



The Effect of Capital Structure and Profitability on the Value of Pharmaceutical Companies Listed on the Indonesia Stock Exchange

ABSTRACT

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Study this aim for analyze and explain influence capital structure and profitability to score company on company industry pharmacy on the Indonesia Stock Exchange. Population study this is company pharmacy listed on the Indonesia Stock Exchange period observation year 2019-2021. Methodology study this use purposive sampling method with total 8 companies. Analysis on research this conducted with use analysis multiple linear regression and assumption test classic on the SPSS program. by Partial results analysis panel data regression shows that influential capital structure positive significant to score company. Influence profitability by Partial show that results analysis influential panel data regression positive significant to score company. DER and ROA variables individually simultaneous show that take effect positive significant to score company. Enhancement price good stock take effect to decision investment. The more many investors invest, then will raise score company. Good profitability for company that is show ability company produce profit clean. High profitability will influence price stock later will attract investors to buy stock.

Keywords: Capital Structure, Profitability, Firm Value, ROA, DER

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INTRODUCTION

Investment Decision relate directed with company, in meaning that decision investation have connection close with activity investment made by the company (Febrianti & Mufidah, 2021). Company value is indicator important how the market rate company by as a whole and as internal evaluation for management as well as holder share on fairness price share company (Febrianti & Mufidah, 2021). Company value could influence by value company because with composition good investment will could attract investors to invest in company (Febrianti & Mufidah, 2021). Big small profit influenced by how company the manage assets, invest and use cost by efficient (Novika & Siswanti, 2022). The more many investors invest so will increasing value company. Company value could be measured with Price Book Value (PBV).

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In measure profitability there is many bias ratio used. *Return on Equity* (ROA) is ratio measurement profitability whose measurement show ability company in produce profit clean in return equity holder stock. High profitability will influence and attract investors for buy stock. Ascension price share could influenced with ability company for produce profit.

Investment decision related with the selection process one or more alternative investments that are assessed profitable from amount of available investment alternatives for company (Muchlisin, 2018). Company value could influence by composition good investment will could attract investors to invest in the company that. The more many investors invest so will increasing value company. Company value could be measured with *Price Book Vaque* (PBV).

Capital structure is balance or comparison between foreign capital (long term) and own capital (Riyanto, 2016). Liabilities and equity could fund activity business company. The big portion debt in structure capital, company rated more and more risky. However if debt the could produce profit or profit, then debt the will make score company increased (Mufidah, 2019). Capital structure can be measured with *Debt to Equity ratio* (DER). Ratio this describe comparison debt and equity in funding company and show own capital ability company the for Fulfill whole obligations (Brastibian & Rinofah, 2020). Capital structure measured with *Debt to Equity Ratio* (DER), and measured profitability with *Return on Equity Ratio* (ROA), and then score company be measured with *Price Book Value* (PBV).

Pharmaceutical company is companies engaged in commercial in research, develop as well as distribute various type needed drugs for support health. Globally company pharmacy is companies that have large and continuous market share growing. Companies listed on the Indonesia Stock Exchange become choice main for investors. A number of Public want to invest their funds in the company pharmacy because growth company more stable and not affected by conditions seasonal or economy. Pharmaceutical company have inclined prospects tall so that attracted by investors as their investment targets because results useful industry for Public in period long time.

Researches previously (Markonah et al., 2020); (Burhanudin & Nuraini, 2018); (Kusumawati & Rosady, 2018); (Sujoko, 2007) shows that the capital structure has influence to score company. In research (Markonah et al., 2020); (Burhanudin & Nuraini, 2018) and (Kusumawati & Rosady, 2018) show that profitability take effect to score company. This research was carried out again with the aim of updating as well as adding years of observations used in the study.

Based on phenomena and studies before, then research problem his formula the problem is is capital structure, and profitability take effect to score company by simultaneous? And the second one is is capital structure, and profitability take effect to score company by partial Based on background back and summary problem that has

outlined previously so research this have destination for know and analyze influence capital structure , and profitability to score company by simultaneous and for know and analyze influence liquidity , capital structure profitability to score company by partial.

LITERATURE REVIEW

Company value is investor assessment for success company and performance reflected company through price share in the market (Kusumawati & Rosady, 2018). Company value is something investors' views on level success company in manage source power possessed company (Mufalichah & Nurhayati (2022). High company value will make the market believe in performance company (Fauziah & Rafiqoh, 2021)

Capital structure is financing permanent consisting of of term debt long, stock preference, and holder's capital stock. Determination Efficient capital structure also affects performance company for reach the goal (Kusumawati & Rosady, 2018). The MM (Modigliani -Miller) theory in the 1950s assumed that that score company no influenced by the capital structure, with the capital market assumption is perfect, no there is influence tax and influence bankruptcy so that decision funding company Becomes no relevant as ingredient consideration investment, meaning use or increase in debt and own capital no will give impact to prosperity of the holders stock. MM theory without tax considered no realistic and then in 1963 MM included factor tax to in the theory. Tax paid to government, which means is cash outflow. Debt can used for save tax, because flower can worn as subtractor tax With enter element tax, then additional debt will increase score company where enhancement score the because existence savings tax from interest paid. The capital structure in this study uses Debt to Equity Ratio (DER), namely this ratio shows the relationship between the amount of debt given by creditors with their own capital provided by the owner of the company (Cahyanto, 2014). DER is a debt ratio that describes the extent to which owner's capital can cover debts to outsiders and is a ratio that measures the extent to which a company is financed from debt and capital shows the company's ability to meet obligations by using existing capital (Wahyuni & Hafiz, 2018).

High level of profitability show company the have good performance and have future prospects. Investors catch that as signal positive and responded with buy share company. Profitability used in this study is Return on Assets, ROA is a form of profitability ratios to measure a company's ability to generate profits by using existing total assets and after capital costs (costs used to fund assets) are removed from the analysis (Wahyuni & Hafiz, 2018). The more many investors are interested buy share company impact on increasing price share company and value the company will also increase. Sujoko & Soebiantoro, (2007); Ju Chen & Yu Chen (2011); Pratama & Wirawati (2016); Lubis, Sinaga, & Sasongko (2017); and Kusumawati & Rosady (2018) in the research prove that profitability take effect positive and significant to score company. Result of different research indicated by Chairir (2015); Moniaga (2013), deep the research explain that profitability no take effect significant to score company.

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Hypothesis is still answer character theoretical. Based on the description that has been displayed before, hypothesis study this are:

- H1.** Debt to Equity Ratio (DER) partially has a positive and significant effect on company scores.
- H2.** Return on Assets (ROA) partially has influence positive and significant to score company.
- H3.** Debt to Equity Ratio (DER) and Return on assets (ROA) simultaneously have a positive and significant effect on company scores.

METHODOLOGY

Population and sample

Population in research this is company industry pharmacy listed on the Indonesia Stock Exchange. Researcher choose company the because at the time pandemic in progress, company the Becomes strong. Investor interest is becoming strong with see capital structure and value company that. Panel Data is technique taking sample done with goals and considerations certain.

Data types and sources

Period time spent on research this is from year 2019-2021. Company cross sectional data total of 8 companies with period time not enough more three year. So from it's the analyzed data on the basis of data pooling is as many as 24 (8 companies x 3 years). In study this data source used are secondary data. Method secondary data collection use documentation from report finance industry pharmaceuticals listed on the Indonesia Stock Exchange.

Variable Dependent

Company value is ready price paid by investors if company the sell share his company. The more price share something company, then income holder share will increase and impact good to score company. Formula score company (PBV) is as following:

$$\text{Price to Book Value} = \frac{\text{Stock Price}}{\text{Share Value}}$$

Variable Independent

Variable no bound or the independent variable is opposite of the dependent variable, namely the variable that affects the dependent variable. Variables used in study this is as following:

Debt to Equity Ratio (DER)

Capital structure or Debt to Equity Ratio (DER) ratio used for evaluate debt with equity. Formula used for calculate DER, namely:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Equity}}$$

Return on Assets (ROA)

Profitability or Return on Assets (ROA) is tool measuring for measure profit net earned from user assets. Formula used for calculate ROA, namely:

$$\text{Return on Asset} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

RESULTS

Company in study this There are 8 companies listed on the Indonesia Stock Exchange in 2019-2021. Study this aim for test capital structure and profitability have influence to score company.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	24	-19.00	3099.00	707.4167	870.28596
DER	24	4.00	382.00	87.7083	105.42398
PBV	24	2.00	1613.00	343.0417	358.76873
Valid N(listwise)	24				

Statistical results descriptive (Table 1) shows that the amount of observation data used in study is 24, the number sample pharmaceutical sector company During period 2019-2021. On variable bound, value company (Y) has average value of 343.0417 with score standard deviation as big as 358,76873 with score maximum as big as 1613.00 and a minimum of 2.00. height standard deviation caused a number of company sample experience loss During period research. Variable free DER (X1) has average value of 87.7083, with score standard deviation 105,42398 with score maximum 382.00 and minimum 4.00. Variable free ROA (X2) has the mean value is 707.4167 with score standard 870,28596, value maximum 3099.00 and minimum -19.00.

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Table 2. t test result

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1	(Constant) -4.808	114.248			-.042	.967
	DER	2,367	.655	.696	3,614	.002
	ROA	.198	.079	.481	2.498	.021

a. Dependent Variable: PBV

Based on research on the table that the effect of capital structure variables on score company have significant results with value $0.002 < 0.05$ and influential positive to score company. Research results on show influence profitability to score company have results significant with value $0.021 < 0.05$ and influential positive to score company.

Table 3. f Test Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1176571.936	2	588285.968	6.925	.005 ^b
	Residual	1783873.022	21	84946,334		
	Total	2960444.958	23			

a. Dependent Variable: PBV

b. Predictors (Constant), ROA, DER

From analysis regression multiple above, can explained that results equality regression in study this for then F can estimated as big as 6,925 with level significance $0.005 < 0.05$. So results study this show that variable capital structure and profitability by together take effect to score company.

Table 4. Model Summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin-Watson
1	.630 ^a	.397	.340	291.45554	1.585

a. Predictors: (Constant), ROA, DER

b. Dependent Variable: PBV

Based on table above show that the value of $R^2 = 0.214$ which means 34% which means score company could explained by capital structure and profitability, while 66% can explained by other variables outside variable research conducted above.

Test assumption classic

Test assumption classic that is condition must - have statistics fulfilled in the OLS linear regression model to be validation for tool estimator. Test data analysis carried out is using t test, F test and coefficient Determination. analysis Regeneration Multiples are also used in research models this and must Fulfill assumption classic his ie $Y = + b_1 x_1 + b_2 x_2$

Analysis and Interpretation Equality Regression

So equality regression linear double for two variables (Capital Structure and Profitability) in table 2 are: $Y = -4.808 + 2.367 X_1 + 0.198 X_2 - 4808$; if X_1 (Capital Structure) and X_2 (Profitability) = 0, it means Y (productivity work) = -4808

$\beta_1 = 2,367$. Capital structure shows that variable X_1 has an effect significant positive to score company (Y) means have connection unidirectional. If capital structure increases so score the company will also increases and vice versa. Enhancement the same 1% capital structure with 2,367 where assumption variable free other is constant.

$\beta_2 = 0.198$. profitability show that variable X_2 also has an effect significant positive to productivity work (Y) means have connection unidirectional. If profitability increases so score the company will also increase. 1% increase in work stress with 0.198 with assumption variable free other constant.

DISCUSSION

Analysis result panel data regression shows that results Capital structure of $0.002 < 0.05$ means DER has an effect positive significant to score company. This result in line with research (Markonah et al., 2020); (Burhanudin & Nuraini, 2018); (Kusumawati & Rosady, 2018). Research results this no in line with (Jufrizen & Al Fatin, 2020); (Febrianti & Mufidah, 2021) which shows results that no there is influence and significant between debt to equity ratio to score company on company. The more DER value, then will cause the more the risk will be high faced by investors and can cause price the low because profitability company must utilized for pay debts (Yuri Tannia, 2020). Based on results study previously conducted by Moradi and Paulet (2019) show results that DER value has influence significant to price stock. Study the claim that the more low DER value, then the more low value of external capital used for operation company, so risk the investment borne by the investor will also the more small and can cause enhancement price stock. Enhancement price good stock take effect to decision investment, then the more many investors invest will the more good score company.

Effect of ROA on score company results analysis panel data regression shows results profitability of $0.021 < 0.05$ which means ROA has an effect positive significant to score company. This result in line with research (Markonah et al., 2020); Burhanudin & Nuraini 2018); (Kusumawati & Rosady, 2018); (Febrianti & Mufidah, 2021). Study this state with

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good return on assets kondisi so potency to power pull companies by pharmaceutical investors listed on the Indonesia Stock Exchange will the big. This result no in line with study previously (Jufrizen & Al Fatin, 2020) which concludes that period study this indicates with good return on assets kondisi or increase no have potency to power pull companies by pharmaceutical investors listed on the Indonesia Stock Exchange. According to researcher previously conducted by (Aulia, 2017) concluded that ROA variable has an effect positive significant to score company. According to results study previously conducted by (Wahyuni et al., 2018) concluded that the Return on Assets (ROA) Partial take effect no significant PBV.

Test this conducted for knowing is all variable independent by together take effect significant to variable dependent. With level significant (α) 5%, value F statistical significance is 0.005, small from level 0.05 significance, so that Thing this show that DER and ROA variables individually simultaneous take effect positive significant to score company. Profitability and value company by simultaneous influence score company.

Coefficient determination (Adjusted R-Square) is important for measure how much remote model can explain variation variable. Adjusted R-Square value that is close to one means variable independent could provide almost all necessary information for predict variable tied. Table 4. Model Summary shows that Adjusted R-Square value in study this is 0.340, which means that variable independent explained 34% of the variation in PBV, which that variable independent used affect 4 values company. Whereas the rest of 66% is explained by other factors outside the model used in this study.

CONCLUSIONS

Based on results research and discussion that has been put forward before, then could taken conclusion from study this about the effect of Debt to Equity Ratio and Return on Assets on score company at company pharmacy listed on the Indonesia Stock Exchange. by partial and simultaneous there is the effect of Debt to Equity Ratio and Return on Assets on score company. Investment decision relate with company, meaning have connection close with activities carried out company. Big small profit influenced by how company manage his assets. Liabilities and equity could fund activity business company, however the big portion debt in structure capital, company rated more risky. This thing compare backwards if debt the could produce profit, then debt the could raise score company. Good profitability for company that is show ability company in produce profit clean. High profitability will influence price stock later will attract investors to buy stock.

Limitation and future research

The limitations of this study are the small number of variables used. It is hoped that future research will use more variables so that it can be seen from several indicators.

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