverage increases financial risk and agency costs. However, debt capital may function as a disciplinary mechanism that enhances firm value when combined with appropriate financial policies, such as dividend policy, through the reduction of agency conflicts.

In increasingly competitive market environments, market power emerges as an external factor that influences the effectiveness of corporate financial policies in generating firm value (Bashir & Ahmad, 2025a). Market power reflects a firm's ability to influence prices and market conditions, enabling firms with stronger market power to manage liquidity and operational cash flows more flexibly. Market power weakens the relationship between investment policy and



firm value, while strengthening the effects of financing policy and the CCC on firm value.

In addition to the main explanatory variables, firm-specific characteristics such as sales growth and firm size influence firm value and the effectiveness of financial policies. Sales growth reflects firms' expansion opportunities and profitability potential, whereas firm size is associated with access to financing and operational stability (Zia Ur Rehman & Ur Rehman, 2021).

Therefore, this study aims to examine the effects of investment policy, financing policy, CCC, and debt capital on firm value, as well as to analyze the moderating role of market power in these relationships among non-financial firms listed on the IDX.

LITERATURE REVIEW

Working capital management refers to managerial decisions related to the management of current assets and current liabilities to support daily operations and maintain financial stability. Recent finance literature emphasizes that working capital decisions influence liquidity, operational continuity, and risk exposure, which collectively shape firm value, particularly in non-financial firms operating in emerging markets (Farhan et al., 2021).

Working capital investment focuses on determining the appropriate level of current assets relative to operational needs. (Bashir & Ahmad, 2025a) explain that higher liquidity levels provide firms with financial flexibility and protection against uncertainty, especially in environments characterized by volatile cash flows and limited access to external financing. Liquidity functions as a buffer that reduces the likelihood of operational disruptions and financial distress, thereby supporting firm value.

Investment policy in working capital relates to the proportion of resources allocated to current assets relative to total assets. (Bashir & Ahmad, 2025a) conceptualize conservative investment policies as strategies that prioritize liquidity and risk reduction, while aggressive policies emphasize profitability through lower holdings of current assets. In emerging market contexts, conservative investment policies are theoretically justified due to higher exposure to cash flow volatility and financing constraints. Maintaining adequate investment in current assets reduces dependency on costly external financing and enhances firms' ability to absorb short-term shocks, which strengthens investors' perception of firm stability (Farhan et al., 2021).

Financing policy determines how firms fund their working capital and operational activities through short-term and long-term financing sources.



(Bashir & Ahmad, 2025a) describe conservative financing policies as approaches that rely more heavily on long-term financing to minimize refinancing risk and liquidity pressure, while aggressive financing policies depend more on short-term liabilities to reduce financing costs. Debt capital plays a central role in financing policy decisions. (Njoku & Lee, 2025) explain that debt can enhance firm value by providing tax advantages and serving as a disciplinary mechanism that aligns managerial decisions with shareholder interests. However, they also emphasize that excessive leverage increases financial risk and agency costs, which can offset the benefits of debt and reduce firm value.

The CCC measures the time required for firms to convert working capital investments into cash inflows from sales. CCC integrates inventory management, receivables collection, and payables management into a single indicator of working capital efficiency. The efficient CCC management enhances firms' liquidity position by accelerating cash inflows and reducing reliance on external financing. A shorter CCC improves firms' flexibility in funding operations and growth opportunities, while a prolonged CCC increases capital tied up in operations and financing costs. These conceptual arguments position CCC as a key mechanism through which working capital management influences firm value (Kouaib & Bu Haya, 2024).

Market power reflects a firm's ability to influence prices, output, and market conditions due to its competitive position. Bashir and Ahmad (2025) conceptualize market power as a source of bargaining strength that allows firms to negotiate favorable terms with suppliers and customers, stabilize cash flows, and protect profitability.

Market power may alter how financial policies translate into firm value. (Bashir & Ahmad, 2025a) explain that firms with strong market power can absorb liquidity shocks more effectively and sustain financial strategies that may be riskier for firms with weaker competitive positions. As a result, market power can strengthen or weaken the impact of working capital investment, financing policy, and CCC on firm value. This theoretical perspective suggests that the effectiveness of financial policies is contingent upon firms' competitive positions. Market-dominant firms possess greater flexibility in adjusting working capital structures and financing strategies without triggering adverse market reactions.

Firm size represents the scale of a firm's operations and resource base. Larger firms are also perceived as more resilient to economic shocks, allowing them to sustain working capital investment and leverage levels that may not be



feasible for smaller firms. These characteristics justify the inclusion of firm size as a control variable when analyzing firm value determinants.

Sales growth reflects firms' expansion opportunities and future earning potential. Firms experiencing rapid sales growth often expand working capital investment to support increased operational demand. Theoretical discussions emphasize that growth-driven working capital expansion enhances firm value when accompanied by efficient cash flow management, while uncontrolled expansion may increase liquidity risk.

Firm value represents the market's assessment of firms' overall economic worth and future prospects. (Bashir & Ahmad, 2025a) conceptualize firm value as a reflection of expected future cash flows and risk, commonly proxied by Tobin's Q. From a theoretical standpoint, financial policies influence firm value by shaping firms' capacity to generate sustainable cash flows and manage risk. Efficient working capital management, prudent financing policies, and strategic use of market power collectively enhance firms' ability to create value for shareholders.

RESEARCH METHOD

This research uses quantitative research methods. This research involves the dominant use of numerical data, from data collection and interpretation to the results or conclusions drawn. In its presentation, quantitative research predominantly displays and interprets numbers accompanied by images, tables, graphs, or other displays (Machali, 2021). This study uses secondary data, obtained from published annual financial reports of the sampled companies. The data are collected from the official website of the Indonesia Stock Exchange (www.idx.co.id). All data used in this study are quantitative and measured on an annual basis. Based on these criteria, the final sample comprises 40 non-financial companies, observed over five years, resulting in 200 firm-year observations. The data are analyzed using panel data regression techniques, which allow for the examination of both cross-sectional and time-series variations. The estimation is conducted using EViews software. The variables studied in this research consist of independent variables, namely: Investment Policy (X_1), Financing Policy (X_2), CCC (X_3), Debt Capital (X_4). Market Power is employed as a moderating variable, which moderates the relationship between Investment Policy and Firm Value (X_5), Financing Policy and Firm Value (X_6), and CCC to Firm Value (X_7). In addition, Firm Size and Sales Growth are included as control variables to account for firm-specific characteristics that may influence firm value (H_8 and H_9).



To examine the effect of investment policy, financing policy, debt capital, and market power on firm value, the following regression model is specified:

$$FV_{it} = \alpha_i + \beta_1 IP_{it} + \beta_2 FP_{it} + \beta_3 DC_{it} + \beta_4 MP_{it} + \beta_5 (IP_{it} \times MP_{it}) + \beta_6 (FP_{it} \times MP_{it}) + \beta_7 SG_{it} + \beta_8 FS_{it} + \epsilon_{it}$$

Model 2:

$$FV_{it} = \alpha_i + \beta_1 CCC_{it} + \beta_2 MP_{it} + \beta_3 (CCC_{it} \times MP_{it}) + \beta_4 SG_{it} + \beta_5 FS_{it} + \epsilon_{it}$$

Description:

- β = Konstanta
- β_{1-6} = Koefisien
- IP = *Investment Policy*
- FP = *Financing Policy*
- CCC = *Cash Conversion Cycle*
- DC = *Debt Capital*
- MP = *Market Power*
- FV = *Firm Value*
- SG = *Sales Growth*
- FS = *Firm Size*
- I = *Intercept*
- t = *Period (Time)*
- ϵ = *Error Term*

RESULTS AND DISCUSSION

Statistic Descriptive

The results from model 2 show that the average firm value (FV) is 0.145, with a standard deviation of 0.742, ranging from -2.043 to 3.258. This suggests a moderate variation in firm value among the sampled firms. Investment Policy (IP) has a mean value of -0.965 with a standard deviation of 0.658, indicating that, on average, firms tend to adopt a relatively conservative investment policy, although variations across firms remain evident.

Financing Policy (FP) records an average value of -1.452 with a standard deviation of 0.887, reflecting substantial heterogeneity in firms' working capital financing decisions. Debt Capital (DC) has a mean of 3.680 and a standard deviation of 0.655, with values ranging from 1.456 to 4.989, indicating relatively stable leverage levels across firms in the sample.

Market Power (MP) shows a mean value of -5.409 with a standard deviation of 2.173, suggesting differences in competitive positioning among firms. The interaction term between Investment Policy and Market Power



(IP×MP) has an average value of 5.664 and a standard deviation of 5.460, while the interaction between Financing Policy and Market Power (FP×MP) records a higher mean of 8.503 and a standard deviation of 7.886, indicating substantial variability in how market power interacts with firms’ working capital policies.

Sales Growth (SG) exhibits a relatively high mean value of 50.324 with a very large standard deviation of 476.208, reflecting significant dispersion and extreme values across firms, which is common in cyclical industries. Firm Size (FS), measured as the natural logarithm of total assets, has a mean value of 24.235 with a standard deviation of 4.130, indicating moderate variation in firm size among the sample firms.

Overall, the descriptive statistics suggest considerable heterogeneity across firms with respect to firm value, working capital policies, market power, and growth characteristics, justifying the use of panel data regression techniques in the subsequent analysis.

Table 1
Statistic Descriptive – Model 1

Variable	Mean	Median	Maximum	Minimum	Std. Dev.
FV	0.1445730	0.1571580	3.2581870	-2.0428120	0.7419290
IP	-0.9647510	-0.7869540	-0.0093350	-3.2603910	0.6580320
FP	-1.4519260	-1.2550300	0.0732740	-5.0096760	0.8874560
DC	3.6802080	3.8637830	4.9891.450	1.4557160	0.6549110
MP	-5.4088100	-5.4523510	-1.3333890	-13.5057800	2.1725610
IP×MP	5.6637570	3.2401160	25.9452700	0.0588080	5.4596790
FP×MP	8.5028620	5.7971070	41.1182400	-0.5007390	7.8860460
SG	50.3244200	0.0827220	6380.2200000	-0.8892240	476.2079000
FS	24.2352000	25.7244100	29.7807500	14.9891400	4.1301250



The results from model 2 show that the average firm value (FV) is 0.145, with a standard deviation of 0.742, ranging from -2.043 to 3.258. This indicates moderate variability in firm value among the sampled firms. The Cash Conversion Cycle (CCC) has a mean value of 705.607 days and a large standard deviation of 2981.586 days, with values ranging from -46.660 to 19706.390 days. This reflects substantial dispersion in working capital efficiency across firms, which is typical in cyclical industries characterized by fluctuating operating conditions.

Market Power (MP) records a mean value of -5.409 with a standard deviation of 2.173, indicating differences in firms' competitive positions within the market. The interaction term between the Cash Conversion Cycle and Market Power (CCC×MP) shows a mean value of -4718.696 and a standard deviation of 21801.580, suggesting considerable variability in the combined effect of working capital efficiency and market power on firm value.

Sales Growth (SG) has a mean value of 50.324 with a high standard deviation of 476.208, indicating substantial variation and the presence of extreme values across firms. Firm Size (FS) has a mean value of 24.235 with a standard deviation of 4.130, reflecting moderate heterogeneity in firm size within the sample.

Overall, the descriptive statistics for Model 2 indicate high variability in working capital efficiency, market power, and sales growth across firms, supporting the use of panel data techniques to capture both cross-sectional and time-series differences in the subsequent regression analysis.

Table 2
Statistic Descriptive – Model 2

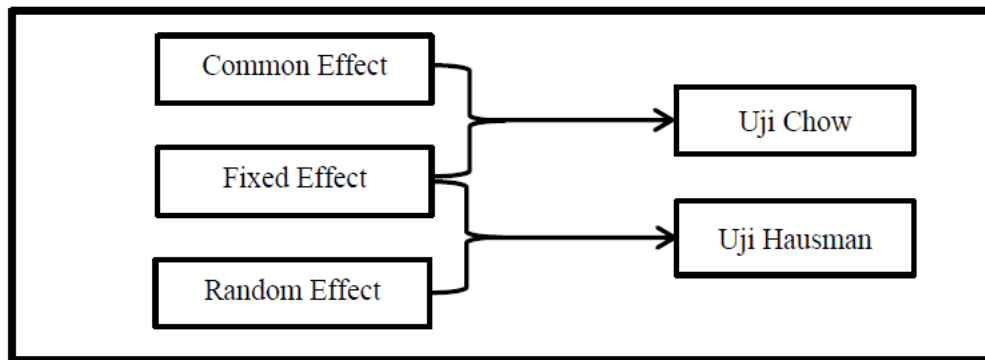
Variable	Mean	Median	Maximum	Minimum	Std. Dev.
FV	0.1445730	0.1571580	3.2581870	-2.0428120	0.7419290
CCC	705.6067000	100.2738000	19706.3900000	-46.6598600	2981.5860000
MP	-5.4088100	-5.4523510	-1.3333890	-13.5057800	2.1725610
CCC × MP	-4718.69600	-394.03080	371.30600	-165,932.6000	21801.580000

Variable	Mean	Median	Maximum	Minimum	Std. Dev.
SG	50.3244200	0.0827220	6,380.2200000	-0.8892240	476.2079000
FS	24.2352000	25.7244100	29.7807500	14.9891400	4.1301250

Model Specification and Selection

Panel data regression model testing is conducted to identify the most appropriate estimation approach based on the characteristics of the data and the objectives of the study. This study employs firm-level panel data covering the period 2020–2025, which allows for the estimation of three alternative panel data models: the Common Effect (CE), Fixed Effect (FE), and Random Effect (RE) models. The selection of the most appropriate model is based on the comparative evaluation of these estimation approaches to ensure consistency with the research objectives and data structure. Accordingly, several statistical tests are performed to determine the optimal panel data estimation model.

Figure 1



Sumber: Output *e-views* 9

Panel Data Regression Model Selection Procedure

1. Chow Test

The Chow test is employed to determine the most appropriate model between the Common Effect and Fixed Effect models. This test is based on the null hypothesis that there is no individual heterogeneity across cross-sections, while the alternative hypothesis assumes the presence of cross-sectional heterogeneity. The hypotheses tested are formulated as follows:



H_0 = The appropriate model is the Common Effect model.

H_a = The appropriate model is the Fixed Effect model.

The decision criteria are as follows:

1. If the probability value < 0.05 , the null hypothesis is rejected. Accordingly, the Fixed Effect model is selected for panel data estimation and the analysis proceeds to the Hausman test.
2. If the probability value > 0.05 , the null hypothesis is accepted. Accordingly, the Common Effect model is selected for panel data estimation.

Table 3
Chow Test Result

Model	Variabel	Chi-square	Prob	Decision
Model 1	FV	240.792395	0.0000	HO rejected
Model 2	FV	221.440928	0.0000	HO rejected

The table above shows that the probability value of the cross-section chi-square for both Model 1 and Model 2 is 0.0000, which is lower than the significance level of 0.05. Therefore, the null hypothesis is rejected, indicating that the Fixed Effect Model is the appropriate model for estimation. Since the Fixed Effect Model is selected, further testing is required to compare the Fixed Effect Model with the Random Effect Model using the Hausman test.

2. Hausman Test

The Hausman test is conducted to determine the most appropriate model for panel data estimation, namely the Fixed Effect Model or the Random Effect Model. The hypotheses tested in the Hausman test are formulated as follows:

H_0 = The appropriate model is the Random Effect Model.

H_a = The appropriate model is the Fixed Effect Model.

The decision criteria are as follows:

1. If the probability value of the cross-section statistic is < 0.05 , the null hypothesis is rejected. Accordingly, the Fixed Effect Model is selected for panel data estimation.
2. If the probability value of the cross-section statistic is > 0.05 , the null hypothesis is accepted. Accordingly, the Random Effect Model is selected for panel data estimation.

3. Hausman Test



The Lagrange Multiplier (“LM”) test is employed as an alternative procedure to determine the most appropriate panel data estimation model between the Common Effect Model and the Random Effect Model. This test is conducted following the previous model selection results, which indicate the Random Effect Model as a potential alternative. The hypotheses tested in the LM test are formulated as follows:

H_0 = The appropriate model is the Common Effect Model.

H_a = The appropriate model is the Random Effect Model.

The decision criteria are as follows:

1. If the probability value of the Breusch–Pagan cross-section statistic is $< \alpha$ 0.05, the null hypothesis is rejected. Accordingly, the Random Effect Model is selected for panel data estimation.
2. If the probability value of the Breusch–Pagan cross-section statistic is $> \alpha$ 0.05, the null hypothesis is accepted. Accordingly, the Common Effect Model is selected for panel data estimation.

Table 4
Hausman Test Result

Model	Variable	Chi-square	Prob	Decision
Model 1	FV	31.081503	0.0001	HO rejected
Model 2	FV	15.810921	0.0074	HO rejected

Table 3 shows that the cross-section chi-square probability values for Model 1 (0.0001) and Model 2 (0.0074) are lower than the significance level of $\alpha = 0.05$. Therefore, the null hypothesis is rejected, indicating that the Fixed Effect Model is the appropriate model for estimation.

F-Test

The F-test is conducted to examine whether all independent variables in the model, namely Investment Policy (IP), Financing Policy (FP), Cash Conversion Cycle (CCC), Debt Capital (DC), the moderating interaction variables (IP \times MP, FP \times MP, and CCC \times MP), as well as the control variables (Firm Size and Sales Growth) simultaneously have a significant effect on the dependent variable, Firm Value. In addition, the F-test is used to assess the overall goodness of fit of the estimated regression model.



The hypotheses tested in the F-test are formulated as follows:

H_0 = The independent variables do not jointly affect the dependent variable.

H_a = The independent variables jointly affect the dependent variable.

The decision criteria for the F-test are as follows:

1. If the probability value of the F-statistic is < 0.05 , the null hypothesis is rejected, indicating that the independent variables jointly have a significant effect on the dependent variable and that the regression model is appropriate for use.
2. If the probability value of the F-statistic is > 0.05 , the null hypothesis is accepted, indicating that the independent variables do not jointly affect the dependent variable and that the regression model is not appropriate for use.

Table 5
F-test Result

Model	Variable	Prob	Decision
Model 1	FV	0.00000	HO rejected
Model 2	FV	0.00000	HO rejected

Based on Table 3, the regression results show that the probability values of the F-statistic for Model 1 and Model 2 are both 0.00000, which are lower than the significance level of $\alpha = 0.05$. Therefore, the null hypothesis is rejected. This indicates that the independent variables jointly have a significant effect on the dependent variable, implying that the regression models are appropriate and valid for use in this study.

Goodness of Fit Test (Adjusted R²)

The goodness-of-fit test in this study aims to assess the explanatory power of the independent variables on the dependent variable. This evaluation is conducted using the adjusted R² value.

The decision criteria are as follows:

1. An adjusted R² value close to 1 indicates that the independent variables: Investment Policy, Financing Policy, CCC, Debt Capital, the moderating interaction variables involving Market Power, and the control variables have a strong ability to explain variations in Firm Value.
2. An adjusted R² value close to 0 indicates that the independent variables have weak explanatory power in explaining variations in Firm Value.



Table 6
Goodness of Fit Test Result

Model	Variable	R2	Adjusted R2
Model 1	FV	0.750888	0.673860
Model 2	FV	0.720179	0.640746

The adjusted R-squared value for Model 1 is 0.6739, indicating that the independent variables in the model explain 67.39 percent of the variation in Firm Value. Meanwhile, the adjusted R-squared value for Model 2 is 0.6407, indicating that the independent variables in the model explain 64.07 percent of the variation in Firm Value.

Hypothesis Testing (t-test)

The t-test is employed to examine the partial effect of each independent variable on the dependent variable. Hypothesis testing is conducted by evaluating the probability values obtained from the regression results using EViews 9, with a significance level of 0.05 ($\alpha = 5\%$). The decision criteria are defined as follows:

- If the probability value is greater than 0.05, the hypothesis is rejected, indicating that the regression coefficient is not statistically significant. This implies that, individually, the independent variable does not have a significant effect on the dependent variable.
- If the probability value is less than or equal to 0.05, the hypothesis is accepted, indicating that the regression coefficient is statistically significant. This implies that, individually, the independent variable has a significant effect on the dependent variable.

Table 7
Results of Regression Analysis - Model 1

Variable	Coefficient	Std. Error	Prob.	Remarks
C	13.73029	5.152913	0.0085	-
IP	0.643577	0.415304	0.1233	Not significant
FP	0.739236	0.235183	0.0020	Positive and significant
DC	-0.480582	0.250896	0.0573	Not significant
MP	0.867430	0.207744	0.0000	Positive and significant
IPMP	0.113120	0.068770	0.1021	Not significant
FPMP	0.030026	0.014524	0.0404	Positive and significant
SG	2.84E-05	1.27E-05	0.0261	Positive and significant



FS	-0.261130	0.240596	0.2795	Not significant
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Table 8 Results of Regression Analysis - Model 2

Variable	Coefficient	Std. Error	Prob.	Remarks
C	8.818821	7.285620	0.2280	-
CCC	1.23E-05	1.50E-05	0.4135	Not significant
MP	0.574541	0.210075	0.0070	Positive and significant
CCCMP	3.15E-06	3.59E-06	0.3812	Not significant
SG	1.74E-05	1.76E-05	0.3229	Not significant
FS	-0.229473	0.264259	0.3865	Not significant

H1: Investment Policy has a significant effect on firm value

Based on Table 7, the probability value for Investment Policy (IP) is 0.1233 with a coefficient of 0.643577. The coefficient indicates a positive direction; however, the probability value exceeds the 0.05 significance level. Therefore, it can be concluded that Investment Policy does not have a statistically significant effect on Firm Value. This finding is not consistent with the study by (Bashir & Ahmad, 2025a), which reports that an increase in investment policy, measured by the proportion of current assets to total assets, leads to an increase in firm value. Conversely, the result of this study is in line with (Hertina et al., 2021), who find that investment decisions do not have a significant effect on firm value. This finding suggests that investment activities are not always interpreted as positive signals by investors, particularly when the market perceives that such investments have not yet generated a clear impact on short-term profitability or future growth prospect.

H2: Financing Policy has a significant effect on firm value

Based on Table 7, the probability value for Financing Policy (FP) is 0.0020 with a coefficient of 0.739236. The positive coefficient indicates a positive relationship, and the probability value is below the 0.05 significance level. Therefore, it can be concluded that Financing Policy has a statistically significant effect on Firm Value. This finding is consistent with (Bashir & Ahmad, 2025a), who report that financing policy significantly influences firm value. Their results indicate that a higher reliance on short-term financing initially reduces firm value; however, when financing policy is examined together with its quadratic term, the results reveal the existence of an optimal financing point at which a more aggressive financing strategy enhances firm value. This suggests that firms can



increase their value by adopting an optimal financing mix, particularly through the efficient use of short-term financing.

Furthermore, (Njoku & Lee, 2025) find that corporate financial policies have a significant effect on firm value as measured by Tobin's Q. In their study, financing and dividend policies are viewed as important signals for investors regarding a firm's future prospects and financial stability.

H₃: CCC has a significant effect on firm value

Based on Table 8, the probability value for the CCC is 0.4135 with a coefficient of 1.23E-05. Although the coefficient is positive, the probability value exceeds the 0.05 significance level, indicating that there is no statistically significant relationship between CCC and Firm Value. This finding is not consistent with (Bashir & Ahmad, 2025a), who report that CCC has a positive and significant effect on firm value up to a certain optimal point. A longer CCC provides firms with greater flexibility in credit sales and inventory management; however, beyond the optimal level, firm value tends to decline.

In contrast, this result is consistent with (Obeng et al., 2021), who find that working capital policies, including CCC, have a significant impact on firm value. Their study emphasizes that an effectively managed CCC can enhance market performance and profitability, as firms are able to maintain healthy liquidity and reduce the risk of operational disruptions.

H₄: Debt capital has a significant effect on firm value

Based on Table 7, the analysis results indicate that Debt Capital does not have a negative and statistically significant effect on Firm Value, as reflected by a probability value of 0.0573 and a coefficient of -0.480582. Although the coefficient is negative, the probability value exceeds the 0.05 significance level, indicating that there is no statistically significant relationship between Debt Capital and Firm Value. This finding is not consistent with (Njoku & Lee, 2025), who report that debt capital has a negative and significant effect on firm value. Their study suggests that excessive leverage increases the risk of financial distress, bankruptcy costs, and agency costs between management and shareholders, leading the market to perceive high leverage as a signal of financial instability.

In contrast, this result is consistent with (Hasanuddin, 2021) who finds that capital structure does not have a significant effect on firm value. This suggests that an increase in debt does not necessarily lead to an improvement in a firm's market value.

H₅: Market Power moderates the effect of investment policy on firm value

Based on Table 7, the probability value for Market Power is 0.1021 with a coefficient of 0.113120. Although the coefficient is positive, the probability value



exceeds the 0.05 significance level, indicating that Market Power does not have a statistically significant effect on Firm Value. The interaction coefficient between Investment Policy and Market Power shows a positive direction, suggesting that, in terms of direction, Market Power tends to strengthen the relationship between working capital investment policy and firm value. However, the probability value of the interaction term exceeds the 0.05 significance level, indicating that this moderating effect is not statistically significant. Therefore, Market Power is not proven to moderate the relationship between working capital investment policy and firm value, and Hypothesis H₅ is rejected.

This finding is not consistent with (Bashir & Ahmad, 2025a), who find that Market Power acts as a moderating variable that weakens the positive relationship between investment policy and firm value. Their study explains that firms with high market power tend to have strong bargaining positions with suppliers and customers, allowing greater flexibility in managing working capital investment levels. However, high market dominance may reduce the positive impact of investment policy on firm value, as firms operating in highly concentrated markets do not necessarily require substantial working capital investments to sustain their performance.

H₆: Market Power moderates the effect of financing policy on firm value

Based on Table 7, the probability value of the interaction between Financing Policy and Market Power (FP × MP) is 0.0404 with an interaction coefficient of 0.030026. The positive interaction coefficient indicates that Market Power strengthens the relationship between working capital financing policy and firm value. The probability value below the 0.05 significance level confirms that Market Power significantly moderates the effect of working capital financing policy on firm value. Therefore, Hypothesis H₆ is accepted.

This finding is consistent with (Bashir & Ahmad, 2025a), who report that Market Power plays an important role in strengthening the relationship between financing policy and firm value. Their study explains that firms with higher market power tend to have stronger bargaining positions with financial institutions and suppliers, enabling them to obtain short-term financing at lower costs and with more flexible terms. This condition allows firms to implement working capital financing policies more efficiently without excessively increasing liquidity risk. Consequently, Market Power enhances the impact of working capital financing policy on firm value, as firms gain greater flexibility in optimally managing their short-term obligations.

**H₇: Market Power moderates the effect of the Cash Conversion Cycle on firm value**

Based on Table 7, the probability value of the interaction between the CCC and Market Power (CCC × MP) is 0.3812 with an interaction coefficient of 3.15E-06. Although the interaction coefficient is positive, indicating that Market Power tends to strengthen the relationship between the CCC and Firm Value in terms of direction, the probability value exceeds the 0.05 significance level. This indicates that the moderating effect is not statistically significant.

This finding is not consistent with (Bashir & Ahmad, 2025b), who report that Market Power has the ability to strengthen the relationship between the CCC and firm value. Their study explains that firms with high market power are able to maintain a longer CCC without experiencing a decline in firm value. This occurs because dominant firms tend to have greater sales stability, stronger bargaining power with both suppliers and customers, and lower default risk. Consequently, Market Power strengthens the impact of the CCC on firm value by enabling firms to manage their working capital cycles more flexibly.

H₈: Sales Growth has a significant effect on firm value

Sales Growth and Firm Size are included as control variables in Model 1 and Model 2 to control for the effects of firm growth and firm size on firm value. Based on Model 2, the probability value is 0.3865 with a coefficient of -0.229473. The coefficient of Sales Growth is negative, and the probability value exceeds the 0.05 significance level, indicating that, in the context of working capital efficiency as measured by the CCC, sales growth is not a primary determinant of firm value.

In contrast, the results of Model show that the probability value of Sales Growth (SG) is 0.0261 with a coefficient of 2.84E-05. The positive coefficient indicates a positive relationship, and the probability value is below the 0.05 significance level. Therefore, it can be concluded that Sales Growth has a statistically significant effect on Firm Value in Model 1. The result for model 1 is consistent with the findings of (Bashir & Ahmad, 2025a), who report that sales growth has a positive and significant effect on firm value. Sales growth reflects an increase in a firm's capacity to generate revenue and strengthens market perceptions regarding its future prospects. When sales increase consistently, firms are perceived to have stronger competitiveness, more efficient operations, and greater expansion opportunities. These conditions enhance investor confidence, which in turn contributes to an increase in firm market value.

H₉: Firm size has a significant effect on firm value

Based on Model 1, the probability value for Firm Size (FS) is 0.2795 with a coefficient of -0.261130. The negative coefficient indicates that an increase in firm



size tends to reduce firm value. However, the probability value exceeds the 0.05 significance level, indicating that Firm Size does not have a statistically significant effect on Firm Value. Therefore, Hypothesis H9 is not empirically supported in Model 1.

From a theoretical perspective, (Bashir & Ahmad, 2025c) argue that firm size has a significant relationship with firm value. Larger firms generally possess more stable resources, broader access to financing, and lower bankruptcy risk, which are positively perceived by investors. Firm size is also often regarded as a signal of reputation, market strength, and competitive resilience, which may enhance firm value.

However, the findings of this study are consistent with (Huang, 2025), who shows that Firm Size does not necessarily have a direct and significant effect on Firm Value. This suggests that although large firms benefit from greater resources and operational capacity, an increase in firm size does not automatically lead to higher firm value. In certain conditions, excessively large firms may face inefficiencies, operational complexity, and higher agency costs, which can exert downward pressure on firm value.

In Model 2, the probability value for Firm Size is 0.3865 with a coefficient of -0.229473 . The coefficient again indicates a negative direction, while the probability value above the 0.05 significance level confirms that Firm Size does not have a statistically significant effect on Firm Value. This result reinforces the findings from Model 1, suggesting that firm size is not a primary determinant of firm value in the models examined in this study.

CONCLUSION

This study examines the effects of working capital investment policy, working capital financing policy, CCC, and debt capital on firm value, as well as the moderating role of market power among non-financial firms operating in cyclical industries listed on the Indonesia Stock Exchange (IDX) during the period 2020–2024. Using panel data regression analysis on 40 firms with 200 firm-year observations, this study provides several important empirical findings.

The results indicate that working capital financing policy has a positive and significant effect on firm value, suggesting that firms are able to enhance value by adopting an optimal working capital financing strategy, particularly through the efficient use of short-term financing. In contrast, working capital investment policy, CCC, and debt capital do not show a statistically significant direct effect on firm value. These findings imply that investment decisions in



current assets, liquidity efficiency, and leverage levels are not automatically translated into higher firm value unless they are managed optimally and aligned with firm-specific conditions.

Furthermore, the findings highlight the important role of market power in shaping the effectiveness of financial policies. Market power is found to have a direct positive effect on firm value, indicating that firms with stronger competitive positions are better able to maintain stable cash flows and enhance market valuation. More importantly, market power significantly moderates the relationship between working capital financing policy and firm value, strengthening the positive impact of financing decisions on firm value. This suggests that firms with higher market power benefit from stronger bargaining positions with financial institutions and suppliers, allowing them to implement financing strategies more efficiently and at lower cost.

However, market power does not significantly moderate the relationships between working capital investment policy and firm value, nor between the CCC and firm value. These results indicate that the moderating role of market power is selective and depends on the type of financial policy being implemented. While market power enhances the effectiveness of financing decisions, it does not necessarily alter how investment in working capital or liquidity efficiency affects firm value.

With respect to control variables, sales growth has a positive and significant effect on firm value in Model 1, indicating that firms with higher growth prospects are perceived more favorably by the market. In contrast, firm size does not exhibit a significant effect on firm value in either model, suggesting that firm value in cyclical industries is driven more by financial policy effectiveness and competitive position than by firm scale alone.

Overall, this study contributes to the literature on working capital management and firm value by providing evidence from an emerging market context and cyclical industries. The findings suggest that managers should focus on optimizing working capital financing strategies and strengthening market power to enhance firm value. Policymakers and investors may also benefit from considering firms' competitive positions when evaluating the effectiveness of corporate financial policies. Future research may extend this study by incorporating alternative measures of market power, firm value, or by examining different industry settings and macroeconomic conditions

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