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The Influence of Debt to Equity Ratio (DER) and Return on Equity (ROE) on Price Earnings Ratio (PER) at PT Indofood Sukses Makmur Tbk Listed on the Indonesia Stock Exchange for the 2013-2022 Period

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ABSTRACT

The Price Earning Ratio (PER) represents a fundamental benchmark extensively adopted for evaluating a company's market valuation and investors' expectations of future performance. However, previous research findings concerning the impact of leverage and profitability on PER continue to show disparate results, notably within developing economies like Indonesia. This research endeavors to analyze the effects of Debt to Equity Ratio (DER) and Return on Equity (ROE) on PER of PT Indofood Sukses Makmur Tbk, a prominent food and beverage enterprise registered on the Indonesia Stock Exchange, over the 2013–2022 timeframe. This investigation adopted a quantitative method by exploiting secondary data gathered from the firm's yearly financial reports. A total sampling approach was implemented, encompassing a ten-year observation period. The variables were computed employing descriptive statistics, classical assumption tests, multiple linear regression, coefficient of determination, and hypothesis testing operating IBM SPSS Statistics. The statistical output reveals that neither DER ($p = 0.938$) nor ROE ($p = 0.347$) demonstrates a significant consequence on PER. Additionally, the simultaneous analysis of DER and ROE yields an insignificant result toward PER ($p = 0.622$). The coefficient of determination (R^2) reveals that just 12.3% of PER variation is captured by the two independent variables, while 87.7% originates from unmodeled factors outside the proposed model. Such observations indicate that investors' valuation of PT Indofood Sukses Makmur Tbk is contingent upon a wider matrix of fiscal and non-fiscal determinants distinct from leverage and profitability. This study adds to the financial management literature by offering recent empirical evidence originating within Indonesia's food and beverage industry as well as presenting actionable frameworks intended for asset managers and firm executives in gauging organizational worth via financial ratio analysis.

INTRODUCTION

Firm valuation has become one of the primary concerns for investors, corporate managers, and financial analysts in today's increasingly competitive capital markets. A company's market value reflects investors' expectations regarding its future growth, profitability, and financial sustainability. Consequently, comprehending the financial factors that influence market valuation is crucial for making sound investment decisions and formulating effective corporate financial strategies. Among the various valuation indicators, the PER is extensively deemed a crucial parameter as it demonstrates what investors are predisposed to pay for each unit of corporate earnings.

Financial ratio analysis is frequently utilized to assess an enterprise's fiscal outcomes and its prospective influence on market valuation. Among the most routinely investigated financial metrics are DER and ROE. DER quantifies the ratio of debt financing relative to shareholders' equity and signifies the corporation's capital structure, whereas ROE appraises leadership's efficiency in producing gains from shareholders' investments. These indicators are considered fundamental in assessing financial risk, operational efficiency, and corporate profitability, all of which may influence investors' perceptions and stock valuation.

PT Indofood Sukses Makmur Tbk is recognized as one of Indonesia's leading food and beverage companies and has consistently maintained a significant presence in both domestic and international markets. During the 2013–2022 observation period, the company experienced fluctuations in leverage, profitability, and stock market performance. Although the company demonstrated relatively stable financial performance, fluctuations in its DER and ROE proved not consistently paired with parallel shifts in its PER. This factual state demonstrates that the correlation between financial performance and market valuation is more complex than conventional financial theory may predict and therefore deserves further empirical investigation.

Prior research documentation has presented contradictory outcomes concerning the connection among leverage, profitability, and firm valuation. A number of investigations determined that DER and ROE substantially influence the PER, whereas alternative academic works documented non-significant associations. These conflicting results demonstrate the presence of a research gap, implying that the impact of leverage and profitability on market valuation might fluctuate depending on sectors, operational timeframes, and macroeconomic environments. Therefore, further investigation using recent financial data is necessary to provide contemporary empirical evidence, notably within Indonesia's food and beverage industry.

The unique value of this inquiry is found in its assessment of the combined effects of leverage and profitability on the PER using ten consecutive years of financial data from PT Indofood Sukses Makmur Tbk (2013–2022). Unlike many previous studies that analyzed broader industrial sectors or shorter observation periods, this investigation presents a dedicated longitudinal analysis of one of Indonesia's largest publicly listed food and beverage companies. This approach enriches a more profound comprehension of how financial structure and profitability relate to firm valuation within a specific corporate context.

Consequently, this research endeavors to analyze the partial effect of DER on the PER, the partial effect of Return on Equity on the PER, and the simultaneous effect of DER and ROE on the PER of PT Indofood Sukses Makmur Tbk over the 2013–2022 timeframe. The outcomes are anticipated to advance the financial management literature and deliver operational implications for investors, corporate managers, and future researchers in assessing firm valuation via financial ratio analysis.

METHODS

Research Design

This study adopted a quantitative research framework to examine the relationships among capital structure, profitability, and corporate valuation. A quantitative approach was selected as fitting because it supports the verifiable measurement of patterns among variables using statistical equations and hypothesis testing. The author selected an explanatory research design to clarify whether DER and ROE perceptibly modify the PER of PT Indofood Sukses Makmur Tbk.

Data Source and Sample

This inquiry leveraged secondary data extracted from the audited annual financial statements of PT Indofood Sukses Makmur Tbk released on the Indonesia Stock Exchange (IDX) and the enterprise's official website. The monitoring span encompassed ten successive years, spanning from 2013 to 2022. Since the research concentrated on a single publicly listed company, a saturated sampling technique was utilized, whereby all accessible annual financial reports during the tracking timeframe were selected as research samples. Consequently, the study consisted of ten annual observations representing the financial performance of PT Indofood Sukses Makmur Tbk.

Variable Measurement

This research encompassed two independent variables and one dependent variable.

- **Debt to Equity Ratio (DER)** was utilized to determine the company's capital structure by comparing total liabilities with shareholders' equity.

Table 1. Debt to Equity Ratio (DER) Analysis Results of PT Indofood Sukses Makmur Tbk for the 2013–2022 Period

Tahun	Total Utang (dalam rupiah)	Total Modal (dalam rupiah)	DER %
2013	39.719.660.000.000	38.373.129.000.000	103,51
2014	45.803.053.000.000	40.274.198.000.000	113,73
2015	48.709.933.000.000	43.121.593.000.000	112,96
2016	38.233.092.000.000	43.941.423.000.000	87,01
2017	41.182.764.000.000	46.756.724.000.000	88,08
2018	46.620.996.000.000	49.916.800.000.000	93,40
2019	41.996.071.000.000	54.202.488.000.000	77,48
2020	83.998.472.000.000	79.138.044.000.000	106,14
2021	92.724.082.000.000	86.632.111.000.000	107,03
2022	86.810.262.000.000	93.623.038.000.000	92,72

Source: Annual Report PT Indofood Sukses Makmur Tbk Periode 2013-2022

- **Return on Equity (ROE)** was employed to gauge the company's profitability and management's proficiency for realizing net income from shareholders' equity.

Table 2. Return on Equity (ROE) Analysis Results of PT Indofood Sukses Makmur Tbk for the 2013–2022 Period

Tahun	Laba Tahun Berjalan (dalam rupiah)	Total Modal (dalam rupiah)	ROE %
2013	3.416.635.000.000	38.373.129.000.000	8,90
2014	5.229.489.000.000	40.274.198.000.000	12,98
2015	3.709.501.000.000	43.121.593.000.000	8,60
2016	5.266.906.000.000	43.941.423.000.000	11,99
2017	5.145.063.000.000	46.756.724.000.000	11,00
2018	4.961.851.000.000	49.916.800.000.000	9,94
2019	5.902.729.000.000	54.202.488.000.000	10,89
2020	8.752.066.000.000	79.138.044.000.000	11,06
2021	11.203.585.000.000	86.632.111.000.000	12,93
2022	9.192.569.000.000	93.623.038.000.000	9,82

Source: Annual Report PT Indofood Sukses Makmur Tbk Periode 2013-2022

- **Price Earning Ratio (PER)** served as the dependent variable to reflect firm valuation by calculating the ratio of market price per share to earnings per share.

Table 3. Price Earning Rstio (PER) Analysis Results of PT Indofood Sukses Makmur Tbk for the 2013–2022 Period

Tahun	Harga Saham (rupiah)	EPS (rupiah)	PER (kali)
2013	6.600	285	23,16
2014	6.750	379	17,81
2015	5.175	293	17,66
2016	7.925	433	18,3
2017	7.625	475	16,05
2018	7.450	474	15,72
2019	7.925	559	14,18
2020	6.850	735	9,32
2021	6.325	870	7,27
2022	6.725	724	9,29

Source: Annual Report PT Indofood Sukses Makmur Tbk Periode 2013-2022

Data Analysis

The gathered records were processed employing IBM SPSS Statistics software. The operational sequence commenced with descriptive statistical analysis to depict the features of each research variable. Subsequently, classical assumption tests were conducted, involving normality, multicollinearity, heteroscedasticity, and autocorrelation tests, to confirm that the regression model fulfilled the criteria of the Ordinary Least Squares (OLS) method.

For the purpose of examining the effect of the independent factors on the dependent variable, multiple linear regression analysis was performed using the subsequent equation:

$$\mathbf{PER} = \alpha + \beta_1 \mathbf{DER} + \beta_2 \mathbf{ROE} + \varepsilon$$

where:

- **PER** = Price Earning Ratio
- α = Constant
- β_1–β_2 = Regression coefficients
- **DER** = Debt to Equity Ratio
- **ROE** = Return on Equity
- ε = Error term

To perform hypothesis testing, the t-test was implemented to capture the individual significance of each independent metric, while the F-test was employed to investigate their simultaneous contribution to the dependent variable.. The entire statistical evaluation was processed at a 5% threshold ($\alpha = 0.05$). Finally, the coefficient of determination (R^2) was established to map the percentage of fluctuation in the market metric accounted for by DER and Return on Equity.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistical analysis was performed to depict the features of the scrutinized indicators, namely DER, ROE, and PER, within the 2013–2022 monitoring span. The results indicate that PT Indofood Sukses Makmur Tbk experienced fluctuations in its capital structure, profitability, and market valuation throughout the study period. These fluctuations reflect changes in the company's financing decisions, operational performance, and investors' responses to economic and market conditions.

Table 4. Descriptive Statistical Analysis of the DER, ROE, and PER Variables of PT Indofood Sukses Makmur Tbk for the 2013–2022 Period

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DER	10	77,48	113,73	98,2059	12,19415
ROE	10	8,60	12,98	10,8122	1,52643
PER	10	7,27	23,16	14,8758	4,93539
Valid N (listwise)	10				

Source: IBM SPSS Statistics Version 27

The descriptive statistics demonstrate the spread and properties of the investigated parameters across the tracking timeframe. The outcomes reveal that DER, ROE, and PER shifted throughout 2013–2022, illustrating movements in the company's capital structure, profitability, and market valuation. The arithmetic averages embody the central financial performance of PT Indofood Sukses Makmur Tbk, whereas the standard deviations signify the scale of dispersion across yearly records. These findings suggest that the company experienced dynamic financial conditions during the study period, rendering it suitable to analyze the connection between leverage, profitability, and firm valuation.

Preceding hypothesis testing, the regression model was scrutinized using classical assumption tests, incorporating normality, multicollinearity, heteroscedasticity, and autocorrelation tests. The analytical data established that all conditions imperative for multiple linear regression analysis were met, signaling that the regression model was valid for hypothesis testing.

Multiple Linear Regression Analysis

Multiple linear regression analysis was operationalized to assess the consequences of DER and ROE on the PER.

Table 5. Multiple Linear Regression Results for the Effects of Debt to Equity Ratio (DER) and Return on Equity (ROE) on Price Earning Ratio (PER)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	26,184	18,519		1,414	,200
	DER	,012	,143	,029	,081	,938
	ROE	-1,151	1,142	-,356	-1,007	,347

Source: IBM SPSS Statistics Version 27

The multiple linear regression analysis was applied to verify the footprint of DER and ROE on the PER. The empirical formulation describes the effect of the independent variables on firm valuation. The regression coefficients signal that neither DER nor ROE furnishes a verifiably prominent role in defining changes in the PER during the observation period.

The analysis was performed to evaluate both the individual (partial) and combined (simultaneous) effects of the independent variables on firm valuation.

Effect of Debt to Equity Ratio on Price Earning Ratio

The hypothesis testing data reveals that DER lacks a verifiably meaningful influence on the PER, carrying a significance value of **0.938** ($p > 0.05$). Hence, the initial hypothesis is rejected. This finding suggests that changes in the company's leverage did not significantly influence investors' valuation of PT Indofood Sukses Makmur Tbk over the monitoring span.

Table 6. Partial Hypothesis Test (t-test) Results for the Effects of Debt to Equity Ratio (DER) and Return on Equity (ROE) on Price Earning Ratio (PER)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	26,184	18,519		1,414	,200
	DER	,012	,143	,029	,081	,938
	ROE	-1,151	1,142	-,356	-1,007	,347

Source: IBM SPSS Statistics Version 27

The t-test metrics reveal that DER maintains a significance value of 0.938, which is higher than the 0.05 significance level. Hence, DER lacks a verifiably critical consequence for the PER. Correspondingly, ROE presents a significance value of 0.347, signaling that profitability does not confluently govern the PER. This empirical evidence indicates that investors could analyze elements outside leverage and profitability when determining the market value of PT Indofood Sukses Makmur Tbk.

From a theoretical perspective, DER measures the percentage of debt financing relative to shareholders' equity and is commonly associated with financial risk and capital structure decisions. However, the findings imply that investors did not rely solely on leverage information when assessing firm value. Instead, they may have considered broader factors such as future earnings prospects, market sentiment, competitive position, and macroeconomic conditions. Consequently, variations in the company's capital structure proved inadequate to account for fluctuations in its PER.

Effect of Return on Equity on Price Earning Ratio

The modeling outputs moreover reveal that ROE exhibits no verifiable interference with the Price Earning Ratio, as confirmed via a significance value of 0.347 ($p > 0.05$). Consequently, the second hypothesis is rejected. While ROE is universally accepted as a prominent parameter of profitability and managerial effectiveness, the findings suggest that profitability alone was not the primary determinant of investors' valuation decisions during the study period.

This result indicates that investors may have incorporated additional qualitative and quantitative information into their investment decisions, including earnings sustainability, future growth opportunities, dividend expectations, and industry performance. Therefore, improvements in accounting profitability did not automatically generate an increased market valuation as measured by the PER.

Simultaneous Effect of Debt to Equity Ratio and Return on Equity on Price Earning Ratio

The F-test diagnostics show that DER and ROE synchronously hold no statistically critical consequence for the PER. Since the significance level of 0.622 is greater than the 5% margin, it implies that the constructed regression equation does not entirely capture the shifts in the organization's market value.

Table 7. F-Test Results for the Simultaneous Effects of Debt to Equity Ratio (DER) and Return on Equity (ROE) on Price Earning Ratio (PER)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27,819	2	13,910	,509	,622[b]
	Residual	191,403	7	27,343		
	Total	219,222	9			

Source: IBM SPSS Statistics Version 27

The F-test outcomes demonstrate that DER and ROE simultaneously do not exert a mathematically substantial impact on the PER. The significance value of 0.622 surpasses the 0.05 significance level, culminating in the deduction that the proposed regression model is not statistically significant. This implies that the combined effect of leverage and profitability is insufficient to explain changes in the company's market valuation during the study period.

Moreover, the coefficient of determination (R^2) maps out that merely 12.3% of the differences in the PER is mirrored in DER and Return on Equity, whereas the remaining 87.7% resides within separate variables not contained in the research model. This data implies that firm valuation is responsive to a wider spectrum of financial and non-financial factors unrelated to leverage and profitability.

Discusiion

The conclusions drawn from this investigation indicate that customary financial indicators, specifically DER and ROE, did not serve as critical drivers for the PER of PT Indofood Sukses Makmur Tbk within the 2013–2022 duration. This suggests that investors adopted a more comprehensive approach in evaluating corporate value by considering not only historical financial performance but also future business prospects, industry dynamics, macroeconomic conditions, and overall market expectations.

The relatively low coefficient of determination further indicates that substantial variation in the PER is still left unclarified by the indicators modeled inside this inquiry. Accordingly, future research should consider incorporating additional determinants, such as Earnings per Share (EPS), DPR, PBV, firm size, liquidity, and macroeconomic indicators, to develop a more comprehensive model for explaining firm valuation in publicly listed companies.

CONCLUSION

This paper charted the bearing of DER and ROE on the PER of PT Indofood Sukses Makmur Tbk across the 2013–2022 monitoring span. The empirical feedback discloses that neither DER nor ROE furnishes a mathematically prominent weight on the institution's PER, either discretely or systematically. This data implies that leverage and profitability isolated are unaligned with explaining deviations in the market valuation of PT Indofood Sukses Makmur Tbk. Instead, investors appear to evaluate firm value using broader financial and non-financial information, including future growth prospects, macroeconomic conditions, corporate governance, and market expectations.

Regarding the theoretical perspective, this inquiry enriches the financial management literature via the provision of empirical evidence demonstrating that customary financial metrics, uniquely DER and ROE, might not consistently act as substantial predictors of the PER within Indonesia's food and beverage industry. These findings reinforce the view that firm valuation is multidimensional and influenced by a combination of financial performance, market conditions, and investor expectations.

Practically, the findings suggest that investors ought not to depend exclusively on leverage and profitability ratios when assessing a company's investment attractiveness. A more comprehensive evaluation that incorporates earnings growth, dividend policy, business sustainability, and broader economic conditions is recommended. Likewise, corporate management should continue improving operational performance, financial efficiency, and long-term shareholder value to strengthen market confidence and enhance corporate valuation.

This study is constrained by its concentration on a single company and the incorporation of merely two explanatory variables across a ten-year observation period. Consequently, the findings may not be generalizable to other industries or market environments. Prospective research works are thus incentivized to evaluate a wider spectrum of corporations, elongate the monitoring span, and encompass alternative variables, such as Earnings per Share (EPS), DPR , PBV, firm size, liquidity, and macroeconomic indicators, so as to formulate a more exhaustive specification of the determinants of the PER.

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