

## **The Effect of Financial Performance and Capital Structure on the Company Value in Food and Beverage Companies Listed On The Indonesia Stock Exchange**

**Maria Afriani Manul<sup>1</sup>, M. Rifa'i<sup>2</sup>, and Moch Nurhidayat<sup>3</sup>**

*\* Correspondence Author: [manulafrin@gmail.com](mailto:manulafrin@gmail.com)*

<sup>1,2,3</sup> Management, Faculty of Economics, University of Tribhuwana Tunggal, Malang, Indonesia

| INDEXING  | ABSTRACT   |
|---|--|
| <b>Keywords:</b><br>Keyword 1; Capital Structure<br>Keyword 2; Financial Performance<br>Keyword 3; Company Value<br>Keyword 4; Food and Beverage<br>Keyword 5; Indonesia Stock Exchange | This study examines the relationship between capital structure, financial performance, and firm value using secondary data from 15 food and beverage companies listed on the Indonesia Stock Exchange (2021–2023). Data analysis includes multiple linear regression and assumption testing.. The findings indicate that a company's value is significantly increased by its financial performance, suggesting that more profitability increases its value. Similar to how capital structure significantly affects firm value, a favourable debt-to-equity ratio also positively impacts a company's market perception. Moreover, capital structure and financial performance work together to influence corporate value. The findings above underscore the significance of investors considering a firm's profitability and capital structure when making investment choices to optimise returns. This report offers insights for research and investment plans by presenting data from Indonesia's food and beverage industry. |

### **Article History**

Received 28 April 2025; Revised 16 May 2025; Accepted 10 June 2025 :

Publish 15 June 2025

## **INTRODUCTION**

Assessing a company's success is essential in a competitive business environment. Company value, which is influenced by several variables, including financial success, is an important component of performance appraisals. Monika (2014) observed the relationship between financial performance and business value by examining food and beverage companies listed on the Indonesia Stock Exchange using a new measure that shows how effectively a company manages its finances (DP & Monika, 2014).

With development driven by increasing local and international demand, the food and beverage sector is strategically important to the Indonesian economy (Dhewanto et al., 2021). Businesses in this industry need to keep their finances stable and figure out the best capital structure to increase their market value. Financial success is the primary determinant of a company's value because it represents investors' opinions about future performance and expansion potential. Financial performance and capital structure are key factors in evaluating a company's attractiveness for investors, claim Ika Kurnia and Fathurrahman Anwar (2019) (Kurnia & Anwar, 2023). Effective resource management and profitability are demonstrated by strong financial performance, and a proper financial plan to sustain expansion is reflected in a balanced capital structure.

The research findings by Ika Kurnia and Fathurrahman Anwar show that financial performance and debt management work together to increase the capital market value of companies (Kurnia & Anwar, 2023).. Previous research has shown strong empirical evidence regarding the influence of these two factors on a company's value. However, most studies were conducted with a small sample of organizations over a short period. Furthermore, there is currently little research that explicitly examines how capital structure and financial performance interact within the capital market framework, which is still evolving and increasingly dynamic by the day.

Sutandi (2018) argues that companies must maintain and improve their financial performance to maintain the sustainability of market share in the long term and their attractiveness for investors (Sutandi, 2018). The value of a business in the food and beverage industry is primarily determined by its financial performance and the stability of its capital structure. Although previous research has shown a link between the two, issues still need to be addressed, such as a limited sample size and time, and the lack of attention given to this sector.

Liswatin and Pramadan Sumarata (2022) stated that company size, financial performance, and capital structure are the main determinants of its value (Liswatin & Sumarata, 2022). Inconsistencies in capital structures increase financial risk and lower the organization's value, especially when the debt is used excessively. These results are consistent with research that found that capital structures have negligible and detrimental effects on the value of a sample of 15 businesses that have significant debt.

According to Hapsari et al., this industry must improve production efficiency and adapt to changing market conditions to compete (Hapsari et al., 2020). Companies with strong financial performance are more resilient in the face of economic pressure than companies with weak financial structures (Grosu et al., 2023).

Many previous studies have paid less attention to the food and beverage industry and more attention to the industry sector as a whole (Long et al., 2018). The year 2021 was chosen because it depicted the current state of Indonesia's economy during the 2020 recession, when many countries, including Indonesia, were trying to recover economically from the severe impact of the pandemic. Businesses face new possibilities and difficulties today, which impact their capital structure and financial plans. This study aims to identify the driving sectors of economic recovery, understand existing constraints, and assess how business actors change their capital and financial strategies in response to market conditions and demand by examining data from the Indonesia Stock Exchange from 2021 to 2023.

## **RESEARCH METHOD**

Using quantitative techniques and multiple linear regression, this study examines the influence of capital structure and financial performance on the value of manufacturing companies in the food and beverage sub-industry listed on the IDX in 2021–2023. Data was obtained from the IDX website and the company's annual report. A sample of 30 companies was selected by purposive sampling based on the availability of financial performance data (ROA, ROE), capital structure (DER), and company value (PBV). The analysis was carried out by classical assumption test, t-test, F test, and determination coefficient ( $R^2$ ) using SPSS 26.

## RESULT AND DISCUSSION

### Result

Here is the result of the multiple linear regression :

**Table 1. Multiple Linear Regression**

| <b>Independent Variables</b> | <b>Regression Coefficients</b> |
|------------------------------|--------------------------------|
| Constant                     | 10,385                         |
| Financial Performance        | 0,395                          |
| Capital Structure            | 0,302                          |

**Source : Processed data by Author, 2025**

Based on table 1. The regression model can be determined as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

$$Y = 10.385 + 0.395X_1 + 0.302X_2$$

The financial performance regression coefficient (X1) of 0.395 indicates a positive relationship, where improving financial performance increases the company's value. Similarly, a capital structure regression coefficient (X2) of 0.302 indicates that an increase in capital structure contributes to an increase in the company's value.

### Coefficient of Determination

Here is the result of the determination coefficient results :

**Table 2. Determination Coefficient Results**

| <b>Type</b>           | <b>R square</b> |
|-----------------------|-----------------|
| Financial Performance | 0,736           |
| Capital Structure     |                 |

**Source : Processed data by Author, 2025**

Table 2 shows an R<sup>2</sup> value of 0.736, which means that financial performance and capital structure affect the company's value by 73.6%.

### T Test (Partial)

Here is the result of the T Test :

**Table 3. Test Results t**

| <b>Independent Variables</b> | <b>t value</b> | <b>t table</b> | <b>Information</b> |
|------------------------------|----------------|----------------|--------------------|
| Constant                     |                |                |                    |
| Financial Performance        | 4,157          | 2,160          | Significant        |
| Capital Structure            | 3,511          | 2,160          | Significant        |

**Source : Processed data by Author, 2025**

Table 3 shows that financial performance (X1) significantly affects the value of the company (Y), with  $t$  calculated at  $4.157 > t_{table} 2.160$ . Similarly, the capital structure (X2) has a significant effect, with  $t$  calculated at  $3.511 > t_{table} 2.160$ .

#### **F Test (Simultaneous)**

Here is the result of the F Test :

**Table 4. Simultaneous Test Results**

| <b>F value</b> | <b>F table</b> |
|----------------|----------------|
| 5,264          | 3,89           |

**Source : Processed data by Author, 2025**

Table 4 shows that the Fcount of 5.264 is greater than the Ftable of 3.89, so the free variable has a significant effect simultaneously on the company's value (Y).

#### **Discussion**

##### **The Effect of Financial Performance on Company Value**

One of the main determinants of a company's value is its financial success. Key benchmarks for assessing financial success include profitability, liquidity, and operational effectiveness. Investors see companies that can improve their revenue and efficiency as having better prospects. In addition, businesses with sound financial management will be more resilient to changing market conditions and economic ups and downs. Brigham and Houston (2019) emphasize in their book that increased profitability, liquidity, and efficiency will increase a company's value (Brigham & Houston, 2019). They also say that businesses with good financial management will find it easier to obtain low-cost capital, which ultimately improves the capital structure and competitiveness of the business. Strong financial results show investors that a business can provide stable and long-term profits, maintaining or even increasing its market value.

Testing findings and previous research references support the conclusion that a company's financial success is an important factor in evaluating its value (Seyednezhadfahim et al., 2013). Under these circumstances, the company's value can also drop if its financial performance deteriorates. On the other hand, a financially well-performing business will gain investors' trust, which will be seen in the increase in its market capitalization and share price. As their financial performance improves, businesses will be better prepared to deal with market changes and economic problems (Palepu et al., 2020). In addition to attracting more investors willing to help the company's growth, a well-managed business with a sound financial strategy can survive market volatility. Thus, the study concludes that a company's value decreases along with its financial performance.

##### **The Influence of Capital Structure on Company Value**

According to Ross et al., a company can maximize its value by lowering costs (Ross et al., 2015). With an effective capital structure, companies can lower borrowing costs and earn more profitably. The value of the company increases as the cost of capital decreases. Companies can benefit from tax savings if they have the right amount of debt, and stability and a balanced equity structure reduce the risk of over-reliance on

debt.

The test findings and previous research references support the conclusion that capital structure significantly affects a company's value (Onguka et al., 2021). Optimizing the balance between debt and equity in a company's capital structure can make it easier to fund expansion plans and increase shareholder profits. However, a less-than-ideal capital structure can pose financial risks that can lower a company's value and limit its ability to grow.

### **The Effect of Financial Performance and Capital Structure on Company Value**

The findings of this study are supported by the research of DP and Monika (2014), which emphasizes the importance of financial performance and capital structure in increasing the company's value (DP & Monika, 2014). A healthy capital structure makes handling financial costs easier, and strong financial results help organizations stay competitive in the market. Businesses looking to increase their company's value should focus on both elements while also considering other elements important to generating long-term value, such as market conditions, government regulations, and industry competitiveness. Businesses looking to increase their value must consider financial performance, capital structure, and other internal and external elements that may affect their stability and development (Stoiljković et al., 2021).

## **CONCLUSION**

The study's findings show that financial performance has a positive and significant impact on the company's value; Higher value is often associated with businesses that operate profitably, efficiently, and have sufficient liquidity. The value of a business is positively influenced by its capital structure, which also has an optimal debt-to-equity ratio that allows for effective use of funding sources without increasing financial risk. A good financial plan should consider capital structure and financial performance as both majorly impact the company's value. This will increase investor confidence, company growth, and the company's ability to compete in the market.

## **REFERENCES**

### **Authored Book**

- Brigham, E. F., & Houston, J. F. (2006). *Dasar-dasar manajemen keuangan*.  
Ross, S. A., Westerfield, R. W., Jaffe, J., & Lamb, R. (2015). *Administração financeira*. AMGH Editora.  
Palepu, K. G., Healy, P. M., Wright, S., Bradbury, M., & Coulton, J. (2020). *Business analysis and valuation: Using financial statements*. Cengage AU.

### **Edited Book Chapter**

- Hapsari, R., Ratnawati, K., & Anggraeni, R. (2020). *Entrepreneurial Marketing*. Universitas Brawijaya Press.

### **Journal Articles**

- Dhewanto, W., Herliana, S., Yunita, F., Nur Rizqi, V., & Williamson, I. O. (2021). Quadruple helix approach to achieve international product quality for Indonesian food SMEs. *Journal of the Knowledge Economy*, 12, 452-469.

- DP, R. T., & Monika, M. (2014). Pengaruh kinerja keuangan terhadap nilai perusahaan pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia. *Jurnal Manajemen dan Bisnis Sriwijaya*, 12(1), 1-16.
- Grosu, V., Tiron-Tudor, A., Socoliuc, M., Ciubotariu, M. S., Hlaciuc, E., Macovei, A. G., ... & Melega, A. (2023). Financial sustainability of oil and gas companies—basis for building resilience strategies. *Frontiers in Environmental Science*, 11, 1205522.
- Kurnia, I., & Anwar, F. (2023). Pengaruh Profitabilitas Dan Struktur Modal Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur Yang Terdaftar di BEI. *Jurnal Ilmiah Mahasiswa Ekonomi Manajemen*, 8(2), 443-454.
- Liswatin, L., & Sumarata, R. P. (2022). Pengaruh Struktur Modal, Kinerja Keuangan dan Ukuran Perusahaan Terhadap Nilai Perusahaan. *Sinomika Journal: Publikasi Ilmiah Bidang Ekonomi dan Akuntansi*, 1(2), 79-88.
- Long, T. B., Looijen, A., & Blok, V. (2018). Critical success factors for the transition to business models for sustainability in the food and beverage industry in the Netherlands. *Journal of cleaner production*, 175, 82-95.
- Onguka, D., Iraya, C. M., & Nyamute, W. L. (2021). Corporate governance, capital structure, ownership structure, and corporate value of companies listed at the Nairobi securities exchange. *European Scientific Journal*, 17(15), 300-334.
- Seyednezhad-fahim, S. R., Eghdami, E., Yosefnezhad, S., & Maleki, M. (2013). Investigating the Procedure of Financial Factors in Successful Companies. *Research Journal of Recent Sciences\_ISSN*, 2277, 2502.
- Stoiljković, A., Tomić, S., & Uzelac, O. (2021). Does capital structure affect the differences in the financial performances of small enterprises?. *Strategic Management-International Journal of Strategic Management and Decision Support Systems in Strategic Management*, 26(3).
- Sutandi, S. (2018). Analisis Struktur Modal Dan Kinerja Keuangan Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *Primanomics: Jurnal Ekonomi & Bisnis*, 16(2), 27-32.