International Journal of Application on Economics and Business (IJAEB)
Volume 3, Issue 2, 2025. ISSN: 2987-1972

UNVEILING FACTORS AFFECTING FIRM VALUE OF FOOD AND BEVERAGE COMPANIES LISTED IN INDONESIA STOCK EXCHANGE

Sylvia[1], Linda Santioso[2*]

[1,2] Faculty of Economics and Business, Universitas Tarumanagara, Jakarta, Indonesia
Email: sylvia.125210113@stu.untar.ac.id, lindas@fe.untar.ac.id

*Corresponding Author

Submitted: 09-02-2025, Revised: 12-03-2025, Accepted: 29-04-2025

ABSTRACT

The objective of this research is to observe the relationship between factors affecting firm value as one of the important components in impacting investor investment decisions. The influencing factors include profitability, capital structure, and firm size. During this study, the purposive sampling method was utilized in food and beverage sub-sector companies registered on the Indonesia Stock Exchange. This method produces results in the form of 93 data samples from 31 companies during the period 2021 to 2023. By utilizing Eviews Software version 12, this study applies the multiple regression analysis method during testing. The findings obtained based on this study explain that there are two factors, such as profitability and capital structure, which can positively and significantly impact firm value. Meanwhile, firm size does not significantly affect firm value. From the results gathered, it is hoped that this study will be able to provide an impact and contribution to enriching knowledge related to the factors that influence firm value as a dependent variable. This study is likewise anticipated to make a substantial contribution by providing a profound understanding, while stimulating subsequent inquiries into the factors that may shape firm value. Not only that, this research can also contribute to giving references to related companies to be capable of producing more effective financial policies and decisions.

Keywords: *Firm Value, Profitability, Capital Structure, Firm Size*

1. INTRODUCTION

Companies in the food and drink subsector have sprung up in response to people's varied and fundamental demands. According to PermataBank (2023), this sub-sector is still the main driver of yearly development in the processing and manufacturing sectors. A 5.33% increase in GDP was recorded by the food and beverage subsector in the first quarter of 2023, according to data from PermataBank Economic Research. This achievement outpaces both the manufacturing sector's GDP growth rate of 4.33% and Indonesia's total GDP growth rate of 5.03%. Indications like this point to the food and beverage sub-sector being a major development engine for Indonesia's industrial sector. In addition, the processing or manufacturing industries, which include the consumer goods non-cyclical sector and the food and beverage subsector, have been one of the top three contributors to Indonesia's GDP from 2020 to 2023, accounting for 19.03% (BPS, 2024).

Going back to the earlier topic, it's clear that this subsector plays a pivotal role in Indonesia's economy. Consequently, it is of paramount necessity to direct meticulous cognizance toward the falling stock indices of firms in the food and beverage subsector. The state of the Indonesian economy is vulnerable to a precipitous fall in this sub-sector's stock index. It is impossible to anticipate whether the stock market will increase or collapse due to the unpredictable and inconsistent economic and national circumstances. There is no guarantee that the current pattern will continue into the future, even if the stock index of firms in the food and beverage

sub-sector generally displays a steady tendency. According to Kontan News (2024), the main consumer goods sector (consumer non-cyclical) stock index, which includes the food and beverage sub- sector, saw the worst decrease among all sectoral indices at the start of 2021. At the start of 2021, the stock indices of a number of major companies in the food and beverage subsector, including PT Mayora Indah Tbk (MYOR) and PT Indofood Sukses Makmur Tbk (INDF), had a decline of 12.92% and 8.76%, respectively. The decline in the stock market index has arisen as a result of the lack of investor demand in allocating capital in the company. In deciding to invest, the company's value is a constituent of the essential determining factors. High demand for stock investment can increase stock performance in a business. According to Mahanani & Kartika (2022), company value, or firm value, refers to the opinion investors hold of the company, which is connected to its stock prices. According to the results of previous studies, it is capable to identify that severals factors can have an influence on firm value.

An enterprise's worth is mostly determined by its profitability. Researchers have shown that profitability significantly affects business value (Khan & Hidayat, 2022; Anah et al., 2021; Bon & Hartoko, 2022; Komala et al., 2021; Christine & Santioso, 2024). As a company's profitability rises, it becomes more appealing to investors, who may decide to purchase more shares at a higher price. Second, a company's capital structure, and more specifically its debt financing ratio, is a factor in determining its value. Capital structure positively affects business value, according to research by Alghifari et al. (2022), Purwanti (2020), and Rahmawati et al. (2023). The magnitude of the organisation is the third consideration. Wardani et al. (2022), Chakraborty and Maruf (2023), Mahanani and Kartika (2022), and Wijaya and Fitriati (2022) shown that the dependent variable, i.e., the value of the firm, is positively affected by the size of the company. One common metric for assessing a company's size is its total assets natural logarithm. Investors are more likely to show interest in bigger organisations, which may bring about an increase in their value.

This study focuses on food and beverage subsector companies, given their significant contribution to the stability of the Indonesian economy. This contribution is evident in their impact on GDP growth and their essential role within the manufacturing industry. While the stock index for this subsector remained relatively stable during the 2021-2023 period, economic uncertainty poses a potential threat to this stability. Understanding firm value is critical for making informed investment decisions, emphasizing the need to explore the factors influencing it. Therefore, this study aims to analyze the effects of profitability, capital structure, and firm size on firm value in the food and beverage subsector during the 2021-2023 period.

Signaling Theory involves two primary parties: company management, acting as the signal giver, and investors, acting as the signal recipients. The foundational premise of this theory was originally articulated by Michael Spence in his seminal work published in 1973, who explained that management provides valuable information or signals to investors to illustrate the company's performance and future prospects (as cited in Komala, et al. 2021). These signals can take various forms, including financial reports, dividend policies, debt decisions, or plans for company expansion. By providing these signals, Signaling Theory aims to reduce information asymmetry, alleviate uncertainty, and enable investors to make more informed decisions. Management strategically utilizes information such as profitability ratios, capital structure, and total assets (representing company size) to send positive signals that reflect the company's stability and growth potential to investors. This approach enhances investor confidence and supports effective capital allocation in financial markets. In this research,

signaling theory is employed as a foundational framework to elucidate how organizations strategically leverage aspects of their financial decisions to shape market and investor perceptions, thereby exerting an influence on the overall valuation of the firm.

Agency Theory

Agency Theory examines the correlation between investors (principals) and management (agents) (Jansen & Meckling, 1976 as cited in Christine & Santioso, 2024). In this theory, investors appoint management to manage the company with the aim of achieving maximum profit. However, because management has access to more information about the company, conflicts can arise due to asymmetric information between the two parties. This conflict can cause deviations, one of which is data manipulation in financial reports. Therefore, the principal seeks to minimize these deviations and ensure his welfare by aligning the goals of both. Profitability can be an effective tool for investors to monitor management performance and efficiency, thereby reducing these conflicts. This research employs agency theory as a foundation to elucidate the dynamics through which the independent variables affect corporate value, viewed through the prism of the inherent clashes of interest between management and shareholders.

Trade-Off Theory

The Trade-Off Theory posits that companies or businesses seek to balance (trade-off) the advantages of debt-based funding, like tax benefits, against the associated threats, particularly the potential costs of financial distress and insolvency (Brigham & Houston, 2019, p. 498). This theory assumes that an ideal capital structure is attained at the time that marginal benefits of debt, primarily in the guise of tax savings (tax shields), balance out with the marginal costs, such as insolvency risks and other monetary burdens. According to the Trade-Off Theory, firms will continue to utilize debt financing until the additional tax benefits no longer outweigh the incremental costs associated with increased financial risk. By doing so, companies can maximize shareholder value while managing the inherent trade-offs between risk and return. The use of debt can enhance profitability for investors by reducing the tax burden on the company. However, management must exercise prudence in determining the optimal level of debt, carefully weighing the potential for financial distress against the tax advantages. This cautious approach not only minimizes risks but also signals responsible financial management, which can enhance investor confidence and attract further investment. By striking this balance, companies can effectively leverage debt to support growth and create value while maintaining financial stability. This study applies trade-off theory to illuminate the decision-making process by which a firm determines the most effective capital structure to enhance corporate value, carefully weighing the benefits and risks inherent in the use of debt.

Firm Value

Firm value is a fundamental measure that reflects market assessments related to the effectiveness of firm performance. This value can be reflected in stock prices, which will increase when investor interest and supply in the capital market are high. The elevated value of the firm not only shows the effectiveness of the firm's operations but also serves as an attraction for investors to invest capital, with the aim of achieving optimal profit and improving the welfare of shareholders.

Profitability

Profitability serves as a metric or delineation of a company's proficiency to generate earnings that can be calculated through sales, assets and company capital, which reflects the

effectiveness of the company's performance and highlights its capacity for increasing welfare for shareholders.

Capital Structure

Capital structure pertains to the composition of debt and equity employed by companies to fund their operations and acquire assets. The goal is to achieve an optimal balance between short-term liabilities, long-term liabilities, and equity to reduce the overall capital cost and optimize the value of the firm. While debt financing offers benefits such as tax savings through interest tax shields, it also poses risks like increased financial obligations and potential distress. Therefore, companies must carefully consider the advantages and costs of using debt to ensure financial efficiency and attract investor confidence.

Firm Size

Firm size serves as a metric that delineates the scale of a company, ascertainable through total assets, overall sales, and market capitalization. Firm size reflects the amount of funds needed to maintain business activities, companies with larger assets tend to require more funds. In addition, firm size also functions as a crucial determinant in evaluating the financial robustness of a firm.

Research Hypothesis

Profitability epitomizes an enterprise's capacity to yield earnings through its operations with efficacy. High profitability indicates strong company performance, operational efficiency, and favorable long-term prospects, which play a significant role in shaping investor confidence and influencing their investment decisions. Companies with higher profitability are often perceived as financially stable and capable of delivering consistent returns, enhancing their appeal to prospective investors. Management leverages profitability as a key signal to showcase the company's strength, aiming to draw investor appeal and enhance the company's overall value in the market. Based on this rationale, the hypothesis may be articulated as follows:

H1: Profitability has a positive and significant effect on firm value.

Capital structure denotes the amalgamation of equity and debt employed by an enterprise to procure assets or generate capital for its operational endeavors. The strategic use of debt can serve as a positive signal from management, signifying confidence in the company's capacity to fulfill its financial commitments. This confidence reflects a strong belief in the company's operational and financial results. Such a positive signal often reassures investors, attracting them to invest in the company, which in turn can enhance the company's value. In light of this explanation, the hypothesis may be articulated as follows:

H2: Capital structure has a positive and significant effect on firm value.

In estimating the size of a company, investors can see or consider aspects of overall assets, revenue, and market capitalization. Companies with large assets generally have a higher amount of debt because it is used to fund the assets, so the selection of debt as a funding method shows management's optimism about the company's prospects. Increasing assets can also reflect operational capacity, financial resilience, and the potential for sustained growth, thereby drawing the interest of investors. In accordance with this explanation, the hypothesis may be articulated as follows:

H3: Firm size has a positive and significant effect on firm value.

2. RESEARCH METHOD

This study employs a numerical and data-driven approach and uses descriptive research methods. Descriptive research focuses on observing and analyzing one or more variables independently, without examining the relationships between them (Zulfikar, et al., 2024, p. 51). In order to provide a comprehensive assessment, the research employed panel data. Companies included in the food and drink subsector that were registered on the IDX between 2021 and 2023 are the focus of this research. To process and analyze the data, the study uses the EViews 12 application. A total of 31 companies were selected for the study, leading to an observation size of 93 data. The sample was determined according to distinct criteria to ensure pertinence and reliability. These criteria are detailed as indicated below:

1) IDX-listed companies in the food and drink subsector.
2) IDX-listed food and drink companies that went public before 2021.
3) Group consists of food and drink companies that were not suspended between 2021 and 2023.
4) Food and drink companies that maintained their listing status from 2021 to 2023.
5) Businesses in the food and drink subsector that report their financials in Indonesian Rupiah from 2021 to 2023.

A multiple linear regression model was used to examine the data in this research using the Reviews 12 data processing program. To better comprehend the linear relationships between an outcome variable (PBV) and one or more explanatory variables, multiple linear regression analysis is implemented (Indartini and Mutmainah, 2024, p. 39. As part of the battery of tests, we ran descriptive statistics, classical assumption assessments (including tests for normality, multicollinearity, heteroscedasticity, and autocorrelation), multiple regression analysis, chow and hausman tests for panel data regression model estimation, f and t tests, and coefficient of determination tests.
The variables applied in this analysis use proxies which can be described as follows:

Dependent Variable:

$$PBV = \frac{\text{Price Share}}{\text{Book Value of Share}}$$

Independent Variable:
Profitability:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

Capital Structure:

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Firm Size:

$$\text{Firm Size} = \text{Ln (Total Assets)}$$

3. RESULTS AND DISCUSSIONS

Descriptive Statistics Test

It is a technique in analyzing data that can describe data according to the actual results (as it is), without the aim of drawing conclusions or generalizing results that are relevant to larger groups, such as the general public. This technique functions to display the main characteristics

of one or more variables in the dataset. (Zulfikar, et al., 2024, p. 11). The conclusions of the descriptive statistics show that the dependent variable, has a range of values: from -0.821333 at the lowest, to 3.325131 at the highest, and a standard deviation of 0.943162. At the same time, profitability ranges from a mean of 0.060188 to a high of 0.221789, with a standard deviation of 0.076250. Its lowest is -0.269409. The capital structure dataset includes an average result of 0.771466, a range from -4.862583 to 3.912032, and a standard deviation of 0.992747. As a last independent variable, firm size ranges from 25.55665 to 32.85992, with a standard deviation of 1.776020 and a mean value of 28.94344.

Normality Test

Applying the normality test helps establish whether the linear regression model's residuals or errors are distributed normally. (Cindy & Ardini, 2023). The probability value listed in the Jarque-Bera Histogram Normality Test needs to exceed 5% or 0.05 to confirm that the analytical data follows a normal distribution. In this analysis, the probability yields a value of 0.058143, thereby allowing the conclusion that the data conforms to a normal distribution.

Multicollinearity Test

To ascertain the degree of correlation, if any, amid the independent variables comprising the regression model, a multicollinearity test is employed. Multicollinearity may be detected using either the tolerance or the Variance Inflation Factor (VIF) values. Centered VIF with a value of <10 indicates that the variables are devoid of problems or symptoms of multicollinearity. In this study, the magnitude of the centered VIF for each variable is 1.021510, 1.023528, and 1.037741. These numbers are still below 10.

Heteroscedasticity Test

The heteroscedasticity examination is undertaken to determine if there is a disparity in residual variance or prediction errors across different observations within the regression model. For this analysis, the Breusch-Pagan Godfrey test is employed to detect potential signs of heteroscedasticity in the data to be examined. A Prob. Chi-Square value for Obs R Squared exceeding 5% or 0.05 signifies that the regression model is free from, or does not exhibit, symptoms of heteroscedasticity. The findings of this study reveal that the Prob. Chi-Square value for Obs R Squared is 0.1543, which surpasses the 0.05 threshold.

Autocorrelation Test

Autocorrelation arises when residuals within a sequence of observations, arranged either chronologically (as in time series data) or spatially (as in cross-sectional data), exhibit a correlation with one another. This can lead to biased statistical inferences if not addressed. In this study, the Durbin-Watson test was employed to identify the presence of autocorrelation symptoms. According to Khan and Hidayat (2022), if the Durbin-Watson value falls within the range of -2 as minimum limit and 2 as maximum limit, it indicates that the data does not exhibit autocorrelation issues. The Durbin-Watson value obtained in this study is 1.184547, which lies comfortably within the acceptable range. Therefore, it may be inferred that the research data is devoid of autocorrelation issues, ensuring the reliability of the regression analysis conducted.

Chow Test

When trying to decide between a Common Effect Model (CEM) and a Fixed Effect Model (FEM), the Chow test might be helpful. Drawing from the findings of the Cross-Section Chi-Square, which were lower than the 0.05 threshold (Prob. value of 0.0000), it was determined that the Fixed Effect Model (FEM) was the best applicable model for this investigation.

Hausman Test

The statistical approach known as the Hausman test is used to ascertain whether the FEM or the Random Effects Model (REM) is more appropriate for a nested regression analysis. Following this test, the Cross-Section Random probability value is 0,0006, which is lower than both 0.05 criteria. Consequently, it is suggested that FEM is the most fitting model for this study.

Table 1. Test Results using the Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PBV	-9.278861	11.32484	-0.819337	0.4159
ROA	4.530996	1.181338	3.835478	0.0003
DER	0.307609	0.055526	5.539894	0.0000
SIZE	0.344749	0.391044	0.881613	0.3816
R-Squared	0.951085			
Adjusted R-Squared	0.923726			
F-statistics	34.76298			
Prob (F-statistics)	0.000000			

Multiple Regression Analysis

Regression testing is conducted to analyze and evaluate the relationships between two or more variables, particularly when these variables are expected to have a specific interaction or influence on one another (Arifin & Aunillah, 2021, p. 79). This method is commonly used to predict the dependent variable's behavior based on one or more independent variables, providing insights into the strength and nature of their relationships. This research utilizes a linear regression framework to assess the interactions and influences between the predictor variables and the outcome variable. The resulting linear regression expression reflects the relationship among the variables under investigation, offering a quantitative representation of their influence. Drawing from the findings, the linear regression model equation employed in this research is presented as:

$$PBV = -9278861 + 4.530996ROA + 0.307609DER + 0.344749Size + \varepsilon$$

Referring to the outcomes derived from the multiple regression analysis, the conclusion that can be drawn is:

1) The resulting value of -9.278861 is a constant, meaning that the firm value, or dependent variable, will be -9.278861 if the independent variable is ignored or set to zero.
2) A positive regression coefficient of 4.530996 for variable X1, also known as profitability (ROA), demonstrate that an elevation in X1 correlates with a proportional increase of 4.530996 in the company's value, while a decline in X1 yields an equivalent inverse effect.
3) With a positive regression coefficient value of 0.307609 for variable X2, also known as capital structure (DER), we can see that a rise in X2 causes a corresponding 0.307609 increase in the firm value, and vice versa.
4) The resulting regression coefficient value of variable X3, which represents firm size (SIZE), is 0.344749, which is positive. This indicates that a rise in variable X3 will lead to a corresponding increase of 0.344749 in the dependent variable, firm value, and vice versa.

F Test

Through the assessment of the comprehensive significance of the regression model, the F test determines whether the predictor variables collectively have a significant influence on the

result variable. A probability (f-statistics) value of 0.00000 and an F-Statistics score of 34.76298 were produced by research that used the Fixed Effect Model. These values suggest that the result is less than 0.05. Based on these findings, it is clear that ROA, DER, and the natural logarithm of total assets all significantly impact business value. ROA stands in for profitability, DER for capital structure, and natural logarithm of total assets for company size.

T Test

To find out if each predictor variable has a meaningful influence on the predicted variable independently, the T-test is used to evaluate the significance of the regression coefficients in a linear regression model. A significance threshold of 5% ($\alpha = 0.05$) was used in this study, along with a 95% confidence level. In ascertaining whether an independent variable exerts a substantial effect on the dependent variable, the prob. value must remain beneath the pivotal threshold of 0.05 to be regarded as statistically significant.

Referring to the examination obtained, the following conclusions can be drawn:

1) It may be inferred that variable X1, i.e. profitability, significantly affects the company value variable, as the t-statistic value is 3.835478 and the probability value (significance) is 0.0003 (less than 0.05).
2) Capital structure, or variable X2, has a substantial impact on the firm value variable, as shown by a t-statistic value of 5.539894 and a probability value (significance) of 0.0000 (less than 0.05).
3) A t-statistic of 0.881613 and a probability value (significance) of 0.3816 (less than 0.05) for variable X3, which represents firm size, lead us to conclude that X3 does not significantly influence the firm value variable.

Coefficient of Determination Test

One way to assess the independent variables' capability to explain a regression model's results is using the Coefficient of Determination Test. You can see how closely the model's output and the predictor variables are related by inspecting the R^2 value. With an adjusted R-squared value of 0.923726, the independent factors explain 92.3% of the total variation in the dependent variable. Roughly 7.7 percent of the overall variance is attributable to variables that were not included.

This research provides support for the first hypothesis (H1) by demonstrating that Return on Assets (ROA), a measure of profitability, has a substantial and favourable impact on the value of a company. The findings corroborate the predictions of signalling theory, which state that management uses profitability ratios as signs of the company's successful operations and bright future. Investors are more likely to put money into the business after getting such positive signs. An increase in investment leads to a greater demand for the company's shares, which in turn causes the stock price to climb. The PBV ratio, used to measure the worth of a business, will go up when stock prices go up and the book value goes up. In addition, investors may use the profitability ratio as a tool to reduce disputes that may arise from the division of labour between shareholders and management, as stated in agency theory. Profitability ratios show how well a firm is doing at turning its assets into cash. This gives investors faith that management isn't abusing their position of power and is doing a good job of running the business. The firm's worth is boosted as a result of this improved confidence, which stimulates additional investment. These results are in line with those of other studies that have shown a positive correlation between profitability and the value of a company: Khan & Hidayat (2022), Anah, et al. (2021), Bon & Hartoko (2022), Komala, et al. (2021), and Christine & Santioso (2024). Nevertheless, studies conducted by Prasetyo & Hermawan (2023) and Mahanani & Kartika (2022) did not discover any significant influence of

profitability on company value, whilst study conducted by Chakraborty & Maruf (2023) showed a substantial negative effect of profitability on firm value.

The second hypothesis (H2) accepted as true by this research is that capital structure positively and significantly affects firm value. One way in which a firm may reassure its investors about its financial choices is via its capital structure, which can be seen through the Debt to Equity Ratio (DER) proxy. According to signalling theory, when a company uses debt in its capital structure, investors interpret this as an indication that management has strong confidence in its ability to meet future debt obligations. This suggests that the company's operational performance and future outlook are robustly safeguarded, thereby enhancing investor confidence in its financial resilience. Furthermore, this outcome is in concordance with trade-off theory, which asserts that a firm balances the advantages and disadvantages of debt utilization (trade-off) in order to optimize its capital structure. According to this theory, a company will continue to use debt until the marginal tax savings (tax shield) gained from debt financing are offset by the additional costs of potential bankruptcy and other financial risks. The use of debt can enhance firm value by providing tax advantages, which in turn can lead to higher profits for investors. Tax savings allow funds that would have been used for tax payments to be allocated to dividends, benefiting investors directly. Moreover, management that strategically selects the optimal level of debt, carefully weighing bankruptcy risks and the costs of debt, demonstrates prudent risk management. This prudent approach increases investor trust and confidence in the company's management. When investors feel secure in the company's management and understand the potential for increasing profits (as suggested by trade-off theory), they are more likely to invest, ultimately raising the firm's value. This study's findings supporting a positive correlation between capital structure and company value are in line with those of Purwanti (2020), Alghifari et al. (2022), and Rahmawati et al. (2023). Both Wardani et al. (2022) and Abrari et al. (2022) found that capital structure significantly lowers business value. However, studies conducted by Mahanani & Kartika (2022), Prasetyo & Hermawan (2023), and Wijaya & Fitriati (2022) found no significant relationship between capital structure and business value.

In contrast to the findings for the previous two variables, this study concluded that firm size does not have a significant effect on firm value, leading to the rejection of the third hypothesis (H3). These results suggest that firm size is not an effective tool for providing positive signals or cues to investors that would enhance firm value. Several factors may explain this outcome, including both internal factors, such as operational efficiency and innovation, and external factors, like the ongoing economic recovery and market behavior. The study period (2021-2023) coincided with a time when companies, particularly in the food and beverage subsector, were focused on economic recovery. During this period, companies prioritized improving operational performance over expanding their scale. As a result, investors may have paid more attention to other factors, such as profitability and growth potential, rather than simply the size of the company. Additionally, a substantial company size does not always correlate with efficiency or the ability to generate high profits. In fact, smaller or medium-sized companies can attract more investor interest if they are perceived as innovative and have strong growth prospects. Investors in the food and beverage subsector often put product attractiveness and market growth prospects ahead of business size. So, the size of a firm has little bearing on whether or not investors choose to put money into it, and so, it does not add value to the business. This study's findings that company size does not significantly affect firm value are in line with those of Jannah & Sartika (2022), Margono & Gantino (2021), and Bon & Hartoko (2022). But studies by Wardani et al. (2022), Chakraborty & Maruf (2023), Mahanani & Kartika (2022), and Wijaya & Fitriati (2022) all came to the same conclusion:

the larger a company is, the more valuable it is. However, research by Purwanti (2020) and Prasetyo & Hermawan (2023) indicates that the value of a corporation is negatively impacted by its size.

4. CONCLUSIONS AND SUGGESTIONS

The food and beverage industry segment holds pivotal position in bolstering the Indonesian economy, contributing significantly to both the manufacturing sector and the country's overall GDP growth. Given this substantial contribution, any decline in the stock index within this sector is a matter of particular concern. Although the stock index in this sub-sector has generally shown stability, Indonesia's inconsistent and unpredictable economic and environmental conditions can precipitate to fluctuations, causing a downturn in the stock index for certain companies within this sub-sector. In maintaining the stability of stock prices, the decisions made by investors are of critical importance. Company value is one of the key factors influencing investor decision- making, as investors are generally more attracted to companies with higher or more favorable firm values. Consequently, it is imperative to investigate the factors that may influence firm value. Profitability, capital structure, and the size of the business are three important factors that are the focus of this study because of their impact on firm value. This investigation's findings show that capital structure and profitability both significantly impact company value for the better. This suggests that a company's total worth may be enhanced by enhancing its capacity to create profits from its assets and by well-chosen capital structures in financing those assets. However, the research concludes that the worth of a business is unaffected by its size. As said before, this result is due to a number of things, such as innovation, operational efficiency, economic recovery, and market behaviour.

We sincerely hope that this research will offer valuable insights for companies, particularly within the food and beverage sub-sector, in enhancing innovation and making sound financial decisions that contribute to increasing firm value. Furthermore, this study is intended to provide a valuable foundation for subsequent research in this domain. Nevertheless, it is crucial to acknowledge the intrinsic constraints inherent in this inquiry. First, the explanatory variables considered in this research are limited to profitability, capital structure, and firm size. In addition, the research is confined to 31 companies within the food and beverage subsector listed on the Indonesia Stock Exchange (IDX) for the period of 2021-2023. Given these limitations, we advise that future research incorporate a broader range of independent variables to explore their impact on firm value more comprehensively. Moreover, extending the scope of research beyond a single sector or subsector and considering a longer research period could provide a more detailed and well-rounded comprehension of the elements that impact firm value. Such improvements in future studies could further enrich the body of knowledge and offer more generalizable conclusions for companies across different industries.

REFERENCES

Abrari, A, M., Pratikto, H., & Siswanto, E. (2022). This study's findings supporting a positive correlation between capital structure and company value are in line with those of Purwanti (2020), Alghifari et al. (2022), and Rahmawati et al. (2023). Both Wardani et al. (2022) and Abrari et al. (2022) found that capital structure significantly lowers business value. However, studies conducted by Mahanani & Kartika (2022), Prasetyo & Hermawan (2023), and Wijaya & Fitriati (2022) found no significant relationship between capital structure and business value., *1*(3), 38–54.

https://ijemr.politeknikpratama.ac.id/index.php/ijemr

Alghifari, E, S., Solikin, I., Nugraha, N., Waspada, I., Sari, M., & Puspitawati, L. (2022). Capital Structure, Profitability, Hedging Policy, Firm Size, and Firm Value: Mediation and Moderation Analysis. Journal of Eastern European and Central Asian Research, *9*(5), 789– 801. https://dx.doi.org/10.15549/jeecar.v9i5.1063

Anah, S., Fikra, M., & Widayati, C, C. (2021). The Effect of Profitability, Dividend Policy and Debt Policy on Company Value. Advances in Social Science Education and Humanities Research, *658*(1), 578–583. https://creativecommons.org/licenses/by-nc/4.0/ Arifin., & Aunillah. (2021). Buku Ajar Statistik Pendidikan.UMSIDA Press. Badan Pusat Statistik. (2024). Produk Domestik Bruto Indonesia Triwulan (No. 07100.24011). bps.go.id. Retrieved from: https://www.bps.go.id/id/publication/2024/10/09/7290b829d2eaa972e4968d19/produk-domestik-bruto-indonesia-triwulanan-2020-2024.html

Bon, S, F., & Hartoko, S. (2022). The Effect of Dividend Policy, Investment Decision, Leverage, Profitability, and Firm Size on Firm Value. European Journal of Business and Management Research, *7*(3), 7–13. https://doi.org/10.24018/ejbmr.2022.7.3.1405

Brigham, E, F., & Houston, J, F. (2019). *Fundamentals of Financial Management* (15th ed.). Cengage Learning, Inc.

Chakraborty, B., & Maruf, M, Y, H. (2023). Are Liquidity, Dividend Policy, Leverage, and Profitability The Determinants of Firm Value: Evidence From The Listed Firms?. Copernican Journal of Finance & Accounting, *12*(1), 47–63. https://dx.doi.org/10.12775 /CJFA.2023.003

Christine., & Santioso, L. (2024). Pengaruh Leverage, Likuiditas, Profitabilitas, dan Kebijakan Dividen terhadap Firm Value pada Perusahaan Manufaktur tang Terdaftar di Bei 2018-2020. Jurnal Multiparadigma Akuntansi, *6*(2), 662-670. https://journal.untar.ac.id

Cindy, M, T., & Ardini, L. (2023). Pengaruh Kebijakan Dividen, Kebijakan Hutang Dan Profitabilitas Terhadap Nilai Perusahaan. Jurnal Ilmu dan Riset Akuntansi, *12*(2). https://jurnalmahasiswa.stiesia.ac.id

Indartini, M., Sari., & Mutmainah. (2024). Analisis Data Kuantitatif (Uji Instrumen, Uji Asumsi Klasik, Uji Korelasi, dan Regresi Linier Berganda). Penerbit Lakeisha.

Jannah, S, M., & Sartika, F. (2022). The Effect of Good Corporate Governance and Company Size on Firm Value: Financial Performance as an Intervening Variable. Research in Business & Social Science, *11*(2), 241–251. https://www.ssbfnet.com/ojs/index.php/ijrbs

Khan, H, A, U., & Hidayat, R. (2022). The Effect of Dividend Policy, Debt Policy, And Profitability on The Value of Automotive Companies Listed on The Indonesia Stock Exchange 2017-2021. SHS Web of Conferences. https://doi.org/10.1051/shsconf/202214903030

Komala, P, S., Endiana, I, D, M., Kumalasari, P, D., & Rahindayati, N, M. (2021). Pengaruh Profitabilitas, Solvabilitas, Likuiditas, Keputusan Investasi dan Keputusan Pendanaan Terhadap Nilai Perusahaan. Jurnal Riset Akuntansi, 40–50. https://e-journal.unmas.ac.id

Mahanani, H, T., & Kartika, A. (2022). Pengaruh Struktur Modal, Likuiditas, Ukuran Perusahaan, dan Profitabilitas Terhadap Nilai Perusahaan. Fair Value: Jurnal Ilmiah Akuntansi dan Keuangan, *5*(1), 360–372. https://journal.ikopin.ac.id/index.php/fairvalue

Margono, F, P., & Gantino, R. (2021). The Influence of Firm Size, Leverage, Profitability, and Dividend Policy on Firm Value of Companies In Indonesia Stock Exchange. Copernican Journal of Finance & Accounting, *10*(2), 45–61. https://dx.doi.org/10.12775 /CJFA.2021.007

PermataBank Economic Research. (2023). Indonesia Food and Beverage Industry.

Permatabank.com. Retrieved from: https://www.permatabank.com/sites/default/files/Monthly%20Industry%20Report% 20-%20Food%20and%20Beverages%20Industry%20-%20Aug%2023_1.pdf

Prasetyo, D, W., & Hermawan, A. (2023). Profitabilitas, Ukuran Perusahaan, Dan Struktur Modal Terhadap Nilai Perusahaan. Jurnal Ekonomi & Ekonomi Syariah, *6*(1), 743– 751. https://doi.org/10.36778/jesya.v6i1.969

Purwanti, T. (2020). The Effect of Profitability, Capital Structure, Company Size, and Dividend Policy on Company Value on the Indonesia Stock Exchange. International Journal of Seocology (Science, Education, Economics, Psychology and Technology), *1*(2), 60–66. http://International Journal of Seocology

Rahmawati, D, V., Darmawan, A., Setyarini, F., Bagis, F. (2023). Capital Structure, Profitability, Hedging Policy, Firm Size, and Firm Value: Mediation and Moderation Analysis. International Journal of Economics, Business and Accounting Research (IJEBAR), *5*(1), 282–292. https://jurnal.stie-aas.ac.id/index.php/IJEBAR

Wardani, S, D, M., Wijaya, A, L., Devi, H, P., Ayera, A. (2022). Effect of Capital Structure, Tax Avoidance, Firm Size on Firm Value with DPR as Moderation. Journal of Business and Management Review, *3*(1), 69–81. https://doi.org/10.47153/jbmr31.3022022

Wijaya, N, S., & Fitriati, I, R. (2022). Pengaruh Likuiditas, Ukuran Perusahaan, Profitabilitas, dan Struktur Modal Terhadap Nilai Perusahaan. Fair Value: Jurnal Ilmiah Akuntansi dan Keuangan, *4*(12), 5606–5616. https://journal.ikopin.ac.id/index.php/fairvalue

Zulfikar, R., Sari, F, P., Fatmayati, A., Wandini, K., Haryati, T., Jumini, S., Nurjanah., Annisa, S., Kusumawardhani, O, B., Mutiah, R., Linggi, A, I., & Fadilah, H. (2024). Metode Penelitian Kuantitatif Teori, Metode, dan Praktik (1st ed.). Widina Media Utama.