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JOURNAL

The Impact of Capital Structure on Company Value with Profitability as an Intervening Variable (Case Study on PT. Indofood CBP Sukses Makmur TBK) Period 2014-2023

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Abstract:
The purpose of this study is to examine how capital structure affects company value at PT Indofood CBP Sukses Makmur Tbk from 2014 to 2023, using profitability as an intervening variable. The method used is descriptive quantitative utilising secondary data from the yearly financial statements of the business. The Debt to Equity Ratio (DER) is used to measure capital structure, and the Price to Book Value (PBV) is used to measure company value, and profitability using Return on Equity (ROE). Data analysis is done with the help of Eviews 10 and statistical tests include both traditional assumption tests and multiple linear regression. The findings indicated that DER affects PBV both directly and through ROE. Profitability is proven to be a partial mediating variable in The connection between company value and capital structure.

Keywords:
Capital Structure, Profitability, Company Value, DER, ROE, PBV

BACKGROUND

The food and beverage industry remains one of the most resilient and significant sectors contributing to Indonesia's economic growth. As part of the manufacturing sector, it contributed 39.10% to the non-oil and gas industrial GDP and 6.55% to the national GDP in 2023. One of the leading players in this sector is PT Indofood CBP Sukses Makmur Tbk, a well-established manufacturer of consumer items under a trademark with a broad product range that includes instant noodles, dairy, snacks, seasonings, beverages, and nutritional foods.

In a highly competitive market environment, companies must maintain effective financial management to ensure sustainability and investor trust. One of the crucial financial strategies is managing capital structure defined as the balance between debt and equity used in financing company operations. The Debt to Equity Ratio (DER) is commonly used to evaluate this balance, where a higher ratio indicates greater financial leverage and potential risk.

Meanwhile, company value, often perceived through Price to Book Value (PBV), reflects investor confidence and the company's performance in the capital market. A higher PBV suggests strong market valuation relative to book value. Another key performance metric is profitability, typically measured by Return on Equity (ROE), indicating how efficiently a company generates profit from shareholders' equity.

From 2014 to 2023, PT Indofood CBP experienced fluctuations in its capital structure and profitability, potentially impacting company value. Notably, from 2020 to 2022, the company saw an increase in long-term debt, followed by a rebound in equity in 2023, which suggests recovery in financial health. These dynamics raise important questions about how capital structure decisions influence profitability and, in turn, affect business standards.

The purpose of this study is to examine how empirically observe the direct and indirect effects of capital structure on company value, with profitability as a mediating variable. By focusing on a ten-year period, the research provides comprehensive insights into the financial dynamics of one of Indonesia's major food and beverage companies and contributes to the literature on financial management and company valuation.

THEORETICAL FRAMEWORK

Capital Structure's (DER) Impact on profitability (ROE)

Debt to Equity Ratio (DER) is a ratio used to assess debt and equity (Kasmir, 2018). This ratio helps determine each rupiah of personal funds utilised as debt collateral. The outcome of previous research state that Debt to Equity Ratio (DER) affects Return On Equity (ROE) where this research was conducted in mining companies in the Coal sub-sector (Maiyaliza, Budianto, & Khasanah, 2022). The higher the DER result, the greater the company's debt to creditors. High debt can result in decreased company profits. which can also result in a smaller ROE. Meanwhile, a low DER value indicates that the debt burden borne is getting smaller and it can increase the profit that the company will generate. which can also result in greater ROE.

Capital Structure's (DER) Impact on Company Value (PBV)

Debt to Equity Ratio (DER) is a ratio used to assess debt and equity (Kasmir, 2018). This ratio serves to determine every rupiah of own capital used as debt collateral. Meanwhile, Price Book to Value (PBV) is a description of the relationship between the stock market price and the book value per share which can be used to determine the value of a stock where the market value of a stock must reflect its book value (Tandelilin, 2017). The results of previous research state that the Debt to Equity Ratio (DER) has no significant effect on Price Book to Value (PBV) This study was carried out on LQ45 index companies (Marthalova & Ngatno, 2018).

Profitability (ROE) Impact on Company Value (PBV)

Return On Equity (ROE) is a ratio used to calculate net profit after tax and own capital. This ratio shows the effectiveness of using own capital (Kasmir, 2018). The results of previous research state that Return On Equity (ROE) has a significant effect on Price Book to Value (PBV) this research was conducted in Manufacturing companies (Raprayogha, 2020). The higher the Return On Equity (ROE), the higher the Price to book Value (PBV) as a measure of company value. Conversely, the smaller the Return On Equity (ROE), the smaller the Price to book Value (PBV).

Both the connection between Company Value (PBV) and Capital Structure (DER), with ROE acting as an intervening variable

The results of previous research state that there is an influence between Debt to Equity Ratio (DER) on Price to book Value (PBV) and Return On Equity (ROE) as an intervening variable (Dhinata, 2020). This implies that taking on more debt can raise the company's net income, which in turn raises profitability. Increased demand for shares will result from high profitability, which will boost the company's value by sending a favourable signal to current and potential investors.

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METHOD

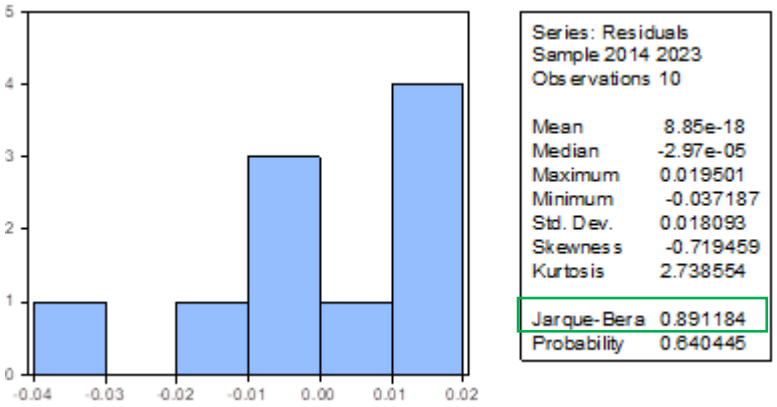
The object of research is PT Indofood CBP Sukses Makmur TBK, whose office is located at Sudirman Plaza, Indofood Tower, 23rd Floor. Jl. Jend. Sudirman Kav 76-78, Jakarta 12910. Data collection is done through the official website which can be accessed at www.idx.co.id and www.idnfinancials.com. The population used in this study is the entire financial statements of PT Indofood CBP Sukses Makmur TBK period 2014-2023. While the sample in this study is the income statement, balance sheet, and stock price of PT Indofood CBP Sukses Makmur TBK.

RESULT

Classical Assumption Test

Normality Test

a. DER effect on ROE



b. DER and ROE effect on PBV

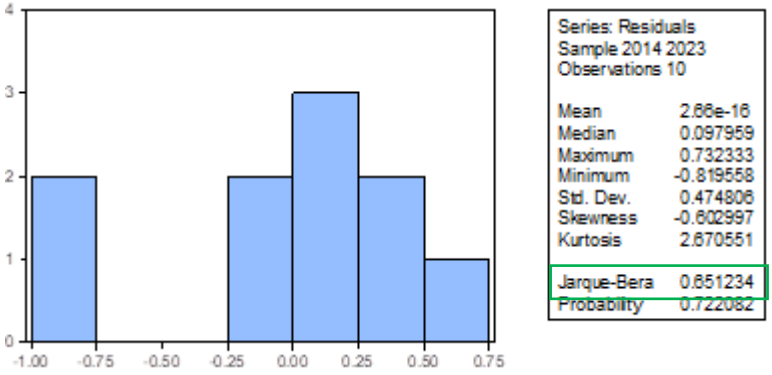


Figure 2. Normality Test Results

Based on the picture, the normality test was carried out using the Jarque-Bera method. Based on the test results, the Jarque-Bera probability value> 0.05 which indicates that the residual data is normally distributed. This indicates that the normality assumption is met and the regression model is capable used.

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Multicollinearity Test

Table 1. Multicollinearity Test Results

	DER	ROE
DER	1,000	0,270
ROE	0,270	1,000

Based on the EViews output, the correlation value between DER and ROE is 0.27. Since this value is <0.90, it can be concluded that there is no multicollinearity in the model.

Autocorrelation Test

a. DER effect on ROE

Table 2. Autocorrelation Test Results

Dependent Variable: ROE
Method: Least Squares
Date: 06/10/25 Time: 21:08
Sample: 2014 2023
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.249548	0.019490	12.80358	0.0000
DER	-0.111249	0.024663	-4.510828	0.0020

R-squared	0.717789	Mean dependent var	0.166000
Adjusted R-squared	0.682512	S.D. dependent var	0.034059
S.E. of regression	0.019191	Akaike info criterion	-4.891918
Sum squared resid	0.002946	Schwarz criterion	-4.831401
Log likelihood	26.45959	Hannan-Quinn criter.	-4.958305
F-statistic	20.34756	Durbin-Watson stat	2.377698
Prob(F-statistic)	0.001974		

From the table of the effect of DER on ROE, the DW value is 2.377, close to 2 which indicates that there is no autocorrelation.

b. DER and ROE effect on PBV

Table 3. Autocorrelation Test Results

Dependent Variable: PBV
Method: Least Squares
Date: 06/10/25 Time: 21:11
Sample: 2014 2023
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.840893	2.534847	2.304239	0.0546
DER	-4.785552	1.302412	-3.674377	0.0079
ROE	9.795520	9.918626	0.987588	0.3563

R-squared	0.912592	Mean dependent var	3.873000
Adjusted R-squared	0.887618	S.D. dependent var	1.605982
S.E. of regression	0.538380	Akaike info criterion	1.842821
Sum squared resid	2.028971	Schwarz criterion	1.933596
Log likelihood	-6.214103	Hannan-Quinn criter.	1.743240
F-statistic	36.54204	Durbin-Watson stat	1.144581
Prob(F-statistic)	0.000197		

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In the effect of DER and ROE on PBV, the DW value is 1.145, indicating a slight tendency of mild autocorrelation, but still within the tolerance limit for time series research with a limited number of observations.

Heteroscedasticity Test

The heteroscedasticity test was conducted using the White Test method. The test results show that there is no special pattern or systematic relationship between residuals and independent variables. A probability value > 0.05 indicates that the model does not contain heteroscedasticity. This can be seen in table 4. where Prob. F-statistic 0.3900 > 0.05 and table 5. which has a Prob. F-statistic 0.1661 > 0.05.

Table 4. Heteroscedasticity Test Results (DER effect on ROE)

Heteroskedasticity Test: White

F-statistic	1.080434	Prob. F(2,7)	0.3900
Obs*R-squared	2.358802	Prob. Chi-Square(2)	0.3075
Scaled explained SS	1.312290	Prob. Chi-Square(2)	0.5188

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 06/10/25 Time: 20:56
Sample: 2014 2023
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.000342	0.002031	-0.168482	0.8710
DER^2	-0.000105	0.003427	-0.030703	0.9764
DER	0.000935	0.005522	0.169386	0.8703

R-squared	0.235880	Mean dependent var	0.000295
Adjusted R-squared	0.017560	S.D. dependent var	0.000409
S.E. of regression	0.000406	Akaike info criterion	-12.53769
Sum squared resid	1.15E-06	Schwarz criterion	-12.44692
Log likelihood	65.68845	Hannan-Quinn criter.	-12.63727
F-statistic	1.080434	Durbin-Watson stat	2.578264
Prob(F-statistic)	0.390000		

Source: data processed (2025)

Table 5. Heteroscedasticity Test Results (DER and ROE effect on PBV)

Heteroskedasticity Test: White

F-statistic	2.849416	Prob. F(5,4)	0.1661
Obs*R-squared	7.807869	Prob. Chi-Square(5)	0.1671
Scaled explained SS	3.195644	Prob. Chi-Square(5)	0.6699

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 06/10/25 Time: 21:04
Sample: 2014 2023
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-82.97194	25.07247	-3.309284	0.0297
DER^2	-17.10519	5.558226	-3.077454	0.0370
DER*ROE	-333.7895	101.2888	-3.295424	0.0301
DER	80.00024	24.73654	3.234092	0.0319
ROE^2	-1284.447	369.9397	-3.472045	0.0255
ROE	661.9077	194.9909	3.394558	0.0274

R-squared	0.780787	Mean dependent var	0.202897
Adjusted R-squared	0.506770	S.D. dependent var	0.276430
S.E. of regression	0.194137	Akaike info criterion	-0.156793
Sum squared resid	0.150757	Schwarz criterion	0.024758
Log likelihood	6.783966	Hannan-Quinn criter.	-0.355954
F-statistic	2.849416	Durbin-Watson stat	2.536010
Prob(F-statistic)	0.166105		

Source: data processed (2025)

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Results of Regression Analysis

1) DER) Impact on ROE

Dependent Variable: ROE
Method: Least Squares
Date: 06/10/25 Time: 21:08
Sample: 2014 2023
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.249548	0.019490	12.80358	0.0000
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R-squared	0.717789	Mean dependent var	0.166000
Adjusted R-squared	0.682512	S.D. dependent var	0.034059
S.E. of regression	0.019191	Akaike info criterion	-4.891918
Sum squared resid	0.002946	Schwarz criterion	-4.831401
Log likelihood	26.45959	Hannan-Quinn criter.	-4.958305
F-statistic	20.34756	Durbin-Watson stat	2.377698
Prob(F-statistic)	0.001974		

Source: data processed (2025)

The table above shows that the R-squared value of 0.7178 indicates that 71.78% of the ROE variable is explained by DER. The F-statistic value is 20.35 and Prob (F) of 0.00197 <0.05 so that H0 is rejected and Ha is accepted, meaning that the regression model has a significant negative effect simultaneously, or DER as a whole has a significant effect on ROE, where the higher the DER the lower the company's ROE.

2) DER and ROE Impact on PBV

Dependent Variable: PBV
Method: Least Squares
Date: 06/10/25 Time: 21:11
Sample: 2014 2023
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.840893	2.534847	2.304239	0.0546
DER	-4.785552	1.302412	-3.674377	0.0079
ROE	9.795520	9.918626	0.987588	0.3563

R-squared	0.912592	Mean dependent var	3.873000
Adjusted R-squared	0.887618	S.D. dependent var	1.605982
S.E. of regression	0.538380	Akaike info criterion	1.842821
Sum squared resid	2.028971	Schwarz criterion	1.933596
Log likelihood	-6.214103	Hannan-Quinn criter.	1.743240
F-statistic	36.54204	Durbin-Watson stat	1.144581
Prob(F-statistic)	0.000197		

Source: data processed (2025)

The table above shows that the R-squared value of 0.9126 indicates that 91.26% of the PBV variable is explained by DER and ROE. The Prob (F) value of 0.00197 <0.05 so that H0 is rejected and Ha is accepted, meaning that the regression model has a significant effect simultaneously. While the DER variable has a significant negative effect on company value (PBV), with a probability value of 0.0079 <0.05. This shows that the higher the DER, the lower the company value reflected in PBV. Conversely, the ROE variable has no significant effect on PBV, because it has a probability of 0.3563> 0.05.

3) Mediation Test

The calculation results show a value of Z = -0.9653, smaller than the critical value of the Z-table (±1.96). Thus, it can be concluded that: ROE does not significantly mediate the relationship between DER and PBV.

DISCUSSION

The result of According to this analysis, capital structure measured by DER has a significant effect on profitability (ROE) and also on company value (PBV). However, the profitability variable (ROE) does not have a significant influence on PBV, so it is not proven as a mediator in the relationship.

Managerially, this indicates that companies need to focus more on managing capital structure to increase company value directly, as profitability does not directly contribute significantly to market valuation in this case study.

CONCLUSION

Conclusions

Considering the findings of the study and conversation that have been conducted, the following conclusions are obtained: 1. Profitability (ROE) is significantly impacted by capital structure (DER). It shows that changes in a company's capital structure will have an impact on the company's ability to generate profits. A high debt ratio tends to suppress profitability due to increased interest expense. 2. Capital Structure (DER) has no significant effect on Company Value (PBV). Although capital structure is important in financial planning, it does not directly affect market or investor perceptions of company value. 3. Profitability (ROE) has a significant effect on Company Value (PBV). This indicates that a high level of profit increases investor confidence, which in turn has a positive impact on stock prices and company value. 4. Profitability is able to mediate the effect of Capital Structure on Company Value. This means that although DER has no direct effect on PBV, the indirect effect through ROE is significant. Thus, ROE is an effective intervening variable in the relationship between DER and PBV.

Recommendations

Based on the above conclusions as a result of the research, the authors provide the following suggestions: 1. Company Management. It is expected to be more careful in determining the composition of the capital structure, especially in the use of debt. Effective debt management can increase profitability and indirectly increase company value. 2. Investors. Investors should consider the level of company profitability, not just the capital structure, in making investment decisions. High ROE is a positive signal of managerial performance and potential future growth in share value.

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