

The Effect of Debt Policy and Profitability on Firm Value at PT. Sumber Alfaria Trijaya Tbk for the 2016-2023 Period

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Abstract

The influence of profitability (ROE) and Debt Policy (DER) in estimating Company Value (PBV) at PT Sumber Alfaria Trijaya Tbk for the period 2016-2023 was studied in this quantitative research using multiple linear regression analysis tools. Based on the t-test, it was found that DER has a negative and significant influence on PBV (Sig. 0.000 < 0.05), while ROE does not show a significant influence partially (Sig. 0.519 > 0.050). However, the results of the F test indicate a significant influence together from the two explanatory variables on Company Value (Sig. 0.000 < 0.05). The R square value obtained is 60.3% which describes the predictive contribution capacity of the independent variable.

Keywords: Price to Book Value, debt policy, ROE, DER, and Company Value

INTRODUCTION

The primary focus of every business is to maximize revenue while improving shareholder welfare. Today, company value is a crucial focus for the business community because it reflects how investors view the organization. Company value typically has a positive correlation with its stock price. As company value increases, market confidence in the company's future prospects also strengthens. This is reflected in stock price movements, which reflect investors' perceptions of the company's long-term performance.

In addition to external factors, a company's value is also influenced by its internal financial structure, one of which is debt policy. According to Riyanto (2014), debt policy is a management strategy to raise external funds to finance the company's operations. This debt ratio is expected to be reflected through the Debt-to-Equity Ratio (DER). This ratio is calculated by comparing total liabilities to total equity. This ratio helps

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management see how much of its own capital is used as collateral for loans. From a business industry perspective, a low debt-to-equity ratio (DER) is generally considered safer because it indicates that the owners are largely financing the company, which can help reduce financial risk for the business. Previous research by Nurhasanah (2021) from the Indonesian College of Economics (STIESIA) in Surabaya examined the effect of debt policy, profitability, and dividend policy on company value using quantitative methods. Based on these findings, profitability was shown to have a positive impact on company value, while dividend policy had a negative impact and debt policy showed a positive effect.

Profitability reflects a company's capability to generate profits by optimizing all its resources, from current assets, cash, capital, and equity. This efficiency ultimately determines a business's economic value in the eyes of potential buyers when evaluating the corporation. Increasing a company's value directly impacts profit maximization for shareholders. Husnan (2014) states that the share price to book value (PBV) ratio is an important instrument investors consider before making stock investment decisions. When stock prices appreciate, the company's value will increase optimally, ultimately automatically multiplying shareholder wealth.

METHOD

This study uses a quantitative approach with descriptive and verification methods to analyze the effect of debt policy and profitability on company value at PT Alfaria Trijaya Tbk for the period 2016–2023. The quantitative approach was used because the research focuses on measuring the relationship between variables through numerical data analyzed using statistical techniques. According to Sugiyono (2022), quantitative research aims to test established hypotheses through measurable and objective data processing. This approach also allows researchers to obtain an empirical picture of the relationship between debt policy, profitability, and company value in a systematic and measurable manner (Creswell & Creswell, 2023; Sudaryono, 2019).

The population in this study is all financial reports of PT Alfaria Trijaya Tbk published during the company's operation as a public company. The sampling technique used was purposive sampling, considering the availability and completeness of data appropriate to the research needs. The sample used was the annual financial reports of PT Alfaria Trijaya Tbk for the period 2016–2023. The purposive sampling technique was used because the samples were selected based on certain characteristics relevant to the



research objectives, thus providing appropriate information to answer the research problem formulation (Sugiyono, 2022; Emzir, 2020).

The data used is secondary data obtained from the annual financial report of PT Alfaria Trijaya Tbk. The research instruments consisted of documentation sheets and data tabulations used to collect information on debt policy, profitability, and firm value variables. Data analysis was performed using statistical software through several stages, namely the classical assumption test, which includes the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. Next, multiple linear regression analysis was performed to determine the effect of the independent variables on the dependent variable. Hypothesis testing was carried out using the coefficient of determination (R^2) test, the t-test to measure the partial effect of each independent variable, and the F-test to examine the simultaneous effect of all independent variables on firm value (Ghozali, 2021; Hair et al., 2022).

The regression model used in this study is formulated as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Description: Y = Company Value

a = Constant

b_1, b_2 = Regression Coefficient

X_1 = Debt Policy

X_2 = Profitability

e = Error

The research procedure was conducted through several structured stages. The first stage was problem identification and the development of a conceptual framework based on theory and previous research. The second stage involved collecting secondary data in the form of financial reports from the companies being studied. The third stage involved data processing and tabulation based on the indicators of each variable. The fourth stage involved classical assumption testing and multiple linear regression analysis to test the research hypotheses. The final stage involved interpreting the analysis results, drawing conclusions, and developing recommendations based on the research findings. These stages were conducted systematically to ensure the research results had sufficient validity and reliability in explaining the relationship between debt policy, profitability, and firm value (Sugiyono, 2022; Creswell & Creswell, 2023).



RESULTS AND DISCUSSION
Classical Assumption Test Results

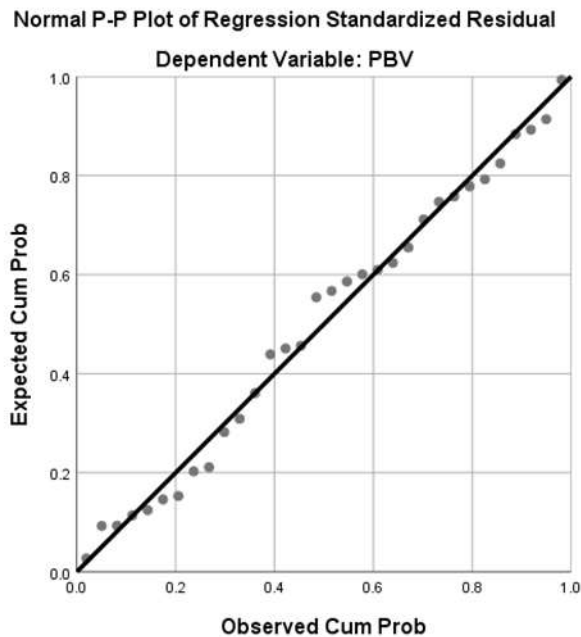


Figure 1. PP Plot Graph

Based on the Normal PP Plot of regression Standardized Residual in Figure 1, it appears that the points are evenly distributed along the diagonal line. This distribution pattern that follows the direction of the diagonal line indicates that the assumption of normality is met, so it can be stated that the residuals in this research regression model are normally distributed.

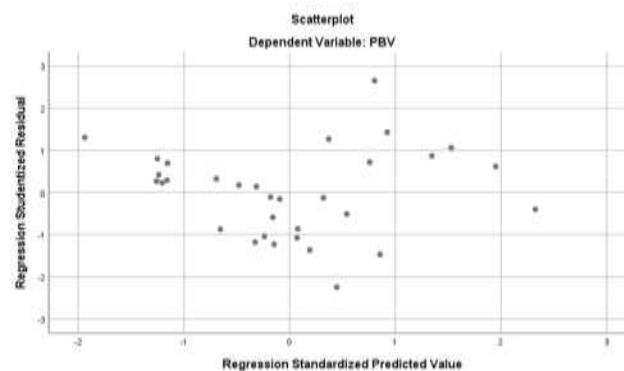
Table 1. Multicollinearity Test

Coefficients^a

		Collinearity Statistics	
Model		Tolerance	VIF
1	DER	.417	2.400
	ROE	.417	2.400

a. Dependent Variable: PBV

The results of the multicollinearity test using the Coefficient table show that the Tolerance value of the Der and Roe variables is recorded at 0.417, exceeding the threshold of 10. Similarly, the VIF value of both research variables is recorded at 2,400, still below the critical limit of 10. Based on the table, it can be categorized that there is no multicollinearity among the independent variables in this study. Thus, the regression research constructed meets the eligibility criteria for use.

**Picture1 Scatterplot Heteroscedasticity Test**

The analyzed scatterplot graph displays the largest points randomly and does not show any systematic patterns such as curving, expanding, or conical. The distribution is proportionally in the positive and negative areas of the zero value on the Y-axis (Regression Studentized Residual). This visual pattern proves that there are no symptoms of heteroscedasticity in the research model. Therefore, the regression model used has met the assumption of homoscedasticity, making it suitable for further hypothesis testing and producing efficient estimates.

Table 2 Autocorrelation Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.777 ^a	.603	.575	19.21944	1.604

a. Predictors: (Constant), LAG_X2, LAG_X1

b. Dependent Variable: LAG_Y

The autocorrelation testing process is intended to see whether there is a correlation between the error in period t with the previous period in the linear regression model, as evaluated through the Durbin-Watson (DW) value at the stage before and after the transformation, the Durbin-Watson (DW) value that was successfully obtained was 1.186, which indicates a positive autocorrelation problem in the initial data of the regression model. As a solution to this condition, the researcher applied the LAG (First Difference) transformation method to all research variables to improve or heal the data.

Based on the results of data transformation using the Lag (First Difference) method, the Durbin-Watson value obtained was 1.604, indicating that the regression model has met the requirements and is free from autocorrelation problems. In addition, the resulting R Square value is 0.603 or 60.3%, which indicates that the independent variables together have strong predictive ability on the dependent variable. Meanwhile, the remaining variance of 39.7% is explained by other variables outside the research model that are not analyzed in this study. Thus, it can be concluded that this regression model is proven to be valid, reliable, and meets the eligibility criteria for use in further hypothesis testing.

Results of Multiple Linear Regression Analysis and Hypothesis Testing

Table 3 Multiple Linear Regression Analysis

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	149.709	22.881		6.543	.000
	LAG_X1	-.567	.113	-.851	-5.033	.000
	LAG_X2	-.549	.840	-.110	-.653	.519

a. Dependent Variable: LAG_Y

The multiple linear regression analysis method is used to identify the strength and direction of the influence exerted by independent variables on the dependent variable, by estimating the beta coefficient value on the transformed data. By referring to the Coefficients table, the multiple linear regression equation can be formulated as follows:

$$Y = 149,709 - 0,567X_1 - 0,549X_2$$

where the constant value of 149.709 indicates the level of company value (PBV) if the DER and ROE variables are constant or zero. The regression coefficient value for the LAG_X1 (DER) variable is negative at -0.567, which indicates that every one unit increase in the DER value will decrease the PBV value assuming other variables remain constant. Similarly, the LAG_X2 (ROE) variable shows a negative coefficient value of -0.549, which means that an increase in the ROE ratio contributes to a decrease in the PBV value in this lag regression model.

T-Test (Partial)**Table 4 Partial Test****Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	149.709	22.881		6.543	.000
	LAG_X1	-.567	.113	-.851	-5.033	.000
	LAG_X2	-.549	.840	-.110	-.653	.519

a. Dependent Variable: LAG_Y

The purpose of the t-test is to measure the level of significance of the influence of each independent variable individually on the dependent variable, while still paying attention to the significance tolerance limit of 0.05. The results of the analysis, the DER

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variable shows a figure of -5.033 with a p-value of 0.000 which is lower than 0.05, which means that DER has a significant effect on PBV. Meanwhile, for the ROE variable, the t-value obtained is -0.653 with a p-value of 0.519 which is much higher than the threshold of 0.05. Thus, based on the comparison of the p-values. It can be concluded that ROE does not have a significant effect on the Company's value (PBV) partially at a 95% confidence level.

Table 5 Simultaneous Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15738.121	2	7869.060	21.303	.000 ^b
	Residual	10342.833	28	369.387		
	Total	26080.954	30			

a. Dependent Variable: LAG_Y

b. Predictors: (Constant), LAG_X2, LAG_X1

In this study, the F test was used to assess whether the regression model built was appropriate and to determine whether the dependent variables. Based on the ANOVA table, the F value was 21.303 with a significance of 0.000. Because this significance value is smaller than the 0.05 level set, it can be concluded that the DER and ROE variables simultaneously have a significant effect on PBV. Thus, the multiple linear regression model after lag transformation applied in this study is declared to meet the requirements, is feasible and can be used to predict company value.

Table 6 Determinant Coefficient Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	149.709	22.881		6.543	.000
	LAG_X1	-.567	.113	-.851	-5.033	.000
	LAG_X2	-.549	.840	-.110	-.653	.519

a. Dependent Variable: LAG_Y

Table 6 shows that the coefficient of determination test was conducted to assess the extent to which the regression model's strength in explaining changes in the dependent



variable, as represented by the R-square value. Based on the results of the data test after lag transformation, the R-square value was obtained at 0.603, equivalent to 60.3%. This value indicates that the independent variables consisting of DER and ROE together contribute 60.3% of the influence on firm value (PBV). Meanwhile, the remaining 39.7% is explained by variations in other variables outside the research model that were not estimated in this analysis. These results indicate that the proposed lag regression model has a strong level of predictive ability and is considered good for use in this study.

Discussion:

a. The Influence of Debt Policy on Company Value

Based on the results of the partial significance test (t-test), the variable representing debt policy, namely DER, shows a t-count of -5.033 with a significance of 0.000. Because the recorded significance value is far below the 0.05 level ($0.000 < 0.05$) and has a negative coefficient direction, the results of this analysis reveal that debt policy partially has a negative and significant effect on company value (PBV) at PT. Sumber Alfaria Trijaya Tbk.

The results of this study are supported by the Trade-Off Theory which states that debt can provide tax protection benefits (tax shield), but if it exceeds the optimal point, increasing debt will actually increase the risk of bankruptcy and agency costs. In the context of PT. Sumber Alfaria Trijaya Tbk, the high portion of debt used for retail outlet expansion is considered by investors as a significant increase in financial risk, especially related to interest expenses that can erode cash flow stability. Market concerns about this overly risky capital structure trigger a decrease in demand for the Company's shares, which ultimately depresses the share price in the market and lowers the Company's PBV value.

b. The Influence of Profitability on Company Value

From the results of individual testing (t-test), the ROE variable shows a t-count of -0.653 with a significance level of 0.519. Because the significance value obtained far exceeds the threshold of 0.05 ($0.519 > 0.05$), this proves that partially ROE does not have a significant effect on the Company's value (PBV) at PT. Alfataria Trijaya Tbk.

This result is quite surprising because it is inconsistent with the general view of Signaling Theory, which typically assumes that a high level of profitability will be a positive signal for increasing company value. In the reality of PT Sumber Alfaria Tbk's business during the observation period, fluctuations in ROE values did not appear to be directly responded to by investors as a primary indicator in stock price valuation.



Investors in the retail sector tend to focus more on other long-term strategic factors, such as sales volume, store growth rates, or digitalization strategies, rather than solely looking at the quarterly return on equity (ROE). As a result, regardless of the changes in net profit generated by the company's equity, this was unable to significantly move the stock price to partially change the PBV value.

CONCLUSION

This study aims to analyze the effect of debt policy as proxied by Debt to Equity Ratio (DER) and profitability as proxied by Return on Equity (ROE) on firm value as proxied by Price to Book Value (PBV) at PT Sumber Alfaria Trijaya Tbk for the period 2016–2023. The results of the study indicate that partially, debt policy (DER) has a negative and significant effect on firm value, indicating that increasing the proportion of debt tends to reduce investor perceptions of firm value due to increased financial risk. Meanwhile, profitability (ROE) does not show a significant effect on firm value. However, simultaneously, DER and ROE are proven to have a significant effect on PBV. The coefficient of determination value of 60.3% indicates that variations in firm value can be explained by these two variables, while the remaining 39.7% is influenced by other factors outside the research model. This finding provides practical implications that company management needs to manage capital structure more optimally so that the use of debt does not create excessive risk perceptions in the eyes of investors.

However, this study has several limitations. First, the study focused on a single company, limiting the generalizability of the results to other companies and different industrial sectors. Second, the relatively limited observation period prevented a more comprehensive examination of the long-term dynamics of firm value. Third, the research model used only two independent variables, even though firm value can also be influenced by other factors such as firm size, sales growth, dividend policy, liquidity, and macroeconomic conditions. Therefore, future research is recommended to expand the sample size to include several companies or use cross-industry panel data, as well as add other relevant variables to obtain a more comprehensive model with greater explanatory power regarding changes in firm value.

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