

***THE EFFECT OF RETURN ON EQUITY AND CURRENT RATIO ON FIRM VALUE WITH CAPITAL STRUCTURE AS AN INTERVENING VARIABLE IN FOOD AND BEVERAGE SUB-SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2017-2021***

**PENGARUH RETURN ON EQUITY DAN CURRENT RATIO TERHADAP NILAI PERUSAHAAN DENGAN STRUKTUR MODAL SEBAGAI VARIABEL INTERVENING PADA PERUSAHAAN SUB SEKTOR MAKANAN DAN MINUMAN YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2017-2021**

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**ABSTRACT**

*A growing number of people are showing an interest in investing for the long haul by putting their money into the capital markets. The food and beverage industry is one of these that industry 4.0 has identified as a priority. With more and more companies joining the Indonesia Stock Exchange, it's getting harder for companies to stand out and attract investors by raising their company value. For the years 2017–2021, this research set out to examine the relationship between firm value, return on equity, current ratio, and capital structure among food and beverage companies traded on the Indonesia Stock Exchange. This study's sample was determined using a purposive sampling strategy utilising data from 10 different companies. The secondary data used in this study was sourced from the Indonesia Stock Exchange's website ([www.idx.co.id](http://www.idx.co.id)) as well as from connected companies' official websites. The data is analysed using SPSS 25 software and a multiple linear regression analysis model, as well as path analysis. The findings indicate that Capital Structure is significantly impacted to a lesser extent by Return On Equity and Current Ratio. Firm Value is somewhat affected by Return On Equity, although it is unaffected by Current Ratio and Capital Structure. Return On Equity (ROE) has no mediating influence on business value via capital structure. In contrast, capital structure acts as an intervening variable in the current ratio, which has an indirect impact on firm value.*

**Keywords:** *Return On Equity, Current Ratio, Capital Structure, Firm Value*

**ABSTRAK**

Semakin banyak orang yang menunjukkan minat untuk berinvestasi dalam jangka panjang dengan menanamkan uang mereka di pasar modal. Industri makanan dan minuman adalah salah satu industri yang diidentifikasi sebagai prioritas industri 4.0. Dengan semakin banyaknya perusahaan yang bergabung dengan Bursa Efek Indonesia, semakin sulit bagi perusahaan untuk tampil menonjol dan menarik investor dengan meningkatkan nilai perusahaan mereka. Untuk tahun 2017-2021, penelitian ini bertujuan untuk menguji hubungan antara nilai perusahaan, laba atas ekuitas, rasio lancar, dan struktur modal pada perusahaan makanan dan minuman yang diperdagangkan di Bursa Efek Indonesia. Sampel penelitian ini ditentukan dengan menggunakan strategi purposive sampling dengan menggunakan data dari 10 perusahaan yang berbeda. Data sekunder yang digunakan dalam penelitian ini bersumber dari situs web Bursa Efek Indonesia ([www.idx.co.id](http://www.idx.co.id)) dan juga situs web resmi perusahaan yang bersangkutan. Data dianalisis dengan menggunakan perangkat lunak SPSS 25 dan model analisis regresi linier berganda, serta analisis jalur. Temuan menunjukkan bahwa Struktur Modal secara signifikan dipengaruhi pada tingkat yang lebih rendah oleh Return On Equity dan Rasio Lancar. Nilai Perusahaan agak terpengaruh oleh Return On Equity, meskipun tidak terpengaruh oleh Current Ratio dan Struktur Modal. Return On Equity (ROE) tidak memiliki pengaruh mediasi terhadap nilai perusahaan melalui struktur modal. Sebaliknya, struktur modal bertindak sebagai variabel intervening dalam rasio lancar, yang memiliki dampak tidak langsung pada nilai perusahaan.

**Kata Kunci:** Return On Equity, Rasio Lancar, Struktur Modal, Nilai Perusahaan

**INTRODUCTION**

Entering the era of the industrial revolution 4.0 with rapid technological development, recently the ease of opening an account online has made capital market investment a trend among the public. Based on Single Investor Identification data in the press release of PT Kustodian Sentral Efek Indonesia (KSEI), stock investors in 2020 were recorded at 1,695,268, an increase of 53.47% from 1,104,610 in 2019. A significant increase occurred in 2021, namely 103.60%, until mid-2022 the data for stock investors was recorded at 4,002,289, dominated by the millennial generation and gen z. The continuous increase in the past few years indicates the increasing public interest in capital market investment for long-term investment.

The Food and Beverage industry is one of the industries that attracts public interest as a business and investment opportunity. This is because the Food and Beverage Industry is a priority sector in industry 4.0. The Food and Beverage industry is one of 8 industries that can still grow positively from a total of 17 business field sectors, with real industrial income continuing to increase in the last 5 years. Based on data from the Indonesian Central Bureau of Statistics, the Covid-19 outbreak was one of the factors that caused the growth rate of the Food and Beverage Industry to decline in 2020, but gradually the Food and Beverage Industry began to grow again. The following growth rate and real income of the Food and Beverage Industry in the last 5 years are presented in Figure 1.1



**Figure 1. Real Revenue and Growth Rate Food and Beverage Industry**

Source: Central Bureau of Statistics, 2022

The Ministry of Industry asserts that the Food and Beverage Industry is a key sector for industrial development 4.0, given its beneficial impact on real income. The Ministry aims to position the industry as a key driver of national economic growth in the aftermath of the Covid-19 pandemic. As of the conclusion of 2021, the Indonesia Stock Exchange recorded a total of 72 businesses operating within the Food and Beverage sub-sector. The quantity has had an upward trend since 2017, when it stood at a mere 18 organisations. This observation indicates that the Food and Beverage Industry is perceived as a favourable prospect for business ventures. The proliferation of competitors poses a novel obstacle for companies in their endeavour to attract investors. This is due to the fact that investors take into account multiple factors when making investment decisions, such as the level of risk and the rate of return on investment.

The company's value can provide insights into the level of risk and the rate of return on investment, indicating the company's performance in maximising shareholder returns. A company that is capable of generating substantial company value has the potential to enhance investor confidence in allocating their cash, as it exhibits a reduced level of risk. Price to Book Value is a metric that can be employed to ascertain the worth of a company. The Price to Book Value ratio indicates the market's valuation of a company's shares based on its book value. The impact of return on equity on business value is a significant consideration.

*Return On Equity is a ratio that describes the company's success rate in generating profits for investors.* Dahar et al. (2019), Hanif et al. (2020), Safira &

Suci (2021) conducted research on the effect of Return On Equity on firm value and concluded that Return On Equity has a significant effect on firm value. The demand for the company's shares will rise in tandem with its profitability, leading to a rise in the value of the company. In contrast to research Anggraini (2019), Septriana & Mahaeswari (2019) suggests that Return On Equity has no significant effect on firm value, because investors in making investment decisions do not only see the company's ability to make a profit, even though the company has decreased profitability, it does not rule out the possibility of investors continuing to invest because investors will consider other information. Another factor that can affect firm value is the current ratio.

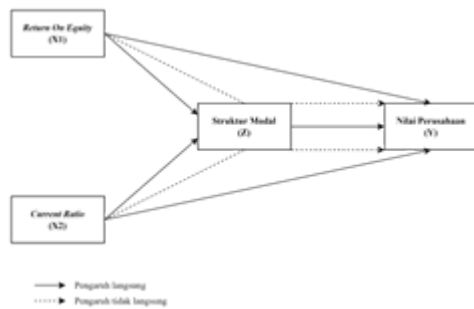
*Current ratio is a ratio that describes the company's ability to meet its short-term obligations.* Research results Dewi et al. (2018), Utami & Welas (2019), Septriana & Mahaeswari (2019) stated that the current ratio has a significant influence on firm value. A higher current ratio indicates that the company has sufficient liquid assets to meet its short-term obligations, which in turn inspires confidence among investors and drives up the stock price. Research conducted by Salainti (2022), Safira & Suci (2021), Fajariyah & Susetyo (2020) provides contradictory results, namely the current ratio has no significant effect on firm value, because the higher the level of current ratio can indicate that there are company assets whose use is not optimally utilized which can then cause a decrease in profits due to the use of assets that tend to be used to meet the company's short-term debt obligations.

The capital structure policy of the company is tied to the worth of the company. Good and bad capital structure affect the firm's financial situation, which affects the value of the company

Aslindar & Lestari (2020). Consequently, capital structure is a very essential issue for the financial performance of the organization. The Debt to Equity Ratio is one way to learn about a firm's capital structure. It shows how well the company can use its capital to pay off its debts. Research conducted by Dewi et al. (2018), Dahar et al. (2019), Utami & Welas (2019), Aslindar & Lestari (2020), Fajariyah & Susetyo (2020), Safira & Suci (2021), Salainti (2022) revealed that there is a significant effect of capital structure on firm value, because capital structure is related to the selection of sources of funds both from internal such as retained earnings, as well as from external such as bank debt. However, research conducted Anggraini (2019) dan Yulfitri et al. (2021) In this study, the capital structure is used as an intervening variable to determine the direct relationship between return on equity and current ratio on firm value, because investors are more concerned about how the company uses funds effectively and efficiently to create profits that can increase firm value, so that the size of debt is not a consideration for investors as long as the company is able to balance the benefits and costs caused by debt. In this study, capital structure is used as an intervening variable to determine the direct and indirect relationship between return on equity and current ratio on firm value.

Based on the description above, there is a research gap phenomenon that shows inconsistencies in research results, so the authors are interested in conducting research with the title "The Effect Of Return On Equity And Current Ratio On Company Value With Capital Structure As An Intervening Variable On Food And Beverage Sub-Sector Companies Listed On The Indonesia Effects Bureau 2017-2021 Period."

This study's primary objective is to (1) analyze the capital structure of food and beverage companies listed on the Indonesia Stock Exchange from 2017 to 2021 in relation to Return On Equity and Current Ratio. (2) From 2017 to 2021, we want to look at food and drink companies listed on the Indonesia Stock Exchange to see how ROE, current ratio, and capital structure affected firm value. (3) To determine the indirect effect of Return On Equity and Current Ratio on firm value through capital structure as an intervening variable in Food and Beverage companies listed on the Indonesia Stock Exchange for the period 2017-2021.



**Figure 2. Research Framework**

**Hypothesis**

The hypotheses proposed in this study are as follows:

- H1: Return On Equity affects the capital structure.
- H2: Current Ratio affects capital structure.
- H3: Return On Equity affects firm value.
- H4: Current Ratio affects firm value.
- H5: Capital structure affects firm value.
- H6: Return on equity affects firm value with capital structure as an intervening variable.
- H7: Current ratio affects firm value with capital structure as an intervening variable.

**RESEARCH METHODS**

Companies operating in the food and beverage subsector that were listed

on the Indonesia Stock Exchange between 2017 and 2021 are the focus of this research. Ten businesses out of a total of seventy-two form part of the study criteria that were determined by a purposive sampling process. Quantitative data, namely research data presented as numerical values, is utilized in this investigation. The data utilized here comes from secondary sources, specifically the audited financial statements of companies operating in the food and beverage subsector from 2017 to 2021. The data used in the study were obtained through the official website of the Indonesia Stock Exchange, namely *www.idx.co.id* and through the official websites of related companies.

Documentation methods were employed in the data gathering process of this investigation. The research for this study was based on information retrieved from the Indonesia Stock Exchange website, namely the financial reports of companies operating in the food and beverage subsector from 2017 to 2021, namely *www.idx.co.id* and through the official websites of related companies.

The variables used consist of independent variables, namely Return On Equity and Current Ratio, then the dependent variable is Firm Value proxied by Price to Book Value, and the intervening variable is Capital Structure proxied by Debt to Equity Ratio. The analysis technique used is multiple linear regression analysis techniques and path analysis using SPSS version 25 software tools.

**RESULTS AND DISCUSSION**

**Descriptive Statistics**

The results of descriptive statistical testing are as follows:

**Table 1. Descriptive Statistical Analysis Test**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROE	50	,00	1,24	,2038	,25181
CR	50	,73	8,64	2,8078	1,96625
DER	50	,16	1,66	,7112	,39929
PBV	50	,01	28,87	4,6922	6,62811
Valid N (listwise)	50				

Sumber: data diolah statistik SPSS (2023)

Based on table 1 the Return On Equity variable has a minimum value of 0.00, a maximum value of 1.24 and the average value of the Return On Equity variable is 0.2038 with a standard deviation of 0.25181.

Based on table 1 the Current Ratio variable has a minimum value of 0.73, a maximum value of 8.64 and the average value of the Current Ratio variable is 2.8078 with a standard deviation of 1.96625.

Table 1 shows that the range of values for the Debt to Equity Ratio variable is from 0.16 to 1.66, with an average of 0.7112 and a standard deviation of 0.39929.

Based on table 1 the Price to Book Value variable has a minimum value of 0.01, the maximum value is 28.87 and the average value of the Price to Book Value variable is 4.6922 with a standard deviation of 6.62811

### Classical Assumption Test

#### Normality Test

If you want to know if your regression model, confounding factors, or residual variables follow a normal distribution, you can apply the normality test. Decisions in this study were based on the results of a statistical test called the Kolmogorov-Smirnov (K-S) Non-parametric Test.

- a. The residual data will not follow a normal distribution if the significance value is less than 0.05.
- b. The residual data is considered normally distributed if the significance value is greater than 0.05

**Table 2. Kolmogorov-Smirnov Test Results Equation I**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		50
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	,20791187
Most Extreme Differences	Absolute	,103
	Positive	,103
	Negative	-,100
Test Statistic		,103
Asymp. Sig. (2-tailed)		,200 <sup>a</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Sumber: data diolah statistik SPSS (2023)

**Table 3. Kolmogorov-Smirnov Test Results Equation II**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		50
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	1,98071877
Most Extreme Differences	Absolute	,098
	Positive	,098
	Negative	-,053
Test Statistic		,098
Asymp. Sig. (2-tailed)		,200 <sup>a</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Sumber: data diolah statistik SPSS (2023)

Based on tables 2 and 3 it is known that the significance value > 0.05, which means that in both regression models it can be concluded that the residual data is normally distributed.

#### Multicollinearity Test

Multicollinearity test aims to determine whether in the regression model there is a correlation between independent variables. To determine whether or not there is a correlation between the independent variables, it can be seen from the tolerance value and inflation factor (VIF) in the regression model. The criteria used are if the tolerance value < 0.1 and the VIF value > 10, then the regression equation has

multicollinearity. If the tolerance value > 0.1 and the VIF value < 10, then the regression equation does not occur multicollinearity.

**Table 5. Multicollinearity Test Results Equation I**

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1,003	,062		16,278	,000		
ROE	,373	,322	,363	4,897	,000	,974	1,027
CR	-,148	,056	-,717	-9,318	,000	,974	1,027

a. Dependent Variable: DER  
Sumber: data diolah statistik SPSS (2023)

**Table 6. Multicollinearity Test Results Equation II**

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	-,187	1,029		-,179	,898		
ROE	23,778	1,423	,803	16,691	,000	,663	1,509
CR	-,314	,214	-,871	-1,001	,322	,342	2,924
DER	1,085	1,401	,064	,758	,452	,271	3,688

a. Dependent Variable: PBV  
Sumber: data diolah statistik SPSS (2023)

Based on tables 5 and 6 it is known that the tolerance value > 0.1 and the VIF value < 10, which means that in both regression models there is no multicollinearity.

**Heteroscedasticity Test**

Finding out whether the regression model has an inequality in variance from residuals on one observation to another is the goal of the heteroscedasticity test. In this study, the Glejser test is employed to check for heteroscedasticity in the regression model. This test involves regressing the independent variables against the absolute value of the residuals. The decision-making criterion is that if the significance value is greater than 0.05, then there are no symptoms of heteroscedasticity. On the other hand, if the significance value is less than 0.05, then there are symptoms of heteroscedasticity.

**Table 7. Heteroscedasticity Test Results Equation I**

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,154	,031		4,986	,000
ROE	,016	,061	,038	,256	,799
CR	,007	,008	,131	,895	,375

a. Dependent Variable: ABS\_RES  
Sumber: data diolah statistik SPSS (2023)

**Table 8. Heteroscedasticity Test Results Equation II**

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1,403	1,018		1,378	,175
ROE	1,362	,948	,247	1,436	,158
CR	-,105	,169	-,148	-,619	,539
DER	,018	,935	,005	,019	,985

a. Dependent Variable: ABS\_RES  
Sumber: data diolah statistik SPSS (2023)

Based on tables 7 and 8 it is known that all independent variables have a significance value > 0.05, so it can be concluded that in both regression models there are no symptoms of heteroscedasticity.

**Autocorrelation Test**

The purpose of the autocorrelation test is to ascertain whether the residuals in period t and the residuals in period t-1 exhibit a correlation, indicating the status of the regression model. As a foundation for determining decisions, the following du and dl values are obtained from the Durbin-Watson table value at a 5% confidence level, a sample size of 50 and independent variables (k) of 2 for the first regression model and 3 for the second regression model, as follows:

1. K=2, du = 1,6283  
dl = 1,4625  
4-du = 2,3717
2. K=3 du = 1,6739  
dl = 1,4206  
4-du = 2,3261.

**Table 9. Autocorrelation Test Results Equation I**

Model Summary <sup>a</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,854 <sup>b</sup>	,729	,717	,21229	2,269

a. Predictors: (Constant), CR, ROE  
b. Dependent Variable: DER  
Sumber: data diolah statistik SPSS (2023)



**Table 10. Autocorrelation Test Results Equation II**

Model Summary <sup>a</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.954 <sup>b</sup>	.911	.905	2,04429	1,927

a. Predictors: (Constant), DER, ROE, CR  
 b. Dependent Variable: PBV  
 Sumber: data diolah statistik SPSS (2023)

The Durbin-Watson value of 2.269 is the outcome of the autocorrelation test on the first equation regression model, as shown in table 4.10. In order for  $du < d < 4-du$ , or  $1.6283 < 2.269 < 2.3717$ , to be obtained.

The Durbin-Watson value of 1.927, which is the outcome of the autocorrelation test on the second equation regression model, is displayed in table 4.11. In order for  $du < d < 4-du$ , or  $1.6739 < 1.927 < 2.3261$ , to be obtained. Thus, it may be said that there is no autocorrelation in the first and second equations of the regression model.

**Multiple Linear Regression Analysis**

The next stage in this study is multiple linear regression analysis to determine the significant effect of the independent variable on the dependent variable. The process of performing multiple linear regression analysis involves two equations: the first equation is used to analyze the effects of Return on Equity (X1), Current Ratio (X2), and Debt to Equity Ratio (Z). The second equation is used to analyze the effects of Return on Equity (X1), Current Ratio (X2), and Debt to Equity Ratio (Z) on Price to Book Value (Y). This study uses these two equations because this study uses intervening variables.

**Table 11. Multiple Linear Regression Analysis Results Equation I**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,003	,042		16,278	,000
	ROE	,573	,122	,642	4,697	,000
	CR	-,146	,056	-,717	-6,318	,000

a. Dependent Variable: DER  
 Sumber: data diolah statistik SPSS (2023)

From the data in table 4.12, we can derive the following equation:  
 The equation  $Z=1.003 + 0.573 ROE - 0.146 CR + e$

The following conclusions are drawn from the regression equation:

1. If the Return On Equity and Current Ratio variables are set to zero, the Debt to Equity Ratio will be 1.003 because the constant value ( $\alpha$ ) is positive 1.003.
2. Assuming all other variables remain constant, a 1% rise in Return On Equity (X1) will result in a 0.573 increase in the Debt to Equity Ratio (Z) according to the positive 0.573 regression coefficient value of the Return On Equity variable ( $\beta_1$ ).
3. Assuming all other variables remain constant, a 1% rise in the Current Ratio (X2) will result in a 0.146-point decline in the Debt to Equity Ratio (Z) according to the negative regression coefficient value of the Current Ratio variable ( $\beta_2$ ).

**Table 12. Multiple Linear Analysis Results Equation II**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,197	1,529		-,129	,898
	ROE	23,778	1,425	,903	16,691	,000
	CR	-,254	,254	-,073	-1,001	,322
	DER	1,065	1,405	,064	,758	,452

a. Dependent Variable: PBV  
 Sumber: data diolah statistik SPSS (2023)

The equation that follows is derived from table 4.13:

$$Y = -0.197 + 23.778 ROE - 0.254 CR + 1.065 DER + e$$

The following conclusions are drawn from the regression equation:

1. The Price to Book Value value is -0.197 when the Return On Equity, Current Ratio, and Debt to Equity Ratio variables are set to zero, because the constant value ( $\alpha$ ) is negative 0.197.
2. With the other variables held constant, a 1% increase in Return On Equity (X1) will result in a 23.778-point rise

in Price to Book Value (Y) according to the positive 23.778 regression coefficient value of the Return On Equity variable ( $\beta_1$ ).

3. Assuming all other variables remain constant, a 1% rise in the Current Ratio (X2) will result in a 0.254 drop in the Price to Book Value (Y) since the regression coefficient value of the Current Ratio variable ( $\beta_2$ ) is negative 0.254.
4. Assuming all other factors remain constant, a 1% increase in the Debt to Equity Ratio (Z) will result in a 1.065 increase in the Price to Book Value, as indicated by the positive regression coefficient value of the Debt to Equity Ratio variable ( $\beta_3$ ).

**Simultaneous Effect Test (F)**

Based on the following, this study used the F test to find out how the independent variable affected the dependent variable:

1. The independent factors do not have a significant effect on the dependent variable when the significance value of  $F > 0.05$ .
2. The independent factors have a substantial impact on the dependent variable concurrently if the significance value of F is less than 0.05.

**Tabel 12. Hasil Uji Pengaruh Simultan (F)**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1960,418	3	653,473	156,366	,000 <sup>b</sup>
	Residual	192,239	46	4,179		
	Total	2152,657	49			

a. Dependent Variable: PBV  
 b. Predictors: (Constant), DER, ROE, CR

Sumber: data diolah statistik SPSS (2023)

Table 12 explains the results of the simultaneous influence test (F). From this table it is known that the significance value is 0.000. The significance value of  $0.000 < 0.05$ , which means it can be concluded that the variables Return On

Equity, Current Ratio and Debt to Equity Ratio simultaneously affect the Company's Value (Price to Book Value).

**Partial Statistical Test (T)**

To check if each independent variable has an effect on the dependent variable, partial statistical hypothesis testing examines the significance value in the table of coefficients. Statistical test (T) judgments are based on the following:

1. If the significance value of the t test  $\geq 0.05$  means that there is no influence between the independent variable and the dependent variable.
2. If the significance value of the t test  $< 0.05$  means that there is an influence between the independent variable on the dependent variable.

**Table 13. Partial Statistical Test Results (T) Equation I**

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,003	,062		16,278	,000
	ROE	,573	,122	,362	4,697	,000
	CR	-,146	,016	-,717	-9,318	,000

a. Dependent Variable: DER  
 Sumber: data diolah statistik SPSS (2023)

The following is an explanation of the hypothesis and the results of the partial statistical test (T) of the first equation based on table 4.15:

**1. Effect of ROE on Capital Structure  
 H1: Return On Equity affects capital structure**

It is known that the Return On Equity variable has a positive coefficient of 0.573 with a t count of 4.697 and a significance value of 0.000. The significance value of  $0.000 < 0.05$ , which means that the Return On Equity variable affects the Debt to Equity Ratio variable. Thus it can be concluded that the first hypothesis is accepted, namely Return On Equity affects the capital structure.

**1. Effect of Current Ratio on Capital Structure**



**H2: Current Ratio affects capital structure**

It is known that the Current Ratio variable has a negative coefficient of -0.146 with a t count of -9.318 and a significance value of 0.000. The significance value of  $0.000 < 0.05$  which means that the Current Ratio variable affects the Debt to Equity Ratio variable. Thus it can be concluded that the second hypothesis is accepted, namely the Current Ratio affects the capital structure.

**Table 14. Partial Statistical Test Results (T) Equation II**

Model		Coefficients <sup>a</sup>				t	Sig.
		Unstandardized Coefficients		Standardized Coefficients	Beta		
		B	Std. Error				
1	(Constant)	-.197	1.529			-.129	.898
	ROE	23.778	1.425	.903		16.691	.000
	CR	-.254	.234	-.075		-1.001	.322
	DER	1.065	1.405	.064		.758	.452

a. Dependent Variable: PBV

Sumber: data diolah statistik SPSS (2023)

The following is a description of the hypothesis and the results of the partial statistical test (T) of the second equation based on table 4.16:

1. The Effect of Return On Equity on Firm Value

**H3: Return On Equity affects firm value**

It is known that the Return On Equity variable has a positive coefficient of 23.778 with a calculated t value of 16.691 and a significance value of 0.000. The significance value of  $0.000 < 0.05$ , which means that the Return On Equity variable affects the Price to Book Value variable. Thus it can be concluded that the third hypothesis is accepted, namely Return On Equity has an effect on firm value.

2. Effect of Current Ratio on Company Value

**H4: Current Ratio affects firm value**

It is known that the Current Ratio variable has a negative coefficient of -0.254 with a t table of -1.001 and a significance value of 0.322. The significance value of  $0.322 > 0.05$  means that the Current Ratio variable has no

effect on the Price to Book Value variable. Thus it can be concluded that the fourth hypothesis is rejected, namely Current Ratio has no effect on firm value.

3. The Effect of Capital Structure on Firm Value

**H5: Capital structure affects firm value**

It is known that the Debt to Equity Ratio variable has a positive coefficient of 1.065 with a t table of 0.758 and a significance value of 0.452. The significance value of  $0.452 > 0.05$ , which means that the Debt to Equity Ratio variable has no effect on the Price to Book Value variable. Thus it can be concluded that the fifth hypothesis is rejected, namely Capital structure has no effect on firm value.

**Test Coefficient of Determination (R<sup>2</sup>)**

A measure of an independent variable's explanatory power over a dependent variable is the coefficient of determination test. Examining the corrected R squared values allows one to test the coefficient of determination. There is a range of 0 to 1 for the coefficient of determination. The independent variables can only provide a limited explanation for the dependent variable if the coefficient of determination is small. When the coefficient of determination is small, it means that the independent factors can explain the dependent variable with little more than a guess.

**Table 15. Test Results of the Coefficient of Determination(R<sup>2</sup>) Equation I**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854 <sup>a</sup>	.729	.717	.21229

a. Predictors: (Constant), CR, ROE

Sumber: data diolah statistik SPSS (2023)

Table 15 is the result of the coefficient of determination test which shows that the Adjusted R Square value

is 0.717 or 71.7%. This means that in the first equation, the independent variables used in this study, namely Return On Equity and Current Ratio, affect the dependent variable, namely Capital Structure (Debt to Equity Ratio) by 71.7%. While by 28.9% there are other variables not used in this study that can affect the capital structure.

**Table 16. Test Results of the Coefficient of Determination(R<sup>2</sup>) Equation II**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.954 <sup>a</sup>	.911	.905	2,04429

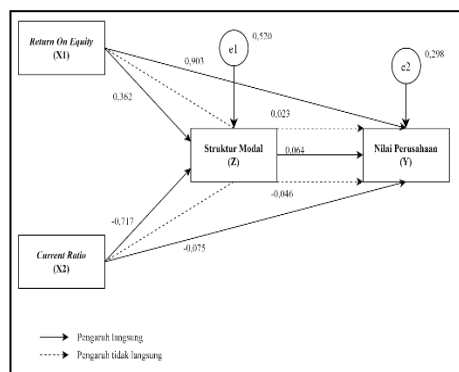
a. Predictors: (Constant), DER, ROE, CR

Sumber: data diolah statistik SPSS (2023)

Table is the result of the coefficient of determination test which shows that the Adjusted R Square value is 0.905 or 90.5%. This means that in the first equation, the independent variables used in this study, namely Return On Equity, Current Ratio and Debt to Equity Ratio, affect the dependent variable, namely Firm Value (Price to Book Value) by 90.5%. Meanwhile, 9.5% there are other variables not used in this study that can affect the company value.

**Path Analysis**

Using a comparison of the direct and indirect effects, path analysis is employed in this study to ascertain the effect of the independent variable on the dependent variable via the intervening variable.



**Figure 3. Path Analysis**

Based on the path analysis picture in Figure 3 the following results can be obtained:

1. The Effect of Return On Equity on Firm Value with Capital Structure as an Intervening Variable

**H6: Return on equity affects firm value with a structure of**

Return on equity has a direct impact on firm value of 0.903 and an indirect effect of capital structure on firm value of 0.023, according to the path analysis that has been conducted. Compared to the indirect effect, the direct effect is much larger. This leads us to believe that the true result is the direct consequence. Return on equity has no moderating influence on firm value via capital structure. By maximizing the return on investment while minimizing the cost of capital, the correct capital structure can help improve return on equity. Companies that have a high Return On Equity, on the other hand, are more likely to raise capital from within rather than seeking investment from outside sources. So that the business can keep its debt levels low. As long as the company can balance the benefits and costs of using debt, investors will primarily care about how the company creates profits, rather than the quantity of debt the company has. This study's findings corroborate those of Hanif et al. (2020), who found no relationship between Return On Equity and Firm Value when controlling for capital structure.

2. Effect of Current Ratio on Firm Value with Capital Structure as Intervening Variable

**H7: Current ratio affects firm value with capital structure as an intervening variable**

Current ratio has a direct impact on firm value of -0.075 and an indirect effect of -0.046 via capital structure,

according to the path analysis that has been conducted. The direct effect is smaller in magnitude compared to the indirect effect. Therefore, the actual result is the indirect effect. The relationship between the Current Ratio and Firm Value can be mediated by the capital structure. Companies with a greater Current Ratio are better able to satisfy their short-term financial commitments. With a greater Current Ratio, a company is more likely to reduce its debt load, which in turn lowers the Debt to Equity Ratio as a result of rising equity value. In a stable or constant stock price environment, an increase in equity value can impact a company's value reduction since it raises book value. The results of this study are in line with research Fajariyah dan Susetyo (2020) dan Dewi et al. (2018) which states that Current Ratio affects Firm Value through Capital Structure as an intervening variable

## CONCLUSIONS AND SUGGESTIONS

According to the research findings, the following can be inferred about food and beverage firms listed on the Indonesia Stock Exchange from 2017 to 2021: Return on equity has a favorable association with the capital structure. One can see a negative correlation between current ratio and capital structure. Return on equity shows a positive link with firm value for food and beverage companies listed on the Indonesia Stock Exchange from 2017 to 2021. The Firm Value is unaffected by the Current Ratio and the Capital Structure. Using capital structure as an intermediary variable, there is no indirect influence of Return On Equity on firm value in food and beverage companies listed on the Indonesia Stock Exchange from 2017 to 2021. At the same time, as an intervening variable, capital structure

has an indirect impact on firm value via current ratio.

Based on the above conclusions, the suggestions that the author can convey are:

1. For further researchers to expand the object of research and use other variables to determine their effect on Firm Value.
2. For companies, it is hoped that they will pay more attention to current assets to make them more productive and also pay attention to the company's capital structure as a mediator of Company Value.
3. The Return on Equity, Current Ratio, and Debt to Equity Ratio all have an impact on the value of a company, therefore investors should pay attention to all three before making an investment

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