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The Influence of Capital Structure and Profitability on Firm Value: A Quantitative Study of Food & Beverage Companies Listed on the IDX (2022–2024)

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ABSTRACT
This study investigates the impact of capital structure and profitability on firm value in food and beverage companies listed on the Indonesia Stock Exchange (IDX) from 2022 to 2024. Capital structure is represented by the Debt to Equity Ratio (DER), profitability by the Return on Assets (ROA), and firm value by the Price to Book Value (PBV). The research employed a quantitative approach using secondary data from the financial reports of 10 selected companies, analyzed through simple linear regression with classical assumption tests. The results revealed that DER had no significant effect on PBV ($p = 0.615$), whereas ROA had a significant positive effect on PBV ($p = 0.000$, $R^2 = 0.395$). These findings suggest that profitability is more critical in enhancing firm value than capital structure. The study provides practical insights for investors and corporate managers to improve operational efficiency and increase firm value.

Keywords: Capital Structure, Profitability, Company Value.

I. Introduction

Indonesia's food and beverage (F&B) industry continues to demonstrate robust growth, as reflected in the increasing contribution of household consumption to the nation's Gross Domestic Product (GDP). In this context, firm value emerges as a key indicator of investor perception regarding a company's performance and prospects. A high firm value generally reflects strong financial health and managerial effectiveness, making it an essential focus for stakeholders, including investors, creditors, and corporate managers.

Market-based indicators such as share prices and valuation ratios often assess firm value, remarkably, the Price to Book Value (PBV). Good company prospects indicate high profitability; companies with high profitability will be in demand by investors, who can respond positively. The company's value can increase (Jariah et al, 2025). According to Nova (2017), PBV represents how the market values a company's equity compared to its book value. High PBV ratios typically signal strong investor confidence and future profitability potential. Profitability is often considered a significant factor in determining a company's value (Rosita, 2024), whereas lower ratios may suggest concerns about management performance or industry outlook.

Several factors influence firm value, including capital structure and profitability, which are widely regarded as fundamental. Capital structure, defined as the proportion of debt and equity financing a firm uses, can significantly affect its risk profile and cost of capital (Riyanto, 2008; Tunggul & Eka, 2021). Meanwhile,

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profitability, measured by indicators like Return on Assets (ROA), reflects the efficiency with which a firm utilizes its assets to generate earnings (Fahmi, 2020). These financial metrics influence investor behavior and shape a firm's strategic financing decisions. Recent data reveal that many large Indonesian companies face financial distress due to poor capital structures and declining profitability. For instance, a report by Alvarez & Marsal Inc. indicated that approximately one in seven IDX-listed firms are at high financial risk, often labeled as "zombie firms." On the other hand, companies like PT Waskita Beton Precast Tbk (WSBP) have shown positive performance improvements through strategic restructuring.

Prior studies have shown inconsistent findings despite the critical role of capital structure and profitability in determining firm value. While some researchers (e.g., Muliana & Sri, 2021; Eva & Zaki, 2023) found significant relationships, others (e.g., Efaldi & Nuril, 2022; Amalia & Eni, 2024) reported inconclusive results. This inconsistency suggests a gap in the literature, particularly within the F&B sector, which justifies further investigation. Therefore, this study aims to analyze the influence of capital structure and profitability on firm value in F&B companies listed on the Indonesia Stock Exchange between 2022 and 2024. The research focuses on investigating whether these two financial aspects—capital structure and profitability—significantly impact a firm's value. By exploring these relationships, the study seeks to offer empirical insights that can contribute meaningfully to understanding corporate financial performance, particularly for financial analysts, business decision-makers, and academic researchers interested in the dynamics of firm valuation in emerging markets.

II. Literature Review and Hypothesis Development

2.1. Trade-Off Theory

The Trade-Off Theory, introduced by Kraus and Litzenberger and further developed by Brigham and Houston (2019), posits that firms aim to balance the tax benefits of debt with the potential costs of financial distress. Moderate use of debt can lower a firm's weighted average cost of capital and enhance firm value. However, excessive debt increases bankruptcy risk and may deter investors. This theory is highly relevant to the present study, which examines the effect of capital structure and profitability on firm value in the F&B sector in Indonesia. As companies in this sector typically rely on stable cash flows to support their operations, balancing utilizing debt for growth and avoiding financial distress becomes critical. The Trade-Off Theory supports the idea that the capital structure decisions made by these firms—particularly the proportion of debt—can significantly influence their market valuation. By analyzing the relationship between capital structure and firm value in this context, the study tests the core proposition of the Trade-Off Theory within a real-world, emerging-market setting. This study refers to several key financial theories to build a comprehensive understanding of the determinants of firm value.

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2.3. Signaling Theory

Signaling Theory (Brigham & Houston, 2019) suggests that management decisions—particularly in financing—can serve as signals to the market. A company that takes on debt may be perceived as confident about its future cash flows, influencing investor perceptions positively. Nevertheless, this signal may be distorted in volatile industries like consumer goods unless accompanied by consistent profitability. Signaling Theory provides a relevant lens in this study, which investigates the influence of capital structure and profitability on firm value in Indonesia's F&B sector. The market may interpret debt financing decisions by F&B companies as a sign of financial strength and growth prospects. However, such signals are likely to be meaningful only when reinforced by actual profitability, which this study also examines. By exploring DER and ROA as predictors of firm value, the research provides empirical insights into how signaling through financing choices operates in a sector characterized by consumer demand sensitivity and operational stability. While these theories are well-established, recent developments in corporate finance, such as digital disruption, sustainability disclosures (ESG), and rising inflation, may alter their practical relevance. Hence, re-evaluating these theories within contemporary contexts is essential, particularly in emerging markets like Indonesia.

2.4. Capital Structure

Capital structure refers to the proportion between debt and equity used to finance a firm's operations. According to Brigham and Houston (2019), an optimal capital structure minimizes the cost of capital and maximizes firm value. However, empirical findings remain mixed. Some studies (e.g., Muliana & Astuti, 2021) reported a positive and significant impact of debt ratios on firm value, while others (e.g., Efaldi & Munawaroh, 2022) found no such relationship. This divergence underscores the importance of context—such as industry type, market maturity, and investor preferences—in shaping the effect of capital structure.

2.5. Profitability

Profitability reflects a firm's ability to generate returns from its resources. Return on Assets (ROA) is a commonly used metric that captures this efficiency (Kasmir, 2018). High ROA suggests sound operational management and asset utilization, enhancing investor confidence and firm value. Several studies (e.g., Eva & Ni'am, 2023; Amalia & Wuryani, 2024) have confirmed the significant positive relationship between ROA and firm value.

2.6. Firm Value

Firm value is a multidimensional concept, often proxied by the Price to Book Value (PBV). Rosyadah and Takarini (2024) argue that PBV reflects current market sentiment and embeds long-term expectations. PBV is sensitive to internal factors (profitability, capital structure) and external factors (economic conditions, investor behavior). Therefore, studying PBV as a dependent variable provides a more holistic view of how internal financial decisions influence market valuation.

III. Research Method

This study employs a quantitative descriptive approach using secondary data from the annual financial statements of food and beverage (F&B) companies listed on the Indonesia Stock Exchange (IDX) from 2022 to 2024. The aim is to examine the influence of capital structure and profitability on firm value. The population of this study consists of 28 food and beverage companies listed on the IDX. The sample was determined using purposive sampling, based on the following criteria:

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a. Companies consistently listed on the IDX during 2022–2024;
b. Companies that published complete and audited annual financial reports in that period;
c. Companies that reported all variables needed for analysis: DER, ROA, and PBV.

Based on these criteria, 10 companies were selected, resulting in 30 firm-year observations (10 companies × 3 years).

3.1. Variables and Measurement

Independent Variables: Capital Structure is measured by the Debt to Equity Ratio (DER), calculated as Total Liabilities divided by Total Equity. Profitability is measured by return on assets (ROA), which is calculated as net income divided by total assets. Dependent Variable: Firm Value is measured using Price to Book Value (PBV), calculated as Market Price per Share divided by Book Value per Share.

3.2. Data Analysis Technique

The data analysis includes the following steps:
a. Descriptive Statistics to summarize the characteristics of each variable;
b. Classical Assumption Tests, including normality, multicollinearity, and heteroscedasticity tests;
c. Simple Linear Regression Analysis to test the effect of DER and ROA separately on PBV;
d. Multiple Linear Regression Analysis to examine the joint effect of DER and ROA on PBV;
e. Hypothesis Testing using the t-test for individual significance and R^2 for explanatory power.

All data processing and statistical analysis were conducted using SPSS (Statistical Package for the Social Sciences) version 25.

IV. Results and Discussion

4.1. Descriptive Statistics

Table 1. Descriptive Statistics

		DER	ROA	PBV
N	Valid	30	30	30
	Missing	0	0	0
Mean		.689	.049	2.22
Std. Deviation		.31493	.03640	1.33558
Minimum		.19	-.04	.51
Maximum		1.35	.13	5.70

The descriptive statistics show the characteristics of each variable used in the study. The Debt to Equity Ratio (DER) has a minimum value of 0.19 and a maximum of 1.35, with a mean of 0.6895. Return on Assets (ROA) ranges from –0.04 to 0.13, with an average of 0.0493. The Price to Book Value (PBV), representing firm value, has a minimum of 0.51 and a maximum of 5.70, with a mean value of 2.2213. These variations indicate substantial capital structure, profitability, and firm valuation differences across the sampled companies.

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4.2. Normality Test

Table 2. Normality Test Results

Shapiro-Wilk Test			
	DER	**ROA**	**PBV**
Statistic	.139	.183	1.24
Statistic	.945	.934	.940
df	30	30	30
Sig.	.121	.062	.093

The normality test conducted using the Shapiro-Wilk method revealed that the significance value for the Debt to Equity Ratio (DER) variable was 0.121, for Return on Assets (ROA) was 0.062, and for Price to Book Value (PBV) was 0.093. Since all of these significance values exceed the threshold of 0.05, it can be concluded that the data for all three variables are normally distributed. This finding supports the assumption of normality required for further parametric statistical analyses.

4.3. Heteroscedasticity Test

Table 3. Heteroscedasticity Test

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	1,584	1,765		,898	,378
	DER	-4,395	3,971	-,957	-1,107	,279
	X1SQ	3,866	2,496	1,177	1,549	,134
	ROA	-16,076	36,416	-,404	-,441	,663
	X2SQ	-63,042	145,913	-,173	-,432	,670
	X1X2	38,172	33,259	,785	1,148	,262

The heteroskedasticity test using the White test produced a significance value (Sig. F) of 0.058, which is greater than the threshold of 0.05. This result indicates that there is no general heteroskedasticity problem present in the regression model. Furthermore, all independent variables tested show individual significance values above 0.05, suggesting that none of the predictors individually contributes to heteroskedasticity. Therefore, it can be concluded that the regression model is free from heteroskedasticity issues, which supports the assumption of constant variance of residuals and affirms the reliability of the model's estimations.

4.4. Multicollinearity Test

Table 4. Multicollinearity Test

Coefficients[a]								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Collinearity Statistics**	
		B	**Std. Error**	**Beta**			**Tolerance**	**VIF**
	(Constant)	,204	,583		,350	,729		
	DER	1,112	,618	,262	1,799	,083	,942	1,062
	ROA	25,378	5,348	,692	4,745	,000	,942	1,062
a. Dependent Variable: PBV								

Multicollinearity testing was carried out by examining the Tolerance and Variance Inflation Factor (VIF) values. The Tolerance values for the independent variables Debt to Equity Ratio (DER) and Return on Assets (ROA) were both 0.942, which is well above the commonly accepted threshold of 0.10. Similarly, the VIF values for both variables were 1.062, significantly lower than the maximum acceptable limit of 10. These results indicate no evidence of multicollinearity between the independent variables DER and ROA in this

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model. Therefore, both variables can be considered statistically independent, allowing for a reliable interpretation of the regression coefficients.

4.5. Regression Analysis – DER on PBV

Table 5. Regression Analysis – DER on PBV

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,942	,603		3,220	,003
	DER	,405	,798	,096	,508	,615
a. Dependent Variable: PBV						

The simple linear regression between DER and PBV shows a coefficient of 0.405 and a significance value (p-value) of 0.615. This result indicates that DER does not have a statistically significant effect on firm value. The R-squared value is only 0.009, meaning that DER can explain just 0.9% of the variation in PBV. This aligns with previous research by Efaldi and Munawaroh (2022), which found that capital structure does not significantly affect firm value in specific consumer sectors. One plausible explanation is that F&B investors emphasize operational performance and profitability more than capital structure, which may be considered a managerial decision with limited direct impact on market perception.

4.6. Regression Analysis – ROA on PBV

Table 6. Regression Analysis – ROA on PBV

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,085	,329		3,303	,003
	ROA	23,060	5,394	,628	4,275	,000
a. Dependent Variable: PBV						

The regression between ROA and PBV yields a coefficient of 23.060 and a significance value of 0.000, suggesting a substantial positive effect. The R-squared value is 0.395, meaning that ROA can explain 39.5% of the variation in PBV. This supports findings by Amalia and Wuryani (2024) and Sucuahi & Cambarihan (2016), who found that profitability indicators such as ROA significantly influence firm valuation. Profitability is a proxy for managerial effectiveness and operational efficiency, which investors highly value. In F&B companies operating in a competitive consumer-driven environment, profitability reflects the firm's ability to manage costs, scale production, and maintain customer loyalty—critical components in sustaining and growing firm value.

4.7. Coefficient of Determination

Table 7. Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,678[a]	,460	,420	1,01745
a. Predictors: (Constant), ROA, DER				

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Based on the results of the model summary, the R Square value of 0.460 indicates that approximately 46% of the variation in the Price to Book Value (PBV) can be explained simultaneously by the variables Debt to Equity Ratio (DER) and Return on Assets (ROA). This suggests that the model has a moderate explanatory power in capturing the relationship between capital structure, profitability, and firm value. Meanwhile, the remaining 54% of the variation in PBV is likely influenced by other factors not included in this model, such as macroeconomic conditions, market sentiment, or other financial and non-financial variables. Further research could explore these additional factors to enhance the model's predictive accuracy.

V. Conclusion

The findings suggest that profitability substantially impacts firm value more than capital structure in the F&B sector. This implies that firms should prioritize improving operational performance over adjusting debt levels. Managers should allocate resources toward innovation, marketing, and production efficiency to increase returns, enhancing investor confidence and market value. The insignificance of DER may also reflect the market's indifference toward how a firm is financed, as long as the company delivers substantial profits. Investors may also be cautious about firms with high leverage due to increasing interest rates and economic uncertainty, especially in emerging markets like Indonesia.

Based on the findings and analysis conducted in this study, it can be concluded that profitability measured by Return on Assets (ROA) has a significant and positive effect on firm value, as reflected by Price to Book Value (PBV). This result indicates that companies with higher profitability tend to enjoy greater investor confidence, which translates into higher market valuation. In contrast, capital structure measured by the Debt-to-Equity Ratio (DER) does not significantly affect firm value. This implies that investors in the food and beverage sector may not place considerable emphasis on how companies are financed but on how efficiently they generate profit. These findings highlight the importance of internal performance indicators, particularly profitability, in driving firm value in the Indonesian F&B industry. For corporate managers, this suggests that strategic initiatives should prioritize enhancing operational efficiency and asset utilization rather than overemphasizing leverage management. Investors are advised to use profitability ratios as primary indicators when evaluating potential investments in the sector. Additionally, for financial analysts and policymakers, the results emphasize the relevance of firm-specific fundamentals over capital structure in influencing valuation, at least within consumer-oriented industries. This study is not without limitations. The sample size is small and limited to companies listed on the Indonesia Stock Exchange during 2022–2024. Furthermore, the model only includes two independent variables, which explain approximately 42% of the variation in firm value. Future research should expand the scope by including more companies, extended time frames, and variables such as firm size, liquidity, and ESG performance. Incorporating macroeconomic indicators or industry-specific risks may provide a more holistic understanding of what drives firm value in dynamic markets.

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