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The Influence Of Non-Halal Income And Interest-Based Debt On The Value Of Sharia-Compliant Issuers In The Energy Sector

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Abstract. *This study investigates the impact of non-halal income and interest-based debt on the value of sharia-compliant issuers in Indonesia's energy sector — a capital-intensive industry where the use of debt is often inevitable. Prior research has explored the influence of capital structure and Sharia compliance broadly, but studies focusing specifically on the interaction of non-halal income and interest-based debt within the energy sector remain limited. Addressing this gap, the study employs a panel data approach covering 15 energy companies listed on the Indonesia Sharia Stock Index (ISSI) over the period 2018–2022. The Price to Book Value (PBV) ratio is used as a proxy for firm value. The results reveal that non-halal income (PNH) does not significantly affect PBV (p = 0.4684), indicating minimal influence on firm value. However, interest-based debt (UBB) negatively affects PBV at a 10% significance level, suggesting that higher UBB reduces firm value. Moreover, the interaction between PNH and UBB shows a significant negative effect on PBV, implying that a high combination of both variables further decreases firm value. In contrast, Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS) have significant positive effects on PBV. These findings highlight the need for greater financial discipline and Sharia compliance among energy sector issuers to maintain investor confidence and firm value.*

Keywords: *Non-halal Income, Interest-based Debt, Price to Book Value, Sharia-compliant Issuers, Energy Sector*

Abstrak. *Penelitian ini menganalisis pengaruh pendapatan non-halal dan utang berbasis bunga terhadap nilai emiten syariah di sektor energi Indonesia – sektor yang padat modal dan kerap mengandalkan utang dalam jumlah besar. Meskipun sejumlah penelitian telah mengkaji struktur modal dan kepatuhan syariah secara umum, studi yang secara spesifik mengulas interaksi antara pendapatan non-halal dan utang berbasis bunga dalam sektor energi masih terbatas. Untuk menjawab kesenjangan tersebut, penelitian ini menggunakan pendekatan data panel terhadap 15 perusahaan energi yang terdaftar dalam Indeks Saham Syariah Indonesia (ISSI) selama periode 2018–2022. Nilai perusahaan diukur menggunakan rasio Price to Book Value (PBV). Hasil penelitian menunjukkan bahwa pendapatan non-halal (PNH) tidak berpengaruh signifikan terhadap PBV (p = 0,4684), yang mengindikasikan bahwa variabel ini tidak berkontribusi besar terhadap nilai perusahaan. Sebaliknya, utang berbasis bunga (UBB) berpengaruh negatif signifikan pada tingkat 10%, menandakan bahwa peningkatan UBB cenderung menurunkan PBV. Interaksi antara PNH dan UBB juga menunjukkan pengaruh negatif yang signifikan terhadap PBV, yang berarti kombinasi keduanya dapat menurunkan nilai perusahaan secara lebih tajam. Sementara itu, Return on Assets (ROA), Return on Equity (ROE), dan Earnings Per Share (EPS) berpengaruh positif signifikan terhadap PBV. Temuan ini menegaskan pentingnya disiplin keuangan dan kepatuhan syariah yang lebih ketat bagi emiten sektor energi untuk menjaga kepercayaan investor dan nilai Perusahaan.*

Kata Kunci : *Pendapatan Non-Halal, Utang Berbasis Bunga, Price to Book Value, Emiten Syariah, Sektor Energi*

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Introduction

In the rapidly expanding era of economic globalization, the Islamic capital market has emerged as a key sector attracting significant interest from both individual and institutional economic actors (Yusof & Majid, 2007). This is because capital market products and activities are expected to reflect Islamic values, which emphasize transparency, justice, and sustainability (Armanious, 2012; Iqbal & Tsubota, 2006; Wahyudi & Sani, 2014). The Islamic capital market has grown significantly, especially in Muslim-majority countries. In Indonesia, the government and central bank have made substantial efforts to develop the Islamic capital market, particularly during the COVID-19 pandemic (Mukhlisin et al., 2023). A crucial component of this development is ensuring fair and balanced value distribution in capital market transactions (Iqbal & Tsubota, 2006), making Sharia-compliant financial instruments the preferred choice for companies operating within an Islamic economic framework (Albassam & Ntim, 2017; Khadijah et al., 2015).

One of the key elements in enhancing financial management efficiency in Sharia-based firms is the capital structure or the source of funding (Ali, 2005). An optimal capital structure can support company growth and increase firm value, while poor capital structure decisions may lead to unintended financial risks (Krisnando & Novitasari, 2021; Lestari et al., 2024). For companies listed as Sharia securities, compliance is not only determined by their products or services, but also by adherence to Sharia accounting processes. If these aspects are neglected, it could lead to issues in financial reporting and Sharia compliance (Hendra, 2022). Two important factors of concern are non-halal income and interest-based debt.

Interest-based debt has long been debated in Islamic economics due to its association with *riba*, a practice prohibited in Islam (Abu-Tapanjeh, 2009). Similarly, income generated from non-halal sources—such as alcohol, gambling, or other prohibited industries—can harm a company's reputation and credibility among Sharia-conscious investors (Harkaneri & Reflisa, 2018;

Verawaty et al., 2016), who closely monitor Sharia-compliant stocks listed in the Indonesia Sharia Stock Index (ISSI). ISSI is a composite index representing the performance of Sharia stocks listed on the Indonesia Stock Exchange (IDX) and included in the Sharia Securities List (DES) issued by the Financial Services Authority (OJK). ISSI constituents are reviewed semi-annually, and each revision may cause companies to be added or removed from the index, based on market capitalization-weighted calculations with December 2007 as the base year.

Sharia-compliant firms, especially in capital-intensive sectors like energy, often face challenges in choosing a financing structure that aligns with Islamic principles while maintaining or increasing firm value. Previous studies even found that some Islamic institutions, such as BAZNAS and PKPU, still utilized non-halal funds (Hartanto et al., 2019; Hisamuddin & Sholikha, 2014). Hence, a comprehensive analysis of the impact of non-halal income and interest-based debt on firm value is essential for the advancement of the Islamic capital market.

This study aims to investigate the effect of non-halal income and interest-based debt on the value of Sharia-compliant listed firms. Data on interest-based debt, total liabilities, interest income, and outstanding shares are obtained from companies' annual reports, while stock prices are collected from Stockbit Digital. What distinguishes this study from prior research is its specific focus on energy sector firms listed on the ISSI, which have undergone constituent changes. The energy sector is known for its reliance on high levels of debt, as seen in companies like PT Perusahaan Gas Negara Tbk (IDR 48.4 trillion in debt), PT Indika Energy Tbk (IDR 42.8 trillion), PT Indo Tambangraya Megah Tbk (IDR 29.5 trillion), PT Adaro Energy Indonesia Tbk (IDR 19.5 trillion), and PT Bukit Asam Tbk (IDR 16.8 trillion) (Investor Syariah, 2023).

Previous research has explored various aspects of the Islamic capital market (Chazi et al., 2018), capital structure (Afrizal et al., 2022; Islam & Ahmad, 2020; Pusvisasari et al., 2023), and the influence of interest-based debt and non-halal income (Ghazaly et al., 2018; Hidayatulloh et al., 2022), all of

which affect firm value (Fauzia et al., 2019; Salim & Pratama, 2021). However, this study offers several key contributions. First, it specifically targets the energy sector, which has been underrepresented in previous studies. Second, it applies an event study methodology over the past five years to assess the market's reaction to events like changes in ISSI listing, use of interest-bearing loans, or sources of non-halal income (Mcwilliams & Siegel, 1997; Peterson, 1989; Zhang, 2022). Third, this study emphasizes the dynamic nature of ISSI constituent changes and their impact, which was often overlooked in prior studies.

Furthermore, this study provides a fresh perspective by focusing on how non-halal income and interest-bearing debt influence the value of Sharia-compliant firms in capital-intensive sectors. This is especially relevant as Sharia investors increasingly demand transparency in financial reporting and Sharia compliance. The lack of truly interest-free Sharia issuers in the Indonesian capital market presents a dilemma for Muslim investors seeking both financial returns and religious compliance. Interest-based debt not only raises compliance concerns but may also impact perceptions of corporate sustainability and ethics.

Likewise, even small amounts of non-halal income can undermine a firm's Sharia status. These concerns elevate the urgency for deeper analysis and investor awareness regarding the financial and non-financial attributes of Sharia-compliant firms. Without this understanding, Sharia investors may struggle to assess the true risk and value of their investments. Therefore, this study aims to contribute both theoretically and practically to the advancement of the Islamic capital market in Indonesia.

Literature Review

Signaling theory

Signaling theory provides a framework for understanding how corporate financing decisions—particularly the use of debt—can influence firm value. It highlights that the choice of capital structure serves as a signal to the market

about a company's quality and future prospects (Sudana & Arliandania W, 2011). Prudent use of debt to finance high-return investments signals managerial confidence and financial strength, whereas excessive or uncontrolled debt signals potential financial distress (Cheng & Tzeng, 2011; Lys et al., 2015). The amount and type of debt used reflect the firm's ability to manage risk and financial stability. Additionally, debt usage can indicate a firm's tax efficiency strategy and long-term growth vision. Thus, the optimal capital structure sends a positive signal to the market, while poor debt management can negatively affect market perceptions and ultimately decrease firm value (Titman & Wessels, 1988).

Islamic Capital Market

As one of the largest Muslim-majority countries, Indonesia plays a vital role in developing Islamic capital markets to expand the reach of Sharia-compliant financial instruments (Chasanah & Hidayat, 2023). The Islamic capital market emphasizes principles such as justice, transparency, and sustainability, ensuring that companies listed on the Jakarta Islamic Index (JII) and the Indonesian Sharia Stock Index (ISSI) adhere to Sharia law and good governance practices (Fatma et al., 2019). The Indonesian Ulema Council (MUI) Fatwa No. 135/DSN-MUI/V/2020 strengthens previous rulings by providing detailed guidelines to ensure Sharia compliance in stock investments—especially prohibiting riba (interest), gharar (uncertainty), and maisir (speculation). Stocks remain permissible as long as certain conditions are met: the business activity must be Sharia-compliant, interest-based debt must not exceed 45% of total assets, non-halal income must be below 10% of total revenue, and shareholders must have a purification mechanism. Strict screening processes are used for inclusion in JII and ISSI, which together reflect a broader commitment to embedding Sharia principles in market operations while promoting sustainable value for all stakeholders (Suryomurti et al., 2022).

The Concept of Non-Halal Income

The concept of non-halal income is critical in the context of Sharia compliance and Islamic finance, referring to revenues derived from prohibited

or unethical activities under Islamic principles, such as interest, gambling, alcohol, and other illicit sources. Behavioral theory has been applied to understand consumer attitudes toward halal products, showing that attitude, perceived behavioral control, and subjective norms influence individual intentions toward non-halal consumption. The Sharia Supervisory Board plays a vital role in corporate governance to ensure compliance, including limiting non-halal income. Religiosity also moderates the relationship between behavioral intention and halal consumption, reflecting how religious beliefs influence consumer choices. Studies on halal tourism confirm that subjective norms shape consumer behavior, and businesses must adapt to halal demands while avoiding non-permissible practices (Al Madani et al., 2020; Ledhem, 2022). The impact of non-halal income on reputation and firm value helps explain how such practices influence investor perception and corporate valuation. For instance, Hartanto et al. (2019)and Hisamuddin & Sholikha (2014) found that some Islamic institutions like BAZNAS and PKPU still deal with non-halal funds, raising questions about full Sharia compliance.

Firm Valuation Theory

Firm valuation theory commonly uses the Price to Book Value (PBV) ratio as a key financial metric to assess company value. PBV is calculated by dividing the market price per share by the book value per share, offering insight into how the market perceives a firm's net asset value. Generally, a higher PBV indicates positive market expectations regarding the company's growth, efficient management, and investor confidence. A high PBV can signal strong future earnings potential, effective asset utilization by management, and strong investor trust in the company's prospects. According to Damodaran (2012), PBV serves as a vital valuation tool by linking market price with book equity, reflecting how the market values a firm's net worth after accounting for liabilities. However, an excessively high PBV should be interpreted with caution, as it may suggest overvaluation if the expected growth does not materialize.

The Concept of Interest-Based and Non-Interest-Based Debt and Its Impact on Firm Value

The concept of interest-based debt plays a critical role in determining firm value, offering both benefits and risks. Debt financing can enhance firm value through tax shields (Kasozi, 2018), managerial discipline by limiting free cash flow (Weill, 2007), and optimized capital structure (Memarista, 2016). However, excessive debt can lead to financial distress and underinvestment risks (Eleje et al., 2020; Khaw & Lee, 2016). The effectiveness of debt depends on its structure and management—proper hedging strategies, for instance, can mitigate financial risks and improve firm value (Bae et al., 2016). Conversely, excessive leverage relative to assets may hurt firm value (Chaleeda et al., 2019), illustrating the dual nature of debt's impact as noted by Koussis and Martzoukos (2008).

In the Shariah perspective, interest-based debt is prohibited due to the element of *riba* and lack of fairness, prompting the use of Shariah-compliant financing instruments such as *murabahah*, *mudharabah*, *musyarakah*, and *ijarah*. These contracts are based on transparency, profit-and-loss sharing, and real economic transactions. Shariah-compliant firms are preferred by Muslim investors as they align with Islamic ethical standards not only in their products but also in their financing structures. However, many capital-intensive sectors like energy still rely heavily on interest-based debt, challenging full Shariah compliance even when listed in the *Daftar Efek Syariah* (DES). Therefore, increasing investor awareness and careful evaluation of both interest-based debt and non-halal income are essential in ensuring firm value that aligns with Islamic finance principles (Hartanto et al., 2019; Hisamuddin & Sholikha, 2014).

The Influence of ROA, ROE, and EPS on Firm Value

The terms *Return on Assets (ROA)* and *Return on Equity (ROE)* are essential financial metrics used to assess a company's efficiency and profitability. ROA, calculated by dividing a company's annual earnings by its total assets, reflects how effectively a firm utilizes its assets to generate profits (Nandy, 2022). Adjusted ROA, as discussed in the literature, compares a firm's

ROA to the industry average, providing insights into its relative performance (Xu et al., 2021). Research shows that ROA significantly influences various financial aspects, including stock prices and banking stability (Nandy, 2022; Alalmaee, 2024). Numerous studies have identified ROA as a key determinant of firm value (Salim & Pratama, 2021). A higher ROA indicates greater efficiency in profit generation from company resources, thereby increasing firm value (Puspitarini, 2023; Laksari, 2024). ROE, though not always explicitly mentioned in recent studies, remains an established metric in financial literature, indicating how well a company utilizes shareholders' equity to generate earnings and influence its overall valuation.

In addition to ROA and ROE, a firm's assets—particularly intangible and fixed assets—play a significant role in determining firm value. Intangible assets have been shown to positively influence firm value over time. Furthermore, a stable asset structure and high investments in fixed assets are associated with greater firm value by attracting more investors (Yoewono & Tasrih, 2022). Effective asset management, as demonstrated by high Total Asset Turnover (TATO), is also linked to increased firm value (Prihanta et al., 2023). These findings suggest that firms with strong asset utilization, including both tangible and intangible resources, are better positioned to enhance their market value. Overall, the synthesis of these references underscores the critical roles of ROA, asset management, and intangible asset investment in driving firm value, which collectively shape financial health, investor confidence, and long-term market performance.

The conceptual framework

The conceptual framework will be developed to guide the research on the effect of non-halal income and interest-based debt on the firm value of sharia-compliant stocks in the energy sector listed in the ISSI index during the period 2018–2022. The following is the proposed diagram and conceptual framework:

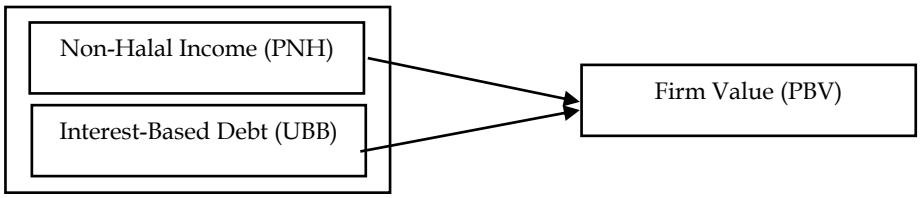

Figure 1. Research Framework

Hypothesis Development

The hypotheses of this study are formulated to examine the influence of non-halal income (PNH) and interest-based debt (UBB) on firm value (measured by PBV) among sharia-compliant energy sector companies listed on the ISSI from 2018 to 2022. Specifically, the hypotheses test whether (1) PNH has a significant effect on PBV, and (2) UBB has a significant effect on PBV. Each variable includes a null hypothesis (H_0), indicating no significant relationship, and an alternative hypothesis (H_1 or H_2), indicating a significant relationship with firm value.

Method

This study adopts a quantitative approach to analyze the financial data of the companies. The data is sourced from the financial statements of sharia-compliant energy sector issuers listed on the ISSI during 2018–2022. This approach employs panel data regression to statistically measure and analyze the impact of interest-based debt and non-halal income on firm value. The study utilizes secondary panel data, including information on non-halal income, interest-based debt, ROA, ROE, and EPS, obtained from the companies' annual financial reports. Stock price data was accessed via the website of PT Stockbit Sekuritas Digital.

Population and Sample

The population in this study consists of all sharia-compliant energy sector issuers listed on the ISSI from 2018 to 2022. The sample is selected using a purposive sampling method. This method allows the researcher to choose the sample based on specific knowledge relevant to the research context. Although purposive sampling has advantages and disadvantages, it is often considered

to produce higher-quality results because the sample subjects are specifically selected based on predefined criteria (Narbuko & Achmadi, 2010).

The sample selection in this study was based on specific inclusion criteria: (1) the company must be an Islamic stock issuer listed on the Indonesia Sharia Stock Index (ISSI); (2) it must be consistently included as an ISSI constituent throughout the 2018–2022 period; and (3) the company must have complete financial data and demonstrate consistency in sharia-compliant reporting. Based on these criteria, 15 companies were selected as the research sample, as listed below:

Table 1. Listed the research sample

Code	Company Name
ADRO	*PT ADARO ENERGY INDONESIIA, Tbk*
PGAS	PT PERUSAHAAN GAS NEGARA, Tbk
PTBA	PT BUKIT ASAM, Tbk
ITMG	PT INDO TAMBANGRAYA MEGAH, Tbk
INDY	PT INDIKA ENERGY Tbk
MEDC	PT MEDCO ENERGI INTERNASIONAL Tbk
ABMM	PT ABM INVESTAMA Tbk
AKRA	PT AKR CORPORINDO Tbk
PTRO	PT PETROSEA Tbk
ELSA	PT ELNUSA Tbk
PKPK	PT PERDANA KARYA PERKASA Tbk
BYAN	PT BAYAN RESOURCES Tbk
DEWA	PT DARMA HENWA Tbk
HRUM	PT HARUM ENERGY, Tbk
MBAP	PT MITRABARA ADIPERDANA, Tbk

Operational Definition of Variables

The variables used in this study are defined as follows:

Interest-Based Debt (IBD) refers to the debt acquired by a company through loans or bonds that require repayment with interest. IBD represents financial obligations involving interest payments, which are prohibited in Islamic finance. This variable is measured using the ratio of interest-based debt to the company's total assets or total liabilities (Debt-to-Equity Ratio), as referenced by Eljelly (2004) in *Liquidity-Profitability Tradeoff: An Empirical Investigation in an Emerging Market*.

Non-Halal Income (NHI) refers to income generated by a company through activities that are not compliant with Sharia principles, such as income

from interest, gambling, or other prohibited sources. This variable is measured by the ratio of non-halal income to the company's total income, based on the definition by Usmani (2002) in *An Introduction to Islamic Finance*.

Firm Value (Price to Book Value – PBV) is a ratio that measures the market value of a company's stock relative to its book value of equity, indicating how the market perceives the net asset value of the company after accounting for liabilities. PBV is calculated using the formula: PBV = Stock Price/Book Value per Share, as defined by Damodaran (2002) in *Investment Valuation*.

Return on Assets (ROA) is a financial ratio that assesses how efficiently a company utilizes its assets to generate profits. ROA reflects the management's ability to productively manage the company's assets. It is measured by the formula: ROA = (Net Income/Total Assets) × 100%, following Ross, Westerfield, and Jaffe (2010) in *Corporate Finance*.

Return on Equity (ROE) measures a company's ability to generate profits from each unit of shareholders' equity invested. ROE indicates profitability from the shareholders' perspective. The formula used is: ROE = (Net Income/Equity) × 100%, as referenced in Brigham and Houston (2012) *Fundamentals of Financial Management*.

Earnings Per Share (EPS) is a profitability measure that shows the amount of net profit earned by a company for each outstanding share of stock. EPS is used to evaluate corporate performance from the shareholders' viewpoint and is calculated as: EPS = Net Income / Number of Outstanding Shares, based on Gitman and Zutter (2015) in *Principles of Managerial Finance*.

Model Specification

This study employs panel data analysis, which combines time-series and cross-sectional data (Gujarati et al., 2009), to evaluate the impact of non-halal income, interest-based debt, ROA, ROE, and EPS on firm value in the energy sector. The general model specification is expressed as follows:

$$PBVit = \beta_0 + \beta_1 PNH_{it} + \beta_2 UBB_{it} + \beta_3 ROA_{it} + \beta_4 ROE_{it} + \beta_5 EPS_{it} + \beta_6 (PNH_{it} X UBB_{it}) + \varepsilon_{it}$$

Where:

PBV : Price to Book Value (firm value)
UBB : Interest-Based Debt
PNH : Non-Halal Income
ROA : Return on Asset
ROE : Return on Equity
EPS : Earning Per Share
B : Intercept
$\beta_{1,2,3,4,5,6}$: Coefficients of independent variables
i : Cross-sectional unit (company)
t : Time period (year)
ε : Error Term

This model is used to predict the Price to Book Value (PBV) based on several financial variables, including interest-based debt, non-halal income, return on assets, return on equity, and earnings per share. Additionally, the model considers the interaction effect between interest-based debt and non-halal income. The coefficients β_1 through β_6 measure the effect of each variable on PBV, while the error term captures the influence of other factors not explained by the model.

Data Analysis Technique

This study employs panel data analysis, which integrates cross-sectional and time-series data to assess the impact of Non-Halal Income (PNH), Interest-Based Debt (UBB), Return on Assets (ROA), Return on Equity (ROE), and Earnings per Share (EPS) on firm value (PBV) in the energy sector (Gujarati et al., 2009). The panel regression equation is specified as:

$$Yit = \alpha i + Xit\ \beta + \mu it$$

Where the error component may be:

- One-way: $\varepsilon it = \lambda i + uit$
- Two-way: $\varepsilon it = \lambda i + \mu i + uit$

The three main models used in panel data analysis are the Fixed Effect Model (FEM), Common Effect Model (CEM) or Pooled Least Squares (PLS), and Random Effect Model (REM). The FEM is applied when there is a correlation between the independent variables (X_{it}) and individual-specific effects, thereby capturing unobserved heterogeneity across firms. In contrast, the CEM assumes that intercepts are constant across all cross-sectional units and time periods, making it the simplest model. The REM is appropriate when

individual-specific effects are assumed to be uncorrelated with the explanatory variables, and the error terms incorporate random variation.

To determine the most appropriate model, several statistical tests are used. The Chow Test is employed to choose between FEM and CEM; if the p-value is less than 0.05, FEM is preferred. The Hausman Test is used to distinguish between FEM and REM; a p-value below 0.05 indicates FEM is more appropriate, whereas a higher p-value suggests REM should be used (Verbeek, 2000). Meanwhile, the Lagrange Multiplier (LM) Test compares REM and CEM, with a significant p-value indicating that REM is the better choice.

Classical Assumption Testing

To ensure the validity of the regression model, this study applies several classical assumption tests. These include the normality test, which confirms whether the data distribution is normal; the autocorrelation test, which checks for correlation among residuals across time or cross-sectional units; the multicollinearity test, which detects potential intercorrelation among independent variables; and the heteroscedasticity test, which examines whether residual variances are consistent across observations. According to Gujarati et al. (2009), multicollinearity is generally less of a concern in panel data, while Verbeek (2000) notes that tests for autocorrelation and heteroscedasticity are sometimes not strictly necessary due to the robustness of panel data methods.

In addition, the study conducts significance testing to evaluate the strength of relationships between variables. The t-test is used to assess the partial effect of each independent variable on the dependent variable (Ghozali, 2016), while the F-test evaluates the joint effect of all independent variables on the dependent variable. Furthermore, the coefficient of determination (R^2) is calculated to determine how much variation in the dependent variable is explained by the model, with a higher R^2 indicating a better overall model fit (Nachrowi, 2018).

Results and Discussion

Descriptive Analysis

This study examined 15 energy sector companies from 2018 to 2022, focusing on the effect of non-halal income and interest-based debt on the firm value of Sharia-compliant issuers. The study used five variables: PNH (non-halal income), UBB (interest-based debt), ROA, ROE, and EPS. PNH data represents financial income in billions of rupiah; UBB data comes from interest expense; ROA, ROE, and EPS are sourced from the companies' income statements. The table below presents the descriptive statistics for the 15 companies.

Table 2. Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PBV	75	.28	23.70	1.9209	3.20101
ROA	75	-.58	.59	.0916	.17036
ROE	75	-2.90	1.15	.1057	.54078
UBB	75	.00	8.31	5.0213	2.06930
PNH	75	.00	6.61	4.0183	1.76889
EPS	75	-3.22	9.71	4.5173	2.84297
Valid N (listwise)	75				

Source: SPSS 21 Output (processed data)

The descriptive statistics show that PBV ranged from 0.28 (DEWA, 2019) to 23.70 (BYAN), with an average of 1.92 and a high standard deviation of 3.2, indicating wide variability in investor valuations. ROA varied from -0.58 (PKPK, 2021), suggesting operational losses, to 0.59 (MBAP), with an average of 9% and high fluctuation. ROE ranged from -2.90 (PKPK) to 1.15 (BYAN), averaging 0.11 with a standard deviation of 0.55, reflecting significant differences in shareholder returns. UBB ranged from 0.00 (PKPK) to 8.31 (MEDC), averaging 5.02, showing uneven use of interest-based debt across firms. PNH ranged from 0.00 to 6.61 (ADRO), with an average of 4.02 and deviation of 1.77, indicating notable variation in non-halal income. EPS ranged from -3.22 (PKPK) to 9.71 (ITMG), with an average of 4.52 and standard deviation of 2.84, suggesting moderate earnings variability.

Normality Test

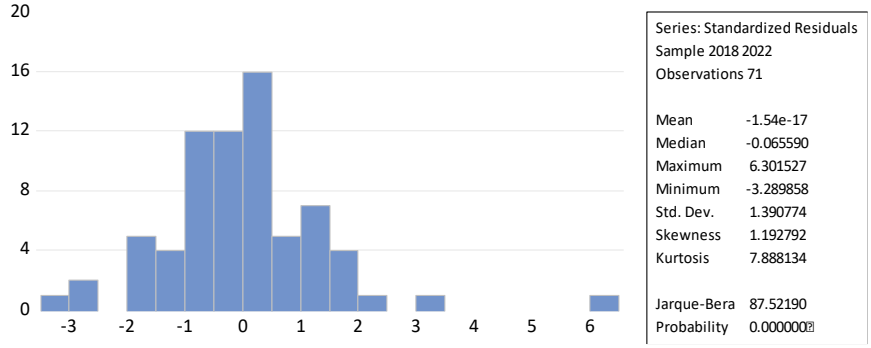

Figure 3. Normality Test

Source: Eviews12 Output (processed data)

This test determines whether the data are normally distributed. If the p-value is greater than α = 0.05, the data are considered normally distributed. In this study, the probability value was 0.0000, less than 0.05, indicating that the data were not normally distributed and further testing is required.

Heteroskedasticity Test

This test evaluates whether the residual variance is constant across observations. A p-value below 0.05 indicates heteroskedasticity. According to Table 5, the p-values are below 0.05, suggesting the model does not suffer from heteroskedasticity.

Table 3. Heteroskedasticity Test

Panel Cross-section Heteroskedasticity LR Test
Equation: UNTITLED
Specification: PBV PNH UBB ROA ROE EPS PNH*UBB C
Null hypothesis: Residuals are homoskedastic

	Value	df	Probability
Likelihood ratio	269.7323	15	0.0000

LR test summary:

	Value	df
Restricted LogL	-170.3614	64
Unrestricted LogL	-35.49523	64

Source: Eviews12 Output (processed data)

Panel Data Regression Test

Chow Test

The Chow test is applied to determine whether the Common Effect Model (CEM) or the Fixed Effect Model (FEM) is more appropriate for panel

data analysis. The null hypothesis (H_0) assumes that the Common Effect Model is suitable, indicating uniform intercepts across all cross-sectional units. In contrast, the alternative hypothesis (H_1) proposes the Fixed Effect Model, which allows for intercept variations among individual entities. The decision rule is based on the significance level of the Cross-Section F statistic: if the p-value is less than 0.05, H_0 is rejected in favor of H_1, indicating that the Fixed Effect Model provides a better fit for the data. Conversely, if the p-value exceeds 0.05, the Common Effect Model is deemed more appropriate.

Table 4. Result of Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section and period fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	8.144883	(14,46)	0.0000
Cross-section Chi-square	88.516386	14	0.0000
Period F	2.018338	(4,46)	0.1075
Period Chi-square	11.480708	4	0.0217
Cross-Section/Period F	6.967991	(18,46)	0.0000
Cross-Section/Period Chi-square	93.400336	18	0.0000

Source: Eviews12 Output (processed data)

The Cross-Section F value is 0.0000 (< 0.05), so the Fixed Effect Model is chosen.

Hausman Test

The Hausman test is utilized to select the most appropriate model between the Fixed Effect Model (FEM) and the Random Effect Model (REM) in panel data analysis. The null hypothesis (H_0) assumes that the Random Effect Model is suitable, which is accepted if the p-value exceeds 0.05. This suggests that there is no significant correlation between the explanatory variables and the individual effects. On the other hand, the alternative hypothesis (H_1) supports the Fixed Effect Model, and is accepted if the p-value is less than 0.05, indicating a significant correlation between individual effects and explanatory variables. Thus, a significant test result ($p < 0.05$) leads to the use of FEM, while a non-significant result ($p > 0.05$) supports the use of REM.

Table 5. Result of Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	5.629584	6	0.0059

Source: Eviews12 Output (processed data)

The result was p = 0.0059 (< 0.05), so the Fixed Effect Model is preferred.

Fixed Effect Model Results

The Fixed Effect estimation yielded an R-Squared of 0.903786, meaning that 90.04% of the variation in PBV is explained by PNH, UBB, ROA, ROE, and EPS.

Table 6. Fixed Effect Model Results

Dependent Variable: PBV
Method: Panel Least Squares
Date: 08/28/24 Time: 14:02
Sample: 2018 2022
Periods included: 5
Cross-sections included: 15
Total panel (balanced) observations: 75

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PNH	0.804963	1.098710	0.732644	0.4684
UBB	-0.022645	0.975012	-0.023226	0.0816
ROA	20.60079	5.231426	3.937893	0.0003
ROE	28.24768	3.240950	8.715863	0.0000
EPS	2.007569	0.340566	5.894802	0.0000
PNH*UBB	-0.048883	0.222084	-0.220111	0.0270
C	6.940174	5.086313	1.364480	0.1807

Effects Specification

Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.903786	Mean dependent var	1.886557
Adjusted R-squared	0.843978	S.D. dependent var	3.115114
S.E. of regression	1.230460	Akaike info criterion	3.539583
Sum squared resid	56.01918	Schwarz criterion	4.370090
Log likelihood	-83.95727	Hannan-Quinn criter.	3.865066
F-statistic	15.11131	Durbin-Watson stat	2.209208
Prob(F-statistic)	0.000000		

Source: Eviews12 Output (processed data)

The estimation results of the Fixed Effect Model demonstrate overall strong performance. The R-squared value of 0.903786 indicates that 90.04% of the variation in the dependent variable can be explained by the independent variables: PNH, UBB, ROA, ROE, and EPS. The variable PNH has a significance value of 0.4684, indicating no significant effect on the dependent variable (p > 0.05). UBB shows a significance value of 0.0816, which is statistically significant

at the 10% level. ROA, ROE, and EPS each have significance values of 0.003, 0.000, and 0.000 respectively, indicating a significant influence on the dependent variable ($p < 0.05$). Additionally, the interaction between PNH and UBB has a significance value of 0.0270, also indicating a significant effect ($p < 0.05$).

The fixed effect regression model is:

$$LN\_PBVit = 6.94 + 0.80LN\_PNHit - 0.02LN\_UBBit + 20.60ROAit + 28.25ROEit + 2.00EPSit - 0.05(LN\_PNHit \times LN\_UBBit) + \varepsilon it$$

T-Test on PNH, UBB, ROA, ROE, and EPS

This study analyzed the effect of five independent variables (PNH, UBB, ROA, ROE, and EPS) and their interaction on PBV. Using EViews 12, the t-test evaluated the individual impact of each variable. With a significance level of 0.05: If $p < 0.05$, H0 is rejected. If $p > 0.05$, H0 is accepted.

The Influence of Non-Halal Income on Firm Value

The t-test result shows a significance value of 0.4684, which is greater than 0.05, indicating that PNH does not have a statistically significant effect on PBV. Therefore, the null hypothesis (H_0) is accepted, meaning that variations in PNH do not meaningfully influence the company's market valuation.

While theoretically PNH may influence firm value—especially in Sharia-compliant companies that emphasize ethical purity—in practice, its contribution to total revenue is often minimal, particularly in the energy sector. According to Alamsyah & Lubis (2020), the relatively small portion of PNH often makes it insignificant in affecting PBV, especially when the company's core operations are predominantly halal (Alamsyah et al., 2020).

In the energy sector, firm valuation is more strongly influenced by fundamental factors such as global commodity prices, production output, and supply-demand dynamics, rather than minor non-halal income. Hartono & Suryanto (2022) highlighted that investor attention in this sector is more sensitive to oil price trends or infrastructure capacity than to small non-halal income components.

Moreover, Sharia investors tend to focus on strategic initiatives, such as investment in sustainable energy, efficiency-enhancing technologies, and good governance practices, rather than on marginal PNH values. Companies that show strong long-term growth potential and compliance with Sharia principles can still attract investor confidence, even with minor PNH exposure.

To mitigate any reputational risk, companies often manage PNH transparently by donating or isolating it, thereby maintaining investor trust. As long as firms implement clear PNH policies and maintain strong financial and ethical performance, the impact of PNH on PBV remains negligible, especially when compared to larger factors such as market strategy, profitability, and operational stability.

The Influence of Interest-Based Debt on Firm Value

The t-test result shows a significance value of 0.0816, indicating that UBB has a statistically significant negative effect on PBV at the 10% level. This suggests that the greater a company's reliance on interest-based debt, the lower its PBV.

From a sharia perspective, interest-based debt (UBB) is non-compliant due to the element of riba, which is prohibited in Islam. Companies that rely heavily on UBB may be viewed negatively by sharia-conscious investors, affecting investor trust and the firm's market valuation.

High UBB also increases financial and reputational risk, particularly in volatile sectors like energy. Firms must meet fixed interest payments even during revenue downturns, raising the risk of financial distress or bankruptcy and reducing PBV.

During economic shocks or falling commodity prices, such as the 2020 oil price crash, highly leveraged companies struggled to service debt, reinforcing negative investor sentiment. This leads to a decline in stock demand and a drop in PBV.

To address these concerns, many Islamic firms turn to sukuk financing—a sharia-compliant alternative that avoids interest and links returns to assets or

profits. Sukuk improves financial flexibility and reduces risk exposure, helping companies maintain stronger PBV and investor confidence.

The Influence of ROA on Firm Value

The t-test result shows a significance value of 0.003, meaning ROA significantly and positively influences PBV at the 5% level. Therefore, H0 is rejected, and an increase in ROA leads to a higher PBV.

Return on Assets (ROA) indicates how efficiently a company uses its assets to generate profit. A high ROA reflects strong management performance and effective resource utilization, signaling robust financial health.

In sectors like energy that rely heavily on physical assets, efficient asset use is critical. Companies with high ROA demonstrate operational stability and resilience, especially during market volatility, which appeals to investors.

As ROA increases, investor confidence grows, leading to higher demand for the company's stock and raising its price. This market reaction ultimately contributes to a higher PBV.

Firms with high ROA are seen as more reliable and attractive investments, capable of maintaining profitability and growth. This strengthens their reputation and makes them appealing to long-term investors seeking financial stability.

The Influence of ROE on Firm Value

The t-test result shows a significance value of 0.000, indicating that ROE has a significant and positive effect on PBV at the 5% level. Therefore, H0 is rejected, meaning that as ROE increases, PBV also tends to rise.

Return on Equity (ROE) reflects how efficiently a company uses shareholders' equity to generate profits. In the capital-intensive energy sector, a high ROE signals that the company can maximize returns from large investments in infrastructure and technology, showing strong management performance.

Companies with high ROE demonstrate better resilience during market downturns—such as falling oil prices—by maintaining profitability through

cost efficiency and competitive advantage. This strengthens investor confidence and enhances the company's attractiveness compared to peers. Investors in the energy sector value ROE as a measure of operational stability and financial effectiveness, especially during economic volatility. A consistently high ROE suggests a company's capability to navigate uncertainty while delivering strong returns, making it more appealing in the stock market.

Since PBV represents market value relative to book value, a high ROE typically drives up investor demand, increases stock prices, and ultimately raises the PBV. This is because ROE reflects growth potential and capital efficiency—key attributes investors seek in high-value firms.

The Influence of EPS on Firm Value

The t-test results show that EPS significantly influences PBV, with a significance value of 0.000 (< 0.05). This indicates a positive relationship, meaning the higher the Earnings per Share (EPS), the higher the Price to Book Value (PBV). Thus, H0 is rejected in favor of H1.

EPS is a key metric for evaluating company profitability, especially in the energy sector, which is prone to price volatility and high operational costs. A high EPS reflects the company's financial strength and resilience in navigating uncertain market conditions, which increases investor confidence and enhances firm value.

In volatile energy markets, high EPS suggests strong management capabilities in cost control and strategy execution. This improves operational efficiency and ensures the company can still generate solid profits despite external pressures like fluctuating oil or gas prices.

Long-term investor confidence is often tied to stable profitability. High EPS not only signals good financial health but also suggests that the company is a safer investment. As a result, stock demand increases, driving up prices and PBV.

Moreover, high EPS is often linked to strong dividend-paying capacity, which is attractive to investors in the energy sector. Companies with consistent,

high EPS are better positioned to maintain dividend policies even in tough markets, further improving investor trust and increasing PBV.

The Influence of the Interaction between Non-Halal Income and Interest-Based Debt on Firm Value

The t-test result shows that the interaction between Non-Halal Income (PNH) and Interest-Based Debt (UBB) significantly affects firm value (PBV), with a significance value of 0.0270 (< 0.05). This indicates a significant negative influence, meaning that a higher interaction between PNH and UBB leads to a lower PBV.

Both PNH and UBB carry ethical and financial implications that negatively impact investor perception, particularly among sharia-compliant investors. When these elements coexist—especially in strategic sectors like energy—they raise concerns over compliance and financial risk, reducing the attractiveness of the firm and ultimately its market value.

Investor perception worsens when both PNH and UBB are present, as they suggest not only sharia non-compliance but also increased financial vulnerability. Studies (e.g., Ahmed & Khan, 2022) show this combination can decrease investor interest, resulting in lower stock prices and PBV.

In the energy sector, which demands strong financial and reputational stability, this combination intensifies risks. It also limits access to Islamic finance markets, as many investors avoid companies with non-sharia-compliant structures. This puts downward pressure on the firm's valuation.

Lastly, financial risks such as potential liquidity issues or bankruptcy become more prominent when firms rely on non-halal income to repay interest-based debt—especially in volatile market conditions. Therefore, energy companies aiming to attract Islamic investors must manage the PNH–UBB interaction carefully to maintain financial health and firm value.

Conclusion

Based on the results of this study, it can be concluded that Non-Halal Income (PNH) does not have a significant influence on firm value (PBV), with a significance value of 0.4684. In contrast, Interest-Based Debt (UBB) has a

significantly negative effect on PBV at the 10% level (significance value of 0.0816), indicating that higher UBB leads to lower PBV. The interaction between PNH and UBB also shows a significantly negative impact on PBV (significance value of 0.0270), suggesting that a high combination of both factors reduces firm value. On the other hand, fundamental financial variables such as Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS) each have a significant positive influence on PBV, with significance values of 0.003, 0.000, and 0.000 respectively. This means that the higher the ROA, ROE, and EPS, the higher the firm value (PBV).

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