

ABSTRACT

This study aims to analyze the effect of capital structure, measured through leverage ratios, on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. Capital structure plays an important role in determining a company's financial health because the composition of debt and equity can signal risk, stability, and future value prospects to investors.

This research used a quantitative approach with purposive sampling techniques using secondary data obtained from Bloomberg and corporate annual reports. The independent variables consist of leverage ratios, namely debt to equity ratio, debt to assets ratio, and long term debt to equity ratio. The dependent variable, corporate financial performance, is proxied by Tobin's Q . The data were analyzed using multiple linear regression analysis.

The results show that only the debt to assets ratio (DAR) has a significant positive effect on firm financial performance. In contrast, the debt to equity ratio (DER) and the long term debt to equity ratio (LTDER) do not show significant effects. These results indicate that the market is more responsive to debt levels that are proportional to total assets, while increases in equity based debt or long term debt are not perceived as strong signals by investors in assessing firm financial performance.

Keywords: Capital Structure, Leverage, Tobin's Q , Financial Performance.

