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RESEARCH ARTICLE

THE EFFECT OF CAPITAL STRUCTURE AND PROFITABILITY ON THE VALUE OF THE COMPANY HEALTH SUB-SECTOR ON THE INDONESIA STOCK EXCHANGE

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Abstract

This study aims to analyze how the influence of capital structure and profitability on the value of companies in sub-Sector Health Companies on the Indonesia Stock Exchange. The sample consists of 8 companies listed on the Indonesia Stock Exchange for the period 2010-2020. The data used in this study is capital structure data represented by Debt to Asset Ratio and Debt to Equity Ratio, profitability data represented by Return On Asset Ratio, all of which areindependent variabels. While the value of the company is represented by Price to Book Value as a dependent variable. This study uses secondary data in the form of financial statements of sample companies and sample determination using purposive sampling techniques. Data analysis uses classical assumption tests and multiple linear regressions. Based on the results of the statistical test, the Debt to Asset Ratio variable has a negative and significant relationship with price to book value. And Debt to Equity Ratio and Return On Asset have a positive and significant relationship with Price to Book Value. Simultaneously variable Debt to Asset Ratio, Debt to Equity Ratio and Return On Asset have a positive and significant effect on price to book value. The relationshipshows that together the higher the Debt to Asset Ratio, Debt to Equity Ratio and Return On Asset the higher the Price To Book Value reflected by the higher investor confidence in the company.

Introduction:-

The current conditions of business competition in the global market cannot be predicted because of the development of the global economy that moves around, thus triggering fierce competition.There are many obstacles and obstaclesfaced by business people. To stay afloat in the market the company must be observant to see the gap or future business prospects, so that management needs proper planning in making decisions related to the company's performance.Toanalyze the financial performance of the company in general used is with a financial ratio. Financial ratio analysis can helpbusinesses evaluate the company's financial situation in the past, present and future. For companies that have gone public, in general, financial performance is used as a decision-making tool to buy shares from the company. The decision to buy shares of a company by investors is influenced by thevalue of the company and reflected in the price of its shares.

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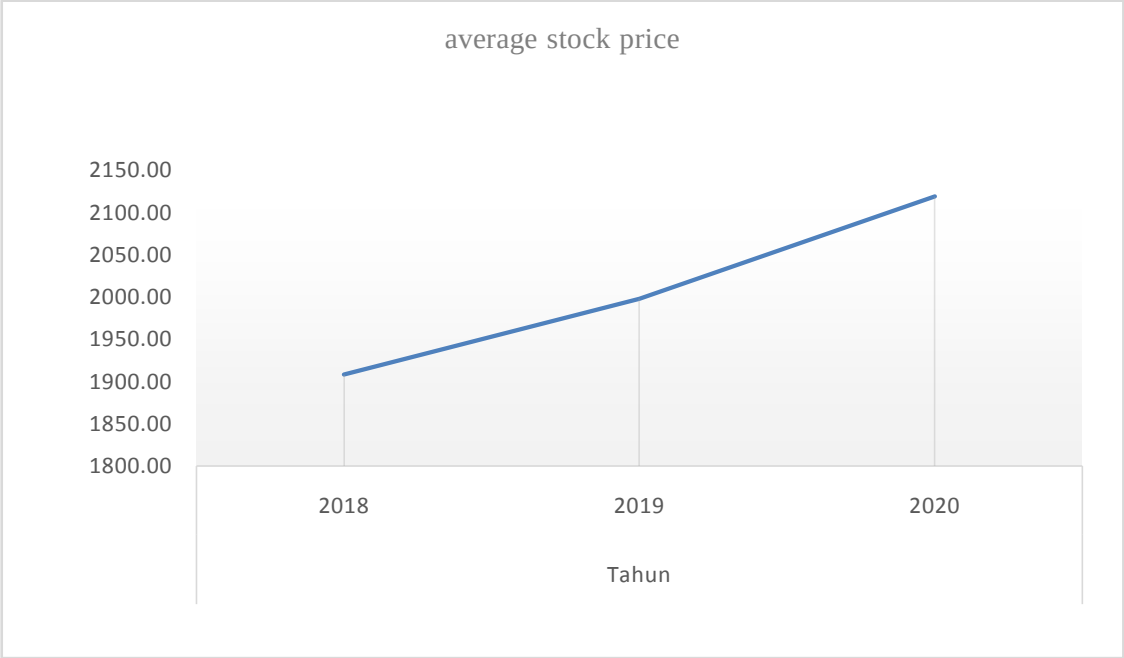
Health companies are one of the sectors whose prices skyrocketed in the 2018-2020 period. This is because health companies became the prima donna during the Covid-19 pandemic that hit countries in the world including Indonesia. The trend of stock prices of health companies that go public on the IDX can be seen in this image:



Source: idx.co.id (data processed)
Figure 1:- Average share price of Health sub-sectorcompanies.

In 2018 the average share price of health sector companies stood at 1908.14, and again increased in 2019 at 1997.93, and in 2020 it increased significantly at 2118.93. The increase in the share price of health sub-sector companies in 2020 is dueto health companies being primed becauseof the Covid-19 pandemic that entered Indonesia. Theaverage share price ofhealth sub-sector companies is increasing, reflecting the increasing value of the company.The value of the company gives a positive signal to investors to invest in a company, while for creditors the value of the company reflects the company's ability to pay its debts so that the creditors do not feel worried in providing loans to the company.The company's value can be calculated through the Price to Book Value(PBV) indicator, Price Earning Ratio (PER) and Tobin's Qindicators.

Price to Book Value(PBV) is a financial ratio used to see if a stock is worth buying or not. The success of a company for shareholders can be seen from the high ratio to book value. Such success provides a great opportunity for shareholders to make a profit.The price to book value (PBV) of the 8 health sub-sector companies that go public on the Indonesia Stock Exchange is as follows:

Table 1:- Data Price to Book Value (PBV) Eight HealthSub-Sector Companies Priode 2016-2020.

No	Company Code	Year					Average	Information
		2016	2017	2018	2019	2020		
1	DVLA	1.82	1.97	1.81	1.93	2.04	1.91	Volatile
2	INAF	25.19	34.74	40.56	39.90	38.17	35.71	Volatile
3	KAEF	6.88	5.97	4.51	0.96	3.38	4.34	Volatile
4	KLBF	5.70	5.70	4.87	4.55	3.80	4.92	Go down
5	BRAND	0.35	0.31	0.19	0.11	0.12	0.22	Volatile
6	PYFA	1.01	0.90	0.85	0.85	3.31	1.38	Volatile
7	SRAJ	1.55	1.63	1.66	1.81	1.40	1.61	Volatile
8	TSPC	1.91	1.59	1.15	1.08	0.99	1.35	Go down

Source: idx.co.id (data processed)

Judging from the table above, the average PBV of eight Health Sub-Sector companies over the past 5 years has been fluctuating. There are only two companies that have decreased, namely PT Kalbe FarmaTbk (KLBF) and PT TEMPO Scan PasificTbk (TSPC). The value of the company can be influenced by several factors including capital structure. In addition, according to Brigham and Daves (2010), maximizingthe company's achievements is very important, because by maximizing the value of the company means alsomaximizingshareholder prosperity.

The financial condition of a company is largely determined by its capital structure. In this study, the capital structure was measured using the Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER).Debt to Asset Ratio(DAR) serves to measure the amount of assets of a company financed by a lender. The investors in addition to expecting profits, but also take into account the amount of revenue the company generates. The income level of the company can affect the demand for shares as well as the value of the company.

Table 2:- Debt to Assets Ratio (DAR) Eight HealthSub-Sector Companies Priode 2016-2020.

No	Company Code	Year					Average	Information
		2016	2017	2018	2019	2020		
1	DVLA	0.30	0.32	0.29	0.29	0.33	0.30	Volatile
2	INAF	0.58	0.66	0.66	0.64	0.75	0.66	Volatile
3	KAEF	0.51	0.58	0.63	0.60	0.57	0.58	Volatile
4	KLBF	0.18	0.16	0.16	0.18	0.19	0.17	Volatile
5	BRAND	0.22	0.27	0.59	0.34	0.34	0.35	Volatile
6	PYFA	0.37	0.32	0.36	0.35	0.31	0.34	Volatile
7	SRAJ	0.25	0.25	0.33	0.43	0.60	0.37	Climb
8	TSPC	0.30	0.32	0.31	0.31	0.30	0.31	Volatile

Source : idx.co.id (data processed)

Based from the table above, the average company over the past 5 years is still experiencing fluctuations in DAR, there is only one company that has increased, namely PT. PT. Sejahteraraya Anugrahjaya Tbk (SRAJ).

Debt to Equity Ratio (DER) is a comparison between the amount of debt given by creditors and the amount of equity given by the owner of the company. The level of risk of the company is reflected in the ratio of debt, in the form of long-term debt and short-term debt. The debt ratio indicates the amount of capital a companyneeds to meet its obligations. The amount of risk received by the company is proportional to the amount of debt owned. An overview of the Debt to Equity Ratio ofhealth sub-sector companies can be seen in the following table:

Table3.:- Debt to Equity Ratio (DER) Eight HealthSub-Sector Companies Priode 2016-2020.

No	Company Code	Year					Average	Information
		2016	2017	2018	2019	2020		
1	DVLA	0.42	0.47	0.40	0.40	0.50	0.44	Volatile
2	INAF	1.40	1.91	1.90	1.74	2.98	1.99	Volatile
3	KAEF	1.03	1.37	1.73	1.48	1.47	1.42	Volatile
4	KLBF	0.22	0.20	0.19	0.21	0.23	0.21	Volatile
5	BRAND	0.28	0.38	1.44	0.52	0.52	0.62	Volatile
6	PYFA	0.58	0.47	0.57	0.53	0.45	0.52	Volatile
7	SRAJ	0.34	0.33	0.49	0.75	1.48	0.68	Volatile
8	TSPC	0.42	0.46	0.45	0.45	0.43	0.44	Volatile

Source : idx.co.id (data processed)

Based from the table above, the average Debt to Equity Ratio of 8 Health sector companies over the past 5 years has increased, although for each company the debt to equity ratio has increased fluctuating. If a company's long-term debt exceeds retained earnings, then the company suffers a loss. However, it is not in line with the research researched by (Ogolmagai, 2013) which states that DER and DAR together do not affect the value of the company.

Another factor that can affect the value of a company is profitability. Profitability describes a company's ability to achieve profits with all available resources and resources, including capital, total liquidity, and sales. High profitability sends a positive signal to investors and plays an important role in ensuring the long-term sustainability

of the company's life and prospects in the future. Profitability in this study was measured using the Return On Asset Ratio (ROA). An overview of Return on Assets (ROA) can be seen in the following table:

Table 4:- Return on Asset Ratio (ROA) Eight Health sub-sector companies Priode 2016-2020

No	Company Code	Year					Average	Information
		2016	2017	2018	2019	2020		
1	DVLA	0.10	0.10	0.12	0.12	0.08	0.10	Volatile
2	INAF	-0.01	-0.03	-0.02	0.01	0.00	-0.01	Volatile
3	KAEF	0.06	0.05	0.05	0.00	0.00	0.03	Volatile
4	KLBF	0.15	0.15	0.14	0.13	0.12	0.14	Go down
5	BRAND	0.21	0.17	0.03	0.09	0.08	0.11	Volatile
6	PYFA	0.03	0.04	0.05	0.05	0.10	0.05	Climb
7	SRAJ	-0.04	-0.05	-0.03	-0.02	0.00	-0.03	Volatile
8	TSPC	0.08	0.07	0.07	0.07	0.09	0.07	Volatile

Source : idx.co.id (data processed)

Tabel is above the average number of health sub-sector companiesexperiencing fluctuating over the last 5 years in ROA, there is only one company that has decreased, namely PT. Kalbe FarmaTbk (KLBF) and experienced an increase, namely PT. PyridamFarmaTbk (PYFA).

Ramdhonah et al., (2019) said capital structure and profitability have a significant effect on the value of the company. While Oktrima (2017) has different research results, namely partially capital structure and profitability do not have a significant influence on the value of the company. Based on the results of the research above, researchers want to raise the title "**The Influence of Capital Structure and Profitability on Company Value in Health Sector Companieslisted on the Indonesia Stock Exchang".**

Leterature Review

The high value of the company indicates that shareholder prosperity is also high and if low, it results in investors' assumptions about the company that is not good. The value of a company is often described by the company's stock price in the stock market. The high or low stock price will affect the value of the company according to Agustina (2017). A company's value can be measured using Tobin's Q proxy, Price Earning Ratio and Price Book Value (PBV). In this study, the author chose the company's value indicator is Price Book Value (PBV) becausePrice BookValue is often used for investment decision making and the PBV Ratiocan provide an idea of potential stock price movements. In addition, **Price to Book Value (PBV)** is one of the variables considered by an investor in determining which shares to buy, where a high price to book value will make the market believe in the company's prospects in the future. The theory underlying the value of the company, namely: (1) Modigliani-Miller Theory (M&M) which states the structure of capital does not depend on the value of the company; (2) Trade-off theory: companies that use leverage will be able to increase the value of the company to a certain proportion (. Myers, 1984) (3) Pecking Order Theory: high profitability companies have little debt, because high profitability has an abundant source of internal funds (Myers, 1984).

Capital structure according to Horne and John (2010) is the proportion of the company's long-term permanent funding or capital represented by debt, preferred stock and common stock equity. While Riyanto (2010), capital structure is a permanent expenditure reflected through the balance between one's own capital and long-term debt. From this understanding , it is concluded that the capital structure is a composition between one's own capital and long-term debt in permanent financing. Thecomponents of the capital structure are:

1. **Debt Asset Ratio** is commonly used to measure how much a company's assets are financed by orangutans. The high debt to asset ratio of a company reflects that funding with more and more debt and this situation makes it more difficult for companies to obtain additional loans from outside parties. This condition is feared that the company is not able to cover its debts with its assets owned.
2. **Debt to Equity Ratio (DER)** is the company's ability to fulfill all its obligations. The low debt equity ratio reflects the company's ability to pay all its obligations high and as high as the DER figure then it is assumed that the company has a higher risk to its company's liquidity. According to Yolanda and Sumarni (2018), DER can be used by analysts and investors to see how much debt a company owes when compared to the equity held by the company or its shareholders.

The use of debt must be allocated for investment in both current assets and fixed assets, if the assets are used efficiently to generate profits so as to have an impact on increasing the value of the company.

Profitability, according toCashmere (2012) is the ratio to assess the company's ability to make a profit. And it can also provide useful clues in assessing the effectiveness of a company's operations. In addition, Margaretha (2014) stated that the profitability ratio is a ratio used to assess the company's ability to seek profit or profit in a certain period. Types ofprofitability rasio that can assess and measure a company's financial position in a given period include the Retrun On Asset Ratio**. Retrun On Asset Ratio is a** comparison between net income after tax (minus dividends of common stock) with assets or equity that shareholders have invested in the company. Theresia Vania Hamoli and Nila Firdaus Nuzula (2018) stated that a good ROA value would be higher than 1.5 (ROA > 1.5) and a bad ROA value would be lower than zero (ROA< 0). According to Ceria D. Simanullang et al (2021), Return On Asset has a positive and significant impact on the value of the company.

Research Methods:-

Panel data is a combination of time series data and cross-section data. Panel data has a characteristic combination of several objects with several time periods (Widarjono, 2018). Interval time used , namely in 2010-2020 which is cross section data is data at a certain period in several companies. The data used in this study is the capital structurerepresented by two variables, namely Debt Asset Ratio and Debt Equity Ratio and Profitability of companiesrepresented by Oleh Return On Assets is a variabel independent. While variable dependent is the value of the company represented by Price to BOOk Value.

The regression equation ofthe panel data used is:

$$\mathbf{Y = \alpha + b_1X_1+b_2X_2 +b_3X_3 + \varepsilon}$$

Where:

Y = Price to Book Value (PBV)
α = Constant
b_1,b_2,b_3 = Regression coefficient of each constant
X_1 =Debt Asset Ratio (DAR)
X_2 =Debt Equity Ratio (DER)
X_3 = RetrunOn Asset (ROA)
ε = error or residual

Regression of the above panel data can be in the form of Common Effect Model, Fixed Effect Model and Random Effect Model (Widarjono, 2018). To choose the best panel data regression model (Common effect, fixed effect, and random effect) can be done with the Chow Test and the Hausman Test.Untuk determines the relationship betweenindependent variables and linear dependent variables can be tested with classicalAssumption Tests (NormaalityTest, AutocorrelationTest, MultilinearityTest and Heterokedastity Test).

However, the influenceof an independent variable on adependent variable can be partially seen by using the t test. Meanwhile, to see its effect simultaneously on the use of the F-Test. To find out how much independent varialablevarieaation affects the dependent variable is used determination coefficient (R2). The value of the coefficient of determination is between zero and one. The smaller the R2,the more important the ability of the variable is very limited. A value close to one states that a variable freelyrenders almost everything that is expected to predict the variation of the bound variable.

Results And Discussion:-

The selection of research based on dedicated sampling methods, there are 8 health sectorcompanies listed on the IDX for the period 2010-2020 that meet the following criteria:

Table 6:- Data – company name data.

No.	Code	Company Name
1	DVLA	Darya-VariaLaboratoriaTbk
2	INAF	INDOFARMA Tbk
3	KAEF	Kimia FarmaTbk

4	KLBF	Kalbe FarmaTbk
5	BRAND	Merck Tbk
6	PYFA	PyridamFarmaTbk
7	SRAJ	Sejahteraraya AnugrahjayaTbk
8	TSPC	Tempo Scan Pacific Tbk

Source : idx.co.id

Based on the results of the study, statistical images of thecompany data studied are:

Table 7:- Descriptive Analysis Results.

	Y	X_1	X_2	X_3
Mean	4.243977	0.3498886	0.642614	0.0800341
Median	1.820000	0.310000	0.450000	0.080000
Maximum	40.56000	0.750000	2.980000	0.400000
Minimum	0.110000	0.150000	0.180000	-0.080000
Std Deviation	8.110475	0.141774	0.505265	0.082885
Skewness	3.644925	0.900145	2.004287	0.799142
Kurtosis	15.43536	2.890608	7.511439	4.391965
Jaque-Bera	761.8632	11.92772	133.5464	16.47095
Probability	0.000000	0.002570	0.000000	0.000265
Sum	373.4700	30.79000	56.55000	7.070000
Sum Sq Dev	5722.842	1.748699	22.21050	0.597690
Observation	88	88	88	88

Source: data processed

The table above explains:

1. The variable Debt Asset Ratio (X1) has a mean of 0.35% and a standard deviation of 0.14% which means a mean greater than the standard deviation which shows a fairly good result. This is because the standard deviation reflects a very large deviation, so the data spread presents a normal result and does not cause bias. A minimum value of 0.15% belonging to PT Merck Tbk. (MERK) in 2011. Maximum value of 0.75% owned by PT Indofarma Tbk in 2020.
2. The variable Debt Equity Ratio (X2) has a mean of 0.64% and a standard deviation of 0.50% which means that the mean is greater than the standard deviation which proves that the result is quite good. This is because the standard deviation reflects a very large deviation, so the data spread presents a normal result and does not cause bias. At least 0.18% belongs to PT Merck. (BRAND) in 2011. A maximum of 2.98% owned by PT Indofarma Tbk (SAME) in 2020.
3. The variableRetrun On Asset (X3) has a mean of 0.08% and a standard deviation of 0.09%. This means that the mean is smaller than the standard deviation, this indicates that the ROA variable is heterogeneous. Minimum value of -0.08% owned by PTSejahteraraya AnugrahjayaTbk. (SRAJ) in2015. Maximum value of0.40% owned by PT MerckTbk (MERK) in 2011.
4. The Company Value Variable (Y) has a mean of 4.24% and standard deviation of 8.11% which means the mean is smaller than the standard deviation which indicates that the PBV variable is heterogeneous. Minimum0.11% owned by PT Merck Tbk (MERK) in 2019. A maximum of 40.56% owned by PT Indofarma (INAF) in 2018.

To get the selection of regression models that are best done Chow Test is testing to determine the fixed effect model or Common Effect that is most appropriately used to estimate panel data. The results show that the Chi-square Cross-section value < the significance value (0.0000 < 0.05), then it can be concluded that the selected model is a fixed effect model. Because the Chow test conducted concluded that it was the fixed effect model, it was necessary to run the next test, the Hausman test. To choose between a fixed effect model and a random effect model and the results show the selected model is a Fixed Effect Model. Meanwhile, to determine the relationship between independent variables and linear dependent variables, the classical assumption test is carried out. Basedon the Classical Assumption Test obtained normally distributed data with the result of the probability value Jarque-Bera> the significance value (0.82 > 0.05). The results of the autocorrelation test can be known that the probability value Chi-Square Obs*R-squared > the significance value (0.0578 > 0.05) thus no autocorrelation symptoms occur in the model. The multicollinearity test can be known that for dar, DER and ROA variables there is nothing to show a

correlation value of > 0.9 meaning that in the model there are no symptoms of multicollinearity. And the Heteroskedastity Test also showed that in the model there were no symptoms of heteroskedasity, because the significance value obtained was greater than 0.05.

The regression model that is performed does not violate the classical assumptions and the model selected fixed effect model then the multiple regression equations are:

Table1:- Panel DataRegression Analysis Results.

Dependent Variable: LN_Y				
Method: Panel Least Squares				
Date: 01/15/22 Time: 00:37				
Sample: 2010 2020				
Periods included: 11				
Cross-sections included: 8				
Total panel (unbalanced) observations: 80				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.023955	0.948936	2.132868	0.0374
LN_X1	-2.461501	1.188714	-2.070726	0.0431
LN_X2	2.483444	0.787421	3.153898	0.0026
LN_X3	1.040338	0.162770	6.391456	0.0000
R-squared	0.753683	Mean dependent var		0.478148
Adjusted R-squared	0.675150	S.D. dependent var		1.071350
S.E. of regression	0.344972	Akaike info criterion		0.838992
Sum squared residing	6.545305	Schwarz criterion		-1.142585
Log likelihood	-17.84774	Hannan-Quinn criter.		-0.958593
F-statistic	69.07814	Durbin-Watson stat		1.501073
Prob(F-statistic)	0.000000			

Based on the table above the results of multiple linear regression analysis obtained regression equations, namely:

$$\hat{Y} = 2.023955 - 2.461501X_{1t-1} + 2.483444X_{2t-1} + 1.040338X_{3t-1}$$

From the above regression conditions also obtained the relationship betweenindependent variables and variable dependents is as follows:

1. The Effect ofDebt to Assets Ratio (DAR) onPrice to Book Value (PBV)
   This study is significant and negativedanhasil this study is in line with the research of FitriMelatiSukma (2021) and K.M. HusniThamrinet al., (2019) stated a significant and negative relationship.Meanwhile, with the research results of AsmaulHusna and IbnSatria (2019), L. Uzliawatiet al., (2018) and YunitaKarlina (2020) stated that the Debt to Assets Ratio has no effect on the value of the company.
2. The effect of Debt to Equity Ratio (DER) onPrice to Book Value(PBV) is significant and positive.The results of this study are in line with research conducted byYulianiet al., (2020) and K.M. HusniThamrinet al., (2019) which stated thatDebt to Equity Ratio(DER) has a significant effect on the value of the company. This suggests that the high use of debt is seen as a positive signal to investors. However, based on research conducted by Renal Alvian and AgusMunandar (2022), Freddy and Nagian Toni (2020) and M. DaffaHammamSyaifulhaqet al., (2020) stated thatDebt to Equity Ratio (DER) It has no effect on the value of the company.
3. The effect of return on assets ratio (ROA)on price to book value (PBV) is significant and positive.The results of the study are in line with research conducted by Rosikah et al (2019) and JufriSani Akbar (2021) which said that the Return on Assets Ratio (ROA) has a significant effect on Price to Book Value (PBV).

Hasil test F states the probability valueof F-statisstic< a significance value of 5% (0.0000 < 0.05), resulting in a significant influence of independent variables (DAR, DER & ROA) on dependent variables (PBV) simultaneously. To measure how far the model equation is able to present a variation of bound variables used the Coefficient of Determination. The Coefficient of Determination (R2) is 0.753. This coefficient of determination explains that the three independent variables DAR, DER, and ROA account for 75.3% of the fluctuations in the value of the enterprise. The remaining 24.7% was expressed with other independent variables not included in the study.

Conclusion:-

This study looked at the development of health sub-sector companies on the Indonesia Stock Exchange with indicators that examined the value of companies (PBV) influenced by capital structure (DAR and DER) and profitability (ROA). The results showed that simultaneously the variables Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER) and Return On Asset (ROA) had a positive and significant effect on price to book value. While partial DER and ROA have a positive and significant effect on PBV and DAR have a negative and significant effect.

Based on this, the amount of debt owned by the company affects the value of the company, for that the company's management must manage its asset and equity related to debt and can be trusted by investors and other stakeholders. On the other hand, companies need to pay attention to other factors that increase the value of the company is financial performance, especially Return On Asset (ROA). The company's good financial performance will give a positive signal for investors totake the decision to buy the company's shares which in turn will increase the value of the company. In this case the company needs to manage its easset well inorder to generate optimal net profit.

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