

# Analysis Of Financial Performance And Macroeconomic On Firm Value

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**Abstract:** The purpose of this study is to determine the impact of capital structure, profitability, and gross domestic product on the firm value of food and beverage companies listed on the Indonesia Stock Exchange (BEI) from 2015 to 2021. Thirty-three food and beverage companies comprised the total population of this research; after selecting samples using sampling techniques, thirteen companies were obtained for use as samples in this study. Multiple linear regression analysis with panel data from 2015 to 2021 is utilized in this study. Results indicated that capital structure has no effect on firm value, profitability has a positive and significant effect on firm value, and GDP has no effect on firm value.

**Keywords:** Capital Structure; Profitability; GDP; Firm Value.

**Abstrak:** Tujuan penelitian ini adalah untuk mengetahui pengaruh struktur modal, profitabilitas, dan produk domestik bruto terhadap nilai perusahaan perusahaan makanan dan minuman yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2015 sampai dengan tahun 2021. Tiga puluh tiga perusahaan makanan dan minuman terdiri dari total populasi penelitian ini; setelah dilakukan pemilihan sampel dengan menggunakan teknik sampling, diperoleh tiga belas perusahaan untuk dijadikan sampel dalam penelitian ini. Analisis regresi linier berganda dengan data panel dari tahun 2015 hingga 2021 digunakan dalam penelitian ini. Hasil penelitian menunjukkan bahwa struktur modal tidak berpengaruh terhadap nilai perusahaan, profitabilitas berpengaruh positif dan signifikan terhadap nilai perusahaan, dan GDP tidak berpengaruh terhadap nilai perusahaan.

**Kata kunci:** Struktur Modal; Profitabilitas; PDB; Nilai Perusahaan.

## INTRODUCTION

Entering the free trade era, the competition between companies became tighter. Especially in the food and beverage industry which became a basic need for people. This condition makes the companies have to keep developing company strategies to stand or develop even further than before. The right company development is needed by the companies to make them maintain their existence. Therefore, the companies have to do an effort to keep increasing company performance which showed in the firm value.

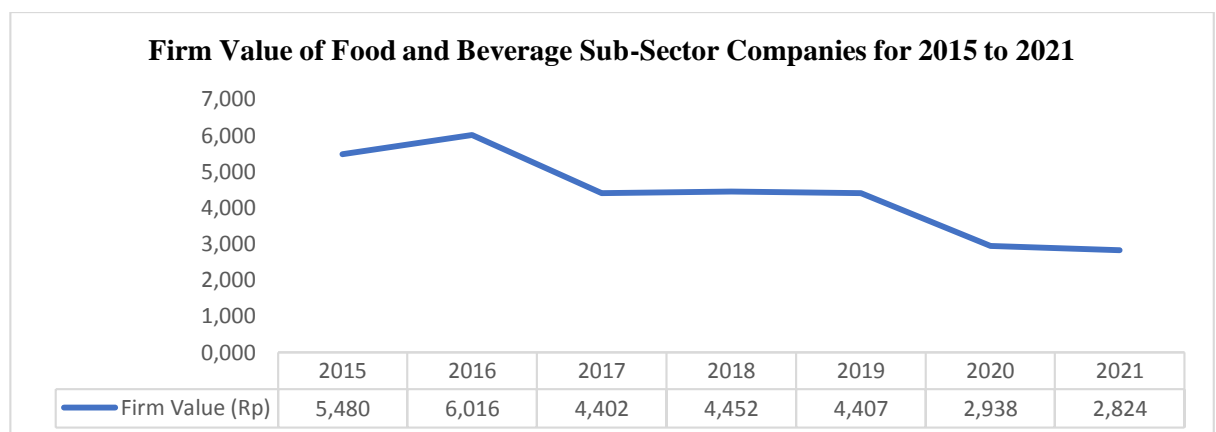
The concept of firm value is essential for investors because it indicates how the market perceives the company. Investors desire a firm with a high value because a high value indicates shareholder prosperity. A high firm value is indicative of an organization's strong performance. The higher the firm's value, the more secure the shareholders' prosperity (Muslim and Ahmad, 2022).

In the financial statements, the reflection of firm value is Price to Book Value (PBV). The Price to Book Value Ratio (PBV) is a ratio that displays the outcomes of a comparison between the market price per share and the book value per share. When determining whether stock values are overvalued or undervalued, this ratio is used. A company is



considered undervalued if its PBV value is low, which is excellent for long-term investment. A low PBV value, however, can also be a sign of declining fundamental success for the issuer. As a result, it is also necessary to compare the PBV worth to the shares of other PBV issuers operating in the same sector. The disparity should be further examined if it is too large (Hery, 2017).

If the price of the company's stock rises, the firm's value will directly affect the maximum prosperity of shareholders. The level of public recognition of a company is reflected in its firm value. Based on an analysis of the financial statements of the Food and Beverage Companies Sub-Sector on the Indonesia Stock Exchange for 2015 to 2021, a problem was found that the trend of the average firm value was decreasing. The following is data on the average firm value as measured by PBV for food and beverage manufacturing companies listed on the Indonesia Stock Exchange from 2015 to 2021.



**Figure 1.** Firm Value of Sub-Sector of Food and Beverage Companies for 2015 to 2021  
 Source: [www.idx.co.id](http://www.idx.co.id) (processed data, 2022)

**Figure 1** shows it can be seen that the average book value (PBV) has increased from 2015 to 2016 and fell in 2017, then rose again in 2018 and finally fell again from 2019 to 2021. 2015 to 2016 Firm's Value (PBV) measured in rupiah (Rp) experienced a significant increase of 0.536 from (5.480 to 6.016). In 2016 to 2017 the firm's value decreased significantly by 1,614 from (6,016 to 4,402). The firm value in 2017 to 2018 again increased by 0.05 from (4,402 to 4,452). In 2018 to 2019 the firm's value fell again by 0.045 from (4,452 to 4,407). In 2019 to 2020 the firm's value decreased significantly compared to the previous year's decrease of 1,469 from (4,407 to 2,938). Likewise, in 2020 to 2021 the firm's value fell significantly by 0.114 from (2,938 to 2,824).

The decrease in the firm trend average value in the food and beverage sector could be a problem for the companies if it is not taken seriously. Companies could maintain their existence if their value keeps increasing, not the opposite. Because the main goal of company is to improve the firm value for the prosperity of the stockholders. The increase in the firm average trend value problem is the first reason for this research to be done.

The firm value could be affected by several factors, internally (financial performance) and externally (economy macro). Internal factors such as financial performance and one of them is capital structure. Capital structure, which represents the company's long-term financing, is made up of long-term debt and equity. Making the optimal capital structure decision is essential because it has a direct impact on the



company's value. The financial management must make an important decision regarding the capital structure because it directly affects the firm's value. (Aljamaan, 2018).

Several previous studies regarding capital structure to the firm value have been done, with the opposite result. Several researchers found that the capital structure has a positive impact to the firm value (Suzulia and Saluy, 2020; Purwanti, 2020; Rahmawati et al., 2021). And other studies found that the capital structure affects negatively and/or is not significant to the firm value (Antoro et al., 2020; Yasin and Studiviany, 2021; Rudini et al., 2021; Halfiyah and Suriawinata, 2019).

Aside from capital structure, another financial performance factor could be measured using profitability. Profitability is a crucial component of a company's financial reporting and a key indicator of its success. It demonstrates the company's capability and ability to produce profits at a rate of sales, level of assets, and stock of capital over a given time frame (Margaretha and Supartika, 2016). Based on several previous studies regarding profitability to the firm value that also have opposite results. Several researchers found that profitability has a positive impact to the firm value (Markonah et al., 2020; Mubyarto, 2020; Antoro et al., 2020; Rudini et al., 2021; Putri and Wiksuana, 2021; Rahmawati et al., 2021; Bon and Hartoko, 2022; Halfiyah et al., 2022). Meanwhile other researchers stated that profitability has a negative impact to the firm value (Sudiani and Wiksuana, 2018; Amin, 2021).

External factors such as economy macro, one of them is economic growth that could be measured using growth domestic product (GDP). Economic growth is the process of continuously bringing about improvement in a region's state over time, and it serves as the primary indicator of a region's economic development (Bakhri and Fauzi, 2019). Economic development is the yearly rise in output from all individuals in a nation. All nations strive for high economic growth because it can be used to measure how successfully a nation's economy has developed (Nuraini and Hariyani, 2019). GDP measures the volume of products that manufacturing facilities in a region create at points in time. Rapid GDP growth indicates economic expansion that influences raising consumers' purchasing power. It becomes a chance to increase sales and stock prices, increasing the firm's value in the process. Therefore, for the investors, economic growth is used as a consideration in doing investment. Based on several previous studies regarding GDP to the firm value also have different study results. Several researchers found the result that GDP has a positive impact to the firm value (Sartika et al., 2019, and Sembiring, 2021). And other researchers found that GDP has no impact to the firm value (Beriwisnu, 2017; Olalere et al., 2021). Meanwhile, (Ahmad et al., 2020) found the result that GDP in Nigeria negative affect the firm value.

The inconsistency problem in the previous study result became the second reason for this research to be done. According to the explanation above so the purpose of this research is to analyze the financial performance and economy macro to the firm value in food and beverage sub-sector in Indonesia.

## THEORETICAL REVIEW

**Theory of The Firm.** A firm is a tool for addressing societal or communal requirements; it receives funding from society and distributes it to its owners, employees, suppliers, and providers of public goods. A company is a type of business entity that combines labor, money, entrepreneurialism, and natural resources with the goal of

maximizing profit by offering products or services that can be sold to the general public. The company's main objective is to make the most earnings possible. The company's second objective is to increase shareholder or business owner income (shareholders wealth maximization).

Company Theory (Theory of the firm) is an organization that combines and organizes various resources with the aim of producing goods / services for sale. Firm is an organization that combines and manages all available resources to produce goods and services ready for sale. Due to its advantages in the process of distributing goods and services, which are challenging for individuals to do separately, the firm exists in the midst of society. Through a process known as the circular flow of economic activity, they will eventually benefit not just the owners or shareholders but also the larger community and the government. The majority of managerial economics research use the fundamental concept of firm theory.

Companies that have a profit orientation will generally focus their activities on increasing the firm's value to the maximum. In this regard, it can be said that the firm's value is the selling price of the company that is considered appropriate so that investors are willing to pay it if the company is liquidated (Rahmawati et al., 2021).

**Signaling Theory.** Asymmetric information between information from management (which is well-informed) and information from shareholders (which is poorly informed) led to the development of signaling theory, this theory is based on the state that management will give information to the investors or shareholders when they have good information related to the company, such as, the increase of firm value. but the investors do not believe those the information because the managers considered have their own interest, so the company that has high value will do signaling to the companies, finance policy, and it is a different thing with the firm that has low value. The announcement about financial data and company's condition heard by the investors will be processed and interpreted to good news or bad news. If the signal is good, there will be an increase on the company's stock exchange volume. But on the opposite, if the signal is bad, the market will not react, or they will be decreased off the stock exchange volume.

Signal theory explains that debt and the size of profitability are a signal for future profit projections (Myers and Majluf in Samosir, 2017). Signal theory is centered on information that will be channeled by the company to outsiders that can be used as material for consideration in making investment decisions by shareholders.

Signaling theory is an information signal that investors must consider when deciding whether or not to invest in the company in question (Herlini, 2022).

Signaling theory describes a signal given by company management in the form of information about what management has done to realize the owner's wishes, promotions, or information explaining why the company is superior to others. Signal theory is utilized because the stock price of the company continues to fluctuate, allowing management to use it as a signal to investors. Signaling seeks to reduce information asymmetries between firms and outsiders (investors). Moreover, investors need relevant, accurate, and timely information because it serves as an analytical instrument for making investment decisions. The company's annual financial report is one type of information used as a signal to outsiders by management (Putra et al., 2021).

The signaling theory describes how a business should communicate with those who read financial accounts. This signal takes the form of details regarding the steps taken by management to carry out the owner's wishes. An annual financial report that the company

publishes contains information that can aid investors in choosing where to place their money. When new information is released, market participants first determine whether it is good or bad news. Investors will be interested in trading shares if the release of this information is viewed as positive news. (Marridhani and Amanah, 2020).

Signaling theory prioritizes the impact of a corporation's disclosure of information on the investment decisions of third parties. Information is essential for investors and entrepreneurs because it provides information, notes, or descriptions of past, present, and future factors affecting the existence of a company and the health of the securities market. For capital market investors to use information as an analytical instrument when making investment decisions, it must be exhaustive, relevant, precise, and current (Muslim and Ahmad, 2022).

Information is an important part for investors in making decisions, because the information presented in the form of notes, information and descriptions of past, present and future predictions helps investors in making investment decisions. In making decisions, investors certainly have various perspectives in interpreting information. Therefore, the need for information is needed as a basis for making investment decisions. Information that describes good financial performance will certainly be the choice of investors, conversely if the company's financial performance is not good, it is certainly impossible for investors to make investment choices in companies that look bad. if the company's performance is good, of course it can maximize profits, if the company makes a profit, it will certainly make it easier for investors to get the expected profit (Bustani, 2020).

In this theory, investors on the external side receive signals in the form of financial reports from company management on the internal side. Important information is disseminated by the management because it affects the investor's decision about whether or not to purchase company stock. Profit information provides a description, note, or picture of the past, present, or future of the company's life and how its effects are required by investors on the capital market as an analysis tool for making investment decisions (Ulum, 2017).

**Theory of the Firm Value.** Firm value is the end result of management's efforts in a number of areas, such as growth, the cost of capital for the business, and net cash flow from investment choices. Firm value is a crucial concept for investors because it reflects how the market views the business as a whole. According to (Setyawan, 2019) firm value is defined as the market value that can provide shareholders with maximum prosperity when stock prices rise, the higher the firm value, the level of investor confidence in the company also increases.

The firm's value is very essential to the company because an increase in the firm's value is followed by an increase in share prices, which reflects an increase in shareholder wealth. The value of the firm serves as a manager's yardstick for measuring success at work. Increased firm value denotes improved business success. This is interpreted indirectly as having the potential to improve shareholder wealth, which is the company's objective. For investors, a rise in the firm's value will pique their interest in making investments in the business (Indrarini, 2019).

According to (Wardani and Zulkifli, 2017) firm value is a description of how good or bad the quality of company management is in terms of its financial management, how the company uses its assets and capital to get maximum profit.



The price investors are willing to pay for a business is reflected in the firm's value. High stock prices increase the value of the firm. The business's success is reflected in the firm's value, which has a substantial effect on how investors perceive the company. The price that investors are willing to pay for a company is reflected in its firm value. High stock prices increase the value of the firm. Maximizing the firm's value is crucial for a business because doing so maximizes the prosperity of the shareholders, which is the primary objective of a business.

(Maryati, 2018), the stock market price of a company reflects the firm's value, a specific condition attained by the company. Investment opportunities have a significant impact on the value of a firm, which is determined by indicators of stock market value. According to (Agus Prawoto, 2016), the value of a firm is the sum of its tangible assets, both operational and non-operational. When referring to a company's capital structure, firm value also refers to the complete capital structure's fair market value.

Firm value is what a company achieves as an example of the public's trust after going through a lengthy process, specifically from the time the company was established until now (Denziana and Monica, 2016). Firm value, according to (Franita, 2016) is the price that can be sold for the agreed-upon amount from the customer. The value of the firm will rise along with the stock price, and investors will prosper more as a result. Investor perceptions of unfavorable businesses are influenced by low stock prices and poor firm value (Agustina, 2017). This is so because investment opportunities can have an impact on the stock price, which is a representation of the true worth of the company's assets. According to (Meidiawati and Mildawati, 2016), the availability of investment opportunities will send a positive message about the company's future development, which may lead to an increase in stock prices.

A comparison of stock values and a firm's book value is known as price to book value (PBV). According (Sugiono and Untung, 2016) for companies with excellent management, the PBV should be at or above the book value (overvalued), and if the PBV is less than one, the stock market price is certain to be lower than the book value (undervalued). (Setianto, 2016) claims that a low PBV represents a decline in the issuer's basic performance and quality.

### **The formula of Price Book Value (PBV)**

$$PBV = \frac{\text{Price per stock}}{\text{Book value of equity per stock}} \dots\dots\dots (1)$$

**Capital Structure.** (Fahmi, 2017), the definition of the expression "capital structure" The capital structure of a company serves as an illustration of its financial proportions, particularly between owned capital derived from long-term debt (long-term liabilities) and own capital (shareholders' equity), which is the source of a company's funding. Capital structure refers to the ratio of long-term debt to equity that is used to compare or balance a company's long-term finances. Foreign capital is regarded in this context as both long-term and short-term debt. While firm ownership can also be represented by own capital and retained earnings.

The capital structure represents the company's per centage of debt financing. Therefore, debt is a component of the capital structure of the organization. The capital



structure is the primary factor in increasing business performance and productivity. According to the trade-off hypothesis, the capital structure chosen by the company (a combination of debt and equity) is employed to maximize the firm's value. (Astari et al., 2019).

A company's capital structure is made up of the financial sources it has and will utilize to finance its operations (Zaldy et al., 2021). A firm's capital structure, which consists of short-term debt, long-term debt, and equity owned by the company, is its source of funding. The capital structure of the organization has a significant impact on its financial status. (Nurkhasanah and Dhani, 2022)

A company will require funds if it wishes to expand. In general, there are two distinct sources of money: capital that comes from company owners and capital that comes from own capital or external sources like loans or debt. When funding with internal or own capital, shares can be issued, however when funding with debt, bonds can be issued or money due to banks or even business partners. When employing debt financing, the danger, which includes having to pay greater loan interest, increases as debt grows. While the company's reliance on third parties will lessen if it employs its own capital, this capital is not deductible from business taxes (Rezky, 2017).

According to (Irawan and Zainal, 2018), capital structure is the breakdown and ratio of long-term debt to equity, specifically preferred stock, and common stock. Unlike long-term debt, which is fixed for a reasonably long period of time (more than a year), short-term debt is typically spontaneous and changes in accordance with variations in sales levels, thus it is not considered when determining the capital structure finance. As a result, the cost of capital only takes long-term funding sources into account.

The capital structure is related to the company's internal and external funding sources. Retained earnings from business operations and depreciation are two sources of internal funding. In the meantime, money comes from creditors in the form of loans or debts as well as from the owner, who is a capital source. To maximize earnings, capital structure must balance risk and return (Mandasari and Mukaram, 2018). The effective use of resources through an ideal capital structure has an impact on the growth or decline in corporate profits, which impacts net income. The ideal capital structure strikes a balance between the usage of long-term debt and equity.

The capital structure shows a comparison between debt and equity used by companies in spending their assets (Anggrainy and Priyadi, 2019). The capital structure is a description of the company's finances between its own capital and capital originating from long-term debt used by the company to purchase company assets.

The capital structure evaluates a company's debt to equity in its financing and describes the company's ability to be responsible with its own cash. The company's capital structure is very important, because a healthy capital structure is one that doesn't have a lot of debt. The use of large debt will affect the company's performance because the greater the debt, the higher the risks faced by the company and the use of large debt will affect the level of investor confidence in the company (Andriani and Iswara, 2022).

According to (Mustafa, 2017) capital structure is a balance between the amount of short-term debt, preferred shares and shares that are usually permanent. The capital structure policy is the maintenance of the expected impact and profit.

For companies the most important problem is the capital structure so that the capital structure directly affects the company's financial status (Ridho, 2019). In managing and running a company to make a profit, it requires funds to fund operational and investment



activities (Komara et al., 2016). Determining the capital structure of a company is a good and important basis for a company (Nita Septiani and Suaryana, 2018). Comparing the correct funding sources has an impact on a good capital structure.

Capital structure is a comparison between external capital in the form of debt (debt) and equity (Weygandt et al., 2019). According to (Dewi and Wirama, 2017) capital structure refers to the proportion of company funding sources in the form of sources of equity and debt funds, where the company must determine a combination of capital structures that are able to optimize firm value. The capital structure becomes a very important part because the financial stability and bankruptcy risk of a company depend on the sources of financing and the type and number of various types of assets it has.

A company's capital structure is a group of resources that come from internal and long-term debt and that can be used and dispersed by the company. Additionally, long-term debt from shareholders in the shape of preferred capital and share capital is included. Share capital is defined as own capital and is different from ordinary shares and preferred shares. Therefore, the different kinds of capital include equity obtained from business owners, short-term debt, and long-term debt. Regarding capital structure, factors to take into account include loan stability, operational leverage, taxes, growth rate, management attitudes, asset structure, profitability, control, attitudes of lenders and rating agencies, financial flexibility, internal company conditions, and market conditions (Andriani and Iswara, 2022).

Therefore, financial management integrates permanent funding sources to form an optimal capital structure to be able to increase share prices which are a reflection of firm value.

### The formula of Capital Structure

$$DER = \frac{\text{Total Liabilities}}{\text{Equity}} \times 100\% \dots\dots\dots (2)$$

According to several previous studies regarding capital structure you do firm value that has been done showed different results. Previous studies. Previous studies that found the capital structure has a positive impact to the firm value are (Suzulia and Saluy, 2020), (Anggraeni and Haryani, 2020), (Purwanti, 2020), (Rahmawati et al., 2021). Meanwhile the studies written by (Halfiyah and Suriawinata, 2019), (Sutanto et al., 2019), (Antoro et al., 2020), (Yasin and Studiviany, 2021), (Rudini et al., 2021), (Wijayaningsih and Yulianto, 2021) stated that the capital structure has negative impact/not significant to the firm value. And the hypothesis that could be arranged regarding capital structure to the firm value are:

**H1:** Capital Structure has a positive and significant effect on firm value.

**Profitability.** A company's profitability can be measured in a variety of ways, based on the earnings and assets or capital that are compared. The profitability ratio, according to (Kasmir, 2019), is a measure used to evaluate a company's capacity to pursue profit or profit within a specific time frame. This ratio also gives an indication of how well a company's management is performing based on the profit from sales or investment revenue. Profitability is crucial for companies to sustain long-term company continuity;





this is because profitability shows whether the company has good prospects in the future or not.

Profitability is the company's ability to earn profits in relation to sales, total assets and own capital (Sartono, 2016). The profitability of a company shows the comparison between profits and capital activation that generates these profits. If the company obtains a high profit level, then the company tends to use internal financing. Opposes if companies with low profit levels will use a larger proportion of debt. This is because the amount of internal funds owned by the company does not meet the operational needs of the company.

Profitability is the primary draw for business owners (shareholders), as it is the outcome of management efforts on the funds invested by shareholders and reflects the distribution of profits to which they are entitled, specifically the amount of funds that are reinvested and the amount that are paid as cash dividends or stock dividends to shareholders. Profitability, according to (Prihadi, 2020) is the capacity to produce earnings. Profitability is a financial performance metric that shows the strategy, execution, and contribution of the company to the business success (Darmus, 2016). Profitability could be measured by one of them using the return to equity ratio (ROE). This ratio is used to evaluate the firm's skill in producing profit from the equity that they have. Big ratio showed firm skill to produce high profit from equity, and vice versa.

### The formula of Profitability

$$ROE = \frac{Net\ profit}{Equity} \times 100\% \dots\dots\dots (3)$$

Explanation: (1) Net profit is defined as the difference between total revenue and total costs, or the company's net profit for a given time after income tax is subtracted. (2) Total equity is the capital or equity that the company's owner owns in exchange for its net value (total assets minus liabilities).

(Hery, 2017) claimed that the quantity of net profit generated from each rupiah of funds embedded in equity increases proportionately to the yield return on equity, and vice versa. According to (Harmono, 2017), a company's management success, as determined by profitability, will have a favorable influence on investors' decisions to invest their money in the capital market in the form of equity participation.

In addition, (Hery, 2017) claimed that investors who make investments in businesses will raise stock prices, which will inevitably raise the value of the firm.

(Hery, 2017) claims that higher business profitability will result in higher earnings per share, which will then pique investors' interest in investing their money by purchasing stock in the company. If lots of investors purchase the company's stock, it will influence the rise in the stock price, increasing the value of the firm. According to (Kasmir, 2019), the value of the firm's shares will rise if it generates higher profits. Conversely, if the business experiences a deficit, the share price will decrease.

According to several previous studies about profitability to the firm value also have different results. There are studies by (Purwanti, 2020), (Markonah et al., 2020), (Mubyarto, 2020), (Antoro et al., 2020), (Rudini et al., 2021), (Putri and Wiksuana, 2021), (Rahmawati et al., 2021) and (Bon and Hartoko, 2022) stated that profitability has a positive impact to the firm value. Meanwhile Sudiani and (Wiksuana, 2018), (Sutanto et al., 2019), (Hirdinis, 2019), (Sudrajat and Setiyawati, 2021), (Sudjiman and Sudjiman,



2022) stated that profitability has a negative impact to the firm value. So we could arrange the hypothesis as follows:

**H2:** Profitability has a positive and significant effect on firm value.

**Economic Growth.** Economic growth can be defined as the process of continuously improving a country's economic condition over a specified time span. Three fundamental elements are required for a country's economy to grow: (1) an ongoing increase in the supply of goods; (2) advanced technology as the primary determinant of the growth in the provision of a variety of goods to the population; and (3) the widespread and efficient use of technology, which calls for adjustments in the fields of institutions and ideology so that the advancements made by human science and technology can be used effectively (Hasyim, 2016). In the economic way, there are several ways to calculate economic growth, from the demand point of view or promote point of view. From the demand side, we could calculate the economic macro components such as consumption, investment, export, and import, meanwhile from the promote/supply side we could calculate additional value in every sector in national production. Economy divided into three big sectors, which are primary, secondary, and services (tertiary). Economic growth will be calculated through GDP or GNP indicator for year to years. The formula to calculate the economic growth has three different methods, annual, average in a year, and compounding factor.

When significant aspects of a society change, it is considered that economic growth has occurred. As an illustration, consider how the political system, social structure, societal value system, and economic structure have changed. A society can be said to be at the stage of preparations for takeoff if it has achieved a process of economic growth of this kind, in which economic growth has started to occur often. The preliminary take-off stage is a stage of transition during which society is ready to reach its own development or power (Daengs, 2020).

The level of economic growth indicates how much extra money the local economy will bring in over a specific time frame. Economic activity essentially consists of the process of employing inputs to create output, which in turn generates a flow of compensation for the inputs owned by the community. It is anticipated that as the owners of the production components, people's income will rise together with economic expansion. (Rapanna, 2017).

The overall output (production) produced by the government is known as the gross domestic product (GDP). GDP measures the value of the products and services a nation generated over a specific time period. An important notion in determining national income is gross domestic product.

Gross Domestic Product (GDP), commonly referred to as GDP, is a crucial indicator for determining a nation's economic health. Adapted from the Central Bureau of Statistics' official website, GDP is a crucial indicator of a nation's economic health at a given time. GDP is essentially the sum of the added value produced by each and every enterprise in a nation. alternatively, it is the sum of the final commodities and services produced by all economic entities. In essence, one way to determine national income is using the GDP (Kompas, 2019).

Using either current prices or constant prices, GDP is used as an indicator to assess the state of a nation's economy over a specific time period. While GDP at constant prices displays the added value of these products and services computed using prices prevailing

in a specific year, GDP at current prices explains the added value of goods and services determined based on prices that apply each year. While GDP at constant prices is used to gauge economic development from year to year, GDP at current prices can be used to see the economy's structure and changes (BPS, 2019).

Economic growth is measured using the Gross Domestic Product (GDP) growth rate as an indicator. When people's real income in a given year is higher than their actual income in the year before, it is said that the economy is expanding. Therefore, it is also possible to define economic growth as the expansion of a nation's economic activity as shown by the GDP. Economic growth in life will provide welfare to society through activities that support economic conditions in a period. As a result of this economic activity, the community will have more income and income so that it will have an impact on increasing the feasibility of living.

An increase or development that occurs in a country can be seen from the fiscal economy, an increase in public facilities to support community needs, an increase in industry in this case, namely the amount of production, an increase and equity in economic activities, infrastructure, and others is a picture of the country's economic growth especially the economic growth of a region (Firmansyah 2021). Based on this understanding, it can be said that economic growth is an increase and development in the value of gross domestic product that occurs from time to time to improve the welfare of people's lives which is characterized by increased facilities for the community and developments in the production of goods and services (Jayadi and Brata 2016).

In this research, measuring economic growth conventionally by calculating presentation growth from Gross Domestic Product (GDP). GDP measured the total outcome from the economy to various goods and services that freshly produced in that time and the income in certain amount of time from every good or services or more detail, GDP is a market value from all of the good and services produced in a country in certain amount of time.

### **The Formula of Economic Growth,**

$$GDP = Consumption + Investment + Government + (Ekspor - Impor).. (4)$$

According to the several various research regarding GDP to the firm value also have different results in every study. (Bustaman and Budianto, 2016), (Isnurhadi et al., 2019) showed their result that there is a positive impact of GDP to the firm value. Other studies (Kewal, 2016), (Beriwisnu, 2017), (Pasaribu et al., 2019), (Lubis et al., 2021), (Olalere et al., 2021), founded that GDP negatively impact the firm value. So the hypothesis of GDP to the firm value could be concluded as follows:

**H3:** GDP has a positive and significant effect on firm value.

## **METHOD**

This research is associative in nature which seeks to assess the effect of two or more variables. In this study used secondary data and empirical data. Data is collected from documents by browsing the official website of the Indonesian Stock Exchange. Although the research methodology used is quantitative, this methodology is based on testing theory



and assessments derived from various factors, measurement using numbers, and analysis using statistical processes. The so-called quantitative approach, which tries to create and use mathematical models, theories, or hypotheses related to events, and then draw conclusions from these tests, conforms to this paradigm.

Quantitative data is the type of data used in this study. Data in the form of statistics or qualitative information that has been graded is referred to as quantitative data (scoring). The financial statements of sub-food and beverage manufacturing companies that meet the research sample criteria and are listed on the Indonesia Stock Exchange for 2015 to 2021 which can be accessed via [www.idx.co.id](http://www.idx.co.id), and are used in this study as secondary data. or data that is not directly provided to data collectors.

Variable used in this research is capital structure, profitability, and economic growth as an independent variable, and the firm value as dependent variable. According to (Sugiyono, 2019), A generalization region called "population" is made up of things or individuals chosen for study so that researchers can make inferences about them based on their attributes and characteristics. As a result, the population also includes inanimate things and other natural items. Additionally, the population encompasses all of the traits or qualities that the subject or object possesses, rather than just the quantity that exists in the subject or object and the thing being examined. The population in this study are all food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in the 2015 to 2021 period.

The sample for this study was selected using a non-probability sample design using a purposive sampling approach. where the researcher selects the sample based on the evaluation of a number of quality members of the sample that are modified for certain interests. Purposive sampling is used to obtain samples that meet predetermined criteria. Manufacturing companies in the food and beverage sub-sector evaluate the sample criteria as follows:

**Table 1. Sampling Criterias**

No.	Criterias	Total
1	Registered companies between the producers in food and beverages sector in 2015 to 2021	33
2	The companies who consistently ranked in food and beverages production sub sector company in 2015 to 2021	(15)
3	The companies who release complete financial report from 2015-2021	(5)
4	Final samples	13

Sources: [www.idx.co.id](http://www.idx.co.id)

**Table 1** shows sample determining criteria above, the researcher get 13 sample companies Food and beverage sub sector manufacture registered in Indonesia Stick Exchange in 2015 to 2021. Data used is the companies financial report that could be accessed through [www.idx.co.id](http://www.idx.co.id), and used in this research as the secondary data.

This study used panel data for data analysis, which is a synthesis of cross-sectional data and time series data (Basuki, 2016). According to (Basuki, 2016), there are three ways to estimate regression models using panel data, namely, Common Effect Model, Fixed Effect Model and Random Effect Model. Then there are several tests that can be done to determine the best model in panel data management, including: (1) **Chow Test**. This test identifies fixed effects or common effect model that must be used to estimated



panel data. The following is Chow test hypothesis H0: Common Effect Model, H1: Fixed Effect Model. (2) **Hausman test**. Test to determine which is the best between using Fixed Effect or Random Effect model. The following is the hypothesis of Hausman Test H0: Random Effect Model, H1: Fixed Effect Model. (3) **Lagrange Multiplier test**. This test was designed to determine if model random effect is more advanced than Common Effect Method. The following is the hypothesis of Lagrange Multiplier test H0: Common Effect Model, H1: Random Effect Model.

## RESULTS

**Data Analysis. Description of Research Data.** The type of data used in this study is secondary data in the form of panel data over a period of 7 years from 2015 to 2021. The purpose of this research is to find out whether the Capital Structure, Profitability and Economic Growth variables affect the Firm Value variable. The variables used in this research are capital structure, profitability, and economic growth as independent variables. The economic growth variable proxied by Gross Domestic Product (GDP) is the amount of goods and services produced in a country in one year with the value of domestic or international currency that can be used to measure the level of welfare of the population in a country. In the gross domestic product (GDP) observation data, it is known that there is heteroscedasticity and correlation between unit cross sections.

**Classical Assumption Test.** The classic assumption test used in panel data is only multicollinearity. Because the normality test is not included in the BLUE (Best Linier Unbiased Estimators) criteria, therefore, autocorrelation only occurs in time series data while autocorrelation tests on cross-sectional or panel data are meaningless. Heteroscedastic data conditions are mandatory for the OLS panel data regression approach. However, for the GLS approach, it is not necessary because GLS can cure heteroscedasticity. The multicollinearity test must be carried out when the linear regression model includes more than one independent variable because multicollinearity cannot be imagined if only one independent variable exists.

**Table 2.** Multicollinierity Test

	CAP	PROFIT	GDP	VALUE
CAP	1.000			
PROFIT	0,046	1.000		
GDP	0.045	0.124	1.000	
VALUE	0.112	0.780	0.109	1.000

Source: Eviews Processing Result (2022)

**Table 2** shows This table summarizes the correlation values for all variables used. A correlation value above 0.800 was used in this test to find multiple variables with a high correlation. Multicollinearity develops when there is a correlation value exceeding 0.800 between two variables.

**Table 2** shows test results demonstrate that all variables have correlation coefficients less than 0.800. This demonstrates that multicollinearity has no effect on any variable. The research can proceed if all variables are free of multicollinearity.

**Model Testing. Chow Test.** The first model test is testing using the Chow test. **Table 3** below is the result of the chow test.



**Table 3. Chow Test**

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic.	d.f	Prob.
Cross-section F	14.543	(12.750)	0.000
Cross-section Chi-square	109.386	12	0.000

Source: Eviews Processing Result (2022)

This test's probability value is smaller than alpha (0.050), which is a probability value of 0.000, so H0 is rejected, and H1 is accepted. The appropriate model for this result is fixed effects.

**Hausman Test.** The next model test uses the Hausman test. Based on the results of the Hausman test, it shows a significance value of 1.000 (significance more than 0.050), then H0 is accepted, and H1 is rejected, so it can be interpreted that the random effects model is better than the fixed effects model. Because the results have not found the same method, it is continued with the determining method, namely the Lagrange Multiplier test, to determine whether to choose random effects or fixed effects.

**Lagrange Multiplier Test.** This test is the third test or final model test. This test needs to be done if the first model test is Chow test and the second model test is Hausman test, obtains inconsistent results. However, if the first and second model tests are consistent, then it is not necessary to do this third model test.

Subsequent tests were carried out with a Lagrange multiplier test, as shown in **Table 4** below.

**Table 4. Lagrange Multiplier Test**

Lagrange Multiplier for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch Pagan) and one-sided (all others) alternatives			
	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	48.701 (0.000)	0.137 (0.710)	48.839 (0.000)
Honda	6.978 (0.000)	-0.371 (0.644)	4.672 (0.000)
King-Wu	6.978 (0.000)	-0.371 (0.644)	3.725 (0.009)
Standardized Honda	8.036 (0.000)	0.149 (0.440)	2.338 (0.000)
Standardized King-Wu	8.036 (0.000)	0.149 (0.440)	1.412 (0.078)
Gourieroux, et al.	-	-	48.701 (0.000)

Source: Eviews Processing Result (2022)

The output results above show the probability value of Breush-Pagan (Bp) in the Cross- Section sub of (0.000). The hypothesis is that if the Breush-Pagan (BP) probability is minor than alpha (0.000 less than 0.050), then H0 is rejected and H1 is accepted, so the



suitable model for the results above is Random Effects. And the conclusion from this data is that the best research method is the Random Effects method.

In addition to the three model tests above, it can be concluded that the test results are invalid (Cross-section test variance is invalid. Hausman statistic set to zero), so a reference is needed to determine the model to be used. Selection of the approaching model according to econometric experts: (1) If the number of individuals is greater than the number of coefficients, including the REM intercept can be used. (2) If the number of times is greater than the number of individuals in panel data, FEM can be used. (3) If the number of times is less than the number of individuals in panel data, REM can be used. From the model test results and explanation above, the best model in this panel data regression is the Random Effect Model (REM).

The third point is that the amount of time (t) is 7 years less than the number of individuals (N) of 13 companies, it can be concluded that the Random Effect Model (REM) is the best model to use.

The estimation results in **Table 5** are estimates of the effect of capital structure, profitability, and economic growth on firm value.

**Table 5** Random Effect Model

Dependent Variable: VALUE				
Method: Panel EGLS (Cross-section random effects)				
Date: 11/26/22 Time: 09.36				
Periode included: 7				
Cross-sections included: 13				
Total panel (balanced) observations: 91				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob
C	1.136	1.117	1.017	0.311
CAPSTR	0.783	0.730	0.073	0.286
PROFIT	0.107	0.015	6.968	0.000
GDP	0.132	0.100	1.321	0.189
Effects Specification			S.D	Rho
Cross-section random			2.681	0.577
Idiosyncratic random			2.295	0.422
Weighted Statistic				
R-squared	0.364	Mean dependent var		1.341
Adjusted R-squared	0.342	S.D dependent var		3.079
S.E of regression	2.497	Sum squared resid		542.617
F-statistic	16.610	Durbin-Watson stat		1.034
Prob (F-statistic)	0.000			
Underweighted Statistics				
R-squared	0.521	Mean dependent var		4.359
Sum squared resid	1785.891	Durbin-Watson stat		0.314

Source: Eviews Processing Result (2022)

$$VALUE_{it} = 1,136 + 0,783CAPSTR_{it} + 0,107PROFIT_{it} + 0,132GDP_{it} \dots\dots\dots (5)$$

R-square is a coefficient to calculate the transition of the independent variable. Firm value is influenced by the dependent variables CAPSTR, PROFIT, and GDP. From the



random effect regression results, the value of the determinant coefficient of R<sup>2</sup> is 0.364 or 36.418 per cent. It means that 36.418 per cent of there is a change in the firm value variable that can be influenced or explained by the CAPSTR, PROFIT, and GDP variables, and other variables explain the difference of 63.581 per cent.

## DISCUSSION

**Analysis of the effect of Capital Structure on Firm Value.** The results of panel data regression estimation show that the CAPSTR coefficient is 0.783, and the probability value is 0.286 more than 0.050 ( $\alpha$ ). So it can be seen that the CAPSTR variable has a positive but insignificant effect on firm value in the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange. It is in line with research (Mahdaleta et al., 2016), (Halfiyah and Suriawinata, 2019), (Sutanto et al., 2019), (Fitria et al., 2020), (Yasin and Studiviany, 2021), (Rudini et al., 2021) and (Wijayaningsih and Yulianto, 2021) which indicate that capital structure does not affect firm value. The results of this study explain that capital structure fluctuations do not affect firm value. Capital structure has no effect on firm value indicating that investors do not consider capital structure to have an effect on company finances. Some investors see the capital structure as the company's responsibility to creditors who have provided loans to the company. High corporate debt does not mean the company cannot generate large profits and poor performance (Andriani and Iswara, 2022). Debt for the company is not one of the things that can help to control the excessive use of cash funds and is also free by management. Up until a certain point, using debt will raise the value of the business; but, after that point, using debt will actually decrease the value of the business because the increased profits brought on by using debt are not commensurate to the increased costs. (Hendiawan, 2020). The difference in these results is a consequence of the variation in the sample companies. The sample of this research is a company in the food and beverage sub-sector, which is the main staple for the community. It makes the firm value in this sub-sector not affected by fluctuations in its capital structure.

**Analysis of the effect of Profitability on Firm Value.** The results of panel data regression estimation show that the PROFIT coefficient is 0.107, and the probability value is 0.000 less than 0.050 ( $\alpha$ ). So it can be seen that the variable profitability has a positive and significant effect on firm value in sub-food and beverage manufacturing companies listed on the Indonesia Stock Exchange. These results are consistent with the research (Antoro et al., 2020), (Markonah et al., 2020), (Mubyarto, 2020), (Anggraeni and Haryani, 2020), (Rudini et al., 2021), (Putri and Wiksuana, 2021), (Rahmawati et al., 2021), and (Bon and Hartoko, 2022) which state that profitability has a positive effect on firm value. Companies with high profitability provide positive sentiment for investors and potential investors, attracting investors to invest. Moreover, It provides high value for the firm. The company's ability to generate higher profits is the company's goal, the greater the return expected by investors, the better the firm's value. The amount of net profit that the firm can obtain when its operations are handled effectively will be high; the higher the profit level, the bigger the company's capacity to pay dividends. The value of the firm will be impacted by how much of a dividend the company pays. High profits also indicate that the company's prospects are favorable, which might encourage investors to drive up demand for shares. The value of the firm rises as a result of the increasing share demand.





**Analysis of the influence of GDP on Firm Value.** The results of panel data regression estimation show that the GDP coefficient is 0.132, and the probability value is 0.189 more than 0.050 ( $\alpha$ ). So it can be seen that the GDP variable has a positive but insignificant effect on firm value in the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange. It is in line with research (Beriwisnu, 2017), (Larianti and Purbawangsa, 2019), (Pasaribu et al., 2019), (Ebenezer et al., 2019), (Ahmad et al., 2020), (Lubis et al., 2021) and (Olalere et al., 2021), who found that GDP does not affect firm value. Thus, the rise or fall of GDP in Indonesia does not affect the value of shares in the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange. It is because the food and beverage sub-sector companies are primary needs that are still needed in all conditions. So fluctuations in economic growth in Indonesia do not affect firm value in the food and beverage sub-sector.

## CONCLUSION

This study aims to determine the effect of capital structure using the DER (Debt to Equity Ratio) proxy, profitability using the ROE (Return on Equity) proxy, and economic growth using the GDP (Gross Domestic Product) proxy on the firm value in manufacturing companies in the listed food and beverage sub-sector on the Indonesia Stock Exchange in 2015 to 2021. Based on the results and discussion above, only the variable profitability that affects the firm value in manufacturing companies in the food and beverage sub-sector. While other variables, namely capital structure and economic growth, have no significant effect on firm value.

The first finding of this study is that the company's capital structure, which comes from debt and equity, is not something that can interfere with investors' assessment of the company. The second finding of this research is to maximize the value of the company, the company needs to maximize the company's profits. Because, if the company has a maximum profit, the possibility of investors getting dividends will be very large. The third finding of this study is that this research was conducted in food and beverage sub-sector companies which are a primary need that is needed in all conditions. Thus, fluctuations in economic growth in Indonesia do not affect firm value in the food and beverage sub-sector.

**RESEARCH SUGGESTIONS AND LIMITATION.** Investors are the target audience for this study's first recommendation. For investors, profitability is the most important factor to consider when deciding how to invest in equities, particularly those of food and beverage companies. The second recommendation for companies, particularly those in the food and beverage subsector, In order to maximize stakeholder wealth, food and beverage companies listed on the Indonesia Stock Exchange should maintain maximum profits. The third recommendation is for additional investigation. Future research is anticipated to expand the sample size by including a sample of companies. In addition, it is anticipated that future researchers will extend the research period.

These are the limitations of this study: First, this investigation is limited to IDX-listed companies within the food and beverage subsector. Additionally, it is anticipated that research can be conducted in all IDX-listed industries. Second, this study was conducted over a comparatively brief period of time, spanning only seven years from 2015 to 2021. In addition, it is anticipated that research will be conducted over a period of more than ten years. The fact that there are only three independent variables in this study makes



the R square value moderate. The expectation is that future research will include both internal and external variables.

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