

(Research/Review) Article

The Impact of Debt to Equity Ratio Accounting Profit and Firm Size on Price Book Value: Evidence from PT. Erajaya Swasembada Tbk (2014–2023)

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Abstract: This study aims to analyze the effect of Debt to Equity Ratio (DER), Accounting Profit, and Company Size on Price to Book Value (PBV) at PT. Erajaya Swasembada Tbk during the period 2014–2023. A quantitative approach is used by utilizing secondary data obtained from audited financial statements and stock market data. Data processing was carried out through descriptive statistics, classical assumption tests, multiple linear regression, t tests, F tests, and determination coefficient analysis using SPSS software version 25. The results showed that DER had a significant negative effect on PBV, while Company Size had a significant positive effect on PBV. In contrast, Accounting Profit does not have a significant influence on PBV. Simultaneously, the three independent variables had a significant influence on PBV with a determination coefficient value (R^2) of 0.839. These findings confirm that the management of the company's capital structure and scale is an important factor in increasing the company's value in the eyes of investors. Meanwhile, fluctuations in accounting profits are not enough to significantly affect market perception. The practical implication of this research is the need for a financial strategy that focuses on the efficiency of the company's capital structure and expansion to increase the investment attractiveness and market value of the company.

Keywords: Capital Structure; Company Size; Investor Perception; Market Value; Profit Accounting

1. Introduction

The commercial world has undergone a profound transformation, particularly in the retail and distribution industries, due to the digital revolution and the growth of the global economy. Businesses are under pressure to respond quickly to shifting consumer tastes, technological advancements, and international competition. Retail businesses in Indonesia are up against both local rivals and foreign companies entering the market. Investors have been compelled by these trends to pay closer attention to measures that can accurately depict a company's long-term viability and success. The market's view of a company general financial health and future potential is reflected in the PBV, which serves as a reflection of the company's worth. A higher PBV suggests that the market is ready to pay a premium above the book value, indicating confidence in the firm's future earnings potential. Because PBV has an impact on investor confidence, share demand, and, ultimately, the cost of capital, it is a crucial metric for managers. As the top company in Indonesia for technology retail and distribution, PT Erajaya Swasembada Tbk is the perfect subject for study. Since the firm regularly deals with quick shifts in technology cycles, consumer demand, and competition, its PBV can shed light on how capital structure (DER), The investor perspective is influenced by the interaction of profitability and company size.

The novelty this study lies in focusing on one of Indonesia's most prominent retail technology companies with a ten-year observation period (2014–2023), thereby contributing to empirical evidence in emerging markets.

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Table 1. Data of Total DER, Accounting Profit, Firm Size, and Price Book Value of PT Erajaya Swasembada Tbk for the Period 2014–2023.

Year	DER (%)	Firm Size (%)	Accounting Profit (%)	PBV (%)
2014	103,42	2.944,29	7,812	21,01
2015	143,35	2.968,52	6,122	9,86
2016	117,78	2.963,58	7,186	51,04
2017	139,40	2.981,41	6,762	57,50
2018	162,82	3.017,13	12,044	141,30
2019	95,79	2.990,81	7,972	115,01
2020	97,11	3.004,79	9,841	123,04
2021	75,98	3.006,22	14,592	147,61
2022	136,83	3.004,85	15,983	86,30
2023	151,48	3.019,32	14,236	82,70

Source: Data processed by the author.

From table 1, it can be seen PT Erajaya Swasembada Tbk over the period 2014 to 2023, information was obtained regarding the dynamics of the key financial variables examined in this study, namely the DER, Firm Size, Accounting Profit, and PBV. The fluctuations in these four variables reflect the company's financial response to macroeconomic conditions, developments in the technology retail sector, and the strategic policies implemented management.

With respect to the DER, which represents the firms capitalstructure through the comparison between total liabilities and equity, significant changes were observed throughout the observation period. DER increased from 103.42% in 2014 to 162.82% in 2018, indicating a heavy reliance on debt-based financing. This situation potentially elevates financial risk, particularly if not accompanied by improvements in operational performance. However, in 2021, DER dropped sharply to 75.98%, which can be interpreted as an effort by the company to rebalance its capital structure. Nevertheless, this decline was not sustained, as by 2023 the ratio had risen again to 151.48%, raising questions about the consistency of the company's long-term financing policy.

Variable Firm Size, measured by natural logarithm of totalassets, showed a relatively stable tendency throughout the period, with values ranging between 2,944.29 and 3,019.32. This stability indicates that the company was able to maintain its business scale consistently. Nevertheless, stability in firm size does not automatically translate into higher market value, since the movement of PBV demonstrated a different trajectory in several years. This underscores that firm size is not the sole determinant of market value formation, but must be analyzed in conjunction with other financial variables, including profitability and capital structure.

Accounting Profit exhibited a varied trend. At the beginning of the period, in 2014, accounting profit was recorded at 7.81%. This figure declined to 6.12% in 2015 and 6.76% in 2017. However, starting from 2018, there was a consistent increase, culminating in peak of 15.98% in 2022. This rise in profitability indicates improved operational efficiency and company's enhanced ability to generate profits from its core business activities. Nevertheless, An increase in accounting profit is not always accompanied by an increase in PBV, indicating that investor perceptions and external factors also play an important role in determining market value.

Price to Book Value, as a proxy of firm's market value relative to book value, experienced significant fluctuations. In 2014, PBV was recorded at 21.01%, indicating that the market provided a valuation higher than the company's book value. However, during 2016 to 2017, PBV declined sharply, reaching its lowest point in 2016 at 51.04%. This figure reflects a condition of extreme undervaluation, which may have been driven by declining investor confidence in the company's growth prospects or negative market sentiment toward the industry sector. Alongside the improvement in profitability, PBV began to rise again from 2020 onward, reaching its highest level during the observation period in 2021 at 147.61%.

2. Literature Review

Price Book Value (PBV)

Brigham and Houston (2021:152) argue in their book “Fundamentals of Financial Management”, Price to Book Value: shows the relationship between a company stock price in the market and its book value. A higher PBV indicates that the market places a greater value on the company, suggesting more favorable prospects for its future performance.

Debt To Equity Ratio (DER)

DER shows how much a company relies on external funding sources. The higher the DER, the greater the company's dependence on creditors, potentially increasing financial risk (Kasmir, 2021:158).

Accounting Profit

Profitability represents company ability to generate income after expenses. Chairi (2020) emphasizes that profitability is among the most powerful indicators investors consider. High profitability indicates efficiency and growth capacity, which directly enhances PBV.

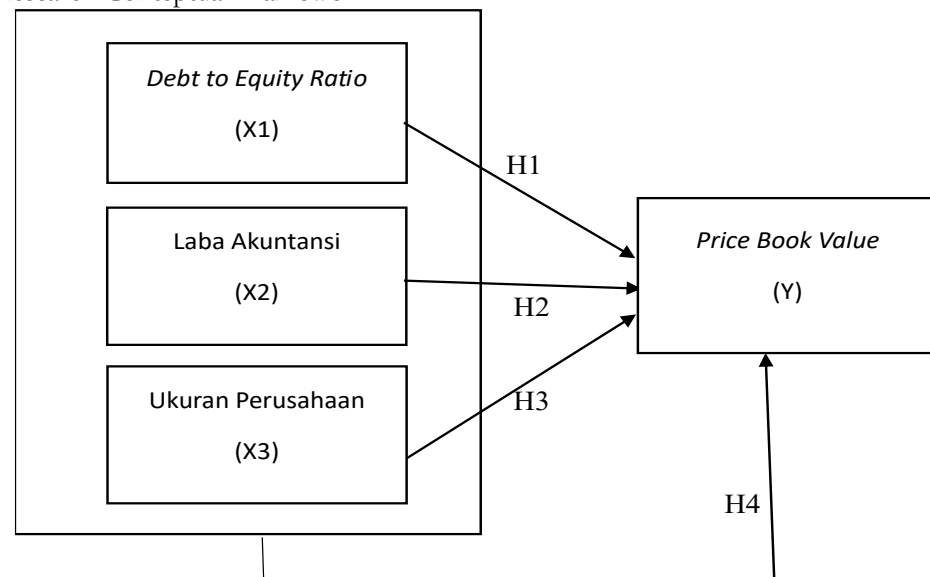
Firm Size

Company size: measured by revenue, often correlated with stability and resources. Larger companies tend to have a stronger and larger market presence (Hartono, 2020). However, larger size may also lead to inefficiencies and bureaucracy, thus not always translating into higher PBV.

Empirical Research Gap

Previous studies present mixed findings. For instance, Setiawan & Sari (2022) found capital structure positively influenced PBV, while other studies reported no significant effect. Similarly, the effect of firm size is debated, with some studies finding significance and others not. Profitability, however, consistently shows positive effects, though its magnitude varies across contexts. This inconsistency motivates the present study to reassess these relationships within PT Erajaya Swasembada Tbk.

Research Conceptual Framework



Picture 1. Research Conceptual Framework.

3. Method

This research adopts a quantitative, causal-associative design. Data are secondary, sourced from PT Erajaya Swasembada Tbk's audited financial statements from 2014 to 2023.

The population in this study is also quite specific and can be distinguished by several characteristics. In this research, the population consists of the financial statements of PT Erajaya Swasembada Tbk, using the company's official website. Samples in this study: Annual report period 2014–2023; Balance sheets as of December 31; Income statements as of December 31.

Table 2. Variable Operational Definitions.

Variable	Type of Variable	Indikator	Skala pengukuran
DER (X1)	Independent	$DER = \frac{\text{Total Hutang}}{\text{Ekuitas}} \times 100\%$ Source : Kasmir (2021)	Ratio
Accounting Profit (X2)	Independent	$Acc\ Prof = \frac{EBIT}{\text{Total aset perusahaan}}$ Source : Brigham dan Houston (2021)	Ratio
Firm Size (X3)	Independent	$Firm\ Size = LN(\text{Total Assets})$ Source : Kasmir (2021)	Ratio
PBV (Y)	Dependen	$PBV = \frac{\text{Harga Per Lembar saham}}{\text{Nilai Buku Per lembar saham}}$ Source : Kasmir (2021)	Ratio

Analysis techniques data processing was performed using SPSS.

4. Results and Discussion

Descriptive Statistic

were carried out to see the character of each research variable.

Table 3. Descriptive Statistics Test Results.

Variable	Minimum	Maximum	Mean	Std. Deviation
PBV (Y)	.10	1.48	.8353	.48393
DER (X1)	.76	1.63	1.2270	.28147
Accounting Profit (X2)	7.91	159.83	95.3710	47.13023
Firm Size (X3)	22.53	23.29	22.9930	.25016

Descriptive analysis was conducted to examine the characteristics of each research variable. The data processing results show:

DER (X1): minimum value 0.76; maximum 1.63; mean 1.2270 with a standard deviation of 0.28147.

Accounting Profit (X2): minimum 7.91; maximum 159.83; mean 95.3710; standard deviation 47.13023.

Company Size (X3): minimum 22.53; maximum 23.29; mean 22.9930; standard deviation 0.25016.

PBV (Y): minimum 0.10; maximum 1.48; mean 0.8353; standard deviation 0.48393.

These data show that there is quite a large variation, especially in the accounting profit variable, while company size is relatively stable.

Classic Assumption Test

conducted to determine whether the dependent variable, independent variable, and regression model have a normal distribution.

Table 4. Normality Test Results.

One-Sample Kolmogorov-Smirnov Test	
Unstandardized Residual	
N	10
Test Statistic	0.209
Asymp.Sig. (2-tailed)	0.200 ^d

Source: SPSS output.

The Kolmogorov-Smirnov test results showed a significance level of $0.200 > 0.05$, indicating that data were normally distributed. Probability plot also supports this conclusion

Table 5. Multicollinearitas Test Result.

Variable	Tolerance	VIF
DER (X1)	0.949	1.054
Account Profit (X2)	0.655	1.526
Firm Size (X3)	0.003	1.527

Source : SPSS output.

Table 5 All variables have a tolerance value > 0.10 and $VIF < 10$, so no multicollinearity problems were found.

The Heteroscedasticity test is a test that is carried out with the aim of seeing regression model there is a variance disparity from one residual observation to another. Ghozali (2021) explained that a good regression model is a model with the same or homogeneous residual value (homoskedasticity).

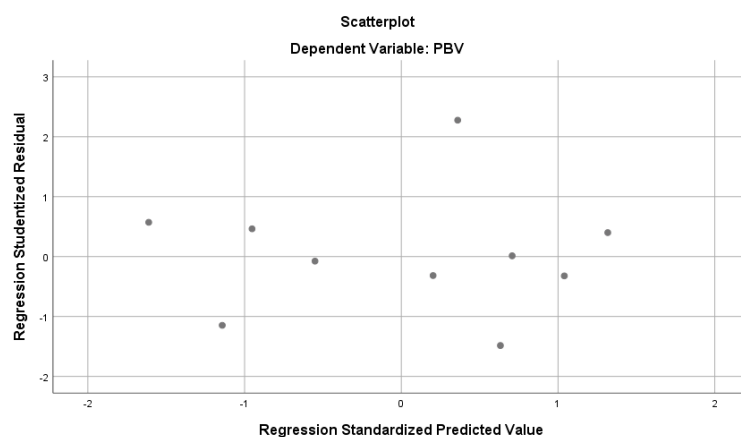


Figure 2. Result Of Heteroscedasticity test (scatterplot).

The scatterplot analysis indicates that distribution of residuals does not form a specific pattern, suggesting the absence of heteroskedasticity. Therefore, the regression model is considered reliable for further analysis.

The Autocorrelation test is a test conducted to assess linear regression model there is a correlation between disruptive error in the t period and disruptive error in the $t-1$ period (previously). A good model is one that is free of autotocorrelations. To detect autokeralization

in the research data, the Durbin Watson (DW) test was performed. Where if $du < dw < 4 - du$ means there is no autocorrelation.

Table 6. Autocorrelation Test Result.

R	RSquare	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.916	0.839	0.758	0.23816	1.968

Source: SPSS output.

The Durbin-Watson value of 1.968. range indicating no autocorrelation, so the regression model can be used.

Multiple Linear Regression Analysis

The direction and magnitude impact independent variables on dependent variables is determined using multiple linear regression analysis (Ghozali, 2021). A multiple linear regression analysis of the research data yielded the following findings.

Table 7. Result Of Multiple Linear Regression Analysis.

Type	Unstandarized Coeficient		Standarized Coeficient	t	Sig
	B	Std. Error	Beta		
(Constant)	-40.454	8.874		-4.559	0.004
DER (X1)	-0.754	0.290	-0.438	-2.603	0.041
Account Profit (X2)	-0.001	0.002	-0.110	-0.545	0.605
Firm Size (X3)	1.841	0.392	0.951	4.694	0.003

Source: SPSS output

Results of data processing Table 7, multiple linear regression equation can be formulated:

$$\text{PBV} = -40,454 - 0,754X1 - 0,001X2 + 1,841X3$$

Equation, the value constant coefficient -40.454, suggesting that if DER, Accounting Profit, and Firm Size are assumed to be zero, PBV would take a negative value. Although statistically significant ($p < 0.05$), the constant has limited economic meaning since the independent variables cannot realistically equal zero.

DER (X1) is -0.754 with a significance value of 0.041 (0.05) which shows that accounting profit does not have a statistically significant effect on PBV.

The coefficient of Accounting Profit (X2) is -0.001 with a significance value of 0.605 (> 0.05), which indicates that accounting profit does not have a statistically significant impact on PBV.

The Company Size Coefficient (X3) is 1.841 with a significance value of 0.003. The coefficient of Firm Size (X3) is 1.841 with a significance value of 0.003 (< 0.05), indicating that firm size has a positive and significant effect on PBV. Larger firms are generally perceived as more stable and attractive to investors.

Hypothesis Test

Partial Test (t-test)

The Debt to Equity Ratio (X1) has a significance level of 0.041, which is smaller than the significance threshold of 0.05 ($0.041 < 2.447$), so the decision to reject H_{01} and accept H_{a1} is further strengthened. Therefore, it can be concluded that DER has a negative and statistically significant effect on PBV.

The Accounting Profit variable (X2) has a significance level of 0.605, which is higher than the 5% significance threshold ($0.605 > 0.05$). Thus, H_{02} is accepted and H_{a2} is rejected, indicating that Accounting Profit does not have a significant partial effect on PBV. The calculated t-test for this variable is -0.545, while the t-table value at $df = 6$ and $\alpha = 0.05$ is 2.447. -0.545.

The Company Size variable (X3) shows a significance level of 0.003, which is smaller than the 5% significance threshold ($0.003 < 2.447$), thus the decision to reject H_{03} is further

strengthened. Thus, it can be concluded that Company Size has a positive and statistically significant partial effect on PBV.

Simultaneous Test (Test f)

Simultaneous study (f test) was conducted with the aim of showing whether all independent variables simultaneously influence the dependent variable.

Table 8. Result of the F test Multiple Linear Regression Analysis.

Type	Sum Of Squares	df	Mean Square	F	Sig.
Regression	1.767	3	0.589	10.386	0.009 ^b
Residual	0.340	6	0.057		
Total	2.108	9			

Source: SPSS output.

Based on Table 8, The calculated F value of 10.386 > F table 4.757 with sig. 0.009 < 0.05 → shows that DER, accounting profit, and company size together have a significant effect on PBV.

Coefficient Of Determination

Coefficient of determination test: conducted to assess the extent to which the model can explain the variation in the dependent variable.

Table 9. Coefficient of Determination Test.

R	RSquare	Adjusted R Square	Std. Error of the Estimate
0.916 ^a	0.839	0.758	0.23816

Source: SPSS output

Based on Table 9, The R² value = 0.839, meaning that 83.9% of the variation in PBV can be explained by the three research variables, while 16.1% is influenced by other factors.

Discussion

Effect of Debt to Equity Ratio (DER) on PBV at PT Erajaya Swasembada Tbk

The research results show that DER has a significant negative effect on PBV. This indicates that the higher the debt ratio, the lower the PBV. Investors tend to perceive a capital structure that relies too heavily on debt as increasing risk, thus reducing market confidence.

Effect of Accounting Profit on PBV at PT Erajaya Swasembada Tbk

Accounting profit did not significantly affect PBV. This may be due to external factors and investor perceptions, which focus not only on profit but also on long-term prospects and industry conditions. This finding suggests that accounting profit is not the sole indicator of market value.

Effect of Company Size on PBV at PT Erajaya Swasembada Tbk

Company size has been shown to have a significant positive effect on PBV. Larger companies are considered more stable, highly competitive, and more trusted by investors. This finding aligns with research by Rachmawati & Pinem (2020).

Simultaneous Effect of DER, Accounting Profit, and Firm Size on PBV at PT Erajaya Swasembada Tbk

Simultaneous testing shows that all three variables jointly influence PBV. With an R² contribution of 83.9%, this means combination of leverage, profitability, and company size is a significant factor in determining company value.

5. Conclusions

From the results of data processing and statistical testing, the following conclusions can be drawn: 1. DER has a significant negative effect on PBV. This indicates that the greater a company's dependence on debt, the lower the market's assessment of the company's value., 2. Accounting profit does not have a significant effect on PBV. Profit fluctuations are not always a primary factor in determining investor perceptions of company value., 3. Company size has a significant positive effect on PBV. Companies with larger assets tend to be

perceived as more stable, have better prospects, and are more trusted by investors., 4. Simultaneously, DER, accounting profit, and company size have a significant effect on PBV. These three variables explain 83.9% of the variation in company value, with the remainder influenced by factors outside this study. These results emphasize the importance of capital structure management and company-scale growth strategies as key factors in increasing company value, while accounting profit alone is insufficient to influence market perception.

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