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Firm Value Determinants: Solvency, Asset Growth, and Profitability in the Food and Beverage Sector

Susilawati*

*Pamulang University, Faculty of Economics and Business, Indonesia

Abstract

This study investigates the determinants of firm value by examining the roles of solvency, asset growth, and profitability in food and beverage companies listed on the Indonesia Stock Exchange (IDX). The research sample consists of eight leading firms selected through purposive sampling from 2018-2023, yielding 48 firm-year observations. Data were analyzed using multiple regression with SPSS to assess both partial and simultaneous effects. The results show that solvency has a negative but insignificant effect on firm value, indicating that higher debt levels may not necessarily enhance market perception. Conversely, asset growth and profitability exert positive and significant effects, implying that efficient asset management and strong earnings performance contribute to higher firm value. Simultaneously, the three variables significantly influence firm value, suggesting their collective importance in shaping investor confidence. These findings provide practical implications for managers and investors to strengthen financial decision-making and corporate performance in Indonesia's food and beverage sector.

Keywords: Firm Value, Solvency, Asset Growth, Profitability, Food and Beverage Sector.

JEL Classification: G32, C22

Corresponding author's email: deswati262@gmail.com

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Introduction

Firm value has long been recognized as a critical indicator of a company's overall financial performance and market perception. It reflects investors' assessment of management efficiency, profitability, and long-term sustainability. In capital market studies, firm value is often associated with the company's ability to optimize financial decisions, manage resources effectively, and maintain investor confidence (Kamaleddin & Yulazli, 2023). As one of the most dynamic sectors in the manufacturing industry, the food and beverage industry plays a strategic role in economic growth and investment attractiveness. Companies in this sector face intense competition, fluctuating consumer demand, and capital-intensive operations, making it essential for management to maintain an optimal financial structure and sustainable growth.

Financial performance indicators such as profitability, solvency, and asset growth are widely used to explain variations in firm value. Profitability represents management's efficiency in generating income from available resources, while solvency reflects the company's ability to meet long-term obligations. Asset growth, on the other hand, captures the firm's expansion strategy and potential for future value creation. According to Signaling Theory (Spence, 1973), financial ratios such as profitability and solvency act as signals to investors regarding a firm's financial health and future performance. Managers often use financing policies and growth strategies to communicate positive information about firm prospects. Debt financing, for example, may be perceived as a positive signal of managerial confidence, while excessive leverage can generate negative signals that reduce firm value.

Previous studies examining the determinants of firm value, particularly profitability, solvency, and asset growth, have shown inconsistent findings. Several researchers found that profitability plays a crucial role in enhancing firm value since it reflects management's ability to generate earnings efficiently (Adhyaksa & Sudani, 2023; Jamiah & Haili, 2023; Alaysh & Sudani, 2024). However, other studies reported that profitability does not always have a significant effect on firm value, depending on the financial structure and industry characteristics (Adma, 2025; Singih et al., 2025). Similarly, the effect of solvency remains inconclusive; some studies demonstrated a positive relationship between solvency and firm value (Solys & Mahanani, 2025; Puthong et al., 2025), while others revealed an insignificant influence, as high debt levels may reduce investor confidence (Michelle & Zubaidi, 2024; Safitri et al., 2025). In addition, asset growth serves as an important indicator of future

prospects, representing a firm's ability to expand and manage its assets effectively to create additional value (Pirani & Komara, 2024; Pura & Candra, 2024). Several studies also emphasized that higher asset growth may increase firm value through improved productivity and competitiveness (Sulastira & Pranjono, 2022; Tie & Prima, 2022). Nevertheless, when asset growth is not accompanied by improved profitability, the potential financial risk may rise, leading to a decline in firm value.

Unlike prior studies that primarily examine financial ratios in general manufacturing industries, this study contributes by focusing on the food and beverage sector—an industry characterized by consumer-driven demand, high operational leverage, and post-pandemic recovery dynamics. Theoretically, this study enriches the understanding of how solvency, asset growth, and profitability interact to influence firm value under the framework of Agency Theory and Signaling Theory, offering a sector-specific perspective rarely addressed in previous research.

Considering these empirical inconsistencies and the unique characteristics of the food and beverage industry, this study aims to further analyze the roles of solvency, asset growth, and profitability as key determinants of firm value among food and beverage companies listed on the Indonesia Stock Exchange (IDX). This research contributes to the ongoing discussion on financial performance and firm valuation by providing updated evidence from a sector that significantly supports national economic resilience and consumer welfare.

Despite extensive research on firm value determinants, empirical inconsistencies remain, particularly concerning the direction and significance of solvency and asset growth in capital-intensive sectors. Therefore, this study seeks to answer the following questions:

- (1) Does solvency significantly influence firm value in food and beverage companies?
- (2) How does asset growth contribute to firm value formation?
- (3) To what extent does profitability strengthen firm value?

Literature Review

Agency Theory

Agency theory describes the contractual relationship between shareholders, who act as principals, and managers, who function as agents responsible for operating the firm. The delegation of authority from owners to managers creates a separation between ownership and

control, leading to a disparity in access to information about the company's operations. This information asymmetry enables managers to exploit privileged information for their own benefit rather than for the welfare of shareholders. Such opportunistic behavior can manifest in actions like earnings manipulation or inefficient investment decisions. Jensen and Meckling (1976) argue that agency conflicts emerge when managers prioritize personal utility over shareholder value. Supporting this view, Al-Mulkawi (2023) contends that weak governance mechanisms and dispersed ownership structures exacerbate agency issues, thereby heightening the risk of earnings management in firms where information asymmetry is high.

Signaling Theory

Signaling theory, first introduced by Spence (1973), explains that a signal represents information intentionally conveyed by one party (the sender) to another (the receiver). The sender typically the party possessing private information attempts to communicate relevant insights that can influence the receiver's perception and behavior. The receiver, in turn, interprets and responds to the signal based on their understanding of its meaning. According to Febriyanti et al. (2025), signaling theory in corporate finance describes managerial funding decisions that are believed to reflect the intrinsic value of the company's shares. In general, financing through debt is often interpreted as a positive signal, indicating that managers perceive the firm's shares as undervalued and that future prospects are promising. Conversely, issuing new equity is viewed as a negative signal, suggesting that managers consider the firm's shares to be overvalued. This perception can lead to a decline in share prices and higher underwriting costs, making debt financing relatively more attractive than equity issuance.

Additional Theoretical Support

Recent international studies have emphasized that firm value is influenced not only by internal financial indicators but also by sectoral characteristics and market expectations. According to Al-Tamimi and Charif (2024), the relevance of profitability and solvency to firm value depends on industry capital intensity and investor sentiment. Similarly, Lee and Kim (2023) found that the signaling effect of profitability is stronger in consumer-based industries, where investor perception plays a dominant role.

Meanwhile, Khan et al. (2022) and Zhang & Wei (2024) confirmed that asset growth can enhance firm value only when accompanied by efficient asset utilization and stable leverage ratios. These global findings align with the Indonesian food and beverage sector, where

operational efficiency and balance between growth and debt are critical in maintaining firm value stability.

Thus, the theoretical integration of [Agency Theory](#) and [Signaling Theory](#) in this study provides a robust framework to explain firm value behavior in industries characterized by rapid expansion and high consumer dependence.

Firm Value

Firm value reflects the [company's overall market performance and is often considered as the primary indicator of investors' perception toward the firm's financial health and prospects](#). It represents the degree of market confidence in management effectiveness in generating returns for shareholders. According to Adhyaksa & Sudarso (2023), firm value can be influenced by internal financial ratios, such as profitability and solvency, as they signal the company's capability to meet obligations and create sustainable profits. Similarly, Komalasari & Yulianti (2023) state that firm value is shaped by investors' responses to financial information disclosed in annual reports. Moreover, Purbang et al. (2025) emphasize that in the food and beverage subsector, firm value is strongly associated with profitability and financial structure since these industries are highly sensitive to operational efficiency and leverage ratios. In essence, firm value is the outcome of management's financial decisions reflected in the market valuation of the company.

Solvency

Solvency describes [a company's ability to meet its long-term obligations and maintain financial stability over time](#). It shows the extent to which a firm depends on external financing to support its operations. Aldur (2021) argues that higher solvency ratios indicate higher financial risk, which can reduce firm value when debt levels exceed the optimal structure. Meanwhile, Safri et al. (2020) found that solvency ratios such as debt-to-equity or debt-to-asset influence investors' confidence, thus affecting firm valuation. [Research by Ningsih et al. \(2025\) also supports that solvency plays a crucial role as it represents how efficiently a firm manages its debt to maintain growth without endangering its financial sustainability](#). In manufacturing companies, particularly the food and beverage subsector, maintaining an ideal solvency ratio is essential because excessive leverage can threaten liquidity and long-term value creation (Patri & Candu, 2024). Therefore, solvency serves as a critical determinant of firm value and capital structure management.

Asset Growth

Asset growth represents the firm's expansion capability through investment in productive resources, reflecting management's strategy to increase operational capacity and revenue. According to Firman and Komari (2024), asset growth reflects management's optimism about future performance and the company's ability to reinvest profits effectively. However, Mufidoh (2023) highlights that excessive asset growth without proportional profitability may lead to inefficiency and declining firm value. Sulistiana and Purjanto (2022) emphasize that firms in the food and beverage industry require consistent asset expansion to sustain competitiveness, but such growth must align with financing capacity and profitability levels. Furthermore, Triyanti (2019) states that controlled asset growth signals prudent financial management, which is appreciated by investors. In summary, asset growth contributes to firm value when it enhances operational efficiency and return potential rather than merely increasing asset size.

Profitability

Profitability reflects the company's efficiency in generating earnings relative to its sales, assets, or equity and is one of the most influential factors determining firm value. As noted by Alayib & Sudani (2024), higher profitability indicates stronger financial performance, attracting investors and increasing market valuation. Jemidi & Hadi (2023) found that profitability ratios, such as return on assets (ROA) and return on equity (ROE), significantly affect firm value as they provide signals about the firm's capacity to generate future cash flows. Similarly, Saleh & Mahamir (2021) argue that profitability mediates the impact of solvency and liquidity on firm value, serving as a central indicator of financial success. Tio & Prima (2022) also emphasize that consistent profitability enhances investor trust and market perception, particularly in the food and beverage sector, which relies heavily on stable margins. Therefore, profitability is a key determinant of firm value because it directly influences both internal performance and external investor confidence.

The reviewed studies collectively reveal that while profitability consistently enhances firm value, the impacts of solvency and asset growth remain context-dependent. This suggests that firm value is not determined solely by one financial dimension but by the synergy between debt management, expansion capability, and profit efficiency. Such integration indicates that signaling mechanisms through profitability may offset the potential negative perception of high leverage, emphasizing the need to analyze these variables jointly rather than in isolation.

Hypothesis Development

Solvency and Firm Value

According to **Trade-Off Theory and Signaling Theory**, solvency reflects a firm's ability to manage its debt obligations and long-term financial stability. Firms with high leverage ratios face greater financial risk, which can reduce investor confidence and ultimately decrease firm value. Conversely, a balanced solvency level signals financial prudence and stability, attracting positive market responses (Adhyana & Sudani, 2023; Azzah & Hadi, 2023). Empirical studies conducted by Adita (2025) and Komalasari & Yuliani (2023) demonstrate that solvency tends to have a negative and significant effect on firm value because excessive debt raises bankruptcy risk and diminishes market trust. In line with these findings, this study proposes the following hypothesis:

H1: Solvency has a negative and significant effect on firm value.

Asset Growth and Firm Value

From the perspective of Signaling Theory, asset growth provides an external signal of a firm's expansion capability and future performance expectations. Firms with rapid asset growth often demonstrate effective resource utilization, reflecting managerial optimism and an expanding operational scale (Firkani & Komari, 2024; Puzhang et al., 2023). Previous studies, such as Sulistiana & Pongjoto (2022) and Mulidah (2023), found that higher asset growth positively influences firm value since it increases productive capacity and enhances competitive advantage in the market. Thus, consistent asset expansion is perceived by investors as a driver of long-term firm value. **Based on this rationale, the following hypothesis is proposed:**

H2: Asset growth has a positive and significant effect on firm value.

Profitability and Firm Value

Within the framework of Signaling Theory and Agency Theory, profitability serves as a key performance indicator that signals managerial efficiency and firm health to external stakeholders. High profitability implies superior managerial ability to generate returns, thereby strengthening investor confidence and improving firm valuation (Aryah & Sudani, 2024; Saifin et al., 2025). Empirical results from Michelle & Zubaidi (2024) and Ningrati et al. (2025) confirm that profitability significantly increases firm value, as greater earnings enhance dividend capacity and boost stock prices. Consequently, profitability is considered one of the

most consistent determinants of **firm value in the Indonesian market**. Therefore, the hypothesis is formulated as follows:

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

Combined Effect of Solvency, Asset Growth, and Profitability on Firm Value

Although each financial variable may individually affect firm value, it is important to assess their combined influence to capture the overall strength of a firm's financial fundamentals. **Based on the Pecking Order Theory**, companies with strong profitability and controlled solvency are more likely to finance their operations internally, while consistent asset growth further enhances their long-term valuation (Purno & Candia, 2024; Supandhi et al., 2023). Empirical findings by Pambung et al. (2023) in Indonesia's food and beverage sector support the notion that solvency, asset growth, and profitability jointly determine firm value, as investors tend to evaluate these financial indicators holistically. Hence, **the integrated model of this study posits**

H4: Solvency, asset growth, and profitability simultaneously have a significant effect on **firm value**.

Research Methods

This study employs a descriptive quantitative research design, which aims to provide an empirical description and statistical analysis of the relationship between solvency, asset growth, and profitability toward firm value. The quantitative approach **emphasizes the use of numerical data and statistical testing to examine the formulated hypotheses objectively**. The research uses secondary data obtained from **financial statements published by food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the period 2018–2023**, which were accessed through the official IDX website (<https://www.idx.co.id>) and the companies' respective websites. The study involves four variables: three independent variables (solvency (X₁), asset growth (X₂), and profitability (X₃)) and one dependent variable, firm value (Y).

The population of this study consists of all food and beverage companies listed on the IDX between 2019 and 2023. Using a purposive sampling technique, the sample was selected based on specific criteria: (1) companies consistently listed on the IDX during the study period; (2) companies that published audited and complete financial statements from 2019 to 2023; and (3) market-leading companies in the food and beverage subsector in Indonesia. Based on these criteria, eight companies were selected, producing a total of 48 firm-year observations across six years. Data analysis was conducted using multiple linear regression analysis with SPSS version 26 as a statistical tool. Prior to hypothesis testing, classical assumption tests were performed, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, to ensure the reliability and validity of the regression model.

Variable	Conceptual Definition	Indicator / Measurement Formula	Scale	Source
Firm Value (V)	The firm's market performance reflecting investors' perception of management efficiency and growth potential.	Price to Book Value $(PBV) = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$	Ratio	Adhyasta & Sudana (2023); Kornilowski & Yuliani (2023)
Solvency (X ₁)	The firm's ability to meet long-term obligations and maintain financial stability.	Debt to Equity Ratio $(DER) = \frac{\text{Total Debt}}{\text{Total Equity}}$	Ratio	Akhar (2021); Safitri et al. (2025)
Asset Growth (%)	The firm's ability to expand its total assets to enhance operational capacity and competitiveness.	Asset Growth $\frac{\text{Total Assets}_{t1} - \text{Total Assets}_{t0}}{\text{Total Assets}_{t0}} \times 100\%$	Percentage	Firiani & Komari (2024); Putra & Candra (2024)

Variable	Conceptual Definition	Indicator / Measurement Formula	Scale	Source
Profitability (X ₁)	The firm's efficiency in generating profit from total assets owned.	$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$	Percentage	Akhyah & Sudani (2024), Jannah & Haili (2023)

Results and Discussions

Descriptive Statistics

Prior to performing regression or any **inferential statistical analysis**, it is **crucial** to evaluate the **fundamental characteristics of the study variables**. Descriptive statistical analysis offers an initial summary of the dataset by presenting measures of central tendency, variability, and distribution shape. This process assists researchers in identifying underlying data patterns, potential outliers, and any deviations from the assumption of normality.

Table 1 Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Solvency	48	1.158	28.999	4.808.63	4.320.196
Asset Growth	48	-1.419	6.263	.792.81	1.259.523
Profitability	48	-684.7	14548	1341.21	2389.203
Firm Value	48	-33	853	134.67	206.657

Source: SPSS 26 Output, processed (2025)

Table 1 presents the results of the descriptive statistical analysis for all research variables, consisting of solvency, asset growth, profitability, and firm value, based on 48 firm-year observations. The data show that solvency has a minimum value of 1.158 and a maximum of 28.999, with an average of 4,808.63 and a standard deviation of 4,320.20, indicating considerable variation in companies' debt levels. Asset growth ranges from -1.419 to 6.263,

with a mean of 792.81 and a standard deviation of 1,259.52, suggesting that some firms experienced asset decline while others achieved substantial growth. Profitability shows a wide distribution, with values ranging from -6,845 to 14,548, an average of 1,343.21, and a deviation of 2,389.28, reflecting significant differences in earning capacity across firms. Firm value has a minimum of -33 and a maximum of 853, with an average of 134.67 and a standard deviation of 206.66, implying moderate dispersion and variability among companies in the food and beverage sector listed on the IDX during 2018–2023.

Normality Test

Table 2. Normality Test
One-Sample Kolmogorov-Smirnov Test

		Untransformed Residual
N		48
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	172.78446345
Most Extreme Differences	Absolute	.087
	Positive	.087
	Negative	-.049
Test Statistic		.087
Asymp. Sig. (2-tailed) ^c		.201 ^d

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: SPSS 26 Output, processed (2025)

Table 2 presents the results of the normality test using the One-Sample Kolmogorov-Smirnov method to assess whether the residual data are normally distributed. The test shows a Kolmogorov-Smirnov statistic value of 0.087 with an Asymp. Sig. (2-tailed) of 0.201, which is greater than the 0.05 significance level. These results indicate that the residuals are normally distributed, and there is no significant deviation from normality.

Multicollinearity Test

Table 3. Multicollinearity Test
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1. (Constant)	316.783	50.402		6.285	.000		
Solvency	-.011	.006	-.225	-1.676	.101	.880	1.136
Asset Growth	.046	.021	.282	2.173	.035	.945	1.058
Profitability	.025	.011	.285	2.144	.038	.901	1.110

Dependent Variable: Firm Value

Source: SPSS 26 Output, processed (2025)

Table 3 shows the results of the multicollinearity test using tolerance and Variance Inflation Factor (VIF) values. The tolerance values for solvency (0.880), asset growth (0.945), and profitability (0.901) are all above 0.10, while their corresponding VIF values 1.136, 1.058, and 1.110 are below 10. These results indicate that there is no multicollinearity among the independent variables, meaning that solvency, asset growth, and profitability are mutually independent and suitable for inclusion in the multiple regression model.

Heteroscedasticity Test

Table 4. Heteroscedasticity Glejser test

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1. (Constant)	113.743	26.293		4.326	.000
Solvency	-.001	.003	-.054	-.375	.710
Asset Growth	.003	.002	.112	.762	.676
Profitability	.007	.006	.125	.879	.384

Dependent Variable: AbsRes

Source: SPSS 26 Output, processed (2025)

Table 4 presents the results of the heteroscedasticity test using the Glejser method. The significance values for solvency (0.710), asset growth (0.676), and profitability (0.384) are all greater than 0.05, indicating that none of the independent variables significantly affect the absolute residuals. Therefore, the regression model is free from heteroscedasticity problems, and the variance of the residuals is consistent across all observations.

Autocorrelation Test

The Durbin-Watson (DW) value falls within the acceptable threshold of 1.5 to 2.5, suggesting that no autocorrelation exists among the residuals. Thus, the regression model satisfies the assumption of independent residuals.

Table 5. Autocorrelation Test
Model Summary^a

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
			Square		
1	.349 ^b	.302	.254	178.493	1.833

a. Prediction: (Constant), Profitability, Asset Growth, Solvency.

b. Dependent Variable: Firm Value

Source: SPSS 26 Output, processed (2023)

Table 5 displays the results of the autocorrelation test using the Durbin-Watson (DW) statistic. The obtained DW value is 1.833, which lies within the acceptable range of 1.5 to 2.5, indicating that no autocorrelation exists among the residuals. This result confirms that the regression model satisfies the assumption of residual independence, allowing further analysis to be conducted reliably.

Multiple Linear Regression Results

Table 6. Multiple Linear Regression
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	116.781	90.402			6.285	.000
	Solvency	-.011	.006	-.225		-1.876	.061
	Asset Growth	.046	.021	.282		2.173	.035
	Profitability	.025	.011	.283		2.344	.028

a. Dependent Variable: Firm Value

Source: SPSS 26 Output, processed (2023)

Table 6 presents the results of the multiple linear regression analysis examining the effects of solvency, asset growth, and profitability on firm value. The regression equation obtained is

$$Y = 316.783 - 0.011(X1) + 0.046(X2) + 0.025(X3) + e$$

The constant value of 316.783 indicates the average firm value when solvency, asset growth, and profitability are constant at zero. The regression coefficient for solvency is 0.011, showing a negative relationship, meaning that higher solvency levels reflecting greater debt proportions tend to reduce firm value due to increased financial risk. Conversely, the coefficient for asset growth is 0.046, indicating a positive relationship, where rising asset growth enhances firm value as it reflects expansion and stronger operational capacity. Similarly, profitability has a positive coefficient of 0.025, suggesting that greater profitability contributes to higher firm value through improved financial performance and investor confidence.

Results of the coefficient of determination

The coefficient value ranges from 0 to 1, where values approaching 1 signify that the model possesses strong predictive power, whereas values nearing 0 indicate that the model has a weaker ability to explain variations in the dependent variable.

Table 7. coefficient of determination

Model Summary ^a					
Model	R	R Square	Adjusted R	Std. Error of the	
			Square	Estimate	Durbin-Watson
1	.549 ^a	.302	.254	178.495	1.853

a. Predictors: (Constant), Profitability, Asset Growth, Solvency

b. Dependent Variable: Firm Value

Source: SPSS 26 Output, processed (2025)

The coefficient of determination (R^2) in Table 7 shows a value of 0.302, indicating that 30.2% of the variation in firm value can be explained by the independent variables solvency, asset growth, and profitability. The remaining 69.8% is influenced by other factors not included in the model. The R value of 0.549 demonstrates a moderate level of correlation between the independent variables and firm value, while the adjusted R^2 value of 0.254 suggests a relatively stable model fit after adjusting for the number of predictors. The standard error of 178.495 indicates the average deviation of the predicted values from the actual observations.

Test

Table 8. Partial Test Results (t-test)
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	t
1	(Constant)	316.783	96.402		6.285
	Solvency	-.013	.006	-.225	-1.676
	Asset Growth	.046	.025	.282	2.173
	Profitability	.025	.011	.285	2.344

a. Dependent Variable: Firm Value

Source: SPSS 26 Output, processed (2023)

Table 8 displays the results of the partial t-test, showing the significance levels of each independent variable in explaining firm value. The solvency variable has a significance value of 0.101, which is greater than 0.05, indicating that it does not have a significant effect on firm value. In contrast, asset growth shows a significance value of 0.035 and profitability 0.038, both below 0.05, meaning these variables have a significant positive effect on firm value. Thus, asset growth and profitability are key determinants in increasing firm value, while solvency does not significantly influence it in this model.

Test

Table 10. Simultaneous Test Results (F-Test)
ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	685573.577	3	201791.192	6.334	.001 ^b
Residual	1401961.090	44	31862.729		
Total	2087534.667	47			

a. Dependent Variable: Firm Value

b. Predictors: (Constant), Profitability, Asset Growth, Solvency

Source: SPSS 26 Output, processed (2023)

Table 10 presents the results of the simultaneous F-test, which assesses the collective influence of solvency, asset growth, and profitability on firm value. The table shows an F-value of 6.334 with a significance level of 0.001, which is below 0.05. This indicates that the three independent variables, when tested together, have a statistically significant effect on firm value.

In other words, solvency, asset growth, and profitability jointly contribute to explaining variations in firm value, implying that the model is valid and the independent variables collectively have explanatory power over the dependent variable.

Discussion

Solvency and Firm Value

The partial test results (t-test) indicate that the solvency variable (X_1) has a negative effect on firm value (Y), with a regression coefficient of -0.011 and a significance value of 0.140 (> 0.05), meaning the effect is not statistically significant. The negative direction implies that higher solvency, or a larger proportion of debt to total assets, tends to reduce firm value. This finding is consistent with Michelle and Zahedi (2024) & Alimi (2025), who argue that excessive debt levels can decrease investor confidence due to increased financial risk. However, it contradicts Patsburg et al. (2023) and Salsu & Maharani (2023), who found that solvency can positively influence firm value when debt is used productively to support business expansion. Thus, this study supports the view that the effectiveness of debt utilization plays a crucial role in determining whether solvency enhances or diminishes firm value.

Asset Growth and Firm Value

The asset growth variable (X_2) shows a positive effect on firm value (Y), with a coefficient of 0.046 and a significance value of 0.003 (< 0.05), indicating a statistically significant relationship. The positive direction suggests that an increase in asset growth reflects better financial prospects and the company's capability to expand its operations. This result aligns with Fitriani and Komari (2024) and Putra & Candia (2024), who emphasize that asset expansion signals operational growth, leading to higher investor confidence and increased firm value. On the other hand, Substiana & Pratiyo (2022) warn that rapid asset growth not accompanied by profitability may elevate financial risk. Therefore, balanced and efficient asset management is essential for maintaining firm stability and sustaining value growth within the food and beverage sector.

Profitability and Firm Value

Meanwhile, the profitability variable (X_3) demonstrates a positive and significant effect on firm value (Y), with a regression coefficient of 0.025 and a significance value of 0.038 (< 0.05). This indicates that higher profitability enhances firm value, reflecting the firm's ability to

generate earnings efficiently. The result supports the studies of Adhyana and Sudani (2023), Janiah & Ihadi (2023), and Anyah & Sudani (2024), which state that profitability represents managerial efficiency in utilizing assets and capital, thereby strengthening investor trust. This finding is also consistent with Signaling Theory (Spencer, 1973), suggesting that strong profit performance serves as a positive signal of future prospects, influencing market perceptions favorably. Therefore, profitability acts as a key determinant of firm value in the highly competitive food and beverage industry.

Combined Effect of Solvency, Asset Growth, and Profitability on Firm Value

Simultaneously, the F-test results reveal that solvency, asset growth, and profitability collectively have a significant effect on firm value, with an F-value of 4.134 and a significance level of 0.001 (< 0.05). This implies that the three variables together explain 30.2% of the variation in firm value ($R^2 = 0.302$). The finding reinforces the results of Mufidih (2023) and Yulian & Anggrawan (2025), who noted that financial indicators such as profitability, capital structure, and asset growth are crucial determinants of investor perceptions and firm value. Hence, maintaining efficient financial management, pursuing strategic asset expansion, and ensuring consistent profitability are vital strategies for maximizing firm value among food and beverage companies listed on the Indonesia Stock Exchange.

Managerial Implications

The findings suggest that financial managers in food and beverage firms should adopt a balanced capital structure policy by avoiding excessive debt while leveraging profitable growth opportunities. Asset expansion should be supported by efficient capital utilization to prevent value erosion. Profitability improvement through cost efficiency and innovation remains the most direct path to enhance firm valuation and attract long-term investors.

Conclusions

This study concludes that solvency, asset growth, and profitability play important yet varying roles in determining firm value within the food and beverage sector listed on the Indonesia Stock Exchange (IDX) during 2018–2023. The results reveal that solvency has a negative but insignificant influence on firm value, suggesting that excessive reliance on debt may increase financial risk and reduce investor confidence. In contrast, both asset growth and profitability have positive and significant effects, indicating that efficient asset expansion and

strong profit generation enhance market perception and investor trust. Collectively, these three variables significantly explain the variation in firm value, emphasizing the importance of maintaining a balanced financial structure and sustainable operational performance.

The findings of this study provide practical implications for corporate management, investors, and policymakers. For management, maintaining optimal debt levels, improving asset utilization, and enhancing profitability are essential strategies to increase firm value and market competitiveness. For investors, profitability and asset growth can serve as reliable indicators for assessing investment potential within the food and beverage sector. Policymakers and regulators can also use these insights to promote better financial governance and capital structure policies among manufacturing firms. Future research could include additional moderating variables such as firm size, corporate governance, or market conditions to provide a more comprehensive understanding of the determinants of firm value across industries.

Future studies are encouraged to include moderating variables such as firm size, ownership structure, or macroeconomic conditions (e.g., inflation and GDP growth) to capture broader determinants of firm value. Applying alternative analytical techniques like panel data regression or PLS-SEM could also enhance robustness and provide deeper insights into causal relationships.

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