

Determinants of the Net Profit of PT Indofood Sukses Makmur Tbk: Evidence from Firm Size, Capital Structure, And Inflation (1999–2024)

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ABSTRACT: PT Indofood Sukses Makmur Tbk, as one of the leading FMCG companies in Indonesia, has experienced significant fluctuations in net profit during the period 1999–2024, despite continuous growth in total assets. This study aims to analyze the effect of Total Assets, Debt to Equity Ratio (DER), and Inflation on Net Profit. This research employs a quantitative approach using a time series method and multiple linear regression analysis (OLS) with EViews 13. The data consist of annual data from 2000 to 2024 obtained from audited financial statements and official inflation data, and include a lagged variable to capture the dynamic behavior of net profit over time. The results show that Total Assets do not have a significant direct effect on Net Profit, indicating that asset growth does not necessarily translate into higher profitability without efficient utilization. Meanwhile, DER and Inflation have a negative and significant effect on Net Profit, suggesting that higher leverage and inflationary pressure tend to reduce profitability. The lagged Net Profit variable has a positive and significant effect, indicating the presence of profit persistence. Simultaneously, all independent variables significantly affect Net Profit with an R-squared value of 0.897. These findings indicate that capital structure and macroeconomic conditions play a more dominant role in determining profitability compared to asset growth alone, emphasizing the importance of efficient resource management in improving financial performance.

KEYWORDS: net profit, total assets, debt to equity ratio, inflation, time series

I. INTRODUCTION

Profitability serves as a primary metric for assessing a company's financial results and its prospects for enduring operational viability. Among various measures of profitability, net profit is considered the most comprehensive indicator because it reflects the final outcome of all operational activities after deducting expenses, including operating costs, interest, and taxes (Husain, 2021; Jayathilaka, 2020). Therefore, net profit not only indicates a firm's capacity to produce revenue but also serves as a significant benchmark for investors when evaluating operational results and future prospects. In

practice, net profit does not always follow a stable pattern. Fluctuations in profitability are common, even among large and well-established companies. This can also be observed in PT Indofood Sukses Makmur Tbk, among the most substantial fast-moving consumer goods corporations in Indonesia. As shown in Figure 1.2, the company's net profit fluctuates significantly over time, indicating that profitability does not consistently increase. This occurs despite the company experiencing substantial growth in total assets, which theoretically should support higher profitability. This condition suggests that there is a gap between theoretical expectations and empirical reality.

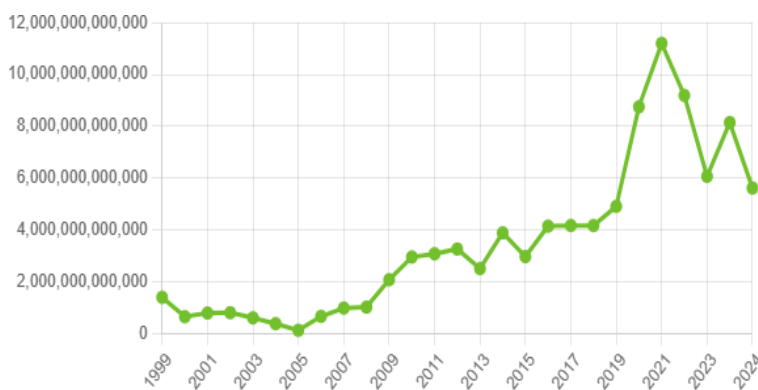


Figure 1. 2 Net Profit Trends of PT Indofood Sukses Makmur Tbk

Source: CariSaham.com (2024), processed

From a theoretical perspective, firm size, commonly measured by total assets, is often associated with greater operational capacity and economies of scale. Companies with larger asset bases are generally expected to generate higher profits due to better access to resources and broader operational capabilities (Elisa Dwi Handini & Dwi Ermayanti Susilo, 2025; Firdaus & Trisnarningsih, 2023) . However, in reality, asset growth does not always directly lead to increased profitability. The effectiveness of asset utilization plays a crucial role, as inefficient management of resources may limit the contribution of assets to financial performance (Shafique et al., 2021) . In addition to firm size, capital structure also influences company profitability. The Debt to Equity Ratio (DER) illustrates the level of financial leverage and indicates how much a company relies on debt financing. Higher an increase in leverage escalates financial liabilities, notably interest payments, which can diminish the net profit if not managed properly. Previous studies suggest that excessive use of debt tends to negatively affect firm performance due to increased financial risk (Nguyen & Nguyen, 2020; Nukala & Prasada Rao, 2021).

Conversely, external macroeconomic elements, including inflation, contribute significantly. Escalating inflation can elevate operational expenses and diminish consumer spending capability, potentially impacting corporate earnings. Research suggests that inflation typically exerts an adverse influence on business outcomes, though the extent of this impact can differ based on an organization's circumstances and strategic choices (Putu et al., 2025; Rahman Halik et al., 2024). Prior research predominantly employed cross-sectional or panel data methodologies, examining numerous entities across limited durations. While these methods offer broad perspectives, they may not entirely encompass the evolving performance of an individual enterprise over extended intervals. Consequently, this investigation utilizes a time series methodology, concentrating on PT Indofood Sukses Makmur Tbk from 1999 to 2024, to facilitate a more detailed examination of enduring financial trends

Following the preceding discussion, a discrepancy is observable between theoretical predictions and actual circumstances when accounting for the interrelation of total assets, capital composition, inflation rates, and profit generation. Theoretical frameworks posit that enterprises with substantial assets and an optimized capital structure are expected to achieve superior profitability. However, practical observations indicate that this correlation is not consistently observed and is affected by the interplay of multiple internal and external variables. Accordingly, the present study examines the impact of Total Assets, the Debt to Equity Ratio (DER), and Inflation on the Net Profit of PT Indofood Sukses Makmur Tbk over the period from 1999 to 2024. This study is anticipated to

offer a contribution to a more profound comprehension of the determinants of profitability, particularly within the context of Fast-Moving Consumer Goods (FMCG) companies operating in Indonesia.

II. LITERATURE REVIEW

A. Theory

1. *Net Profit*

Net profit signifies the ultimate result of a business's operational endeavors subsequent to the subtraction of all expenditures, encompassing operational outlays, interest, and taxation. It is broadly recognized as a principal indicator of financial efficacy due to its reflection of how adeptly an organization manages its assets to yield profits. According to (Jayathilaka, 2020), net profit demonstrates the organization's capability to create value for its stakeholders through effective resource management. From a theoretical perspective, net profit is closely related to profitability theory, which emphasizes efficiency as a key factor in determining financial performance. Companies that are able to control costs and optimize operations tend to achieve higher profitability, while inefficiencies in resource allocation may reduce net profit (Dewi et al., 2019; Oktaviani et al., 2024; Suzan & Siallagan, 2022). Therefore, net profit can be understood as a comprehensive reflection of both operational efficiency and financial decision-making.

2. *Total Assets*

Total assets represent the overall economic resources owned by a company to support its operations and generate future benefits. In financial studies, total assets are commonly used as a proxy for firm size, as they reflect the scale of business activities and operational capacity. Companies with larger asset bases are generally expected to have greater production capabilities and better access to resources (Elisa Dwi Handini & Dwi Ermayanti Susilo, 2025). The correlation between total assets and organizational performance may be elucidated by the Resource-Based View (RBV), which emphasizes that company performance depends on how effectively resources are utilized. Resources will only contribute to superior performance when they are managed efficiently (Beamish & Chakravarty, 2021; Firmialy & Hidayat, 2022). However, empirical findings show that the impact of total assets on profitability is not always consistent. Larger firms do not automatically achieve higher profits if asset utilization is inefficient (Ibrahimov et al., 2025; Lestari & Agustiningsih, 2023). This indicates that asset growth alone is not sufficient, and effective management is of significant importance in transforming resources into financial performance.

3. *Debt to Equity Ratio (DER)*

The Debt-to-Equity Ratio (DER) quantifies the relationship between a company's debt and equity, serving as a key metric

for evaluating its financial structure and the extent of its financial leverage. An elevated DER signifies a more significant utilization of borrowed funds for financing operations. This, in turn, leads to amplified financial commitments, including interest expenses, and elevates the overall financial vulnerability (Nguyen & Nguyen, 2020). Theoretically, the DER can be interpreted through the perspective of the Trade-Off Theory. This theoretical model suggests that entities endeavor to achieve a balance between the benefits and drawbacks inherent in debt-based funding. Although debt can offer certain benefits, such as tax advantages, an excessive level of leverage heightens the potential for financial difficulties (Abubakar & Anyonje, 2025; Ai et al., 2020). Findings from empirical studies commonly indicate that increased leverage tends to have an adverse impact on profitability, primarily due to the augmented financial strain and heightened exposure to risk (Hapsari et al., 2025; Nukala & Prasada Rao, 2021). Consequently, the influence of the DER on net profit is contingent upon a company's proficiency in managing its capital structure.

4. Inflation

Inflation denotes a persistent rise in the overall cost of goods and services, leading to a diminution of consumer spending capacity and impacting the broader economic landscape. As a key

macroeconomic indicator, inflation exerts influence on corporate outcomes by affecting both expenditure and sales. Escalating inflation elevates operational expenses, encompassing the costs of inputs, workforce compensation, and logistical outlays, potentially diminishing profit margins (Nwosu et al., 2025). From a theoretical perspective, inflation can be substantiated by the cost-push theory, where rising input costs lead to higher product prices. However, companies are not always able to fully transfer these costs to consumers, especially in competitive markets, which may reduce profit margins (Ashakah et al., 2025). In addition, inflation also affects consumer purchasing power, which may reduce demand and company revenue. Several studies indicate that inflation tends to negatively affect firm performance, although its impact may vary depending on company strategies and market conditions (Febryanti Andini, 2024; Rahman Halik et al., 2024).

B. Conceptual Framework

The conceptual framework guiding this research is presented below, derived from the prior theoretical analysis and substantiated by existing theoretical constructs and prior empirical investigations.

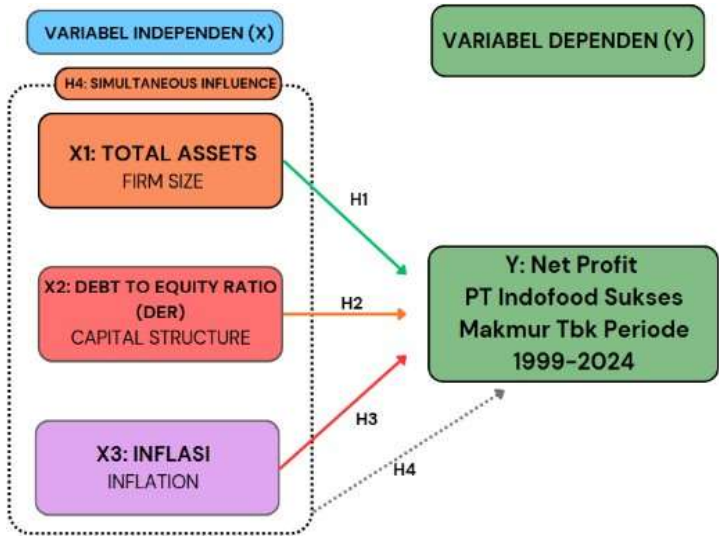


Figure 2. 1 Research Framework
Source: Data compiled by the researcher

III. RESEARCH METHODOLOGY

This investigation utilizes a quantitative methodology featuring a causal research framework to scrutinize the interplay between Total Assets, Debt to Equity Ratio (DER), and Inflation as independent variables, and Net Profit as the dependent variable of PT Indofood Sukses Makmur Tbk. The study uses a time series approach based on annual data from 1999 to 2024, which

allows for the analysis of financial performance dynamics over a long observation period. Compared to cross-sectional or panel data approaches, the time series method is considered more appropriate as this research focuses on a single firm and aims to provide a deeper understanding of its financial behavior over time. The dataset utilized comprises secondary information sourced from the audited financial statements of PT Indofood

Sukses Makmur Tbk and official macroeconomic data sources, where Net Profit represents profitability, Total Assets reflect firm size, DER indicates capital structure, and Inflation captures external economic conditions.

To guarantee the robustness and accuracy of the model, a series of data manipulations are implemented. The variable representing Total Assets is converted into its first difference (D(ASS)) to mitigate potential issues with non-stationarity. Concurrently, Net Profit is converted into a logarithmic format (LNP) to enhance the distribution characteristics of the data. Moreover, the model incorporates a lagged value of the dependent variable, specifically LNP(-1), to

account for the time-dependent nature and sustained influence of net profit. The analysis of the data is conducted through multiple linear regression, employing the Ordinary Least Squares (OLS) technique, facilitated by the EViews 13 software. To further validate the regression model, classical assumption assessments are performed, encompassing tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. Hypothesis validation is carried out utilizing the t-test to scrutinize individual variable impacts and the F-test to assess the collective influence of all predictor variables on Net Profit.

IV. RESULTS & DISCUSSION

C. Descriptive Statistical Analysis

Tabel 4.1 Descriptive Statistics

Variable	N	Mean	Maximum	Minimum	Std. Dev.
LNP	26	12.32	13.05	11.09	0.49
Total Assets (Trillion IDR)	26	73.5	201.18	10.6	61.7
DER	26	0.98	1.94	0.42	0.49
Inflation (%)	26	5.79	17.11	1.57	3.84

Source: Data compiled by the researcher

The descriptive statistics reveal that LNP demonstrates a consistent pattern characterized by limited deviation. Total assets exhibit considerable expansion alongside substantial fluctuations, indicative of the firm's gradual development. The DER remains within an acceptable range, displaying moderate oscillations that suggest a generally consistent financial

arrangement. Concurrently, inflation displays observable volatility, pointing to evolving economic circumstances. In summation, both internal and external factors exhibit variance throughout the examined timeframe, establishing a sound foundation for subsequent regression analysis concerning net profit.

D. Linearity Test

Ramsey RESET Test Equation: UNTITLED

Omitted Variables: Squares of fitted values Specification: LNP C D(ASS) DER INFLASI LNP(-1)

	Value	df	Probability
t-statistic	0.296582	19	0.7700
F-statistic	0.087961	(1, 19)	0.7700
Likelihood ratio	0.115471	1	0.7340

The Ramsey RESET test results indicate that the F-statistic's probability value is 0.7700, exceeding 0.05. This observation suggests that the model has been accurately

formulated and does not exhibit any signs of misspecification or non-linearity. Consequently, the regression model employed in this research is deemed suitable.

E. Test of Classical Assumptions

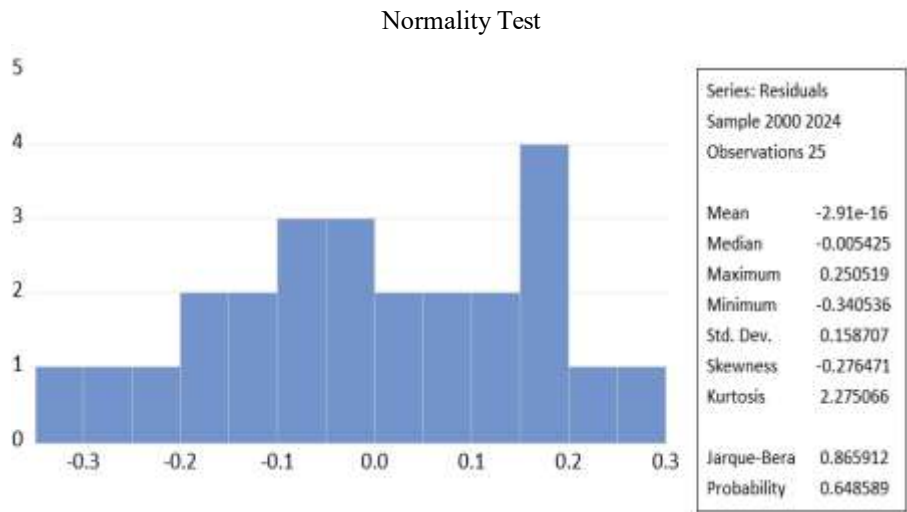


Figure 4. 1 Normality Test (Jarque–Bera Test)
Source: Data compiled by the researcher

The Jarque-Bera normality test, applied to the residuals, resulted in a probability value of 0.648589. This outcome surpasses the standard threshold for statistical significance, which is 0.05, thereby confirming that the regression model's residuals adhere to a normal distribution. Additionally, a visual inspection of the histogram reveals that the residual data

exhibits a symmetrical distribution without any discernible extreme outliers. Consequently, it can be asserted that the normality assumption for this investigation has been satisfied, which permits the progression of the regression model to subsequent analytical phases.

1. Multicollinearity Test

Table 4.2 Multicollinearity Test

Variance Inflation Factors Date: 03/21/26 Time: 23:12 Sample: 1999 2024
Included observations: 25

Variable	Coefficient Variance	Entered VIF	Entered VIF
C	2.271196	1878.538	NA
D(ASS)	7.40E-30	1.485123	1.129439
DER	0.013903	12.53215	2.345043
INFLASI	0.000162	6.611991	1.921502
LNP(-1)	0.013331	1672.723	2.522126

Source: Data compiled by the researcher

An assessment for multicollinearity was executed to ascertain that the independent variables within the model do not display elevated correlation, an issue that could compromise the robustness and clarity of the regression coefficients. The evaluation employed the centered Variance Inflation Factor (VIF), adhering to the established threshold where a VIF score under 10 signifies the lack of considerable multicollinearity.

Following the results of this assessment, all independent variables incorporated in the model recorded centered VIF values below the benchmark of 10, leading to the conclusion that no substantial multicollinearity is present. Consequently, the employed regression model satisfies the multicollinearity assumption, permitting progression to subsequent validation phases.

2. Heteroscedasticity Test

Table 4.3 Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey Null hypothesis: Homoskedasticity

F-statistic	2.699352	Prob. F(4,20)	0.0601
Obs*R-squared	8.764868	Prob. Chi-Square(4)	0.0673
Scaled explained SS	3.576251	Prob. Chi-Square(4)	0.4664

Source: Data compiled by the researcher

A test for heteroscedasticity was performed to ascertain its presence within the regression model. The White test was employed for this purpose, with the established threshold stipulating that a p-value exceeding 0.05 signifies the non-existence of heteroscedasticity. The outcomes of this test revealed a probability value that surpassed the 0.05 significance

level, leading to the conclusion that no indicators of heteroscedasticity were observed in the model. Consequently, this implies that the variance of the residuals is consistent, thereby fulfilling the homoscedasticity assumption for the regression model, rendering it appropriate for subsequent analytical procedures.

3. Autocorrelation Test

Table 4.4 Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:

Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.111205	Prob. F(2,18)	0.8954
Obs*R-squared	0.305133	Prob. Chi-Square(2)	0.8585

Source: Data compiled by the researcher

An autocorrelation test was conducted to ascertain that the model's residuals did not exhibit serial correlation over distinct time intervals. The presence of such correlation can compromise the effectiveness of Ordinary Least Squares (OLS) estimations. The Breusch-Godfrey Serial Correlation LM Test was employed for this evaluation, considering a maximum of two lags. The prevailing null hypothesis stated that no autocorrelation was present in the model. The outcomes of the

test generated a Chi-Square probability value of 0.8585. Given that this figure surpasses the established 0.05 significance threshold, the null hypothesis could not be refuted. Therefore, it was concluded that the residuals were not affected by autocorrelation. This finding suggests that the regression model satisfies the autocorrelation assumption, making it appropriate for further examination.

F. Multiple Linear Regression Analysis

Table 4.5 Multiple Linear Regression Analysis

Dependent Variable: LNP Method: Least Squares Date: 03/22/26 Time: 16:21

Sample (adjusted): 2000 2024

Included observations: 25 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.553351	1.507049	4.348467	0.0003
D(ASS)	3.09E-15	2.72E-15	1.136183	0.2693
DER	-0.298990	0.117913	-2.535686	0.0197
INFLASI	-0.031985	0.012730	-2.512605	0.0207
LNP(-1)	0.505827	0.115459	4.381015	0.0003
R-squared	0.897064	Mean dependent var		12.33182
Adjusted R-squared	0.876477	S.D. dependent var		0.494667
S.E. of regression	0.173855	Akaike info criterion		-0.484333

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Sum squared resid	0.604512	Schwarz criterion	-0.240558
Log likelihood	11.05417	Hannan-Quinn criter.	-0.416720
F-statistic	43.57393	Durbin-Watson stat	1.826636
Prob(F-statistic)	0.000000		

Source: Data compiled by the researcher

An examination of the influence of Total Assets, the Debt-to-Equity Ratio (DER), Inflation, and a prior period's Net Income on the current Net Income was conducted utilizing multiple linear regression. The Ordinary Least Squares (OLS) methodology was employed for this analysis, with a dataset comprising 25 observations. The regression equation derived from the estimation outcomes is presented as follows:

$$LNP_t = 6,553351 + 3,09E^{-15}D(ASST)_t - 0,298990DER_t - 0,031985INFLASIt + 0,505827LNP_{t-1} + \varepsilon_t$$

The D(ASST) coefficient is positive, indicating that asset growth tends to be followed by an increase in net income, although the effect is very small. Meanwhile, the DER coefficient is negative, suggesting that an increase in debt usage within the capital structure tends to reduce a company's net income. This reflects the fact that as the leverage ratio rises, the financial burden borne by the company also increases. On the other hand, inflation also has a negative coefficient, indicating that rising inflation tends to put downward pressure on a company's net profit, likely due to rising production costs and declining consumer purchasing power. Meanwhile, the LNP(-1) variable has a fairly large positive coefficient, indicating profit persistence, this scenario describes a situation where the profitability of the preceding period has a discernible effect on the profitability of the current period..

G. Hypothesis Test

1. Coefficient of Determination (R²)

According to as detailed in the regression analysis presented in Table 4.5, the adjusted coefficient of determination (R²) stands at 0.876477, representing 87.65% of the variance. This finding suggests that the independent variables Total Assets, Debt-to-Equity Ratio (DER), Inflation, and prior period's Net Profit collectively account for 87.65% of the variance observed in Net Profit. The remaining 12.35% of the variance is attributed to factors were not incorporated into the developed model.

2. Partial Test (t-test)

A t-test was performed for the purpose of assessing the influence individual independent variables on Net Profit, employing a 5% significance threshold (p-value < 0.05). The outcomes of these individual analyses reveal that DER (p = 0.0197) and Inflation (p = 0.0207) exert a statistically significant adverse influence on Net Profit. The Net Profit from

the preceding period, denoted as LNP(-1) (p = 0.0003), demonstrated a significant positive effect, thereby suggesting profit momentum. In contrast, the Total Assets variable, represented by D(ASST), yielded a p-value of 0.2693 was observed, suggesting that this factor did not exert a significant influence on Net Profit.

3. Simultaneous Test (F-Test)

An F-test was administered to determine whether the independent variables, collectively considered, have a demonstrable impact on Net Profit. The F-statistic of 43.57393, accompanied by a Prob(F-statistic) of 0.000000 (p < 0.05), confirms that Total Assets, DER, Inflation, and LNP(-1) collectively exert a significant influence on Net Profit. Consequently, the model is considered to provide a robust explanation of Net Profit within the investigated timeframe.

H. Discussion

1. Impact of Total Assets on Net Profit

The calculated coefficient for D(ASST) is 3.09×10^{-15} . While the indicator is favorable, the accompanying p-value of 0.2693 suggests that Total Assets do not possess a statistically significant relationship with Net Profit, given that this value surpasses the standard significance level of 0.05. Despite the coefficient's positive value suggesting a positive association, the findings imply that an expansion in assets does not inherently lead to an enhancement in the company's returns. This suggests that any growth in assets necessitates commensurate improvements in operational efficiency to positively affect net profit.

2. Impact of the Debt-to-Equity Ratio (DER) on Net Profit

The coefficient for DER is determined to be -0.298990, accompanied by a p-value of 0.0197. This statistical outcome signifies that the DER exerts a statistically significant negative influence on net profit, as the p-value is less than 0.05. These findings imply that a higher level of leverage generally corresponds contribute to a decrease in a firm's net profit. This phenomenon can be attributed to escalating financial expenditures, notably interest costs, which, if not effectively controlled, can diminish overall profitability.

3. Impact of Inflation on Net Profit

The coefficient for inflation has been determined to be -0.031985, accompanied by a p-value of 0.0207. This suggests that inflation has a detrimental and statistically meaningful

impact on net profit, as the p-value falls beneath the established 0.05 significance level. Consequently, increased inflation levels tend to decrease a company's profitability. This adverse effect arises from inflation's tendency to elevate the costs of production and diminish the purchasing power of consumers, ultimately resulting in a reduction of corporate profits.

4. The Simultaneous Effect of All Variables on Net Profit

The outcomes derived from the consolidated analysis reveal an F-statistic of 43.57393, accompanied by a p-value of 0.0000. This finding substantiates that Total Assets, the Debt-to-Equity Ratio (DER), and Inflation, when considered together, exert a statistically significant effect on Net Profit. The R-squared value of 0.897064, coupled with an Adjusted R-squared of 0.876477, indicates that approximately 89.70% of the variance in Net Profit is attributable to the independent variables included in this regression framework. The unexplained portion of the Net Profit variance can be attributed to factors not included in the present analysis.

V. CONCLUSION & RECOMMENDATION

The findings from this research suggest that the variation in PT Indofood Sukses Makmur Tbk's net profit between 2000 and 2024 was not solely attributable to the company's asset expansion. Instead, capital structure elements and prevailing macroeconomic circumstances appear to have played a more decisive role. Specifically, the data reveals that Total Assets do not exert a statistically significant influence on Net Profit. This observation contrasts with the theoretical expectation that an increase in assets would typically bolster a company's operational capabilities and, consequently, its profitability, indicating that asset growth alone does not guarantee effective profit generation. Conversely, the Debt-to-Equity Ratio (DER) and inflation demonstrated an adverse and statistically significant impact on Net Profit. This finding implies that elevated levels of debt and increasing inflation can negatively affect a company's profitability. This outcome underscores that the financial strain associated with debt utilization, coupled with increased operating expenses driven by inflation, possess a greater impact on the organization's financial performance. Concurrently, the regression model produced statistically meaningful findings, evidenced by a Prob(F-statistic) value of 0.0000. The model accounts for 89.70% of the variation in Net Profit, as evidenced by an R-squared value of 0.897064. The residual variation is attributed to external elements not incorporated into this analysis, such as operational effectiveness, strategic business approaches, and prevailing market dynamics.

The observed results indicate that organizational leadership should prioritize enhancing asset management efficiency to

ensure that asset expansion meaningfully contributes to improved profitability. Furthermore, it is imperative for the business to sustain a stable capital arrangement by exercising judicious control over debt utilization, thereby preventing the accumulation of undue financial obligations. In response to prevailing inflationary trends, the enterprise is also counselled to adopt cost-optimization methodologies and effect suitable pricing modifications to preserve its profit margins. The findings from this research may be utilized by investors and financial analysts when assessing a company's financial standing. This assessment should specifically incorporate leverage ratios and prevailing macroeconomic circumstances as determinants of profitability. For subsequent research endeavors, it is advisable to integrate supplementary variables, including but not limited to sales expansion, prevailing interest rates, or operational effectiveness, to achieve a more thorough understanding. Additionally, the application of alternative analytical techniques, such as panel data investigation or dynamic simulations, could be employed to augment the outcomes of future studies.

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