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THE INFLUENCE OF CAPITAL STRUCTURE, TAX AVOIDANCE, AND PROFITABILITY ON THE VALUE OF COMPANIES IN THE FOOD AND BEVERAGE MANUFACTURING SUBSECTOR
(Listed On The Indonesia Stock Exchange (IDX) For The Period 2015-2019)

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Abstract
This study aims to analyze the influence of capital structure, tax avoidance, and profitability on firm value in the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2015-2019. Capital structure is measured using the debt to equity ratio (DER), tax avoidance is measured using the cash effective tax rate (CETR) proxy, and profitability is measured with return on assets (ROA). The value of the company as the dependent variable is measured using the price to book value (PBV). The data used is secondary data in the form of company financial statements obtained from the official IDX website. Data analysis was conducted using multiple linear regression. The research results show that capital structure has a significant impact on company value, tax avoidance does not have a significant impact on company value, and profitability has a significantly positive impact on company value.

Keywords: *Capital Structure, Tax Avoidance, Profitability, Company Value, Manufacturing Companies, Food and Beverages, Indonesia Stock Exchange (IDX).*

INTRODUCTION

The value of a company is one of the main indicators used by investors to assess the performance and prospects of a company. This is because the value of the company reflects the market's perception of the management's success in managing resources and achieving financial goals. The higher the company's value, the greater the prosperity that can be provided to shareholders. Therefore, investors tend to seek companies with high value, which is often reflected in the rising stock prices. According to Firdayanti and Utiyati, the value of a company is an important indicator for the market in assessing the overall performance of the company, and a high stock price indicates better shareholder welfare (Firdayanti & Utiyati, 2021).

In addition, the company's value also serves as a benchmark for managers in evaluating their work performance. Managers who successfully increase the company's value demonstrate good performance, which in turn can attract more investors to invest. In other words, the value of a company not only reflects its current condition but also the expectations regarding the company's ability to grow in the future. This is in line with Husnan's, statement that the value of a company is the price that prospective buyers are willing to pay if the company is sold, so the higher the stock price of a company in the capital market, the greater the wealth of its owners (Margini & Kusumawati, 2023).

The relevance of capital structure, tax avoidance, and profitability in determining the value of a company is very important to understand, especially in the context of companies listed on the Indonesia Stock Exchange. Capital structure, which includes the proportion of debt and equity, plays a crucial role in influencing the value of the company. According to Hamidy et al., the proper use of debt can increase the value of a company through tax savings and improved profitability, as debt can be used to finance investments that yield higher returns (Hamidy et al., 2015). This research shows that there is a positive relationship between capital structure and company value, where an increase in debt can enhance profitability and, in turn, increase company value if managed well.

On the other hand, tax avoidance practices also have a significant impact on the value of the company. Companies that can effectively manage their tax obligations can increase their net income, which contributes to the increase in the company's value. Profitability, measured through indicators such as Return on Equity (ROE), becomes a key factor in investors' assessment of the company's performance.

The purpose of this research is to identify and analyze the influence of capital structure, tax avoidance, and profitability on firm value, particularly in manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) during the period 2015-2019. By understanding the relationship between these three variables, this research aims to provide deeper insights into the factors that influence the value of the company. An optimal capital structure is expected to enhance the company's value through efficient management of debt and equity, while appropriate tax avoidance strategies can increase net profit and, ultimately, the company's market value.

In addition, this research also aims to explore how profitability contributes to the increase in company value in the context of the food and beverage industry. High profitability indicates that the company is capable of generating profits from its operations, which is attractive to investors. By analyzing financial data from companies in this sub-sector, this research is expected to provide practical recommendations for company management in optimizing their capital structure and tax strategies to improve financial performance and overall company value. The results of this research are expected to serve as a reference for investors and other stakeholders in making better investment decisions.

LITERATURE REVIEW

Theory of Firm Value

The value of a company is a measure that reflects the market's perception of a company's performance and potential. In general, the value of a company can be defined as the price that potential buyers are willing to pay if the company is sold, which reflects how well the company's management manages resources and achieves its financial goals. According to Husnan, the value of a company is not only influenced by its current financial performance but also by projections of future growth (Husnan, 1998). Thus, investors often use the value of the company as one of the indicators for making investment decisions, where companies with high value tend to be considered more attractive because they show better profit potential and lower risk.

The components of a company's value can be measured through several methods, including the Price Earnings Ratio, Price to Book Value, and Discounted Cash Flow method. Each of these methods provides a different perspective on how the value of a company can be assessed. For example, the price-to-earnings ratio measures how much profit is generated relative to the stock price, while the price-to-book ratio compares the stock price with the company's book value

Capital Structure

Capital structure is the composition of debt and equity used by a company to finance its operations and business development. In simple terms, the capital structure reflects how a company obtains funds to carry out its business activities, either through external sources (debt) or internal sources (equity). According to Bambang Riyanto, the optimal capital structure is a combination that can minimize the weighted average cost of capital and maximize the value of the company (Bambang Riyanto, 2011). A capital structure dominated by debt can provide high leverage but also increases the risk of bankruptcy, while a more conservative structure with higher equity tends to have lower risk but also limited profit potential.

Two main components of capital structure are the Debt to Equity Ratio (DER) and the Debt to Asset Ratio (DAR). Debt to Equity Ratio measures the proportion of debt to equity, providing an overview of how much the company uses debt to finance its operations compared to its own capital. A high DER indicates that the company relies more on debt, which can increase financial risk. Meanwhile, the Debt to Asset Ratio measures the proportion of total debt to total assets, providing an indication of how much of the company's assets are financed by debt. This ratio is important for assessing the company's financial health and its ability to meet long-term obligations. By understanding these two ratios, investors and management can make better decisions regarding the company's capital structure (Zani & Kurniawan, 2013).

The influence of capital structure on risk and return is an important topic in financial management that can affect investment decisions and corporate strategies. Capital structure, which consists of debt and equity, has a significant impact on the financial risks faced by the company. Research shows that excessive use of debt can increase the risk of bankruptcy, as companies have obligations to pay interest and repay debts, regardless of their operational performance. On the other hand, a balanced capital structure between debt and equity can help the company optimize capital costs and minimize financial risk. The research results by Widanastiti and Rahayu indicate that partially, capital structure does not significantly affect financial risk, but simultaneously, along with other factors, it can influence that risk (Widanastiti & Rahayu, 2020).

Tax Avoidance

Tax avoidance is a strategy used by individuals or companies to reduce their tax liabilities by exploiting loopholes or imperfections in tax regulations. Unlike tax evasion, which is illegal, tax avoidance is carried out legally and involves various techniques, such as shifting income to countries with lower tax rates (tax havens), using transfer pricing in transactions between affiliated companies, and choosing advantageous asset depreciation methods. Although these practices are legally permissible, tax avoidance often raises ethical questions regarding its impact on national revenue and fairness within the tax system (Hi Pajak, 2024).

The impact of tax avoidance on profitability and company value is very significant. By reducing the tax burden, companies can increase net income, which in turn contributes to improved profitability. Research shows that companies that successfully engage in effective tax avoidance tend to have higher market values because investors see greater profit potential. Additionally, strategic tax avoidance can provide a competitive advantage in the market, allowing companies to invest more in innovation and expansion. However, it should be noted that these practices can also attract the attention of tax authorities and potentially pose a reputational risk if deemed too aggressive.

Profitability

The relationship between profitability and firm value is an important aspect of financial analysis that is widely studied by academics and practitioners. Profitability, measured through various ratios such as Return on Equity (ROE) and Return on Assets (ROA), reflects the company's ability to generate profit from its resources. The higher a company's profitability, the greater the return expectations desired by investors, which in turn can increase the company's value. Research shows that there is a positive and significant influence between profitability and company value, where companies with high profitability tend to have better market value (Manurung et al., 2014).

The positive impact of profitability on company value can also be seen from the perception of investors. When a company demonstrates good financial performance and is able to generate profits consistently, this increases investor confidence and encourages them to invest more. The results of the research by Amirya and Atmini also support this finding, stating that profitability is one of the key factors in the assessment of a company's value (Amirya & Atmini, 2007).Thus, profitability not only reflects the financial health of the company but also serves as a signal to investors about the potential growth and sustainability of the business in the future. Therefore, the company needs to focus on strategies to improve profitability in order to maximize the company's value.

METHOD

The method used is a descriptive method with a quantitative approach. The data used in this research is secondary in nature, specifically the annual financial statements of companies operating in the food and beverage sector listed on the Indonesia Stock Exchange from 2015 to 2019. The data collection technique in this study was conducted through literature review and documentation. The sampling in this study was conducted using the purposive sampling method, resulting in a sample of 10 companies.

Data Analysis Method

Multiple linear regression analysis is a statistical method used to test hypotheses regarding the relationship between one dependent variable and two or more independent variables. In this analysis, the regression model is formulated in the form of a mathematical equation, which allows researchers to predict the value of the dependent variable based on a combination of independent variables.

DISCUSSION RESULT

Model Common Effect

Table 1. Model Common Effect

Variable	*Coefficient*
C	17.47032
DER	6.295848
CETR	1.058762
ROE	13.63880
R-*squared*	0.571881
Adjusted R-*squared*	0.543960

Based on the table above, the equation model using the common effect model can be formulated as follows:

PBV = 17.47032 + 6.295848 DER + 1.058762 CETR + 13.63880 ROE
R Square = 57.19 percent
Adjusted R Square = 54.40 percent

Model Fixed Effect

Table 2. Model Fixed Effect

Variable	*Coefficient*
C	6.849295
DER	-0.076930
CETR	0.767872
ROE	1.284150
R-*squared*	0.946674
Adjusted R-*squared*	0.929379

Based on the table above, the equation model using the fixed effect model can be formulated as follows:

PBV = 6.849295 - 0.076930 DER + 0.767872 CETR + 1.284150 ROE
R Square = 94.67 percent
Adjusted R Square = 92.94 percent

Model Random Effect

Table 3. Model Random Effect

Variable	*Coefficient*
C	10.93702
DER	0.436713
CETR	1.712508
ROE	5.768478
R-*squared*	0.209563
Adjusted R-*squared*	0.158013

Based on the table above, the equation model using the fixed effect model can be formulated as follows:

PBV = 10.93702 + 0.436713 DER + 1.712508 CETR + 5.768478 ROE
R Square = 20.96 percent
Adjusted R Square = 15.80 percent

Multiple Regression Analysis of Panel Data

Table 6 Results of the Fixed Effect Model Test

Variable	*Coefficient*
C	6.849295
DER	-0.076930
CETR	0.767872
ROE	1.284150

Based on table 6, the equation model for the equation using the fixed effect method can be formulated as follows:

PBV = 6.849295 - 0.076930 DER + 0.767872 CETR + 1.284150 ROE

Based on the table above, the hypothesis in the research is:

Hypothesis 1: Capital structure does not affect the value of the company

Based on the t-test results in Table 7, the probability value of the capital structure variable (DER) > the critical probability value (α = 5%) of 0.8545 > 0.05 and the calculated t-value < the table t-value of 0.184667 < 2.013, this indicates that the capital structure variable does not affect the dependent variable of company value. The regression coefficient of -0.076930 indicates a negative direction, meaning that capital structure does not have an impact and is negatively related to the company's value.

Hypothesis 2: Tax avoidance does not affect the value of the company

Based on the t-test results in table 4.15, the probability value of the tax avoidance variable (CETR) > the critical probability value (α = 5%) of 0.0503 > 0.05 and the calculated t < table t of 2.023048 > 2.013, this indicates that the tax avoidance variable does not affect the dependent variable of company value. The regression coefficient of 0.767872 indicates a positive direction, meaning tax avoidance does not negatively affect the company's value.

Hypothesis 3: Profitability affects the Value of the company

Based on the t-test results in table 4.15, the probability value of the profitability variable (ROE) > the critical probability value (α = 5%) of 0.0403 < 0.05 and the calculated t > the table t of 2.125009 > 2.013, this indicates that the profitability variable affects the dependent variable of company value. The regression coefficient of 1.284150 indicates a positive direction, meaning profitability has a positive effect on the company's value.

CONCLUSION

Based on the research results and hypotheses on capital structure, tax avoidance, and profitability on firm value, the following conclusions can be drawn: The capital structure with the Debt to Equity Ratio (DER) does not have a significant impact on the company's value. This indicates that most of the sampled companies have strong capital, so the size of the DER does not affect the company's value. Tax Avoidance with Cash Effective Tax Ratio (CETR) does not have a significant impact on the value of the company. This can happen because investors tend not to pay attention to the amount of tax paid by the company, so they do not consider the extent of tax avoidance carried out by the company. investors generally prefer to invest in companies that have high and stable profits. Therefore, whether or not there is tax avoidance in the company does not affect the investor's decision when making an investment. Profitability with the Return On Equity (ROE) ratio significantly affects the value of the company. Return on Equity is a ratio used to measure net profit after tax with equity. This ratio shows the efficiency of using one's own capital. The higher the profitability of a company, the more attractive it will be to potential investors because the greater the profitability ratio of a company, the higher the level of profit achieved and the better the position of the company

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