

THE EFFECT OF PROFITABILITY, CAPITAL STRUCTURE AND FIRM SIZE ON FIRM VALUE (STUDY ON PHARMACEUTICAL COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE 2016-2020)

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ABSTRACT

The purpose of this study is to examine the factors that affect firm value. Some of the factors used are profitability, capital structure, and firm size which aims to test profitability, capital structure and firm size empirically that affect the value of companies in the pharmaceutical sector listed on the Indonesia Stock Exchange (IDX) in 2016-2020. During 2016-2020, several pharmaceutical companies did not have company assets that were financed from equity or own capital. This is because the factors that affect the value of the company, namely profitability, capital structure, and company size do not have a high value so that the company's assets are financed by debt. However, some of these pharmaceutical companies own their assets financed by equity because these companies are well-known companies and already have stable quality and performance. The population of this study was 12 pharmaceutical companies listed on the Indonesia Stock Exchange in 2016-2020. Sampling is using purposive sampling technique, in order to obtain a sample of 10 companies with a total of 50 data in 2016-2020. The results of this study indicate that profitability has a significant effect on firm value, capital structure has a significant effect on firm value, and firm size has no significant effect on firm value.

Keywords: Profitability, Capital Structure, Firm Size, Firm Value

INTRODUCTION

Background of the Study

Globalization plays significant role of the rising competition in the business world. Competition for companies can have a good effect on the encouragement to improve business performance and the quality of the products produced. This competition requires economic actors to implement strategies, to maximize financial performance, and to increase company value in order to maintain business success. In addition, the company strives to achieve the goal of increasing the prosperity of the owner through increasing the value of the company. The value of the company can be reflected through the increase in assets owned by the company and the higher the value of the company, the more investment opportunities in the future. Gitman (2006: 352) states that the value of the company is proportional to the value of the shares sold in the capital market. It will be seen how big the assets owned. It can be conclude that the higher the stock price, the higher the value of the company and vice versa.

Research had been conducted by Fitriyah and Djawoto, 2021 on the effect of capital structure, profitability and company size on the value of pharmaceutical companies listed on the IDX. The results of this study indicate that profitability has a positive and insignificant effect on firm value, capital structure has a negative and significant effect

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P-ISSN: 2580-6084, E-ISSN: 2580-8079

on firm value, and firm size has a positive and significant effect on firm value. This research is a replica research and development of research (Fitriyah and Djawoto, 2021). The difference in this research lies in the number of samples, the year of financial statements, independent variables and calculations. The research conducted by Fitriyah and Djawoto, 2021 is aimed at pharmaceutical companies in 2016-2019 with 8 samples of companies while this research is in 2016-2020 with 10 samples of companies.

Pharmaceutical companies are considered to have good prospects in the future due to the Covid-19 pandemic that has lasted for the last two years, which is estimated to increase the value of companies in pharmaceutical companies. So that this study aims to determine how much profitability, capital structure, and firm size on firm value. Therefore, the researcher took the title "**INFLUENCE OF PROFITABILITY, CAPITAL STRUCTURE AND COMPANY SIZE ON COMPANY VALUE (STUDY ON PHARMACEUTICAL COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE 2016-2020)**".

Based on the background of the study above, there are research questions as follows:

1. Does profitability affect company value in pharmaceutical companies listed on the Indonesia Stock Exchange?
2. Does the capital structure affect the firm value of pharmaceutical companies listed on the Indonesia Stock Exchange?
3. Does the size of the company affect the firm value of pharmaceutical companies listed on the Indonesia Stock Exchange?

LITERATURE REVIEW

Agency Theory

Agency theory is a theory that explains the cooperative relationship between the principal (company owner) and agent (company management), where the principal delegates authority to the agent to manage the company and make decisions (Jensen and Meckling, 1976). Agency theory assumes that each individual has their own interests that they want to prioritize. Principals want dividends and profits from their investments, while agents prefer compensation in the form of bonuses, incentives, salary increases, promotions and so on (Elqorni, 2009).

The value of the company

Firm value is the present value of free cash flow in the future at a discount rate according to the weighted average cost of capital. Free cash flow is cash flow available to investors (creditors and owners) after taking into account all expenses for company operations and expenses for investment and net current assets (Brigham and Erdhadt, 2005:518). Firm value is very important because high firm value will be followed by high shareholder prosperity (Brigham Gapensi, 1996). Maximizing the value of the company is referred to as maximizing shareholder wealth (stakeholder wealth maximation) which can also be interpreted as maximizing the price of the company's common stock (maximizing the price of the firm's common stock) (Martono and Harjito, 2010:13).

A high company value is the desire of the company owners, because a high value indicates the prosperity of shareholders is also high. The higher the stock price, the higher the value of the company. Husnan and Pudjiastuti (2004: 211) state that for companies which issue

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P-ISSN: 2580-6084, E-ISSN: 2580-8079

shares in the capital market, the price of shares traded on the stock exchange is as an indicator of company value. According to Yulius and Tarigan (2007: 3), there are several concepts of company value that explain the value of a company, namely nominal value, market value, intrinsic value, book value, and liquidation value. The nominal value is the value that is formally listed in the articles of association of the company, explicitly stated in the company's balance sheet, and clearly written in the collective share certificate. Market value is the price that occurs from the bargaining process in the stock market, this value can only be determined if the company's shares are sold on the stock market. Intrinsic value is the most abstract concept because it refers to the estimated real value of a company. Book value is a company calculated on the basis of accounting concepts by dividing the difference between total assets and total debt by the number of shares outstanding. Liquidation value is the sale value of all company assets after deducting all obligations that must be met.

According to Sukirno (2012:13) company value is a certain condition that has been achieved by a company as an illustration of public trust in the company after going through a process for several years, since the company was founded until now. According to Brigham and Houston (2010: 150) there are several approaches to ratio analysis in market value assessment, consisting of the price earnings ratio (PER) approach, price book value (PBV), market book ratio (MBR), dividend yield ratio, and dividend payout ratio (DPR).

Profitability

Profitability is the ability of a company to generate profits at a certain level of sales, assets, and share capital (Husnan, 2001). There are several measures of performance on the company's profitability where each measurement is associated with sales volume, total assets and own capital. Generally, profitability is a measurement of the overall productivity and performance of the company which show the efficiency and productivity of the company at last. The level of profitability is used as a basis for measuring the company's financial performance, this is done considering that business attractiveness is one of the important indicators in business competition, while indicators of business attractiveness can be measured from business profitability, such as ROA (return on assets), ROE (return on equity), and NPM (net profit margin). The higher this ratio will attract new entrants to enter the business world, so that under competitive conditions, the rate of return tends to lead to balance (Gale, 1972).

Capital Structure

The capital structure is permanent finance consisting of long-term debt, preferred stock, and shareholder capital (J. Fred Weston and Thomas E Copeland, 1996). The capital structure is an illustration of company financial proportion form between owned capital which is from long-term debt (long-term liabilities) and own capital (shareholders equity) which is as source of financing for a company (Fahmi, 2012). The optimal capital structure for a company is defined as a structure that will maximize the share price of a company. The capital structure is concluded as the company's funding mix that must be managed properly so as to maximize the value of a company (Brigham and Houston, 2013).

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Company Size

Company size is the average total net sales for the year to several years. Sales are greater than variable costs and fixed costs, and then the amount of income before taxes will be obtained, whereas if sales are less than variable costs and fixed costs, the company will suffer losses (Brigham and Houston, 2001). The larger the company will attract the attention of investors because it has a stable company condition and investors will judge whether the company is feasible or not. According to Darmadji (2006), the determinant of company size regarding the size of a company is determined by the company's assets, while total assets are chosen as a determinant of company size by considering that the asset value is relatively stable compared to the market capital value and sales.

RELATIONSHIP BETWEEN VARIABELS

Relationship between Profitability and Firm Values

Profitability is the ability of a company to make profits at a certain level of sales, assets, and share capital (Husnan, 2001). Companies with high profitability reflect a good company position and will attract the attention of investors. The results of research conducted by Fitriyah and Djawoto (2021) show that profitability as measured by Return On Equity (ROE) shows positive results because it will indicate the level of return of shareholders with high interest for investors to invest in shares. Based on the description above, the hypothesis is as follows:

H1: Profitability has a positive and significant effect on firm value

Relationship between Capital Structure and Firm Value

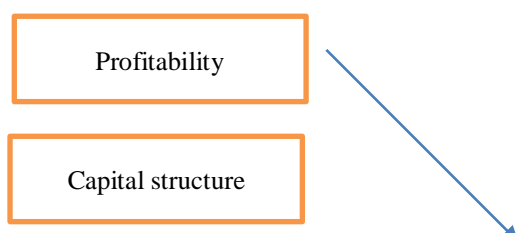
Capital structure is a balance or comparison between foreign capital and own capital. Funding that uses a capital structure must be considered carefully by the company, because the capital structure will affect the value of the company. The larger the capital structure, the value of the company will increase. Based on the description above, the hypothesis is as follows:

H2: Capital structure has a positive and significant effect on firm value

Relationship between Company Size and Firm Value

Large or small companies has different advantages, this is because large companies tend to have more stable conditions and less risk (Vijaya, 2019). The size of the company can be seen from the large total assets with the dominant component in accounts receivable and inventory. Companies are more likely to maintain profits than to distribute them as dividends which can affect stock prices and company value. Referring to these findings, it can be stated that companies that have large total assets do not necessarily provide confidence to investors in managing the company in order to increase the value of the company. Based on the description above, the hypothesis is as follows:

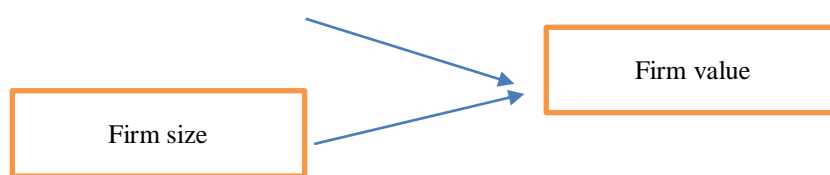
H3: Firm size has a positive and significant effect on firm value



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Research Object and Sample Units

The object of research is a research target that has certain problems with certain objectives and benefits to obtain different data. The object of research in this thesis is about company value, profitability, capital structure, and company size in pharmaceutical companies listed on the Indonesia Stock Exchange in 2016-2020.

Population and Sampling Method

The population is a generalization area consisting of objects or subjects that have certain quantities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 1997:57). The population is a generalization area consisting of objects or subjects that have certain quantities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 1997:57). The population in this study was all pharmaceutical companies listed on the Indonesia Stock Exchange in 2016-2020. The total population of pharmaceutical companies listed on the Indonesia Stock Exchange is 12 companies

Sample is a part of the whole and the characteristics possessed by a population (Sugiyono, 2008: 118). What are learned from the sample there will be conclusions obtained. Then, the conclusion will be applied to the population at last. Therefore the sample obtained from the population must be representative. The use of different numbers of samples from the same population does not result any significant differences. The results of a sample that is only two percent are not much different from the results using a sample of ten percent of the population.

In strictly controlled experimental studies, each group consisting of 8 to 10 subjects is considered adequate to obtain accurate results, although statistical testing always shows significance if the sample size is large enough (Holland & Wainer, 1993: 12).

The Sample selection in this study is using purposive sampling method. Purposive sampling is a sampling technique by determining certain criteria (Sugiyono, 2008).

The criteria for selecting a sample of pharmaceutical companies listed on the Indonesia Stock Exchange based on the purposive sampling method in this study are:

1. Pharmaceutical companies listed on the Indonesia Stock Exchange for 5 consecutive years from 2016-2020.
2. Pharmaceutical companies that provide complete financial reporting activities for 5 consecutive years from 2016-2020.
3. Pharmaceutical companies that use rupiah currency in their financial statements.
4. Pharmaceutical companies that have a positive profit value and are quite developed during the 2016-2020 period.

RESULTS AND DISCUSSION

Data Type

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Secondary data in this study are pharmaceutical companies listed on the Indonesia Stock Exchange in the 2016-2020 observation period that meet the criteria for fully published financial statements.

Data Sources

The data source referred to the research is the subject from which the data can be obtained (Suharsimi Arikunto, 2013:172). The source of data in this study was conducted by collecting data on the financial statements of pharmaceutical companies for 2016-2020 which were obtained through the Indonesia Stock Exchange or through the website www.idx.co.id by downloading financial statements that matched the sample criteria.

Method of Collecting Data

The data in this study is secondary data. Secondary data is a source of research data obtained by researchers indirectly through intermediary media (obtained and recorded by other parties). Secondary data are generally in the form of evidence, historical records or reports that have been compiled in published and unpublished archives (documentary data). The data used are the financial statements of pharmaceutical companies listed on the Indonesia Stock Exchange in 2016-2020.

Method of Analyzing Data

After the data is collected into a single data, it is analyzed using data processing techniques. The data analysis used aims to answer questions from the formulation of the problem to determine the relationship between the dependent variable, namely firm value, and the independent variables, namely profitability, capital structure, and company size.

Descriptive Statistics Analysis

Descriptive analysis is used to determine quantitative data that has been processed using the SPSS 25 program so that it can provide an explanation of the company's condition during the observation period.

Table 4.3
Descriptive Statistics (Before Outlier)

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	50	-.0303	.9210	.099231	.1358110
Capital Structure	50	.0833	4.9465	1.172773	1.3028195
Firm Size	50	25.7957	30.7474	28.435912	1.3081838
Firm Value	50	.0769	.8318	.429514	.2285790
Valid N (listwise)	50				

Source: Data processed with SPSS 25

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The descriptive statistics table describes the number of samples, minimum value, maximum value, average, and standard deviation. The results of the company value calculated using the DAR (Debt to Asset Ratio) formula with a sample of 50 companies showed the results, the average value of 0.429514, standard deviation of 0.2285790, minimum value of 0.0769, and maximum value of 0.8318.

In the descriptive analysis above, the profitability variable calculated using the ROA (Return on Assets) formula with a sample of 50 companies shows an average value of 0.099231, a standard deviation of 0.1358110, the minimum value is -0.0303, and the maximum value is 0.9210.

The capital structure variable is calculated using the DER (Debt to Equity Ratio) formula with a sample of 50 companies showing an average value of 1, 172773, the standard deviation is 1.3028195, the minimum value is 0.0833, and the maximum value is 4.9465. The firm size variable which is calculated using the Firm Size formula with a sample of 50 companies shows an average value of 28.435912, a standard deviation of 1.3081838, a minimum value of 25.7957, and a maximum value of 30.7474.

The following table shows the results of descriptive statistical tests after outliers are shown in table 4.4 below:

Table 4.4
Descriptive Statistics (After Outliers)

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	46	-.0303	.2426	.085052	.0675416
Capital Structure	46	.0833	4.2279	.956447	1.0458848
Firm Size	46	25.7957	30.7474	28.496522	1.3457623
Firm Value	46	.0769	.8087	.400958	.2135992
Valid N (listwise)	46				

Source: Data processed with SPSS 25

The results of the calculation of the descriptive statistics with the original amount of data 50 samples after being outliers became 46 samples indicating that the firm value has a minimum value of 0.0769, a maximum value of 0.8087, an average value of 0.400958 and a standard deviation value of 0.2135992.

The results of the calculation of the descriptive statistics with the original amount of data

50 samples after being outliers became 46 samples indicating that the profitability variable has a minimum value of -0.0303, a maximum value of 0.2426, an average value of 0.085052 and a standard deviation value 0.0675416.

The results of the calculation of the descriptive statistics with the original amount of data 50 samples after being outliers became 46 samples indicating that the capital structure variable has a minimum value of 0.0833, a maximum value of 4.2279, an average value of 0.956447 and a standard deviation value 1.0458848.

The results of the calculation of the descriptive statistics with the original amount of data

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P-ISSN: 2580-6084, E-ISSN: 2580-8079

50 samples after being outliers became 46 samples indicating that the firm size variable has a minimum value of 25.7957, a maximum value of 30.7474, an average value of 28.496522 and a standard deviation value 1.3457623.

Normality Test Results

Tabel 4.5
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		50
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.10588239
Most Extreme Differences	Absolute	.190
	Positive	.190
	Negative	-.082
Test Statistic		.190
Asymp. Sig. (2-tailed)		.000 ^c

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.

Source: Secondary Data processed with SPSS 25

Based on the results of the normality test with the P-P Plot as shown in the table 4.2 indicate that the data spreads around the diagonal line follow the diagonal line but slightly away from the center. Meanwhile, the results of the normality test with Kolmogorov-Smirnov show a value of 0.000 which means less than 0.05, then the results do not show a normal distribution pattern and the regression model does not meet the assumption of normality. After rechecking, there are some data that are not normally distributed, so data transformation is carried out using outliers.

According to Hair (1998) in Ghazali (2016), small sample (less than 80) data that is not normally distributed can be transformed to become normal. According to Ghazali (2016), to obtain data normality, it can be detected with outlier data. Outliers are cases or data that have unique characteristics that look very different from other observations and appear in the form of extreme values for either a single variable or a combination variable.

Normality Test Results with Kolmogorov-Smirnov (After Outliers)

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Table 4.6
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		46
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.07043641
Most Extreme Differences	Absolute	.125
	Positive	.125
	Negative	-.067
Test Statistic		.125
Asymp. Sig. (2-tailed)		.070 ^c

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.

Source: Secondary Data processed with SPSS 25

In the results of the normality test after data transformation using outliers, the total data used in this study amounted to 46 data. The number of data outliers is 4 data from the initial 50 data. Based on the results of the outlier normality test with the P-P Plot, it shows that the data is getting closer to spreading with a diagonal line and following a diagonal line, so it can be said that the pattern is normally distributed. While the results of the outlier normality test with Kolmogorov-Smirnov showed the original value from 0.00 to 0.070 which means it is greater than the 0.05 significance level, so it shows a normal distribution pattern and the regression model meets the assumption of normality.

Multicollinearity Test

Multicollinearity test is used to test a regression model whether there is a correlation between independent variables or independent variables. In this test, it can be seen whether there is multicollinearity from the tolerance value or variance inflation factor (VIF) with the assumption that if there is multicollinearity, the tolerance value is less than 0.1 and the VIF value is greater than 10, while if there is no multicollinearity, the tolerance value is greater than 0.1 and the VIF value is less than 10. The following are the results of the multicollinearity test:

Table 4.7
Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	Profitability	.666	1.503
	Capital Structure	.678	1.475

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P-ISSN: 2580-6084, E-ISSN: 2580-8079

	Firm Size	.960	1.042
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Dependent Variable: Firm Value

Source: Secondary Data processed with SPSS 25

In table 4.7, it can be seen that the value of the profitability variable has a tolerance value of 0.666 which is greater than 0.1 and a VIF value of 1.503 is smaller than 10, so it can be concluded that there is no multicollinearity.

Based on the table above, it can be seen that the value of the capital structure variable has a tolerance value of 0.678 which is greater than 0.1 and a VIF value of 1.475 is smaller than 10, so it can be concluded that there is no multicollinearity. It can be seen that the value of the firm size variable has a tolerance value of 0.960 which is greater than 0.1 and the value of VIF 1.042 is smaller than 10, so it can be concluded that there is no multicollinearity.

Table 4.8
Multicollinearity Test

N	Variabel	Description
1	Profitability	No multicollinearity
2	Capital Structure	No multicollinearity
3	Firm Size	No multicollinearity

Based on the results of the multicollinearity test, it is explained in table 4.8 that Profitability variable, capital structure variable, and firm size variable did not occur multicollinearity.

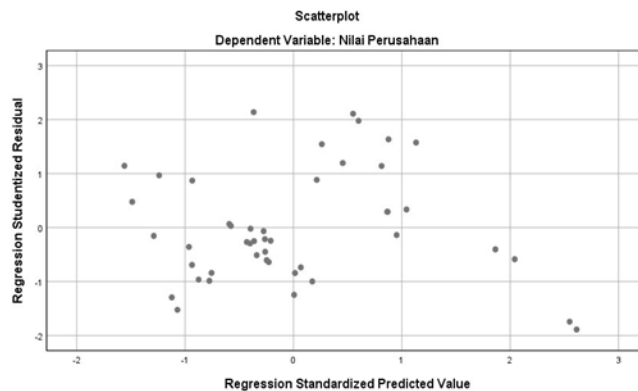
Heteroscedasticity Test

Heteroscedasticity test is carried out to find out whether there is a difference or not in the residual variance in one other observation. To see whether or not heteroscedasticity occurs, this study uses a scatterplot which can be seen by observing the pattern of the scatterplot graph. If the dotted pattern forms a certain pattern then heteroscedasticity occurs, whereas if the dotted pattern spreads above and below the number 0 on the Y axis then there is no heteroscedasticity.

Picture 4.3
Heteroscedasticity Test Results

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Source: Secondary Data processed with SPSS 25

Based on Figure 4.3, the scatterplot graph forms a pattern of dots that do not form a certain pattern and are not below the number 0 on the Y axis, it can be said that there is no heteroscedasticity in the regression.

Autocorrelation Test

The autocorrelation test aims to determine whether or not there is a correlation between the confounding variables of a certain period and the previous period. The autocorrelation test in this study was measured using the Durbin-Waston test (DW test) which has the provision that if the D-W number is below -2 it is said to have a positive autocorrelation, while the D-W number is between -2 to +2 then it is stated that there is no autocorrelation, and if the D-W number is above +2 then it is stated that there is a negative autocorrelation. Table 4.8 shows the results of the autocorrelation test using the Durbin-Waston test (DW test):

Table 4.9
Autocorrelation Test
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.944 ^a	.891	.883	.0729086	1.916

a. Predictors: (Constant), Company Size, Capital Structure, Profitability

b. Dependent Variable: Firm Value

Source: Secondary Data processed with SPSS 25

The calculation of the autocorrelation test using the Durbin-Waston (DW) table calculation produces a value of 1.916. To find out whether there is a correlation or not

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P-ISSN: 2580-6084, E-ISSN: 2580-8079

using the Durbin-Watson (DW) table calculation, = 5% with a total of n that is 46 and the number of independent variables 3 (k=3), the DU number is 1.6677 provided that $DW > DU$ and $DW < 4-DU$. Calculation of $4 - DU$ which is $4 - 1.667 = 2.3323$ can be concluded that the value of DW 1.916 is greater than DU 1.6677 and DW 1.916 is smaller than 2.3323 so it can be concluded that there is no autocorrelation in the regression.

4.3.2. Multiple Linear Regression Analysis

Multiple linear regression analysis aims to determine the hypothesis analysis whether the influence and relationship between the independent variable (X) such as: profitability, capital structure, and firm size with the dependent variable (Y) that is firm value. Below are the results of multiple linear regression analysis:

Table 4.10
Multiple Linear Regression Analysis
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	.484	.235		2.062	.045
Profitability	-1.371	.197	-.433	-6.950	.000
Capital Structure	.127	.013	.624	10.099	.000
Firm Size	-.003	.008	-.020	-.376	.709

a. Dependent Variable: Firm Value

Source: Secondary Data processed with SPSS 25

The equation from the results of multiple linear regression analysis above is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$Y = 0,484 - 1,371 \text{ Profitability} + 0,127 \text{ Capital Structure} - 0,003 \text{ Firm Size} + e$$

Based on the results of the regression equation above, it can be concluded that:

1. If the variables of profitability, capital structure, and company size are constant, the value of Y will change by the constant value of 0.484
2. The regression coefficient β_1 of the profitability variable as measured using the ROA formula is -1.371, this indicates a negative direction. So if the profitability variable decreases by 1.371 then the dependent variable tends to decrease.
3. The regression coefficient β_2 of the capital structure variable as measured using the DER formula is 0.127, this indicates a positive direction. So if the capital structure variable increases by 0.127 then the dependent variable tends to increase
4. The regression coefficient β_3 of the firm size variable measured using the Firm Size formula is -0.003 this indicates a negative direction. If the company size variable decreases by 0.003 the dependent variable tends to decrease. The results of multiple linear regression analysis show that profitability has an effect on firm value. This is

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indicated by the coefficient value of -1.371 and the t-test of -6.950 and a significant value of $0.000 < 0.05$. Profitability has an influence on firm value and the first hypothesis is accepted. Profitability has an influence on firm value because it affects the ability to generate profits from a company. So that the higher the profitability, the more net income will be obtained.

The results of this study are not in line with the research conducted by Fitriyah and Djawoto, 2021. In previous studies, profitability had a positive and insignificant effect on firm value, while in this study profitability had a positive and significant effect on firm value.

4.3.2 Effect of Capital Structure on Firm Value

The results of multiple linear regression analysis show that capital structure has an effect on firm value. This is indicated by the coefficient value of 0.127 and the t-test of 10.099 and a significant value of $0.000 < 0.05$. Then the capital structure has an influence on firm value and the second hypothesis is accepted. Capital structure has an influence on firm value because capital is a source of financing for a company. The company's capital financing can be sourced from long-term debt and own capital. This study is not in line with the research conducted by Fitriyah and Djawoto, 2021. In previous studies, capital structure has a negative and significant effect on firm value, while this study has a positive and significant effect on firm value.

4.3.3 The Effect of Firm Size on Firm Value

The results of multiple linear regression analysis show that firm size has no effect on firm value. This is indicated by the coefficient value of -0.003 and the t-test of -0.378 and a significant value of $0.709 > 0.05$. So that firm size has no effect on firm value and the third hypothesis is rejected. The size of the company does not affect the value of the company because the size of the company is considered not to be able to affect the value of the company. Company size is assessed from the total assets owned by the company to carry out operational activities. The bigger the company, the more operational funds are issued and the greater the debt the company has to finance the company's activities so that the size of the company is not relative in influencing the value of the company. This study is not in line with the research conducted by Fitriyah and Djawoto, 2021. In previous studies, firm size had a positive and significant effect on firm value, while in this study firm size had a negative and insignificant effect on firm value.

CONCLUSION

Based on the results of the discussion in the 2016-2020 period, several pharmaceutical companies did not have company assets that were financed from equity or own capital. This is because the factors that affect the value of the company, namely profitability, capital structure, and company size do not have a high value, resulting in the company's assets being financed by debt. However, from some of these pharmaceutical companies, there are assets financed by equity because these companies are well-known companies and already have stable quality and performance. Hypothetical analysis of the problem of the effect of profitability, capital structure, and firm size on firm value in pharmaceutical

companies listed on the Indonesia Stock Exchange from 2016 to 2020 resulted in the following conclusions:

1. Based on the results of the discussion of the test, it shows that the profitability and capital structure variables have an effect on firm value, while the firm size variable has no effect on firm value with a determination value (Adjusted R Square) of 0.883 or 88.3 percent while the remaining 11.7 percent which is influenced by other variables outside this research model.
2. The results of the t-test test indicate that the profitability variable has a significant value of $0.000 < 0.05$ so it can be concluded that profitability has an effect on firm value. H1: Profitability has a positive and significant effect on firm value.
3. The results of the t-test test indicate that the capital structure variable has a significant value of $0.000 < 0.05$ so it can be concluded that the capital structure has an effect on firm value. H2: Capital structure has a positive and significant effect on firm value.
4. The results of the t-test test show that the firm size variable has a significant value of $0.709 > 0.05$ so it can be concluded that firm size has no effect on firm value. H3 : Firm size has a negative and insignificant effect on firm value.

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