The effect of profitability, investment decisions, and sales growth on stock prices: a study on food and beverage companies

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Abstract

This study investigates the influence of profitability, investment decisions, and sales growth on stock prices, with capital structure as an intervening variable in food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. The analysis is based on secondary data obtained from annual financial reports published on the official IDX website. From a population of 55 companies, purposive sampling resulted in 32 firms that met the research criteria. Data were analyzed using descriptive statistics, classical assumption tests, simple and multiple linear regression, t-tests, F-tests, and path analysis. The results show that profitability and capital structure significantly affect stock prices, whereas investment decisions and sales growth do not have significant direct effects. When tested simultaneously, the three independent variables collectively influence stock prices. Path analysis further indicates that the direct effects are stronger than the indirect effects, suggesting that capital structure—measured by the debt-to-equity ratio (DER)—does not mediate the relationship between the independent variables and stock prices. Theoretically, these findings reinforce signaling theory by demonstrating that profitability provides strong market signals capable of influencing stock price movements. Practically, the study offers insights for investors to prioritize profitability indicators and for managers to maintain an optimal capital structure that supports firm value.

1. INTRODUCTION

Business growth in the era of globalization has accelerated alongside rapid technological and economic development. This dynamic environment intensifies competition among companies, including those in the food and beverage industry, one of the most resilient sectors due to its role in meeting basic consumer needs. A study by (García-Sánchez & Rama, 2025) has shown that the global food and beverage industry continues to expand steadily due to population growth, changing consumer preferences, and technological advancements in production and distribution. Despite economic fluctuations, demand for food and beverage products remains relatively stable, requiring companies to sustain competitiveness and consistently maintain strong financial performance (Curzi et al., 2023).

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Enhancing firm value and maximizing shareholder wealth remain primary objectives for companies in this sector. Stock price serves as a key indicator of corporate performance and future prospects, making it a central reference point for investors in assessing investment opportunities (Sukmadilaga et al., 2023). However, empirical research shows inconsistent results regarding the internal factors that influence stock prices. For example, several studies report that profitability significantly boosts stock prices, while others find no meaningful relationship. Similar inconsistencies appear in research on investment decisions and sales growth, where some findings show positive effects, whereas others report weak or insignificant influences. Presenting this empirical gap earlier emphasizes the need for further investigation.

Profitability, commonly measured by Return on Assets (ROA), reflects a company's efficiency in generating earnings from its total assets. Investment decisions also play a crucial role because they indicate how companies allocate resources to create long-term value (Farooq et al., 2022). Sales growth is often interpreted as a signal of business strength and financial health. Nonetheless, previous studies continue to show varied results regarding how these variables affect stock prices, highlighting the lack of consensus in existing literature.

Capital structure is another critical factor shaping firm value and investor perceptions. The proportion of debt to equity influences a company's financial risk and stability. Yet, empirical findings on its role, particularly as a mediating variable also remain inconsistent. For instance, (Rohman & Fitriyah (2024) report that capital structure mediates the relationship between profitability and firm value, while other studies find that capital structure does not function as a meaningful mediator, especially in industries with stable demand such as food and beverages. These conflicting results underline the need for a more focused re-examination of capital structure within this sector's unique operational context.

Based on these identified research gaps, this study aims to provide a more comprehensive understanding of how profitability, investment decisions, and sales growth influence stock prices, with capital structure serving as an intervening variable. The study contributes theoretically by clarifying and extending previous findings, and offers practical insights for companies and investors regarding key determinants of firm value in the food and beverage industry.

2. THEORETICAL REVIEW AND HYPOTHESIS

Profitability

Profitability is not only an indicator of a company's ability to generate earnings but also a key construct within signaling theory, which posits that firms with strong financial performance send positive signals to the market. According to Tiffany & Sufiyati (2023) and Artha et al. (2025), profitability reflects managerial efficiency in utilizing assets to produce income. Theoretically, higher profitability provides credible information about a firm's operational strength, lowering information asymmetry between managers and investors.

Within the context of valuation theory, profitability enhances expectations of future cash flows, which in turn increases intrinsic firm value and supports rising stock prices. Thus, profitability functions as a strategic performance indicator that helps investors interpret a firm's long-term prospects and stability, making it central to investment decision-making.

Investment Decisions

Investment decisions represent a company's strategic allocation of resources to generate future economic benefits. In financial theory particularly Tobin's q theory and corporate investment theory, optimal investment decisions enhance firm value when firms allocate capital to positive-NPV projects. Kumar et al. (2023) note that high-quality investment decisions strengthen a firm's growth trajectory, reinforcing investor expectations of increasing future returns.

The use of indicators such as the Price Earnings Ratio (PER) reflects the market's anticipation of earnings growth resulting from investment policies. From the lens of agency theory, investment decisions also demonstrate managerial alignment with shareholder wealth maximization. Thus, investment choices play a theoretically grounded role in shaping stock prices through their impact on perceived future performance and firm expansion potential.

Sales Growth

Sales growth reflects a company's ability to expand revenue, but its theoretical importance extends beyond simple operational improvement. Within growth theory and the sustainable growth framework, rising sales signal competitive advantage, effective marketing strategies, and strong product acceptance. Vuković et al. (2022) highlight that sustained revenue growth enhances a firm's ability to finance operations and investments without relying excessively on external capital.

Furthermore, signaling theory suggests that strong sales growth communicates robust market demand, which reduces uncertainty about the firm's future performance. This positive signal can translate into higher investor confidence, potentially influencing stock prices as the market interprets sales momentum as an indicator of long-term stability and expansion.

Stock Price

Stock price represents a market-based valuation shaped by investor expectations and new information entering the market. According to efficient market hypothesis (EMH), stock prices adjust rapidly in response to financial performance indicators such as profitability, investment decisions, and sales growth. Anggraini & Agustiningsih (2022) note that these prices fluctuate due to shifts in sentiment, trading behavior, and macroeconomic factors, all of which reflect continuous information assimilation by the market.

In empirical research, the closing price is commonly used as it captures the final consensus valuation after a full trading day. As emphasized by Nurhayati et al. (2021), closing prices incorporate the accumulated market response to firm-specific and external information, making them theoretically suitable for analyzing financial performance impacts.

Research Hypothesis

A hypothesis is a provisional answer to the research problem, formulated as a response to questions posed in the study. It is considered provisional because it is derived from relevant theoretical foundations rather than empirical evidence, which will later be validated through data collection and analysis.

H_1: Profitability significantly affects stock prices.
H_2: Investment decisions significantly affect stock prices.
H_3: Sales growth significantly affects stock prices.
H_4: Capital structure significantly affects stock prices.
H_5: Profitability significantly affects stock prices through capital structure.
H_6: Investment decisions significantly affect stock prices through capital structure.
H_7: Sales growth significantly affects stock prices through capital structure.
H_8: Profitability, investment decisions, and sales growth simultaneously affect stock prices.
H_9: Profitability, investment decisions, and sales growth simultaneously affect stock prices through capital structure.

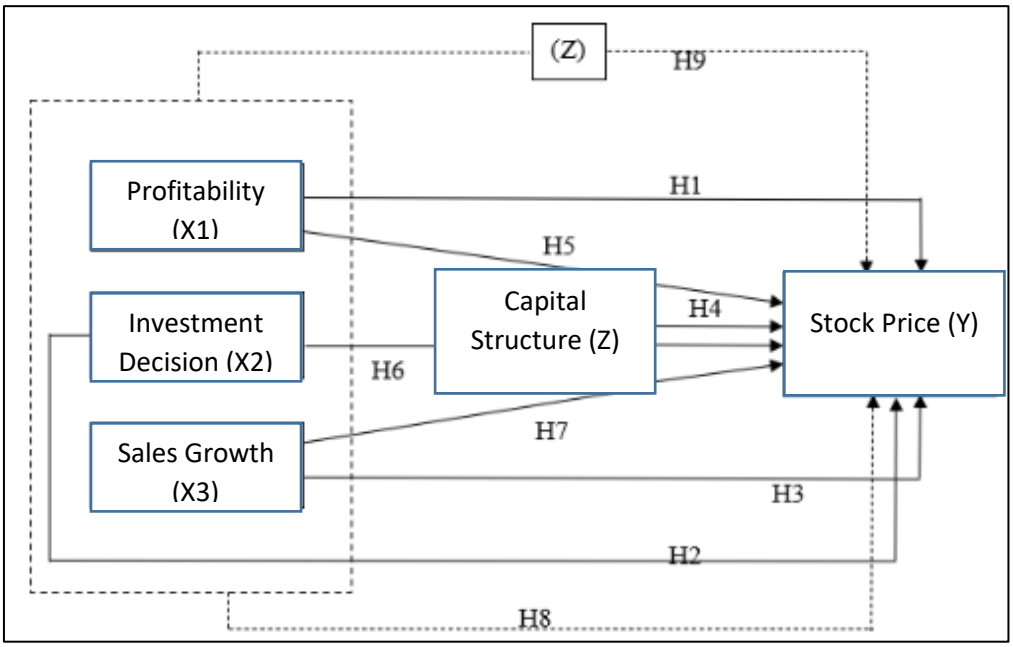

Figure 1. Conceptual Model Figure

3. RESEARCH METHODOLOGY

This study employs a quantitative research design, which emphasizes numerical measurement and statistical analysis to describe and examine the magnitude of the variables under investigation. The data used in this research are secondary data, obtained indirectly from external sources. As stated by Nurhayati et al. (2021), secondary data refer to information collected by other parties rather than directly from the research subjects. The data in this study consist of annual reports and company reports from food and beverage

manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period. These documents were accessed through the official websites of the respective companies and the IDX portal (www.idx.co.id). Data collection was conducted using a documentation technique, which involves gathering, recording, reviewing, and processing relevant documents to generate research findings and draw conclusions.

The population of this study comprises 55 food and beverage manufacturing companies listed on the IDX between 2019 and 2023. The sampling method used in this study is purposive sampling, a technique that selects samples based on predetermined criteria. Based on these criteria, 32 companies were selected as the research sample. The sampling criteria include: (a) food and beverage manufacturing companies listed on the IDX during the 2019–2023 period, (b) companies that consistently published complete annual reports for the specified years, and (c) companies that provided all financial data required for the analysis.

The data were analyzed using a series of statistical procedures to ensure the validity and reliability of the research model. First, Descriptive Statistical Analysis was conducted to summarize the characteristics of each variable, including the mean, standard deviation, minimum, and maximum values. This step provided an initial understanding of the data distribution and variability. The Normality Test was then performed to examine whether the residuals followed a normal distribution, which is essential for meeting the assumptions of regression analysis. Subsequently, the Multicollinearity Test was applied to assess whether the independent variables were highly correlated with one another, as indicated by tolerance and VIF values. The Heteroskedasticity Test was also carried out to determine whether the variance of residuals was constant across observations, ensuring the absence of heteroskedasticity. Finally, Multiple Linear Regression Analysis and the F-test were employed to evaluate both the individual and simultaneous effects of the independent variables on the dependent variable, providing a comprehensive assessment of the model's explanatory power.

4. RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Based on the descriptive statistical results presented in Table 1, the profitability variable (ROA) shows a minimum value of –8.334 and a maximum value of 1.202. The mean value is 0.03579, while the standard deviation is 0.684391. Since the mean is smaller than the standard deviation, the distribution of ROA data is considered less favorable, indicating high variability relative to the average. Similarly, the investment decision variable measured by the Price Earnings Ratio (PER) shows a minimum value of –227.273 and a maximum of 365.116, with a mean of 22.39668 and a standard deviation of 57.509099. The extremely wide range between the minimum and maximum values, combined with a standard deviation that far exceeds the mean, indicates the presence of substantial variability in PER across companies. Such a pattern strongly suggests the existence of outliers, firms with exceptionally high or negative PER values that may distort the overall distribution. These outliers should be examined further to determine whether they reflect genuine financial conditions or anomalies requiring additional data treatment.

Table 1. Result of Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA	160	-8.334	1.202	.03579	.684391
PER	160	-227.273	365.116	22.39668	57.509099
SALE	160	-.465	1.102	.08614	.203292
CLOSE PRICE	160	50	16133	2617.25	3311.064
DER	160	-2.127	17.211	1.12022	1.618880
Valid N (listwise)	160				

The sales growth variable (SALE) also demonstrates a relatively dispersed distribution, with a minimum value of –0.465 and a maximum value of 1.102. The mean of 0.08614 compared with a standard deviation of 0.203292 indicates that the data are not tightly clustered around the average, thus showing limited consistency in sales growth among the sampled companies. Likewise, the stock price variable measured using the closing price exhibits substantial variation, with values ranging from IDR 50 to IDR 16,133. The mean stock price is IDR 2,617.25, while the standard deviation is IDR 3,311.064, indicating a wide dispersion. This large gap between the average and the spread suggests that the stock price distribution is highly skewed, likely driven by a few firms with exceptionally high share prices. Such skewness can distort regression estimates and violate the normality assumption. To address this issue, a logarithmic transformation of stock prices is recommended, as commonly applied in financial modeling. Transforming the variable (e.g., using ln(stock price)) would reduce skewness, stabilize variance, and produce a more normally distributed dataset, thereby improving the robustness and interpretability of the regression results.

The capital structure variable (DER) ranges from a minimum of –2.127 to a maximum of 17.211. The mean DER is 1.12022, whereas the standard deviation is 1.618880. As with the other variables, the mean being lower than the standard deviation suggests that the DER data display high variability and are not evenly distributed across the sample. Overall, the descriptive analysis indicates that all variables exhibit relatively wide data dispersion, highlighting substantial differences in financial performance characteristics among food and beverage companies listed on the Indonesia Stock Exchange during the 2019–2023 period

Normality Test

The normality test using the P–Plot indicates that the data points are distributed closely around the diagonal line and follow its direction, demonstrating that the residuals align well with the pattern expected under a normal distribution. This visual assessment is further supported by the histogram, which shows a bell-shaped curve consistent with normal distribution characteristics. The alignment of the data with the diagonal line and the symmetrical pattern of the histogram together suggest that the residuals do not exhibit significant deviations from normality. Therefore, it can be concluded that the regression model satisfies the assumption of normality, allowing subsequent statistical analyses to be conducted reliably.

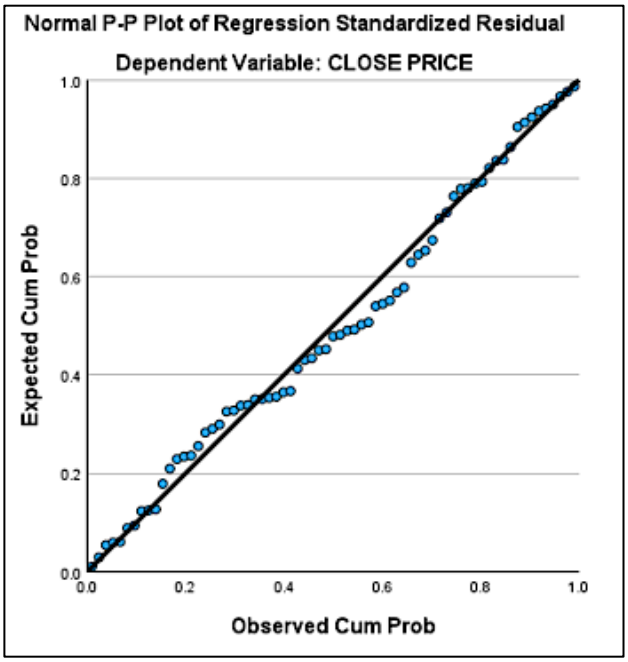

Figure 1. Result of P-Plot

Multicollinearity Test

The results of the multicollinearity test show that all independent variables have tolerance values greater than 0.10 and Variance Inflation Factor (VIF) values below 10. These thresholds indicate that the predictors do not exhibit strong correlations with one another and therefore do not violate the multicollinearity assumption. In other words, each independent variable contributes uniquely to the regression model without excessively overlapping in explanatory power. Based on these findings, it can be concluded that the regression model is free from multicollinearity, allowing for more accurate estimation and interpretation of the relationships among the variables.

Table 2. Result of Multicollinearity Test

Coefficients[a]							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	314.227	246.113		1.277	.206		
ROA	7335.613	1499.829	.573	4.891	<.000	.732	1.367
PER	18.113	6.762	.275	2.678	.009	.953	1.050
SALE	-504.341	573.107	-.093	-.880	.382	.900	1.111
DER	48.778	176.888	.033	.276	.784	.711	1.406

a. Dependent Variable: CLOSE PRICE

Heteroskedasticity Test

Based on the heteroscedasticity test results shown in the figure, the residual points are scattered randomly above and below the value of 0 on the Y-axis, without forming any discernible pattern. This random distribution indicates that the variance of the residuals remains constant across all levels of the predictor variables. Therefore, it can be concluded that the regression model does not exhibit heteroscedasticity. This finding confirms that the assumption of homoscedasticity is met, ensuring that the estimated regression coefficients are reliable and not biased due to unequal error variances.

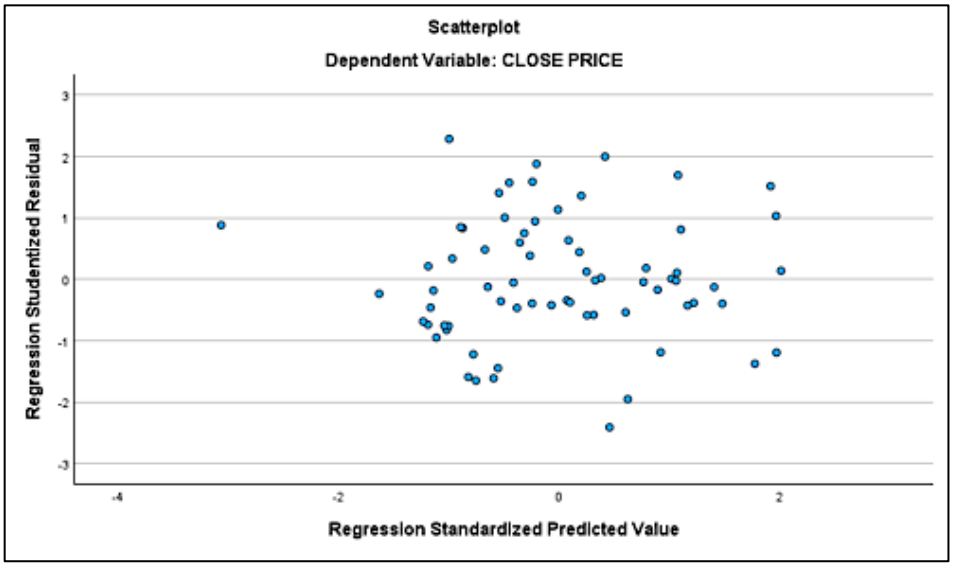

Figure 2. Result of Heteroskedasticity Test

Multiple Linear Regression Analysis

The regression equation can be interpreted as follows. The constant value of 360.883 indicates that when all independent variables are equal to zero, the stock price is predicted to be 360.883, serving as the baseline value of the dependent variable in the absence of any influence from the explanatory variables. The regression coefficient for profitability (X1) is 7,136.713, meaning that a one-unit increase in profitability, while holding other variables constant, raises the stock price by 7,136.713. This demonstrates that profitability exerts a substantial and positive influence on stock price movements.

Table 3. Multiple Linear Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	360.883	177.456		2.034	.046
	ROA	7136.713	1305.622	.557	5.466	.000
	PER	18.070	6.712	.274	2.692	.009
	SALE	-471.024	556.231	-.087	-.847	.400

a. Dependent Variable: CLOSE PRICE

The regression coefficient for investment decisions (X2) is 18.070, indicating that a one-unit increase in investment decisions, ceteris paribus, leads to an increase in stock price by 18.070. This suggests that firms engaging in stronger or more efficient investment decisions tend to experience higher market valuation. In contrast, the regression coefficient for sales growth (X3) is –471.024, implying that a one-unit increase in sales growth decreases stock price by 471.024 when other variables remain constant. This negative association may reflect investors' concerns related to increased operational costs, aggressive expansion strategies, or declining profit margins accompanying rapid sales growth.

Additionally, the model's R-squared and adjusted R-squared values provide insight into the explanatory power of the regression. The R-squared value indicates the proportion of variation in stock prices that can be explained by profitability, investment decisions, and sales growth. The adjusted R-squared further refines this measure by accounting for the number of predictors in the model, offering a more accurate estimate of model fit. Together, these values demonstrate how well the independent variables collectively account for changes in stock price and support the interpretation of the regression coefficients.

F-test

Based on the ANOVA test results, the calculated F-value is 12.019, while the F-table value is 3.05. Since the calculated F-value is greater than the F-table value (12.019 > 3.05), the model is considered statistically significant. The F-table value was determined using the formula for degrees of freedom: Df1 = k – 1 = 3 – 1 = 2 and Df2 = n – k – 1 = 160 – 3 – 1 = 156, resulting in an F-table value of 3.05. This comparison indicates that the independent

variables X1 (profitability), X2 (investment decisions), and X3 (sales growth) jointly have a significant influence on the dependent variable, stock price. Therefore, it can be concluded that the proposed hypothesis is accepted, confirming that the model demonstrates a meaningful simultaneous effect of all independent variables on stock price.

Table 3. Multiple Linear Regression Analysis

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10130504.876	3	3376834.959	12.019	.001[b]
	Residual	18261611.326	65	280947.867		
	Total	28392116.203	68			

a. Dependent Variable: CLOSE PRICE

b. Predictors: (Constant), SALE, PER, ROA

Discussion

The t-test results further reinforce this finding, where the calculated t-value of 5.146 exceeds the critical t-table value of 1.975. Additionally, the significance value of 0.001 is well below the 0.05 threshold. These results collectively demonstrate that profitability has a statistically significant and positive influence on stock prices among food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2019–2023 period. In practical terms, firms with stronger profitability tend to be more attractive to investors, as higher returns reflect better managerial performance and financial stability, which in turn increase investor confidence and drive up stock valuations. This finding aligns with the study conducted by Waluyo & Widianingsih (2020), which similarly concludes that profitability exerts a positive effect on stock prices. The consistency of these results across studies reinforces the theoretical premise that profitability serves as a key indicator of a firm's ability to generate earnings, sustain operations, and deliver returns to shareholders.

The results of the t-test indicate that the calculated t-value of 1.455 is lower than the critical t-table value of 1.975, while the significance level of 0.150 exceeds the 0.05 threshold. These findings suggest that investment decisions, as measured in this study, have a positive but statistically insignificant effect on stock prices among food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2019–2023 period. In other words, although investment decisions may contribute to firm value conceptually by signaling growth opportunities or managerial confidence, such decisions do not appear to exert a measurable influence on short-term stock price movements within the observed sample. This outcome is consistent with the findings of Erpina et al. (2025), who also report that investment decisions do not significantly affect stock prices. One possible explanation is that investors in this sector may not consider investment ratios such as PER as a primary indicator of firm performance, particularly during periods of economic uncertainty or fluctuating industry demand. Instead, they may rely more heavily on other financial factors, such as profitability, liquidity, or market sentiment, when assessing stock value. Another interpretation is that investment decisions often reflect long-term strategic

positioning rather than immediate financial performance, resulting in effects that may not be captured within a short study period.

The t-test results show a calculated t-value of –1.157, which is lower than the t-table value of 1.975, with a significance level of 0.251 (> 0.05). These findings indicate that sales growth has a negative but statistically insignificant effect on stock prices among food and beverage manufacturing companies listed on the IDX. This suggests that fluctuations in sales growth do not play a decisive role in shaping investor perceptions or market valuation in the short term. One possible explanation is that investors may prioritize more immediate performance indicators, such as profitability or market conditions, over sales growth, which often reflects longer-term operational trends. This result is consistent with a study by Idrawahyuni et al., (2025), that also found that sales growth does not significantly influence stock prices.

The t-test results show a calculated t-value of –2.192, which exceeds the t-table value of 1.975 in absolute terms, with a significance level of 0.032 (< 0.05). These results indicate that capital structure has a statistically significant effect on stock prices, although the coefficient is negative. This suggests that higher leverage is associated with lower stock prices, reflecting investor concerns regarding increased financial risk and the company's ability to meet debt obligations. In other words, firms with lower levels of debt tend to be more favorably perceived by investors, resulting in stronger stock price performance. These findings align with the study of Kusumawati & Rosady (2018), concluded that capital structure significantly influences stock prices.

The F-test results show that the calculated F-value of 12.019 is greater than the F-table value of 3.05, with a significance level of 0.001 (< 0.05). These findings indicate that profitability (X1), investment decisions (X2), and sales growth (X3) jointly exert a significant influence on stock prices. Thus, the proposed hypothesis is accepted, demonstrating that the combined effect of these financial indicators plays an important role in shaping market valuation. From a managerial perspective, high profitability proxied by ROA, signals a company's ability to efficiently generate net income from its assets. According to a study by Syamsudin et al. (2020), to maintain strong and stable profitability, firms must effectively manage operational performance, increase sales volume, and make sound investment decisions. Sustainable growth in sales, when supported by strategic investment activities, contributes to improved earnings potential, which in turn enhances investor confidence. Consistent sales expansion also provides a positive signal to the market, increasing demand for the company's shares and ultimately driving stock prices upward. This interconnected relationship highlights the importance of maintaining strong profitability, well-informed investment decisions, and steady sales growth to support favorable stock price movements.

In contrast, the regression coefficient for sales growth (X3) is –471.024, indicating that a one-unit increase in sales growth decreases stock price by 471.024 when other variables remain constant. Although this finding contradicts the theoretical expectation that higher sales growth should enhance investor confidence, several contextual factors may explain the negative relationship. Rapid sales growth may be accompanied by disproportionately high production or marketing costs, causing profit margins to shrink and signaling potential inefficiencies to investors. It may also reflect aggressive expansion strategies that

require substantial financing, increasing financial risk and weakening short-term profitability, factors that the market may interpret unfavorably. Additionally, negative coefficients in prior studies have sometimes been linked to sales growth occurring during periods of economic uncertainty, where investors prioritize profit stability over revenue expansion. Thus, the negative coefficient suggests that in this sample, sales growth may not translate into value creation unless supported by efficient cost management and sustained profitability.

Companies with high profitability tend to rely more heavily on internal financing, particularly retained earnings, which reduces their dependence on debt and consequently lowers their Debt-to-Equity Ratio (DER). A lower DER generally enhances investors' perception of the company's risk profile. However, despite strong internal financing, firms still need to undertake investment decisions and pursue sales growth to sustain long-term development (Khaesarani & Rokhim, 2025). These activities often require additional external funding. When such funding is obtained through debt, the firm's capital structure may shift, potentially influencing investor sentiment.

Nevertheless, as long as the proportion of debt remains within an acceptable range and the investments undertaken generate successful outcomes, the resulting improvement in operational performance can help support stock prices. Moreover, if sales growth produces sufficient revenue to service the additional debt, the capital structure may adjust favorably over time. In this sense, profitability, investment decisions, and sales growth interact dynamically to shape the firm's risk profile, financial stability, and ultimately its market valuation.

5. CONCLUSION AND RECOMMENDATIONS

Based on the analysis of food and beverage manufacturing companies listed on the Indonesia Stock Exchange from 2019–2023, this study reveals several critical insights into the determinants of stock price behavior in a sector known for its resilience and strategic importance. Profitability and capital structure emerge as the only variables with significant direct effects on stock prices, underscoring the central role of operational efficiency and financial leverage in shaping investor perceptions. In contrast, investment decisions and sales growth do not significantly influence stock prices individually, suggesting that market participants may prioritize internal performance strength over external expansion signals when assessing firm value. Notably, none of the independent variables exert a significant indirect effect on stock prices through capital structure, indicating that leverage does not function as a meaningful transmission mechanism in this context. However, when assessed simultaneously, profitability, investment decisions, and sales growth collectively demonstrate a significant effect on stock prices both directly and through capital structure, highlighting the importance of the combined financial profile rather than isolated indicators. These findings emphasize that investors in the food and beverage sector respond more strongly to integrated financial performance patterns, offering meaningful implications for managerial decision-making and capital structure optimization.

Theoretically, future research should consider expanding the model by incorporating additional variables that may better capture stock price dynamics, such as firm size, market sentiment, liquidity ratios, or macroeconomic indicators. The insignificant effects of

investment decisions and sales growth suggest that traditional financial ratios may not fully explain investor behavior in this sector; therefore, integrating behavioral finance perspectives or industry-specific risk factors may provide deeper theoretical insight. Researchers are also encouraged to employ alternative mediating or moderating variables such as profitability quality, operational efficiency, or firm life cycle stage to further explore the pathways through which financial performance affects stock valuation. Additionally, longitudinal or panel-data approaches with more sophisticated estimation methods (e.g., SEM, GMM) could strengthen causal interpretations and enhance theoretical contributions.

Practically, companies in the food and beverage sector should focus on strengthening profitability through targeted operational improvements. Managers can achieve this by implementing cost-control systems, optimizing production efficiency, and investing in technology that enhances supply chain accuracy and reduces waste. Firms are also advised to conduct regular profitability diagnostics such as margin analysis and product-level profitability evaluations to identify underperforming segments and reallocate resources more effectively. In terms of capital structure, companies should establish clear leverage policies that define acceptable debt thresholds based on industry benchmarks and internal cash-flow capacity. Managers should also use scenario analysis and stress testing to determine the optimal mix of debt and equity under varying market conditions, ensuring that financing decisions support financial stability rather than increasing risk.

Although investment decisions and sales growth did not exhibit significant direct effects, managers should strengthen their investment evaluation processes by adopting rigorous feasibility studies, incorporating risk-adjusted return metrics, and monitoring post-investment performance to ensure that projects contribute to long-term value creation. Sales growth strategies should be aligned with margin preservation by prioritizing high-value customer segments, improving pricing strategies, and avoiding expansion initiatives that strain working capital.

For investors, the findings underscore the importance of examining profitability indicators such as ROA and capital structure metrics like DER when evaluating firm performance. Investors should also assess whether companies demonstrate consistent margin stability and prudent debt management rather than relying solely on revenue increases. Policymakers and regulators can utilize these insights by encouraging higher transparency in financial reporting, particularly in areas related to cost structure, profitability quality, and leverage management. They may also consider issuing sector-specific guidelines on optimal debt usage and promoting standardized disclosures that help investors better assess firm risk and value.

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