The Impact of Capital Structure and Profitability on the Value of Indonesian Food and Beverage Companies

Ahmad Gunawan[1], Sandi Marta[2], Suryadi[3]
[1,2] Universitas Pendidikan Indonesia
[1,3] Universitas Pelita Bangsa
E-mail: ahmadgunawan@upi.edu[1], sandimarta@upi.edu[2], suryadi@pelitabangsa.ac.id[3]

ABSTRAK

Banyak penelitian telah dilakukan pada struktur modal, dan hasilnya untuk diperdebatkan. Karena beberapa penelitian menunjukkan pengaruh positif, sementara yang lain tidak menunjukkan pengaruh pada nilai perusahaan, para peneliti berencana untuk memeriksa kembali variabel untuk mengkonfirmasi temuan mereka. Rasio utang terhadap aset (DAR) dan rasio utang terhadap ekuitas (DER) mengukur struktur modal. Profitabilitas diukur dengan menggunakan indikator ROI dan ROE. Price to Book Value (PBV) adalah indikator yang digunakan oleh Bursa Efek Indonesia untuk menghitung berapa nilai perusahaan dibandingkan dengan total asetnya.

Informasi yang digunakan dalam penelitian ini berasal dari laporan keuangan yang tercatat di BEI Bursa Efek Indonesia di sektor makanan dan minuman. Dalam purposive sampling, sampel dipilih berdasarkan kriteria seperti ukuran, jenis, dan komposisi. Lima perusahaan yang berbeda telah menggunakan sampel ini. Analisis data menggunakan regresi linier berganda SPSS 21 dan statistik uji f, serta t-test, untuk menguji hipotesis statistik.

Dalam penelitian ini, hasil penelitian menunjukkan bahwa struktur permodalan (t-test) berdampak pada nilai perusahaan makanan dan minuman yang tercatat di bursa efek Indonesia(BEI).

Kata kunci: *Struktur Modal (DAR dan DER), Profitabilitas (ROI dan ROE), Nilai Perusahaan (PBV).*

ABSTRACT

Many studies have been done on the capital structure, and the results are up for debate. Because some studies show a positive effect, while others show no effect on the company's system, researchers plan to re-examine the variable to confirm their findings. The debt-to-asset ratio (DAR) and the debt-to-equity ratio (DER) measure the capital structure. Profitability is measured using the ROI and ROE indicators. Price to Book Value (PBV) is an indicator used by the Indonesian Stock Exchange to calculate how much a company is worth compared to its total assets.

Information used in this study comes from financial statements listed on the Indonesian Stock Exchange's IDX in the food and beverage sector. In purposive sampling, samples are chosen based on criteria such as size, type, and composition. Five different companies have made use of these samples. Data analysis employs SPSS 21's multiple linear regression and f test statistics, as well as t-tests, to test statistical hypotheses.

In this study, the results showed that both the capital structure (t-test) impact the value of food and beverage companies listed on the Indonesian stock exchange in Indonesia.

Keywords: Capital Structure (DAR and DER), Profitability (ROI and ROE), Company Value (PBV).

1. INTRODUCTION

Companies that have gone public do so to increase the wealth of their owners or shareholders. The value of a company is critical because it correlates directly with the financial well-being of its shareholders. The more significant the rise in the stock price, the more significant the increase in the company's value. Larger companies are motivated by increased value because this indicates greater prosperity for shareholders. High company values are sought after by the company's owners. The company's long-term objective is to maximize shareholder value. The more valuable a company becomes, the better off its shareholders will be. According to creditors, the value of a company is closely linked to how well it can repay its debts, and this is determined by how liquid the company is. Investors will assign a low value to a company if the implied value is poor. The stock price that the company has issued can show the deal it has achieved since going public. In Hasbi's (2015) words: Following Suharli (2006),

Industry experts have suggested that the company's value can be calculated using the Price to Book Value (PBV) ratio, which compares share prices with book values. PBV measures how many times we pay for a stock about its book value. the year was 2010; the location was Houston

According to capital structure theory, any increase in debt will lower the company's value if the capital structure is above the optimal target level. One of the essential responsibilities of company management is identifying optimal capital structure goals. The capital structure measures the company's leverage ratio, which is the percentage of the company's funding coming from debt. In other words, debt is a part of the capital structure of a company. The company's productivity and performance can be significantly enhanced by optimizing the capital structure. According to capital structure theory, a company's financial policy to determine the capital structure (the mix of debt and equity) aims to maximize the firm's value. Corporations that borrow money incur both gains and losses when they do so. There are tax benefits (interest on debt is deductible) and manager discipline (debt obligations lead to management discipline) to using debt. Still, there are also losses associated with debt use (incurred agency costs and insolvency costs). Lena and colleagues conducted this study, and they found that

Total debt is compared to total assets using the Debt to Asset Ratio (DAR). The amount of debt used to finance investments or the amount of debt used to manage assets refers to. The Debt to Equity Ratio (DER) compares the amount of debt a company has to the amount of equity it has. This ratio helps determine how much debt a company has by comparing the amount of debt to the amount of equity it has. DAR and DER ratios that are higher indicate that a company's funding is more heavily debt-financed, which makes obtaining additional loans more difficult because lenders are concerned that the company will not be able to repay its existing loans with the action it has. for a brief period

Profitability is critical to a company's long-term survival because it shows whether it has bright prospects. Because every business entity's survival is dependent on its profitability, every business entity will make every effort to improve its profitability (Hermuningsih, 2013)

In business, return on investment (ROI) is a metric that measures how much a company makes on the money it invests in its assets. The return on investment (ROI) is also a way to evaluate how well management has managed the company's investments. A company's net income after taxes is expressed as a percentage of its equity. This ratio shows how effectively capital is being used. With a higher ROI/ROE ratio, a company's performance will be more robust, which will also benefit the company owner. In the words of Suharli (2006, p.

The findings of today's study reveal a considerable discrepancy: capital structure policy increases a company's value (in a positive way) while the reverse is true. Research conducted by Sianifar (2017) revealed that the company's value is unaffected by the capital structure. Researchers try to re-examine them since food and beverage companies can survive in Indonesia's unfavourable economic conditions. These companies are expected to offer a promising future in meeting the community's needs. PT Willmar Cahaya Indonesia Tbk, PT Indofood Sukses Makmur Tbk, PT Multi Bintang Indonesia Tbk, PT Mayora Indah Tbk and PT Ultrajaya Milk Industry and Trading Co. Tbk are the only five companies that will be sampled by the researchers. Researchers looked at five companies that had made money during the period they were studying.

2. METHODOLOGY

Secondary data, which is quantitative data, was used in this study. This means the data was in the form of numerical values that could be calculated. This study's data comes from the download of IDX financial statements, not from any other source.

Data Collection Techniques

A library study (Library Research) or documentation, such as data collection done by studying documents or data from companies related to research needs, are two ways to collect data, according to Sugiyono (2013) The information gathered in this study was derived from the following sources:

1. Exploring and reviewing various publications such as books, journals, and other research-related sources are methods for conducting literature studies.

2. For the 2016-2020 time period, we used secondary data from the Indonesia Stock Exchange's website, www.idx.co.id, to collect, record, and review financial statements of Food and Beverage companies that are publicly traded on the Indonesian market.

Population and Sample

Objects or subjects with specific qualities and characteristics set by researchers to study and then draw conclusions constitute a population, according to Sugiyono (2013). This study's participants were all 14 businesses in the Food and Beverage Sub-Sector.

Sugiyono (2013), the sample represents a subset of the population as a whole. Non-probability sampling techniques were used in this study for sampling. The sampling technique based on nonprobability considerations is known as the nonprobability sampling technique. The following is taken into account when evaluating the study's criteria:

1. The Indonesian Stock Exchange has listed food and beverage companies, which has expanded internationally.

2. Annual reports contain the company's financial statements for food and beverages.

3. Companies that were listed in the 90s and had positive profits.

4. During the observation period, Profit companies in the food and beverage sector experienced fluctuations.

According to the above criteria, only five companies in the food and beverage sector listed on the Indonesia Stock Exchange were chosen to be sampled in this study. Only five companies have five years' worth of financial statements.

3. LIBRARY REVIEW

Capital Structure

A company's capital structure comprises a combination of long-term debt and the company's capital, which can be used and allocated as needed. When a company plans its capital income, it uses a combination of debt and prosperity (preferred stock and common stock). The author, Ambarwati (2010), claims that

There are numerous theories about capital structure, including the following:

1. Traditional Approach

Adherents of this approach argue that in perfect capital market circumstances and no taxes, the structure of capital affects the company's value.

2. Modigliani and Miller theory

o MM theory without taxes

Modigliani and Miller's theory was the first modern theory of capital structure (MM theory). They assert that the capital structure has no bearing on the company's value. MM makes the following assumptions to construct their (Houston, 2010) theory:

a. There aren't any fees associated with using an agency.

b. There aren't any government levies.

c. Investors can borrow at the same interest rate as the company and pay the same amount back.

d. Investors know as much about the company's prospects as management does.

e. Bankruptcy has no costs.

f. The use of debt has no impact on EBIT (Earnings Before Interest and Taxes).

It's important to remember that investors act as if they're price-takers.

h. If the company goes bankrupt, the asset can be sold for whatever it is worth. a. There aren't any fees associated with using an agency.

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MM Theory with taxes

Because the MM theory is viewed as unrealistic in its absence of tax considerations, MM modified his model to include them. To the government, we pay, which results in cash outflows. Interest paid on debt can be deducted from a person's taxable income, allowing them to save money.

3. Trade-Off Theory

According to Myers (2001), at a certain level of debt, tax shields from additional debt equal to the cost of financial distress are bankruptcy costs or reorganization, and agency costs that arise due to a company's credibility. The theory goes like this: There are several factors in trade-off theory that go into determining the best capital structure, including taxes, costs of agencies, and the costs of financial distress. But even with these considerations, the assumption of market efficiency and symmetric information remains. When tax savings (tax shields) are at their highest against the cost of financial distress, optimal debt levels are reached. According to trade-off theory, managers will consider capital structure options in terms of a trade-off between tax savings and the potential for financial hardship.

4. Pecking Order Theory

According to Myers (1984), high profitability is precisely the low level of debt because profitable companies have an internal source of funds. The capital structure proposed by this theory is suboptimal. The company has a hierarchy of preferences (sequence) for how money is spent. Smart, Megginson, and Gitman (2004) cite pecking order theory to explain the following scenario (hierarchy) when choosing a funding source:

The company prefers to raise money from internal sources or from within rather than from outside sources. The company's operational activities generate retained earnings, which serve as the source of the internal funds.

It will start with the safest securities, i.e. low-risk debt, and work its way up to riskier securities, such as convertible bonds and preferred shares. Last but not least, it will choose to issue common stock.

There is a policy of regular dividend payments, which means that no matter how much the company makes or loses, the dividend payments will remain constant.

The company will take a portfolio of investments that are currently available to anticipate a lack of cash inventory due to a consistent dividend policy and fluctuations in the level of profit. The pecking order theory does not indicate the target of the capital structure. The pecking order theory describes the order of funding. Financial managers do not consider the optimal level of debt. The amount of money needed for investments determines the amount of money required. When it comes to companies with high profits, the pecking order theory can help explain why they have such low levels of debt.

asymmetrical information theory and Signaling

The theory states that the company's prospects and risks aren't known to all of its stakeholders. Some people have access to more details than others. This theory has the following components:

Myers and Majluf

Managers have an advantage because they have more information than outsiders. Managers have a better understanding of the company's state than the general public.

o Signaling

Create a model in which the manager's signal to the market is the capital structure (use of debt) if a manager is optimistic about the company's future and wants the stock price to rise. As a result, he will tell investors about it. Managers can use higher levels of debt as a more precise signal because companies that take on more debt tend to be more upbeat about their prospects. When investors see this signal, they're likely to conclude that the company has promising prospects.

6. Agency Theory (Agency Approach)

This theory holds that capital structures should be designed to minimize conflicts of interest. Free-cash flow is a term used to describe the conflict that exists between shareholders and managers. Managers have a desire to hold on to resources so that they can exercise control over them. Debt can be viewed as a way to lessen free cash flow conflicts. If the company borrows money, the manager will be compelled to use company funds to make interest payments.

c. Factors That Affect Capital Structure According to Guna and Sampurno factors(2018)

Those that affect the structure of the capital include:

1. Interest Rate
2. Stability of Earnings
3. Arrangement of Assets
4. Risk Levels of Assets
5. Large Amount of Capital Needed
6. State of capital markets
7. Nature of Management
8. The size of a company.

Profitability

Profitability is a measure of a company's ability to manage itself. Profitability is defined by Cashmere (2008) as a ratio that measures a company's ability to make a profit. Profitability refers to a company's ability to turn a profit (or gain) over a specified period of time. The company's ability to make a profit concerning sales, total assets, and the company's capital determine its profitability (Sartono, 2001).

Weston and Bringham (1997) define a company's profitability as the amount of profit earned relative to sales or investments. The profitability ratio of the community can be used to gauge the level of management effectiveness. Knowing a company's profitability ratio allows you to keep tabs on its progress over time.

Profitability ratios have the following goals and benefits for the company and third parties:

1. To measure or calculate the profit earned by the company in one particular company.

2. To assess the company's profit position the previous year with the current year.

3. To assess the development of profits over time.

4. To assess the amount of net income after tax with its capital.

5. To measure the productivity of all company funds, use both loan capital and capital itself.

Company Value

Companies are worth what prospective buyers are willing to pay to buy them if they are sold, according to Husnan (2000). As stated by Keown (2000), the market value of the company's outstanding debt securities and company equity determines the company's value. According to Brigham and Houston (2006), the worth of a company is based on how much it can maximize shareholder wealth to maximize its stock price. Since an increase in a company's stock price can provide maximum shareholder prosperity, its value is also defined as its market value. As a result, the stock price can be used to gauge a company's value. the year 2017's Dhani Main

The primary objective of financial management is to increase a company's value. However, there is still a conflict between the company's owner and its creditors behind these objectives. Stocks in the company will rise in value if operations go well, while the value of bonds issued by the company will remain unchanged. As a result, the value of ownership shares can serve as a good index for gauging a company's efficiency. Financial management's goal is to maximize the value of the company's ownership shares, which is another way of saying it aims to maximize stock price. Seeking the highest possible stock price does not imply that managers should put bondholders' interests ahead of their own.

Types of Company Values

Company value (value of the firm)

The company's value will rise to its full potential if it can increase shareholder prosperity (i.e., the value of its stock). Maximizing the company's value is a measure of the company's success because it signifies the company's value or the wealth of the company's shareholders is prosperous.

According to Gitman (2006), corporate values can be divided into several categories, each of which includes:

1. Value of a currency's liquidity If an asset or group of assets (such as a company) is sold separately from the bonds that fund them, the liquid value is the amount of money that can be realized.

2. The company's value as a continuing business operation is known as its business continuity value.

3. Book value

All assets, liabilities, and preferred shares on the balance sheet are subtracted to get a company's book value.

4. Market value

The price at which an asset is being traded is referred to as its market value.

5. Intrinsic value

Intrinsic value is the charge of stocks that are based on factors that can affect valuation.

4. RESULTS AND DISCUSSIONS

Multiple Linear Regression Analysis

Multiple regression models are statistical techniques that are used to describe the relationship between dependent and independent variables. This analysis is used to determine the direction of the relationship between independent and dependent variables, i.e. whether each independent variable is positively or negatively related to the dependent variable.

Table 1. Multiple Linear Regression Analysis Results

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.704	4.295		1.328	.190
	X1	.186	.090	.213	2.080	.042
	X2	.377	.093	.440	4.058	.000

Determination Coefficient Analysis (R2)

The coefficient of determination (R2) is used to quantify the ability of a multiple linear regression model's free (independent) variable variation to describe a bound variable (dependent) adequately. The following table summarizes the results of the determination coefficient test:

Table 2. Coefficient of Determination

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.768ª	.589	.566	3.834

The R2 (adjusted R Square) value obtained from table 2 is 0.566 or 56.6 per cent. This indicates that the independent variables' influence on the dependent variables (capital structure and profitability) is 56.6 per cent. The variance of the model's independent variables (capital structure and profitability) explains 56.6 per cent of the variation in the dependent variables (company values). 43.4 per cent of the variance was accounted for or explained by variables not included in the study.

Hypothesis Test

A hypothesis test is a test that is a step to prove the alleged research or hypothesis. This step aims to test the truth of views linearly presented by researchers.

T-test (partial coefficient test)

The t-test is used to ascertain the effect of capital structure variables on the company's value in part. The following provisions govern the hypothesis's partial test decision:

If the significant rate exceeds 5%, Ho is accepted, and Ha is rejected.

If the rate is significantly less than 5%, it can have a considerable effect on the company's value (Y).

Table 3 Test Results T (partial coefficient test)

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.704	4.295		1.328	.190
	X1	.186	.090	.213	2.080	.042
	X2	.377	.093	.440	4.058	.000

It was using the level (2-sided test) result t table of 2,037, based on table 3 data processing results for capital structure variables (X1). If the calculated value of t is less than the estimated value of the t table (2,080 > 2,037), then Ha is accepted. This means that the capital structure (X1) has a significant impact on the company's value (Y).

The profitability variables (X2) were obtained at a count value of 4,058 as a result of data processing. The value returned by the t table is 2,037. Because the value of t is greater than the value of the t table (4,058 > 2,037), Ha is accepted, implying that profitability (X2) has some effect.

5. CONCLUSIONS

The following conclusions can be drawn from the results of data analysis and discussion regarding the effect of capital structure and profitability on the value of companies in the food and beverage sector listed on the Indonesian Stock Exchange:

According to the results of the ratio analysis, the capital structure of the food and beverage sector changed (fluctuated) over the observation period. The DAR indicator indicates a lower value for the capital structure than the DER indicator suggests. Whereas the average value of the highest DAR indicator was 50.80 per cent in 2017, it was 129.65 per cent in 2018. The use of debt as measured by the DAR and DER indicators indicates that the average business is more reliant on debt to finance its operations.

Profitability analysis results in the food and beverage sectors varied significantly over the observation period. THE ROI indicator indicates a lower level of profitability than the ROE indicator suggests. Whereas the average value of the highest ROI indicator was 19.50 per cent in 2016, it was 36.57 per cent in 2018. Profitability in the food and beverage sector remains poor, as measured by two indicators (ROI & ROE), which remain below the industry average or industry standards. As a result, the use of excessive debt by food and beverage companies can reduce the company's profit or value.

Throughout the observation period, the company's value in the food and beverage sector fluctuated. Where a company's value is 5.77 times its book value, it indicates that the food and beverage sector is in good health.

Hypothesis testing is conducted on partial research findings using statistical tests. The capital structure of the test T variable (X1) has a calculated t value of 2,080 and a t table value of 2,037. If the value of the t count is greater than the value of the t table (0.08084 > 2.037), then Ha is accepted. This means that the capital structure (X1) has a significant impact on the company's value (Y).

Hypothesis testing is conducted on partial research findings using statistical tests. The profitability of the test T variable (X2) was calculated to have a value of 4,058 and a table t value of 2,037. Because the computed value exceeds the t table (4,058 > 2,037), Ha is accepted, indicating that profitability (X2) has a significant effect on the company's value (Y).

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