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THE EFFECT OF CAPITAL STRUCTURE AND COMPANY SIZE ON COMPANY VALUE WITH PROFITABILITY AS MODERATING VARIABLES

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ABSTRACT
The purpose of this study was to analyze the effect of capital structure and firm size on firm value with profitability as a moderating variable. This study is a quantitative study using secondary data with a sample of 9 pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange (IDX). The data collection method is done by accessing the company's financial statements published by the Indonesia Stock Exchange. The data obtained is then processed using the tools e-views. This analysis includes classical assumption test (data normality test, multicollinearity test and heteroscedasticity test), statistical test (F-test, t-test and R2 test) and moderated regression analysis (MRA). Based on the results of the tests conducted, it shows that simultaneously shows that there is a significant influence between capital structure and firm size on firm value. Partially, Capital Structure (DER) has a significant effect on firm value (EPS), Firm Size (SIZE) has no significant effect on firm value, Profitability (ROA) as a moderating variable can moderate or strengthen the relationship between Capital Structure (DER) and Firm Value (EPS) but unable to moderate the effect of Firm Size (SIZE) on Firm Value (EPS).

KEYWORDS
Capital Structure, Firm Size, Profitability, Firm Value

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INTRODUCTION

In recent years, the Indonesian economy has been developing. This can be seen from the increasing number of companies that are currently going public listed on the Indonesia Stock Exchange (IDX) or the Indonesian Stock Exchange (IDX). The increasing number of companies going public reflects that companies in Indonesia are currently trying to develop their business or expand. But in reality quite a lot of companies are experiencing delisting. For example, in 2014 there were 1 company, in 2015 there were 3 companies, in 2017 there were 8 companies, in 2018 there were 4 companies, in 2019 there were 6 companies that experienced delisting (www.idx.co.id).

Companies that experience delisting are companies that experience complications in generating profits because the company's production costs exceed the selling price. Companies that experience delisting are also unable to maintain the company's performance and value properly, so the Financial Services Authority (OJK) provides a penalty by delisting the company. Therefore, the value of the company is something that needs to be considered by the company's management and stakeholders in the company.

The establishment of a company must have a clear goal. The company's goals include getting maximum profits, wanting to prosper the company owners and optimizing the company's value which can be seen from its share price (Mahendra, 2011).. Maximizing company value is very important for a company, because maximizing company value also means maximizing shareholder prosperity which is the company's main goal (Kurniasih & Ruzikna, 2017). The higher the value of the company, the more prosperity that will be received by the owner of the company. The value of the company is considered important because it can reflect the company's performance so that it can influence the perception of investors towards the company (Rai Prastuti & Merta Sudiartha, 2016).

The value of the company reflects the investor's view of a company's level of success which is often associated with shares in creating profits, so that if the shares create high profits, the company value can be high (Dani, 2015). Meanwhile, according to (Innafisah, Afifudin, & Mawardi, 2019) the value of the company is defined as a profit obtained by investors or shareholders per share. By knowing the shares, investors can assess the potential earnings per share, which can be used by company leaders to determine the company's development, the increase in total profits indicates that the value of the company has also increased, so the value of shares reflects the increase in the value of the company. Company value is measured by Earning Per Share (EPS) or the ratio of earnings per share which is used to measure the success of management that can be achieved by the company in achieving profits for shareholders. If this ratio is low, it means that the company has not succeeded in satisfying shareholders, otherwise if this ratio is high, then the welfare of shareholders will increase because the rate of return to shareholders is also high. In this ratio, the profit earned by shareholders is the profit after tax. The profits available to common stockholders are the amount of profits minus taxes, dividends, and other rights for priority shareholders (Kasmir, 2017). Various factors that can affect the value of the company include the capital structure and size of the company.

The capital structure according to (Irawan & Kusuma, 2019) is defined as the ratio of debt and the ratio of equity to the company's total capital. According to (Kusumawati & Rosady, 2018) the optimization of company value which is the company's goal can be achieved through the implementation of the financial management function, where every financial decision taken will affect other financial decisions and have an impact on company value. Large companies usually rely more on debt, as the size of the company itself is a reliable guarantee to guarantee debt service or payment of residual cash back in case of liquidity (Loncan & Caldeira, 2014). According to (Sari & Suaryana, 2013) the greater the use of debt in the company's capital structure, the greater the installment and interest payments that are the company's obligations and will increase the risk of the company's inability to meet these obligations.

Several previous studies have shown inconsistent results regarding capital structure variables such as the research of Prasetia et al (2014), Hamidy et al (2015), Prastuti and Sudiartha (2016) found that capital structure has a positive and significant effect on firm value while Suryani (2015)), Utomo and Christy (2017), and Rahmawati et al (2015) prove that capital structure has a negative and significant effect on firm value.

Another factor that affects firm value is firm size. Firm size is considered capable of influencing firm value. Company size is divided into three categories, namely, large-scale companies, medium-scale companies, and small-scale companies. The larger the size or scale of the company, the easier it will be for the company to obtain funding sources. Large companies tend to have a lot of risks that must be faced. This makes large companies trained in dealing with risks so that large companies have several strategies in dealing with risks. The advantages possessed by large companies attract investors to invest because they are considered good prospects for the company.

There have been many studies examining the effect of firm size. Several studies have shown that firm size has inconsistent results with firm value. The results of research conducted by Siahaan (2013), Prasetia et al (2014), (Indriyani, 2017), and Sofia and Akhmadi (2018) prove that firm size has a significant positive effect on firm value while Haryadi (2016), Nurminda, et al (2017) proves that firm size has no significant effect on firm value.

Profitability is the company's ability to earn profits through all existing capabilities and sources such as sales activities, cash, capital, number of employees, number of branches, and so on (Herawati, 2017). Companies that have a high level of profitability will be interested in their shares by investors, so that profitability can affect the value of the company (Rahayu and Sari, 2018). In research conducted by Ismail (2015) profitability as measured by the Return on Equity (ROE) variable partially has a positive and significant effect on firm value.

In this study, researchers used profitability as a moderating variable. According to (Sugiyono, 2019) the moderating variable is a variable that affects either strengthening or weakening the relationship between the dependent and independent variables. Profitability is used as a moderating variable because profitability is not a company goal, the company's goal is shareholder prosperity, where how the company is able to develop by providing a value for the company in providing prosperity for shareholders.

In addition, the differences in previous research are also the authors' considerations in using profitability as a moderating variable. In research conducted by (Basmar et al., 2021), it was found that profitability was able to moderate the effect of capital structure on firm value. While the object or place of this paper is in the pharmaceutical sector.

RESEARCH METHOD

The research method used in this research is descriptive and associative research methods. In order to support the results of this study, the author uses a quantitative research approach with panel data analysis and Moderated Regression Analysis (MRA). This research is focused on financial reports, especially on reports on capital structure, firm size, and firm value with profitability as a moderating variable in pharmaceutical companies that go public and are listed on the Indonesia Stock Exchange. The total company population is 10 companies from pharmaceutical companies and the number of samples studied is 9 companies which are analyzed from pharmaceutical companies listed on the IDX for the 2014-2019 period in the form of annual financial reports ending on December 31, 2014 - December 31, 2019.

RESULT AND DISCUSSION

A. Effect of Capital Structure on Firm Value

From the test results prove that there is an effect of capital structure on firm value. These results indicate that the significance of the t-test value of the capital structure variable is greater than the alpha value with the coefficient value being negative. This indicates that the capital structure has a negative and significant effect on firm value. From the discussion above, it can be concluded that a high capital structure does not necessarily guarantee a high company value, because large companies may not necessarily dare to make new investments related to expansion, before the obligations (debts) have been paid off, on the other hand, in investing, investors do not only look at the structure. capital, but investors still consider many other factors that are considered by investors in channeling their funds. Such as growth and increase in company profits. The results of the study can be concluded that the first hypothesis is acceptable which assumes that capital structure has a significant influence on firm value. These results are consistent with research conducted by Ni Putu Yuni Pratiwi et al (2016) where capital structure has a positive and significant effect on firm value. However, this result is inconsistent with research conducted by Vintia Ayu Hayuningthias Maramis Suranto et al. (2017) which shows that capital structure has no effect and is not significant on firm value.

B. The Effect of Firm Size on Firm Value

From the test results prove that there is no effect of firm size on firm value. These results indicate that the significance of the t-test value of the firm size variable is greater than the alpha value with the coefficient value being positive. This indicates that firm size has no effect on firm value. From the discussion above, it can be concluded that a large company size does not necessarily guarantee a high company value, because large companies may not necessarily dare to make new investments related to expansion, before the obligations (debts) have been paid off, on the other hand, in investing, investors do not only look at size.

However, investors still consider many other factors that are considered by investors in channeling their funds. Such as growth and increase in corporate profits. The results of the study can be concluded that the second hypothesis is acceptable which assumes that firm size has an influence on firm value. These results are consistent with research conducted by (Hertina, Hidayat, & Mustika, 2019) and (Languju, 2016) which show that firm size has no effect and is not significant on firm value. However, the results are not consistent with the research conducted by Made Sumartini et al (2016) which shows that firm size has a positive and significant effect on firm value.

C. Profitability Strengthens the Effect of Capital Structure on Firm Value

There is a positive effect of the profitability variable on firm value. From the test results prove that there is an effect of profitability on firm value. These results indicate that the significance value of the t-test of the moderating variable (profitability interaction – capital structure) is smaller than the alpha value with a positive coefficient. So if the variable is lowered then the firm value variable will increase. Thus, profitability is able to moderate the relationship between capital structure and firm value. With the conclusion of the analysis, it means that profitability strengthens the relationship between capital structure and firm value. This shows the results that any increase in profitability (ROA) is guaranteed to be followed by a decrease in capital structure and firm value. Earnings management actions that make profits look bigger is a reason for investors to see profitability ratios as the basis for decisions to buy a stock. This result is consistent with research conducted by Agus Defri Yando (2018) which says that profitability is able to moderate the influence of structure on firm value.

D. Profitability Weakens the Effect of Firm Size on Firm Value

These results indicate that the significance value of the t-test of the moderating variable (interaction of profitability - firm size) is greater than the alpha value with a positive coefficient. So if the variable is small, the firm value variable will decrease. Thus, profitability is not able to moderate the relationship between firm size and firm value. With the conclusion of the analysis, it means that profitability is able to weaken the relationship between firm size and firm value. This shows the results that any decrease in profitability (ROA) is guaranteed to be followed by a decrease in company size and company value. Earnings management actions that make profits look bigger are reasons for investors to look at profitability ratios not as a basis for decisions to buy a stock. This result is consistent with research conducted by Yulia Firda and Adi Rizfal Efriadi (2020) which states that profitability is not able to moderate firm size on firm value and is acceptable.

CONCLUSION

Based on the results of the analysis carried out in this study, the following conclusions can be drawn: capital structure has an effect on firm value in pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange. With these results, the first hypothesis is accepted. Company size has no effect on the value of the pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange. With these results, the second hypothesis is rejected. Capital structure and company size simultaneously affect the value of the pharmaceutical sub-sector company. Capital structure has an effect on firm value through profitability as a moderating variable in pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange. With these results, the hypothesis is accepted. Firm size has no effect on firm value through profitability as a moderating variable in the pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange. With these results, the hypothesis is rejected.

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