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THE EFFECT OF PROFITABILITY, CAPITAL STRUCTURE, AND FIRM AGE ON FIRM VALUE

(Study of Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2021–2023 Period)

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Abstract

The increasing number of new industries has intensified business competition in Indonesia. These developments have attracted investors to invest in companies. Firm value is an important factor that investors need to consider before making investment decisions because it can reflect a company's performance. This study aims to examine the effect of profitability, capital structure, and firm age on firm value. The study was conducted on food and beverage sub-sector companies listed on the Indonesia Stock Exchange. The sample was determined using the purposive sampling method, resulting in 192 observations. The collected data were analyzed using multiple linear regression. The results show that profitability has a positive effect on firm value, capital structure has a positive effect on firm value, and firm age has a positive effect on firm value. The theoretical implications indicate that the findings of this study support signaling theory and trade-off theory. The practical implications of this study provide information that can assist investors in making investment decisions by taking firm value into consideration.

Keywords: Profitability, Capital Structure, Firm Age, Firm Value

INTRODUCTION

Firm value is an important indicator that reflects market perceptions of a company's prospects and performance. A high firm value indicates greater investor confidence, which may lead to an increase in stock prices and, consequently, enhance shareholder wealth (Brigham & Houston, 2018; Chabachib et al., 2019). The food and beverage industry is one of the manufacturing sectors that makes a significant contribution to the Indonesian economy, as it has been able to maintain its growth despite facing global economic uncertainty (Kemenperin, 2022).