

## THE INFLUENCE OF LEVERAGE, PROFITABILITY AND SALES GROWTH ON FIRM VALUE IN MANUFACTURING COMPANIES IN THE FOOD AND BEVERAGE SUB SECTOR LISTED ON THE INDONESIAN STOCK EXCHANGE (BEI) IN 2019-2022

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**Abstract:** The primary aim of this research was to investigate the affects of leverage, profitability, and sales growth on firm value. Study's population consisted of companies within the food and beverage subsectors that were listed on the Indonesia Stock Exchange between 2019 and 2022. The samples were collected using purposive sampling methodology. Linear multiple regression analysis was employed to analyze the collected data. The study's findings indicate that profitability significantly affects firm value, while both the leverage variable and the sales growth variable has no impact on firm value.

**Keywords:** *Leverage, Profitability, Sales Growth, Firm Value*

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### 1. Introduction

The development of rapid times and uncertain economic conditions cause firm competition to be tight. Companies compete to increase company value to be able to compete and not fall behind other companies. Firm value is the value an investor would pay if the company were sold (Yulimtinan & Atiningsih, 2021). In companies going public, firm value is represented in the market price. Shares that are in demand by many investors will increase the firm's market price, which in turn will increase the firm's value (Devid & Mujiyanti, 2022).

Firm value is influenced by profitability and leverage (Herninta, 2019), besides that according to Khoeriyah (2020) firm value is influenced by sales growth. Leverage is the debt amount used to support the firm's operational activities. Excessive debt can affect the firm's profit earning ability, but if debt management is carried out properly it will have a positive impact on increasing firm profits (Sutama & Lisa, 2018).

Profitability is the firm's ability to earn profit in a given period. Firms with large profits will generate high profitability so that investors will be interested in buying shares and have an impact on improving the firm value. Meanwhile, sales growth is the quantity of sales of the firm from year to year. This growth can be quantified by counting this year's sales results against the previous year.

Based on financial statement data of food and beverage manufacturing companies that were publicly listed on the Indonesian Stock Exchange during 2019 to 2022, there are discrepancies between the data and results of previous research. The mismatch is in the form of the value of leverage, profitability and sales growth of companies that increase but the value of the firm decreases and vice versa. Leverage data shows that companies with issuer codes

ADES, BUDI and PANI have decreased but their company value has increased while companies with issuer codes ALTO, DLTA, ICBP, INDF, SKBM and TBLA whose leverage value has increased but their company value has decreased. This is not in line with the research by Herninta (2019), Taniman & Jonnardi (2020) and Devid & Mujiyanti (2022) which says that leverage affects the value of the firm positively.

Profitability data shows that there are 4 (four) companies whose profitability has increased but not retrieved by an increase in firm value, namely CAMP, CEKA, PSGO and SKBM. There are 2 (two) companies whose profitability has decreased but the company value has increased, namely BTEK and FOOD. This is contrary with the research by Indrayani et al. (2021), Herninta (2019) and Nanda (2019) which says that profitability affects the value of the firm positively. Meanwhile, sales growth data shows that there are 10 (ten) companies whose sales growth value rises, but their company value falls, namely companies with the issuer code CAMP, CEKA, DLTA, ICBP, INDF, MLBI, MYOR, PSGO, TBLA and ULTI. This contrasts with the results of studies from Dolontelide & Wangkar (2019) and Khoeriyah (2020) which suggests that sales growth affects the value of the firm positively. Referring to the descriptions, the authors are interested in retesting the influence on firm value using the variables of leverage, profitability and sales growth.

## 2. Research Method

### 2.1. Population and Sample

Total of 39 companies are listed on the IDX (Indonesia Stock Exchange), specifically within the food and beverage company sub-sector, were included as the entire population for this study during the period of 2019 to 2022. The sample was selected using certain criteria called the puposive sampling.

**Table 1 Sampling Criteria**

No	Criteria	Qty
1	Food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX)	39
2	Food and beverage sub-sector manufacturing companies that do not publish annual financial reports consecutively from 2019 - 2022	(12)
	The sample companies that meet the criteria	27
	Total research sample = 27 companies x 4 years	108
	Outlier data processing time	(19)
	<b>Total Research Sample</b>	<b>89</b>

Source: Processed data

### 2.2. Variable Research

**Table 2 Variable Research**

No	Variable	Measure	Scala
1	Dependent Variable: Firm Value (Y)	$PBV = \frac{\text{Price Per Share}}{\text{Book Value Per Share}}$	Ratio
2	Independent Variable: Leverage (X <sub>1</sub> )	$DER = \frac{\text{Total Debt}}{\text{Ekuitas}}$	Ratio

3	Independent Variable: Profitabilitas (X <sub>2</sub> )	$ROE = \frac{\text{Net Income}}{\text{Ekuitas}}$	Ratio
4	Independent Variable: Sales Growth (X <sub>3</sub> )	$\text{Sales Growth} = \frac{\text{current year sales} - \text{previous year sales}}{\text{previous year sales}}$	Ratio

### 2.3. Data Collection and Analysis Techniques

The data used are secondary data obtained through methods of documentation and literature studies. The data used comes from <https://www.bei.co.id> and literature that is in line with the research. Data analysis was made with SPSS version 25 with multiple linear regression analysis method.

## 3. Results and Discussion

### 3.1. Results

#### Descriptive Statistic Test

**Table 3 Results of Descriptive Statistical Test**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
<i>Leverage</i> (X1)	108	-2,13	17,04	1,2497	2,13172
Profitabilitas (X2)	108	-1,67	1,45	0,0851	0,30435
<i>Sales Growth</i> (X3)	108	-0,85	2,08	0,0971	0,29335
Nilai Perusahaan (Y)	108	-0,33	28,50	3,1906	3,88632
Valid N (listwise)	108				

Source: SPSS output version 25

#### Classic Assumption Test

##### Test of Normality

**Table 4 Results of Normality Test**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		108
Normal	Mean	0,0000000
Parameters <sup>a,b</sup>	Std. Deviation	3,28544981
Most Extreme	Absolute	0,184
Differences	Positive	0,184
	Negative	-0,149
Test Statistic		0,184
Asymp. Sig. (2-tailed)		0,000 <sup>c</sup>

Source: SPSS output version 25

Test outputs show a significance value (Asymp. Sig.) of  $0.000^c < 0.05$  meaning that the data is abnormally distributed so it is necessary to test outlier data. After eliminating outlier data, the data used amounted to 89 samples. Normality test results after removing outlier data:

**Table 4 Results of Normality Test  
(After Outlier Removal)**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		89
Normal Parameters <sup>a, b</sup>	Mean	0,0000000
	Std. Deviation	1,35897068
Most Extreme Differences	Absolute	0,082
	Positive	0,082
	Negative	-0,055
Test Statistic		0,082
Asymp. Sig. (2-tailed)		0,194 <sup>c</sup>

Source: SPSS output version 25

Normality test result after removing outlier data show a significance value (Asymp. Sig.) of  $0.194^c > 0.05$ . This shows that the is normal distributed.

### Test of Multicollinearity

**Table 5 Results of Multicollinearity Test**

Coefficients <sup>a</sup>			Collinearity Statistics	
Model	t	Sig.	Tolerance	VIF
1 (Constant)	4,288	0,000		
Leverage (X <sub>1</sub> )	-0,471	0,639	0,669	1,494
Profitabilitas (X <sub>2</sub> )	3,777	0,000	0,656	1,524
Sales Growth (X <sub>3</sub> )	-1,671	0,098	0,957	1,045

a. Dependent Variable: Nilai Perusahaan (Y)

Source: SPSS output version 25

Test outputs describe the tolerance value of leverage of  $0.669 > 0.1$ , profitability of  $0.656 > 0.1$  and sales growth of  $0.957 > 0.1$ . The VIF value of leverage is  $1.494 < 10$ , profitability is  $1.524 < 10$  and sales growth is  $1.045 < 10$ . The analysis result indicate that independent variables in this studies have a values of tolerance more than 0.1 and values of VIF lower than 10. This finding suggests the absence of multicollinearity within the regression model.

### Test of Autocorrelation

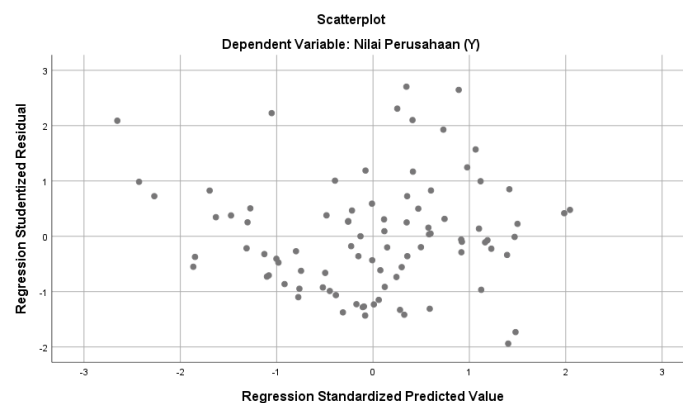
**Table 6 Results of Autocorrelation Test**

Runs Test	
	Unstandardized Residual
Test Value <sup>a</sup>	-0,13640
Cases < Test Value	44
Cases >= Test Value	45
Total Cases	89
Number of Runs	54
Z	1,814
Asymp. Sig. (2-tailed)	0,070
a. Median	

Source: SPSS output version 25

The autocorrelation test results are a value of significant of  $0.070 > 0.05$ . This implies that there is no auto-correlation in this study.

### Test of Heteroscedasticity



**Picture 1 Heteroscedasticity Test Result**

Source: SPSS output version 25

The heteroscedasticity test result show that the pattern of data points is spread above and below zero, not collected above or below and do not form a specific pattern. The conclusion drawn from the analysis is that there is no presence of heteroscedasticity.



# Hypothesis Test Analysis of Multiple Linear Regression

**Table 7 Multiple Linear Regression Analysis Results**

		Coefficients <sup>a</sup>		
		Unstandardized Coefficients		Standardized Coefficients
Model		B	Std. Error	Beta
1	(Constant)	1,862	0,434	
	<i>Leverage</i> (X <sub>1</sub> )	-0,135	0,287	-0,055
	Profitabilitas (X <sub>2</sub> )	7,645	2,024	0,443
	<i>Sales Growth</i> (X <sub>3</sub> )	-1,521	0,910	-0,162

a. Dependent Variable: Nilai Perusahaan (Y)

Source: SPSS output version 25

The results based on the regression equation above are:

$$Y = 1,862 - 0,135 X_1 + 7,645 X_2 - 1,521 X_3 + e$$

Which means:

- The constant value of 1.862 in the regression model indicates that when the leverage, profitability, and sales growth variables are all zero, the estimated firm value is 1.862
- The leverage regression coefficient value is - 0.135 with a negative value, this means that each one unit increase in leverage value will be followed by a firm value decrease of 0.135 with the condition that the other independent variables constant.
- The profitability regression coefficient value is 7.645 with a positive value, meaning that each increase in profitability value by one unit will be followed by firm value increase of 7.645 assuming other independent variables remain.
- The sales growth regression coefficient value is - 1.521 with a negative value, meaning that any increase in sales growth value by one unit will be followed by a firm value decrease of 1.521 assuming other independent variables remain.

## Test of Model Feasibility (F-Test)

**Table 8 Results of Feasibility Model**

ANOVA <sup>a</sup>					
Model		Sum of Squares	df	Mean Square	F Sig.
1	Regression	49,263	3	16,421	8,589 0,000 <sup>b</sup>
	Residual	162,519	85	1,912	
	Total	211,782	88		

a. Dependent Variable: Nilai Perusahaan (Y)

b. Predictors: (Constant), Sales Growth (X<sub>3</sub>), *Leverage* (X<sub>1</sub>), Profitabilitas (X<sub>2</sub>)

Source: SPSS output version 25

Result of the data processing above describe that the significant value (sig) is  $0.000^b < 0.05$  and the value of the F- count is  $8.589 >$  value of the F- table is 2.712. The conclusion is that the regression model can be used in research.

### Test of Partial Correlation (t-Test)

**Table 9 Result of t-Test**

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	1,862	0,434		4,288 0,000
	<i>Leverage</i> (X <sub>1</sub> )	-0,135	0,287	-0,055	-0,471 0,639
	<i>Profitabilitas</i> (X <sub>2</sub> )	7,645	2,024	0,443	3,777 0,000
	<i>Sales Growth</i> (X <sub>3</sub> )	-1,521	0,910	-0,162	-1,671 0,098

a. Dependent Variable: Nilai Perusahaan (Y)

Source: SPSS output version 25

Referring to the test result, conclusions can be made, namely:

- The influence of leverage on firm value is deemed insignificant based on the statistical analysis. The obtained significant leverage value of 0.639 surpasses the predetermined threshold of 0.05, and t-count value of -0.471 is found to be lower than the critical t-table value of 1.98827. Thus, it can be concluded that leverage has no substantial affect on firm value.
- Profitability directly influences firm value. This finding is derived from statistical testing, with a significant profitability value of 0.000, that it is below the predefined significant level of 0.05. Additionally, the t-count value of 3.777 exceeds the critical t-table value of 1.98827.
- The analysis indicates that there is no impact of sales growth on firm value. This conclusion is based on statistical testing, where the obtained sales growth value of 0.098 exceeds the level of significant of 0.05. Additionally, the obtained value of the t-count of -1.671 is found to be smaller than the critical value of the t-table of 1.98827.

### Coefficient of Determination (R Square)

**Table 10 Result of R Square**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,482 <sup>a</sup>	0,233	0,206	1,38274

a. Predictors: (Constant), *Sales Growth* (X<sub>3</sub>), *Leverage* (X<sub>1</sub>), *Profitabilitas* (X<sub>2</sub>)

b. Dependent Variable: Nilai Perusahaan (Y)

Source: SPSS output version 25

Result of the test above show an R square of 0.233. This describe that the ability of leverage, profitability and sales growth in explaining the firm value variable is 23.3% while 76.7% is explained by a different variable that is not part of this study.

### **3.2. Discussion**

#### **Leverage Effect on Firm Value**

The study's result describe that leverage has no influence on firm value. These findings contradict the results of previous studies conducted from Herninta (2019), Taniman & Jonnardi (2020) and Devid & Mujiyanti (2022) which state that leverage has a positive influence on firm value.

The leverage value is not an indicator in purchasing shares because large leverage will provide large additional capital for the company while companies with small leverage levels also do not guarantee good performance. It depends on the management carried out by each company.

#### **Profitability Effect on Firm Value**

The study's result describe that profitability has an influence on firm value. These findings contradict the results of previous studies conducted from Herninta (2019), Nanda (2019) and Indrayani et al. (2021) which state that profitabilitas has a positive influence on firm value.

Firms that have high profitability are considered capable of generating large profits. This can increase investor interest in investing by buying the firm's shares, thereby triggering an increase in share prices and increasing firm's overall value.

#### **Sales Growth Effect on Firm Value**

The study's result describe that sales growth has no influence on firm value. These findings contradict the results of previous studies conducted from Dolontelide & Wangkar (2019) and Khoeriyah (2020) which results in sales growth having a positive influence on firm value. High growth in sales does not necessarily have large profits, because the calculation of company profits is influenced by various factors.

### **4. Conclusion**

Referring to the analysis above, the conclusions in this study are as described below:

- a. Leverage does not affect the value of the firm.
- b. Profitability effects the value of the firm.
- c. Sales growth does not affect the value of the firm.

From the conclusion of this study, the authors provide suggestions: (1) The firm must consider the variables that can potentially impact the value of the firm so that in an attempt to increasing the value of the firm it can take the right and efficient policy. (2) Investors should consider the value of the firm by looking at the factors that influence it before making an investment. (3) For further researchers, they should be able to use other more diverse variables, expand the sample coverage and increase the range of research years.

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