

THE EFFECT OF PROFITABILITY AND CAPITAL STRUCTURE ON FIRM VALUE OF STATE-OWNED ENTERPRISES LISTED ON THE INDONESIA STOCK EXCHANGE

(A Study of State-Owned Enterprises Listed on the Indonesia Stock Exchange for the 2021–2025 Period)

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Abstrak

Penelitian ini dilakukan untuk menguji pengaruh *Carbon Emission Disclosure* terhadap Nilai Perusahaan pada perusahaan sektor *basic materials* yang tercatat di Bursa Efek Indonesia selama periode 2021–2024. Penelitian menggunakan metode kuantitatif dengan memanfaatkan data sekunder. Sampel penelitian mencakup 87 perusahaan dengan total 348 observasi yang ditentukan melalui teknik *purposive sampling*. Pengolahan data dilakukan menggunakan IBM SPSS Statistics 25 dengan menerapkan regresi linear sederhana yang telah dikoreksi melalui transformasi Ln dan metode Cochrane-Orcutt untuk menangani permasalahan autokorelasi. Hasil analisis menunjukkan bahwa *Carbon Emission Disclosure* memiliki pengaruh negatif dan signifikan terhadap Nilai Perusahaan, dengan nilai signifikansi sebesar 0,002. Meskipun demikian, kemampuan *Carbon Emission Disclosure* dalam menjelaskan perubahan Nilai Perusahaan tergolong sangat terbatas, sebagaimana ditunjukkan oleh nilai R^2 sebesar 0,027 atau 2,7%. Hasil tersebut menunjukkan bahwa respons negatif investor terhadap pengungkapan emisi karbon memang ditemukan dalam penelitian ini, tetapi sebagian besar variasi Nilai Perusahaan lebih banyak dipengaruhi oleh faktor lain di luar *Carbon Emission Disclosure*.
Kata Kunci: *Carbon Emission Disclosure*, Nilai Perusahaan, Sektor *Basic Materials*.

Abstract

This study examines empirically whether profitability and capital structure influence firm value among state-owned enterprises (BUMN) listed on the Indonesia Stock Exchange (IDX) over the 2021–2025 period. A quantitative research design was applied using secondary data obtained from annual reports and financial statements published on the IDX website and the official websites of the respective companies. The population comprised 26 listed state-owned enterprises. Using purposive sampling, 24 companies were selected and observed for five years, producing 120 firm-year observations. Profitability was represented by Return on Assets (ROA), capital structure by the Debt to Asset Ratio (DAR), and firm value by Tobin's Q. The data were

processed using descriptive statistics, classical assumption tests, and multiple linear regression with SPSS. The findings show that profitability has a positive and significant relationship with firm value, whereas capital structure has a negative and significant relationship with firm value. These results suggest that stronger asset-based profit generation can improve investor perceptions, while excessive reliance on debt may increase perceived financial risk and weaken market valuation. Accordingly, companies should improve asset efficiency and maintain a balanced mix of debt and equity to support sustainable firm value.

Keywords: *firm value, profitability, capital structure, state-owned enterprises, multiple linear regression.*

1. INTRODUCTION

State-owned enterprises (BUMN) in Indonesia face increasing pressure to remain competitive in a rapidly changing business environment. Companies that pursue profitability need to manage both their earnings performance and financing structure carefully because these factors can influence firm value and long-term business continuity (Sinurat et al., 2025). In an era marked by globalization and intensifying competition, firm value has become an important indicator of an entity's performance and competitive position. Nevertheless, financial performance does not always move in the same direction as market valuation, particularly among Indonesian BUMN. Some state-owned companies have reported losses despite controlling substantial assets and generating large revenues. This situation indicates that market perceptions of firm value are shaped by more than accounting size or financial performance alone.

Shareholder wealth is closely associated with stock value, making firm valuation an important consideration before investors commit their funds. Firm value reflects how investors perceive a company's performance and future prospects, which are commonly reflected in its share price. A higher valuation generally signals stronger market confidence and can contribute to greater shareholder wealth (Kurniasari et al., 2025). From the management perspective, maximizing firm value is a key long-term objective because an increase in company value is expected to improve shareholder welfare (Mulyasari & Murwaningsari, 2019). Firm value is also linked to investment opportunities reflected in market prices. Improved valuation can create greater potential returns for investors while strengthening the company's public image (Franita, 2018; Yuliusman & Kusuma, 2020). Prior value-relevance studies have therefore examined a wide range of factors associated with stock-price formation and market valuation (Malik & Shah, 2013; Shan, 2015).

However, the recent condition of Indonesian BUMN suggests that book values have, in many cases, remained substantially below market values. This gap may signal difficulties in converting corporate resources and accounting performance into sustained increases in overall firm value.

Profitability and Firm Value. Profitability is an important measure of how effectively a company transforms its resources into earnings. Its assessment involves elements such as sales, total assets, and owners' equity (Yulisa & Wahyudi, 2023). In general, stronger profitability indicates greater efficiency in utilizing assets to generate income, which can support higher business valuation and shareholder wealth. Return on Assets (ROA) is widely used to represent this efficiency because it compares net income with total assets. Pramesti (2024) reported that profitability affects firm value, whereas Zuraida (2019) found that ROA did not have a significant effect on

business valuation. The inconsistent findings of previous studies constitute an important research gap and provide a basis for re-examining the relationship.

Capital Structure and Firm Value. Capital structure is closely related to firm value through its effects on business risk, the cost of capital, and investors' perceptions of a company's financial capacity and prospects. A moderate increase in debt may create financial leverage that enhances returns available to shareholders. However, excessive borrowing can raise the probability of financial distress and place downward pressure on share value. Andini and Triyono (2026) found that capital structure affects firm value, while other studies indicate that the effect of an optimal financing mix can differ according to the proportion of debt employed. These inconsistent findings provide a strong reason to test the capital structure–firm value relationship again in the context of Indonesian BUMN.

This research develops the study by Faradilla and Tantina (2022), which examined the effect of corporate governance and profitability on BUMN firm value during 2016–2020. The novelty of the present study lies in adding capital structure as an independent variable to assess how the company's debt financing compares with its asset base and in extending the observation period to five years, namely 2021–2025, for BUMN listed on the Indonesia Stock Exchange.

This study is relevant because firm value represents investors' confidence in a company's current performance and future prospects. Based on the preceding discussion, the study is designed to empirically test the effect of profitability and capital structure on firm value among BUMN listed on the IDX during 2021–2025. The hypotheses are formulated as follows:

H1: Profitability has an effect on firm value.

H2: Capital structure has an effect on firm value.

2. METHOD

This study adopts a quantitative approach and relies on secondary data drawn from annual reports and financial statements of BUMN published through the official IDX website and the official websites of the respective companies for 2021–2025 (Sugiyono, 2018). The population includes all 26 BUMN listed on the IDX. A purposive sampling technique was used, with companies required to have consistently published financial statements throughout the observation period. This procedure resulted in 24 sampled companies and 120 firm-year observations (24 companies $\times$ 5 years).

Variables and Measurement. The dependent variable is firm value (Y), measured using Tobin's Q, calculated as the market value of equity plus total debt divided by total assets. The first independent variable is profitability (X1), represented by Return on Assets (ROA), calculated as net income divided by total assets. The second independent variable is capital structure (X2), represented by the Debt to Asset Ratio (DAR), calculated as total debt divided by total assets. All variables are measured on a ratio scale.

Variable	Proxy	Formula	Scale
Firm Value (Y)	Tobin's Q	$(EMV + D) / TA$	Ratio

Profitability (X1)	ROA	Net Income / Total Assets	Ratio
Capital Structure (X2)	DAR	Total Debt / Total Assets	Ratio

Source: Brigham & Houston (2021); Kasmir (2021); processed by the researchers, 2026.

The analytical procedures consist of descriptive statistics to summarize the research data, classical assumption tests covering normality (Kolmogorov–Smirnov), multicollinearity (tolerance and VIF), heteroscedasticity (Glejser test), and autocorrelation (Durbin–Watson), followed by multiple linear regression to assess the effects of profitability and capital structure on firm value (Ghozali, 2021). The regression model is:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

where Y represents firm value (Tobin's Q), a is the constant, X1 is profitability (ROA), X2 is capital structure (DAR), β_1 and β_2 are the regression coefficients, and e is the error term. Hypotheses were evaluated using partial significance tests (t-test), simultaneous significance testing (F-test), and the coefficient of determination (R^2), with a 5% significance level.

3. RESULTS AND DISCUSSION

The research focuses on BUMN listed on the Indonesia Stock Exchange during 2021–2025. Of the 26 listed state-owned enterprises, 24 met the sampling criteria, resulting in 120 firm-year observations over the five-year period.

Descriptive Statistics

Descriptive statistics are presented to summarize the mean, maximum, minimum, and standard deviation of each research variable.

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Firm Value (Y)	88	-0.16	1.93	0.6166	0.45532
Profitability (X1)	88	-0.28	0.20	0.0142	0.06346
Capital Structure (X2)	88	-7.73	612.00	10.7152	65.00044

Source: SPSS output, 2026.

Firm value records a mean of 0.6166, which is higher than its standard deviation, suggesting relatively homogeneous observations. By contrast, profitability and capital structure have means that are below their respective standard deviations, indicating greater heterogeneity and wider variation across the sampled companies.

Classical Assumption Tests. After outlier treatment, the Kolmogorov–Smirnov normality test produced an Asymp. Sig. (2-tailed) value of 0.200 (> 0.05), indicating that the data are normally distributed. The multicollinearity test showed that the tolerance values for the independent variables exceeded 0.10 and the VIF values were below 10.00; therefore, the regression model showed no evidence of multicollinearity. The Glejser test produced significance values above 0.05 for both independent variables, indicating no detectable heteroscedasticity. The Durbin–Watson statistic was 1.886, which falls between $dU = 1.7493$ and $4 - dU =$

2.2507. Thus, the model is free from autocorrelation and satisfies the classical assumptions required for hypothesis testing.

Multiple Linear Regression and Hypothesis Testing

Variable	B	t-value	Sig.
Constant	0.274	0.455	0.650
Profitability (X1)	0.256	2.328	0.022
Capital Structure (X2)	-0.101	-2.645	0.010

Source: SPSS output, 2026 (profitability and capital structure coefficients were estimated through the multiple regression model used in the main study).

The regression results yield the following equation: $Y = 0.274 + 0.256X_1 - 0.101X_2 + e$. The constant of 0.274 indicates that, when profitability and capital structure are assumed to be zero, the predicted firm value is 0.274. Profitability has a regression coefficient of 0.256, a t-value of 2.328, and a significance level of 0.022 (< 0.05). This indicates a positive and statistically significant effect on firm value, so H1 is supported. Capital structure has a coefficient of -0.101 , a t-value of -2.645 , and a significance level of 0.010 (< 0.05), indicating a negative and statistically significant effect on firm value; therefore, H2 is also supported.

The F-test produces an F-statistic of 5.371 with a significance level of 0.001 (< 0.05). This means that the regression model containing profitability and capital structure is statistically appropriate for explaining firm value jointly. The adjusted R^2 is 0.167, indicating that the two independent variables together explain 16.7% of the variation in firm value, while the remaining 83.3% is attributable to other factors outside the model, including company size, corporate growth, and macroeconomic conditions.

Effect of Profitability on Firm Value. The analysis demonstrates that profitability, proxied by ROA, has a positive and significant effect on firm value. In other words, BUMN with greater ability to generate earnings from their assets tend to receive higher market valuations. This suggests that investors treat profitability as an important signal when assessing investment opportunities. From the perspective of signalling theory, a strong ROA conveys favorable information about management's efficiency in utilizing company assets to create earnings. Positive signals can strengthen investor confidence and stimulate demand for shares, thereby supporting higher firm value. This result agrees with Pramesti (2024), who reported a significant profitability effect on firm value among state-owned banks, but differs from Zuraida (2019), who found no significant effect of ROA. The difference may arise from variations in sector characteristics, research periods, and capital market conditions.

Effect of Capital Structure on Firm Value. The findings indicate that capital structure, measured through DAR, has a negative and significant effect on firm value. A larger proportion of debt used to finance company assets is associated with lower firm value among the BUMN examined. This pattern suggests that investors may interpret increasing leverage negatively because a higher DAR is accompanied by greater fixed interest obligations and a higher risk of default. Under trade-off theory, debt can provide benefits through the tax shield, but these benefits have an optimal limit. Once debt exceeds that level, the costs associated with financial distress can outweigh the tax advantages, ultimately reducing firm value. The result is consistent with Andini and Triyono (2026), who found a significant relationship between capital structure and firm value, and is also in line with findings from

BUMN and other sectors showing that higher debt ratios may be penalized by the market when they are not accompanied by stronger performance and efficient use of financing.

4. CONCLUSIONS

The study concludes that profitability has a positive and significant effect on the value of BUMN listed on the Indonesia Stock Exchange during 2021–2025. A company's ability to generate earnings from its assets is an important consideration for investors when evaluating performance and future prospects; consequently, stronger profitability tends to be accompanied by higher market value.

In contrast, capital structure has a negative and significant effect on firm value. Greater dependence on external financing through debt tends to increase investors' perception of financial risk and place downward pressure on firm value. This result is consistent with trade-off theory, which emphasizes the need to balance the benefits of debt financing against the risks associated with excessive leverage.

Overall, the findings indicate that increasing BUMN firm value depends not only on the amount of profit generated but also on how the company manages its financing mix. The study is limited by its focus on BUMN and its reliance on historical secondary data, meaning that the findings may not be directly generalizable to other sectors.

5. SUGGESTIONS

Based on the findings and limitations, BUMN should continue improving the efficiency with which their assets are used to generate earnings while establishing an appropriate capital structure and keeping debt at a reasonable level so that excessive financial risk is not perceived by investors. For investors, the findings may serve as an additional consideration when evaluating the financial performance and risk profile of BUMN before making investment decisions. Future researchers are encouraged to incorporate other relevant variables, such as firm size, growth, and dividend policy; broaden the sample to private companies or other industries; and combine secondary information with primary data to obtain a more comprehensive view of profitability and capital structure management practices.

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