

THE IMPACT OF ASSET STRUCTURE, BUSINESS RISKS AND FIRM SIZE ON PROFITABILITY AND CAPITAL STRUCTURE OF PHARMACEUTICAL SUB-SECTOR COMPANIES ON THE INDONESIAN STOCK EXCHANGE PERIOD 2018-2022

Jennifer Chandra¹, Gwendolin², Teddy Chandra³, and Evelyn Wijaya⁴

^{1,2,3,4}Institut Bisnis dan Teknologi Pelita Indonesia

Email : jennifer.chandra@lecturer.pelitaindonesia.ac.id¹, linngwn@gmail.com²,
teddy.chandra@lecturer.pelitaindonesia.ac.id³, and evelyn.wijaya@lecturer.pelitaindonesia.ac.id⁴

DOI: [10.35145/bilancia.v8i4.4714](https://doi.org/10.35145/bilancia.v8i4.4714)

Received: 23/10/2024, Revised: 19/12/2024, Accepted: 20/12/2024

ABSTRACT

This research aims to analyze the effect of Asset Structure, Business Risk, and Firm size on Profitability and Capital Structure of pharmaceutical sub-sector companies. In this research, sampling was conducted using purposive sampling method. The samples used in this research were 10 companies out of a total of 12 pharmaceutical sub-sector companies. The data analysis technique used to analyze the data is multiple linear regression analysis. The results showed that asset structure, business risk, and Firm size has insignificant effect on the profitability and capital structure of pharmaceutical sub-sector companies. This research also shows that profitability does not mediate the relationship between asset structure, business risk, Firm size on capital structure.

Keywords: Asset Structure, Business Risk, Firm size, Profitability, Capital Structure

DAMPAK STRUKTUR ASET, RISIKO USAHA, DAN UKURAN PERUSAHAAN TERHADAP PROFITABILITAS DAN STRUKTUR MODAL PERUSAHAAN SUBSEKTOR FARMASI DI BURSA EFEK INDONESIA PERIODE 2018-2022

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh Struktur Aktiva, Risiko Bisnis, dan Ukuran Perusahaan terhadap Profitabilitas dan Struktur Modal pada perusahaan subsektor farmasi. Dalam penelitian ini pengambilan sampel dilakukan dengan menggunakan metode purposive sampling. Sampel yang digunakan dalam penelitian ini adalah 10 perusahaan dari total 12 perusahaan subsektor farmasi. Teknik analisis data yang digunakan untuk menganalisis data adalah analisis regresi linier berganda. Hasil penelitian menunjukkan bahwa struktur aset, risiko bisnis, dan ukuran perusahaan tidak berpengaruh signifikan terhadap profitabilitas dan struktur modal pada perusahaan subsektor farmasi. Penelitian ini juga menunjukkan bahwa profitabilitas tidak memediasi hubungan antara struktur aset, risiko bisnis, ukuran perusahaan terhadap struktur modal.

Kata Kunci: Struktur Aset, Risiko Bisnis, Ukuran Perusahaan, Profitabilitas, Struktur Modal

INTRODUCTION

In the era of globalization, the business world is experiencing rapid growth. In Indonesia, companies range from large corporations to small enterprises. These companies are established with the primary goal of generating profit. Companies do various strategies to be the best, and one indicator of a well-performing company is the stability of its financial reports. Pharmacy, as a branch of health science, encompasses activities related to the field of medicine. The pharmaceutical industry is both a promising and can be developed in the future.

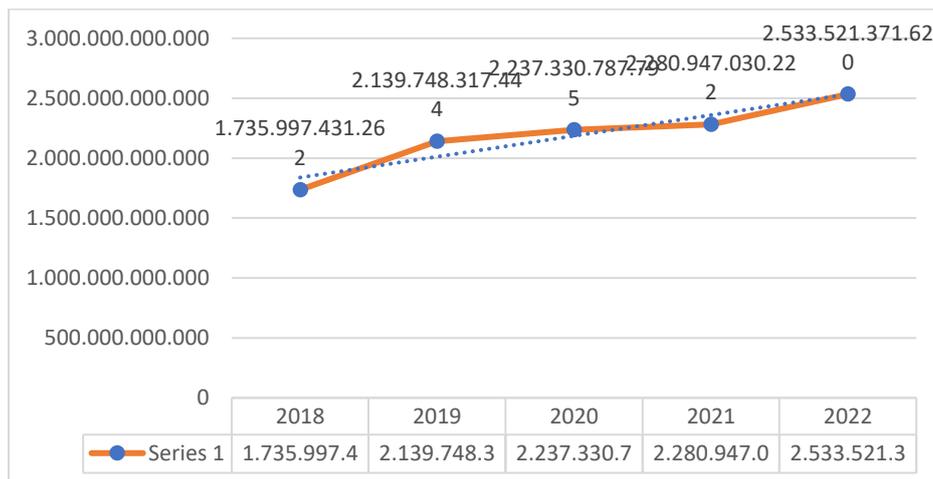
According to the Central Statistics Agency (BPS), Indonesia's Gross Domestic Product for the chemical, pharmaceutical, and traditional medicine industries at constant prices (ADHK) was IDR 179.79 trillion in 2018. This figure increased by 8.48% to IDR 195.04 trillion in 2019, followed by a further rise of 9.39% to IDR 213.36 trillion in 2020. In 2021, these industries continued to grow by 9.61%, reaching IDR 233.87 trillion. However, in 2022, the growth rate slowed significantly, with an increase of just 0.69%, bringing the total value to IDR 235.48 trillion.



Source : Central Bureau of Statistics, 2023

Figure 1. Chemical, Pharmacy, and Tradisional Medicine Industry GDP

Based on this data, it can be concluded that while the pharmaceutical industry continued to expand in 2022, its growth was considerably slower compared to 2020 and 2021, which saw growth rates of 9.39% and 9.61%, respectively. The deceleration in 2022 can be attributed to the recovery from the Covid-19 pandemic, which led to reduced public demand for pharmaceutical products.



Source : Indonesian Stock Exchange, 2023

Figure 2. Average Companies Debt

From Figure 2, the average debt of pharmaceutical sub-sector companies in 2018-2022 showed fluctuations. Some of companies recorded varying debt figures over the years. Notably, in 2019, there was a significant spike in debt, amounting to IDR 403.75 billion, compared to the other four years. This indicates that the debt levels within the pharmaceutical sub-sector do not remain constant.

Nearly all companies place significant emphasis on their financial sector. As the world becomes more advanced, competition among companies also intensifies. To survive and grow, companies must continuously assess

their condition and performance through appropriate analysis. Financial performance refers to a company's financial status over a specific period, encompassing aspects such as capital accumulation and distribution. Financial performance serves as an indicator of the company's success and reflects the outcomes of various operational activities. Understanding and evaluating financial performance is crucial for companies to gauge their success and determine how effectively their financial strategies have been implemented (Rara et al., 2023).

According to Rosalia et al. (2021), capital structure is defined as the balance between preferred shares, common shares, short-term debt, and long-term debt. An optimal capital structure can maximize a company's operational capacity, and higher operational efficiency typically leads to increased profitability. Several factors affect a company's decision regarding its capital structure, including profitability, sales, Firm size, dividend policy, liquidity, taxes, and management attitudes.

Profitability is the starting point in achieving success for a company. According to Qosidah et al. (2020), Profitability can affect the components of capital structure based on the level of profits generated by the company. Studies by Purnomo & Erawati (2019), Purnami & Susila (2021), Andayani & Suardana (2018), Rahmadiani & Yulianti (2020) and Wahyu et al. (2022) reveal that profitability has a significant positive effect on capital structure. However, this contrasts with findings from Harina (2018), Seftianne (2022), Andika & Sedana (2019), and Hidayat et al. (2021) which state that profitability has a significant negative effect on capital structure.

LITERATURE REVIEW

Trade-off Theory

Myers (1984) argues that companies tend to prefer debt-based financial structures as a means of increasing shareholder value due to the tax advantages associated with debt, making it an optimal choice. According to the trade-off theory, companies choose debt financing because they anticipate being able to meet their future obligations. The theory suggests a positive relationship between profitability and leverage, meaning that as a company's profits increase, its leverage or debt level also tends to rise.

Pecking Order Theory

Pecking order theory, proposed by Myers & Majluf (1984), posits that companies prioritize their funding sources in a hierarchical manner. Companies prefer to use internal capital first. If operational and investment needs are not fully met, they then turn to debt financing. Equity financing, or the issuance of new shares, is viewed as a last resort. This theory further suggests that as a company's profitability increases, the proportion of retained earnings also rises, (reducing the need for external financing).

Asset Structure

According to Rukmana et al. (2022), asset structure reflects the efficiency of fund utilization in terms of expenditure and optimal allocation within a company. Companies with a higher proportion of fixed assets often prefer external financing, such as debt, to meet their capital needs. However, if a company holds too many fixed assets, it may face high interest expenses, which can suppress profitability. A higher proportion of current assets, on the other hand, tends to improve the asset turnover ratio.

Studies by Rahmi (2019), Sitorus et al. (2022), and Alfiyah (2019) reveal that Asset Structure significant positive impact on Profitability. This suggests that while fixed assets do not directly generate profits, they are crucial in facilitating a company's operational activities, which ultimately lead to profitability. The presence of fixed assets is essential for supporting these operations. However, this contrasts with findings from Rukmana et al. (2022), Meiriasari et al. (2021), and Mudjijah & Hikmanto (2018) which state that Asset Structure significant negative impact on Profitability.

H1: Asset Structure has a positive effect on the profitability

Studies by Andika & Sedana (2019), Meilani & Wahyudin (2021), Andayani & Suardana (2018), and Mudjijah & Hikmanto (2018) reveal that Asset Structure significant positive impact on Capital Structure. This suggests that, as a company's asset base increases, the use of debt in its capital structure tends to rise. However, this contrasts with findings from Harina (2018), Seftianne (2022), Hidayat et al. (2021) and Alfiyah (2019) which state that Asset Structure significant negative impact on Capital Structure.

H4: Asset Structure has a positive effect on the capital structure

Business Risk

According to Meitriyani & Wirawati (2021), a company's inability to meet its funding needs for operational activities represents a significant business risk. When there is high variability in income, business risk increases, leading to fluctuating profits and unstable revenues. Companies facing high business risk tend not to reduce their debt levels but continue using debt to fulfill their financing needs.

Studies by Permana & Agustina (2021), and Karyawati et al. (2017) reveal that Business Risk significant positive impact on Profitability. This suggests that, despite high business risk, companies often continue to rely on debt to meet their financial requirements. However, this contrasts with findings from Setyani et al. (2022), Lestari

& Nuzula (2017), and Aglen & Panjaitan (2019), which state that Business Risk significant negative impact on Profitability.

H2: Business Risk has a positive effect on the profitability

Studies by Meilyani et al. (2020), Putri & Huda (2022), and Rahmadiani & Yuliandi (2020) reveal that Business Risk significant positive impact on Capital Structure. This suggests that as business risk increases, companies may also increase their use of debt. However, this contrasts with findings from Meilani & Wahyudin (2021), Seftianne (2022), and Setyani et al. (2022), which state that Business Risk significant negative impact on Capital Structure.

H5: Business Risk has a positive effect on the capital structure

Firm size

According to Permana & Agustina (2021), Firm size is a measure of a company scale, typically assessed by total assets, total sales, and the number of employees. A larger company, with more employees, assets, and sales, indicates greater operational capacity, while a smaller company reflects the opposite. Firm size reflects how effectively a company manages its product or service sales, as well as its workforce, which can be equated with the company's total assets. Working capital is expected to be recouped quickly through sales.

Studies by Nainggolan et al. (2022), and Linggarsi & Adnantara (2020) reveal that Firm size significant positive impact on Profitability. This suggests that larger companies, with more resources and employees, are better positioned to generate profits. However, this contrasts with findings from Permana & Agustina (2021), and Setyani et al. (2022), which state that Firm size significant negative impact on Profitability.

H3: Firm size has a positive effect on the profitability

Studies by Harina (2018), Andika & Sedana (2019), Seftianne (2022), and Setyani et al. (2022) reveal that Firm size has a significant positive effect on Capital Structure. This suggests that larger companies, due to their vast assets, can reduce reliance on debt. However, this contrasts with findings from Meilyani et al. (2019), Putri & Huda (2022) and Wahyu et al. (2022), which state that Firm size has a significant negative effect on Capital Structure.

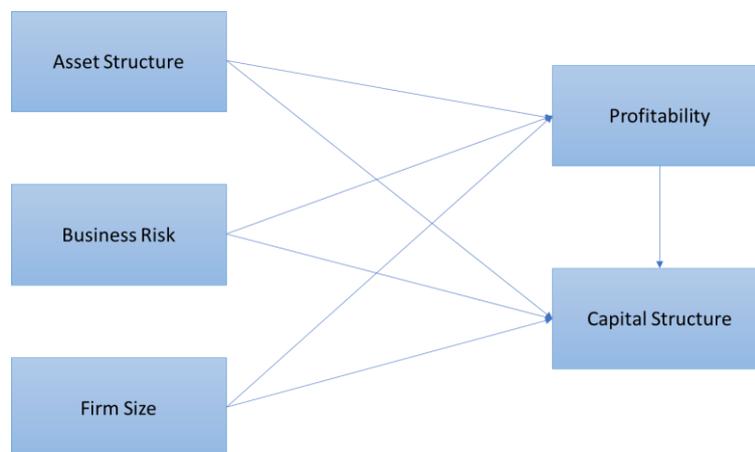
H6: Firm size has a positive effect on the capital structure

Profitability

Profitability, often measured by Return on Assets (ROA), affects capital structure as companies tend to rely more on internal sources of funding when profitability is high. Companies with substantial profits are less inclined to take on debt, as the return on assets allows them to finance operations internally according to Hidayat et al. (2021).

Studies by Purnomo & Erawati (2019), Purnami & Susila (2021), Andayani & Suardana (2018), Rahmadiani & Yuliandi (2020) and Wahyu et al. (2022) reveal that Profitability significant positive impact on Capital Structure. This suggests that companies with higher profits prefer to fund their activities using internal capital (rather than increasing debt). However, this contrasts with findings from Harina (2018), Seftianne (2022), Andika & Sedana (2019), and Hidayat et al. (2021), which state that Profitability significant negative impact on Capital Structure.

H7: Profitability has a positive effect on the capital structure



Picture 3. Research Model

RESEARCH METHODS

Population and Sample

Research population consists of all pharmaceutical sub-sector companies, total of 12 companies. This study uses purposive sampling, where the sampling criteria include companies that were listed in the pharmaceutical sub-sector on the IDX prior to 2018. Based on the selection criteria, 10 companies were identified as suitable for inclusion in this research.

Table 1. Operational Variable

No	Variable	Formula
1	Tangibility (<i>Tang</i>)	$Tang = \frac{Fixed\ Asset}{Total\ Asset}$ <i>Source : Hidayat et al. (2021)</i>
2	Degree of Operating Leverage (DOL)	$DOL = \frac{\Delta EBIT}{\Delta Sales}$ <i>Source : Ramaiyanti et al. (2018)</i>
3	Firm Size (<i>Size</i>)	$Size = Ln (Total\ Assets)$ <i>Source : Hidayat & Khotimah (2022)</i>
4	Return on Asset (ROA)	$ROA = \frac{Earning\ After\ Tax}{Total\ Asset}$ <i>Source: Dewi & Ekadjaja (2021)</i>
5	Debt to Equity Ratio (DER)	$DER = \frac{Total\ Debt}{Total\ Equity}$ <i>Source : Hidayat et al. (2021)</i>

RESULT AND DISCUSSION

The results of the classical assumption test, specifically the multicollinearity test, are presented in Table 2.

Table 2. Multicollinearity Test

<i>Exogenous Variable</i>	<i>Endogenous Variable</i>	VIF	Conclusion
Asset Structure (X_1)	Profitability (Y_1)	1.055	No Multicollinearity
Busninee Risk (X_2)	Profitability (Y_1)	1.034	No Multicollinearity
Firm Size (X_3)	Profitability (Y_1)	1.074	No Multicollinearity
Asset Structure (X_4)	Capital Structure (Y_2)	1.082	No Multicollinearity
Business Risk (X_5)	Capital Structure (Y_2)	1.041	No Multicollinearity
Firm Size (X_6)	Capital Structure (Y_2)	1.074	No Multicollinearity
Profitability (Y_7)	Capital Structure (Y_2)	1.036	No Multicollinearity
R-Square Test			
		<i>R-square adjusted</i>	
Capital Structure		0.019	
Profitability		-0.029	

Source: Processed Data (2024)

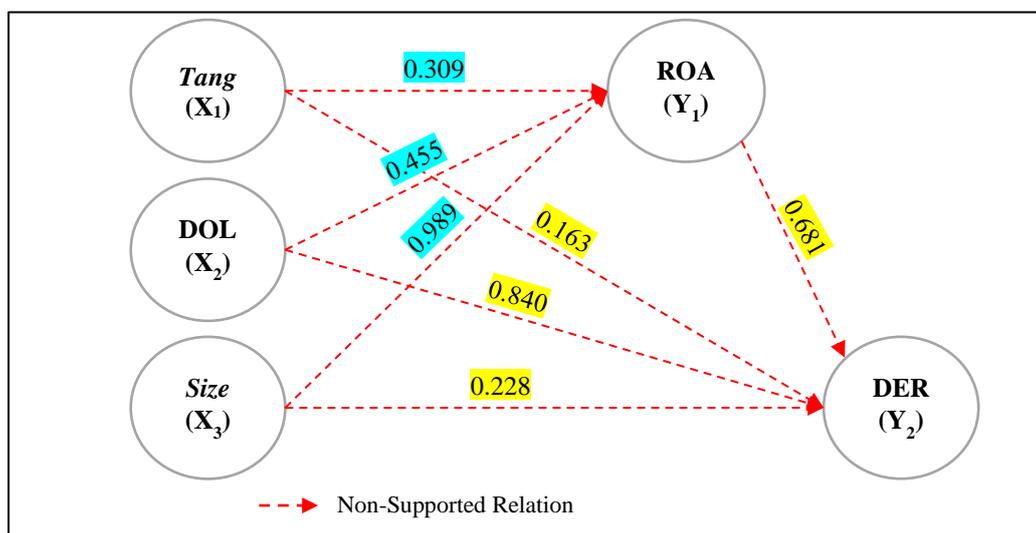
Based on Table 2, all the VIF (Variance Inflation Factor) values for the independent variables are below 10, indicating no multicollinearity issues between the independent variables. This suggests that there is no strong correlation among the independent variables that would bias the results. The Adjusted R^2 value for the capital structure is 0.019, or 1.9%. This indicates that the exogenous variables affect capital structure by 1.9%. For profitability, the Adjusted R^2 value is -0.029, or -2.9%, indicating that the independent variables (do not explain the variance in profitability. Essentially, the independent variables have no significant effect on ROA within this model.

Hypothesis Test Results

The results of the hypothesis test from this study are summarized in Table 3 and illustrated in Figure 4. The explanation of these results is as follows:

Table 3. Hypothesis Test

<i>Direct Effect</i>						
<i>Hypothesis</i>	<i>Exogenous Variable</i>	<i>Endogenous Variable</i>	<i>Standardized Coefficient</i>	<i>Critical Ratio</i>	<i>P-Value</i>	<i>Conclusion</i>
H ₁	Asset Structure (X ₁)	Profitability (Y ₁)	-0.161	1.017	0.309	<i>Insignificant</i>
H ₂	Busninee Risk (X ₂)	Profitability (Y ₁)	-0.082	0.747	0.455	<i>Insignificant</i>
H ₃	Firm Size (X ₃)	Profitability (Y ₁)	0.001	0.014	0.989	<i>Insignificant</i>
H ₄	Asset Structure (X ₄)	Capital Structure (Y ₂)	0.256	1.397	0.163	<i>Insignificant</i>
H ₅	Business Risk (X ₅)	Capital Structure (Y ₂)	0.033	0.201	0.840	<i>Insignificant</i>
H ₆	Firm Size (X ₆)	Capital Structure (Y ₂)	-0.182	1.207	0.228	<i>Insignificant</i>
H ₇	Profitability (Y ₇)	Capital Structure (Y ₂)	-0.090	0.411	0.681	<i>Insignificant</i>
<i>Indirect Effect</i>						
<i>Hypothesis</i>	<i>Exogenous Variable</i>	<i>Endogenous Variable</i>	<i>Standardized Coefficient</i>	<i>Critical Ratio</i>	<i>P-Value</i>	<i>Conclusion</i>
H ₈	Asset Structure (X ₁)	Capital Structure (Y ₂)	Profitability (Y ₁)	0.333	0.740	<i>Insignificant</i>
H ₉	Business Risk (X ₂)	Capital Structure (Y ₂)	Profitability (Y ₁)	0.170	0.865	<i>Insignificant</i>
H ₁₀	Firm Size (X ₃)	Capital Structure (Y ₂)	Profitability (Y ₁)	0.004	0.997	<i>Insignificant</i>

**Picture 4. Hypohotesis Result Model****Discussion****The Effect of Asset Structure on Profitability**

According to Rukmana et al. (2022), asset structure reflects the efficiency of fund utilization in terms of expenditure and optimal allocation within a company. If a company maintains an excess of fixed assets, it risks facing high interest expenses, which in turn can result in diminished profitability (low profitability). This means that an increase in asset structure often leads to the company relying more on debt to meet its capital and investment needs. However, when the asset structure is too heavily focused on fixed assets, it reduces the efficiency of

generating profits.

Asset structure has a negative effect on profitability. In addition, the results of t-test or hypothesis test reveal that asset structure partially has no significant effect on profitability. This means that if a company's asset structure is inefficient or not optimally managed, it can lead to diminished profitability (low profitability).

The results of this study are supported by similar studies by Meiriasari et al. (2021) on textile and garment companies in Indonesia, and by Mudjijah & Hikmanto (2018) on plantation companies listed on the IDX, which both indicate that asset structure has an insignificant negative effect on profitability.

The effect of Business Risk on Profitability

According to Meitriyani & Wirawati (2021), a company's inability to meet its funding needs for operational activities represents a significant business risk. When there is high variability in income, business risk increases, leading to fluctuating profits and unstable revenues. This means that the company's difficulty in securing sufficient funding for operations contributes to a higher level of business risk.

Business risk has a negative effect on profitability. In addition, the results of t-test or hypothesis test reveal that business risk partially has no significant effect on profitability. This means that high levels of business risk can lead to a decline in profitability, and if business risks are not managed well, they become major obstacles to achieving optimal profitability. These risks include market uncertainties, economic fluctuations, and other external factors that can affect a company's financial performance.

The results of this study are supported by similar studies by Setyani et al. (2022) on food and beverage sub-sector companies listed on the IDX for the 2014-2020 period, and by Aglen & Panjaitan (2019) on companies listed in the Lq45 index in the 2013-2017 period, which both indicate that business risk has an insignificant negative effect on profitability.

The Effect of Firm size on Profitability

According to Permana & Agustina (2021), Firm size is a measure of a company scale, typically assessed by total assets, total sales, and the number of employees. The assumption is that larger companies, with more working capital, should see quicker returns on investment through sales, leading to higher profitability. This means that a company's size increases, sales are expected to grow, which should subsequently lead to an increase in profitability.

Firm size has a positive effect on profitability. However, the results of t-test or hypothesis test reveal that Firm size partially has no significant effect on profitability. Smaller companies might not have fully achieved optimal economies of scale. The benefits of cost efficiency expected from size growth have not been fully realized, so they can affect profitability.

The results of this study are supported by similar studies by Nainggolan et al. (2022) on food and beverage sub-sector companies listed on the IDX for the 2015-2019 period, which state that Firm size has an insignificant positive effect on profitability.

The Effect of Asset Structure on Capital Structure

According to Hidayat et al. (2021), asset structure involves determining the allocation of funds across different asset components, such as current assets and fixed assets. Companies with a larger asset structure tend to rely more on external funding sources, particularly debt, to meet their capital needs. This means that as asset structure increases, capital structure (especially debt financing) will also increase or remain stable, particularly if the company uses debt to finance its asset expansion.

Asset structure has a positive effect on capital structure, aligning with the Trade-off theory, where asset structure has a positive effect on capital structure because a larger asset structure leads to an increased capital structure. However, the results of t-test or hypothesis test reveal that asset structure partially has no significant effect on the capital structure. This means that companies tend to use more fixed assets in their operational structure, and may have difficulty allocating their capital efficiently to support growth or diversification. If a company has large fixed assets, especially those that require high initial investment, financial risk can increase due to the fixed burden that needs to be borne.

The results of this study are supported by similar studies by Andika & Sedana (2019) on food and beverage sub-sector companies listed on the IDX for the 2014-2017 period, which state that asset structure has an insignificant positive effect on capital structure.

The Effect of Business Risk on Capital Structure

According to Meilyani et al. (2020), business risk is a critical factor affecting managerial decisions regarding capital structure. Business risk refers to the uncertainty a company faces in carrying out its business activities. This risk can be measured by the fluctuations in a company's profits. Companies that experience profit fluctuations face uncertainty in their ability to generate sufficient funds to meet debt obligations. Companies with higher debt levels bear an increased risk of bankruptcy, as they face more obligations to fulfill. This means that business risk and capital structure tend to be positively correlated—as higher business risk often leads companies to rely more

heavily on debt in their capital structure.

Business risk has a positive effect on capital structure, aligning with the Pecking order theory, where business risk has a positive effect on capital structure because the greater the business risk of a company, the greater the capital structure of the company. However, the results of t-test or hypothesis test reveal that business risk partially has no significant effect on capital structure. This reflects that companies may prefer to use more equity and reduce their debt levels to mitigate financial risks arising from profit fluctuations.

The results of this study are supported by similar studies by Seftianne (2022) on manufacturing sector companies, and by Meilani & Wahyudin (2021) on property and real estate companies listed on the IDX for the 2017-2019 period, which both indicate that business risk has an insignificant positive effect on capital structure.

The Effect of Firm size on Capital Structure

According to Meilyani et al. (2020), Firm size reflects the company's capacity to sell its products or services and the number of employees, which corresponds to the total assets the company possesses. This means that Firm size serves as an indicator of the size of a company, which is reflected in how much total assets the company has.

Firm size has a negative effect on capital structure, contradicting the Trade-off theory, where Firm size has a positive effect on capital structure because the larger the size of a company, the greater the opportunity for the company to obtain debt from creditors. In addition, the results of t-test or hypothesis test reveal that Firm size partially has no significant effect on capital structure. This means that smaller companies tend to rely more on internal funding, such as retained earnings or equity, to fund their growth and operations. This may indicate the sustainability of internal growth without relying too much on external debt.

The results of this study are supported by similar studies by Wahyu et al. (2022) on food and beverage sub-sector companies registered on the IDX for the 2016-2020 period, and by Putri & Huda (2022) on mining companies listed on the IDX as well as by Alfiyah (2019) on companies included in the JII for the 2014-2018 period—which all state that Firm size has an insignificant negative effect on capital structure.

The Effect of Profitability on Capital Structure

Profitability has an effect on capital structure because companies tend to prefer using internal funding sources. When a company is profitable, it is less reliant on debt, as the high rate of return allows the company to finance most of its funding with internal funds (Hidayat et al., 2021). This means that the company's profitability has an effect on the company's decisions related to capital structure, where the company tends to prefer using funding from internal sources to finance operational and investment activities that provide decisions that the higher the profitability, the greater the possibility of the company using external funding sources (debt).

Profitability has a negative effect on capital structure, aligning with the pecking order theory, where companies prioritize internal funding to meet the company's capital needs. In addition, the results of t-test or hypothesis test reveal that profitability partially has no significant effect on capital structure. A negative relationship between profitability and capital structure may imply that companies with lower profitability struggle to generate sufficient internal profits to fund investments and operations, thereby increasing their dependence on external financing.

The results of this study are supported by similar studies by Wahyu et al. (2022) on food and beverage sub-sector companies registered on the IDX for the 2016-2020 period, and by Seftianne (2022) on manufacturing sector companies as well as by Andika & Sedana (2019) on food and beverage companies on the IDX for the 2014-2017 period—which all state that profitability has an insignificant negative effect on capital structure.

The Mediating Effect of Profitability on the Relationship between Asset Structure and Capital Structure

The results of the mediation model for the asset structure variable indicate that profitability does not mediate the relationship between asset structure and capital structure. It can be concluded that the mediating effect of profitability in this context is rejected. This suggests that asset structure has a direct effect on capital structure, without involving the mediation role of the level of profitability. Factors related to the composition of a company's assets directly affect decisions about the use of debt and equity.

The Mediating Effect of Profitability on the Relationship between Business Risk and Capital Structure

The results of the mediation model for the business risk variable indicate that profitability does not mediate the relationship between business risk and capital structure. It can be concluded that the mediating effect of profitability in this context is rejected. This suggests that business risk has a direct effect on capital structure, without involving the mediation role of the level of profitability. It is possible that companies view risk management as a critical element that requires separate attention from profitability considerations when determining capital structure.

The Mediating Effect of Profitability on the Relationship between Firm size and Capital Structure

The results of the mediation model for the Firm size (firm size) variable indicate that profitability does not mediate

the relationship between Firm size and capital structure. It can be concluded that the mediating effect of profitability in this context is rejected. This suggests that Firm size has a direct effect on capital structure, without involving the mediation role of the level of profitability. Size-related factors, such as economies of scale or sustainability of internal funding, may be the main factors effecting funding policies.

CONCLUSION

Based on the results of the study on the effect of asset structure, business risk, and Firm size on profitability and capital structure in pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period, the following conclusions can be drawn: (1) Asset Structure has an insignificant negative effect on profitability. This indicates that variations in asset structure—whether high or low—do not significantly affect the profitability of these companies. (2) Business Risk has an insignificant negative effect on profitability. This indicates that fluctuations in business risk—whether high or low—do not significantly affect the profitability of these companies. (3) Firm size has an insignificant positive effect on profitability. This indicates that high or low Firm size does affect the profitability of these companies although not significant. (4) Asset Structure has an insignificant positive effect on the capital structure. This indicates that high or low asset structure does affect the capital structure of these companies although not significant. (5) Business Risk has an insignificant positive effect on the capital structure. This indicates that fluctuations in business risk—whether high or low—do affect the capital structure of these companies although not significant. (6) Firm size has an insignificant negative effect on the capital structure. This indicates that high or low Firm size does not affect the capital structure of these companies. (7) Last but not least, profitability has an insignificant negative effect on the capital structure. This indicates that high or low profitability does not affect the capital structure of these companies.

Profitability, as an intervening variable, does not mediate the relationship between asset structure and capital structure. This indicates that the direct effect of asset structure on capital structure is more significant than its indirect effect through profitability. Similarly, profitability does not mediate the relationship between business risk and capital structure. This indicates that the direct effect of business risk on capital structure is more significant than its indirect effect through profitability. Lastly, profitability does not mediate the relationship between Firm size and capital structure. This indicates that the direct effect of Firm size on capital structure is also more significant than its indirect effect through profitability.

Suggestions that can be given to investors who will invest capital in pharmaceutical sub-sector companies, it is important for investors to conduct a thorough and selective analysis of the company's financial data before making investment decisions. As a consideration in analyzing the company to be invested in, it is important for investors to pay attention to factors that affect financial reports, both external and internal. Furthermore, to the company, the company's financial management teams are expected to carefully consider the funding decisions that will be taken regarding how much proportion of the company's own capital and debt is so that the fulfillment of the funding provides an optimal capital structure. Lastly, to researchers for subsequent studies, it is recommended to include additional variables such as liquidity, sales growth, total asset turnover, and others. It is also necessary to consider extending the research period and increasing the number of samples used in order to obtain a more accurate picture (analysis).

REFERENCES

- Aglen, L. A., & Panjaitan, Y. (2019). Analisis *Financial Leverage*, *Growth*, dan Risiko Bisnis Terhadap Profitabilitas Perusahaan yang Terdaftar dalam Indeks LQ45 Pada Periode 2013-2017. *Jurnal Manajemen*, 16(1), 64-77. <https://doi.org/10.25170/jm.v16i1.791>.
- Alfiyah, N. (2019). Pengaruh Struktur Aktiva, Ukuran Perusahaan (*Size*), dan Total *Asset Turnover* Terhadap Profitabilitas dengan Struktur Modal Sebagai Variabel Intervening (Studi Pada Perusahaan yang Masuk Di JII Periode 2014-2018). *Proceedings of the Institution of Mechanical Engineers, Part J: Journal of Engineering Tribology*, 224(11), 1-21.
- Andayani, I. A. K. T., & Suardana, K. A. (2018). Pengaruh Profitabilitas, Likuiditas, Pertumbuhan Penjualan, dan Struktur Aktiva Pada Struktur Modal. *E-Jurnal Akuntansi*, 24(1), 370-398. <https://doi.org/10.24843/eja.2018.v24.i01.p14>.
- Andika, I. K. R., & Sedana, I. B. P. (2019). Pengaruh Profitabilitas, Struktur Aktiva, dan Ukuran Perusahaan Terhadap Struktur Modal. *E-Jurnal Manajemen Universitas Udayana*, 8(9), 5803-5824. <https://doi.org/10.24843/ejmunud.2019.v08.i09.p22>.
- Dewi, V. S., & Ekadjaja, A. (2020). Pengaruh Profitabilitas, Likuiditas dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur. *Jurnal Paradigma Akuntansi*, 2(1), 118-126. <https://doi.org/10.24912/jpa.v3i1.11409>.
- Harina, E. T. (2018). Pengaruh Profitabilitas, Pertumbuhan Penjualan, Struktur Aktiva dan Ukuran Perusahaan Terhadap Struktur Modal Pada Perusahaan *Property* Dan *Real Estate* Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Ecogen*, 1(1), 87-96. <https://doi.org/10.24036/jmpe.v1i1.4724>.
- Hidayat, I., & Khotimah, K. (2022). Pengaruh Profitabilitas dan Ukuran Perusahaan Terhadap Nilai Perusahaan

- Sub Sektor Kimia. *Jurnal Ilmiah Akuntansi Kesatuan*, 10(1), 1–8. <https://doi.org/10.37641/jiakes.v10i1.1175>.
- Hidayat, O., Nurlaela, S., & Samrotun, Y. C. (2021). Pengaruh *Current Ratio*, Struktur Aktiva dan *Return On Asset* Terhadap Struktur Modal. *Inovasi*, 17(2), 217-227. <http://journal.feb.unmul.ac.id/index.php/INOVASI>.
- Karyawati, D., Suseno, Y. D., & Rispantyo, R. (2017). Analisis Risiko Bisnis dan Ukuran Perusahaan terhadap Struktur Modal dengan Profitabilitas sebagai Variabel Intervening Pada PT Inka Madiun. *Jurnal Manajemen Sumber Daya Manusia*, 11(1), 80–92.
- Lestari, Y. A., & Nuzula, N. F. (2017). Analisis Pengaruh *Financial Leverage* dan *Operating Leverage* Terhadap Profitabilitas Perusahaan (Studi Pada Perusahaan Sektor Keuangan yang Terdaftar di BEI Periode 2012-2015). *Jurnal Administrasi Bisnis S1 Universitas Brawijaya*, 46(1), 1–10. administrasibisnis.studentjournal.ub.ac.id%0A10.
- Linggasari, D. A. N. Y., & Adnantara, K. F. 2020. Pengaruh DER, FIRM SIZE, CR, Dan WCTO Terhadap ROA Pada Perusahaan Manufaktur Yang Terdaftar Di BEI Periode 2016-2018. *Journal Research Accounting*, 02(1), 33–49.
- Meilani, U., & Wahyudin, A. (2021). Pengaruh Struktur Aset, Risiko Bisnis, dan Pertumbuhan Penjualan Terhadap Struktur Modal Dengan Profitabilitas Sebagai Variabel Moderating. *Jurnal Akuntansi Bisnis*, 19(1), 46–63.
- Meilyani, I. G. A. A., Suci, N. M., & Cipta, W. (2019). Pengaruh Risiko Bisnis, Ukuran Perusahaan dan Pertumbuhan Penjualan Terhadap Struktur Modal Pada Perusahaan Properti dan *Real Estate* Yang Terdaftar Di Bursa Efek Indonesia. *Prospek: Jurnal Manajemen dan Bisnis*, 1(2), 15–24. <https://doi.org/10.23887/pjmb.v1i2.23150>.
- Meiriasari, V., Sucitiani, Angraini, P., & Andini, R. P. (2021). Analisa Pengaruh Struktur Aktiva Terhadap Profitabilitas Perusahaan Subsektor *Textile* dan Garmen Di Indonesia. *Jurnal Penelitian Ilmu Manajemen*, 6(3), 207-214. <http://dx.doi.org/10.30736%2Fjpm.v1i2.28%0A207>.
- Meitriyani, N. W., & Wirawati, N. G. P. (2019). Risiko Bisnis, Profitabilitas, Dan Struktur Aktiva Sebagai Penentu Struktur Modal Perusahaan Makanan Dan Minuman. *E-Jurnal Akuntansi*, 31 (11), 2748–2760
- Mudjijah, S., & Hikmanto, A. (2018). Pengaruh Likuiditas, Struktur Aktiva dan Pertumbuhan Penjualan Terhadap Profitabilitas yang Dimediasi Oleh Struktur Modal pada Perusahaan Sub Sektor Perkebunan yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Ekonomika Dan Manajemen*, 7(2), 113–129.
- Myers, S. C. (1984). *Capital structure puzzle*. *National Bureau of Economic Research Cambridge, Mass., USA*.
- Myers, S. C., & Majluf, N. S. (1984). *Corporate financing and investment decisions when firms have information that investors do not have*. *Journal of Financial Economics*, 13(2), 187–221.
- Nainggolan, M. N., Andre, S., Nasution, O. N., & Astuty, F. (2022). Pengaruh Ukuran Perusahaan, Pertumbuhan Penjualan, dan *Leverage* Terhadap Profitabilitas Melalui Rasio ROA Pada Sektor *Food & Beverage* Dalam BEI Periode 2015–2019. *Owner*, 6(1), 948–963. <https://doi.org/10.33395/owner.v6i1.440>.
- Permana, E., & Agustina, Y. (2021). Pengaruh Risiko Bisnis dan Ukuran Perusahaan Terhadap *Return On Asset* dengan Struktur Modal Sebagai Variabel Moderasi. *Kompartemen : Jurnal Ilmiah Akuntansi*, 19(1), 51–69. <https://doi.org/10.30595/kompartemen.v19i1.11224>.
- Purnami, N. P. S., & Susila, G. P. A. J. (2021). Pengaruh Profitabilitas dan Likuiditas terhadap Struktur Modal pada Perusahaan Sub Sektor Batu Bara di BEI. *Ilmiah Akuntansi Dan Humanika*, 11(3), 371–379.
- Purnomo, E., & Erawati, T. (2019). Pengaruh Profitabilitas Terhadap Nilai Perusahaan dengan Struktur Modal Sebagai Variabel Intervening (Studi Kasus Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2012–2016). *Jurnal Akuntansi Pajak Dewantara*, 1(1), 1–12. <https://doi.org/10.24964/japd.v1i1.882>.
- Putri, M. S., & Huda, N. (2022). Pengaruh Ukuran Perusahaan, Likuiditas dan Risiko Bisnis Terhadap Struktur Modal pada Perusahaan Pertambangan yang Listing Di Bursa Efek Indonesia. *Jurnal Revenue : Jurnal Ilmiah Akuntansi*, 3(1), 241–249. <https://doi.org/10.46306/rev.v3i1.113>
- Qosidah, N., & Romadhon, F. (2021). Pengaruh Likuiditas, Struktur Aktiva dan Risiko Bisnis Terhadap Struktur Modal (Studi Empiris pada Perusahaan Property dan Real Estate di Bursa Efek Indonesia). *Jurnal Akuntansi*, 13(1), 188–199. Retrieved from <http://journal.maranatha.edu>
- Rahmadiani, M., & Yuliandi, Y. (2020). Pengaruh Profitabilitas, Risiko Bisnis, Kepemilikan Manajerial, dan Pajak Terhadap Struktur Modal. *Jurnal Ilmiah Akuntansi Kesatuan*, 8(1), 27–36. <https://doi.org/10.37641/jiakes.v8i1.288>.
- Rahmi, H. (2019). Pengaruh Struktur Aktiva dan Struktur Modal Terhadap Profitabilitas Pada PT Kimia Farma Tbk. *Jurnal of Management FISIP*, 6(2), 1–13.
- Ramaiyanti, S., Nur, E., & Basri, Y. M. (2018). Pengaruh Risiko Bisnis, Kebijakan Dividen dan Ukuran Perusahaan Terhadap Kinerja Keuangan Dengan Struktur Modal Sebagai Variabel Intervening. *Jurnal Ekonomi*, 26(2), 65–81.
- Rara, R., Kurnia, R. I., & Kusumastuti, R. (2023). Pengaruh Kinerja Keuangan Terhadap Keputusan Investasi Investor Pribadi Dengan Analisis Rasio Keuangan Sebagai Variabel Intervening. *Jurnal Manajemen, Bisnis*

- dan Akuntansi, 2(3), 41-60. <https://doi.org/10.58192/profit.v2i3.969>.
- Rosalia, J., Utami, W. B., & Pratiwi, D. N. (2022). Pengaruh Struktur Modal, Profitabilitas, Kebijakan Dividen, *Sales Growth*, dan Ukuran Perusahaan Terhadap Nilai Perusahaan (Studi Kasus Pada Perusahaan Properti dan Real Estate Yang Terdaftar Pada Bursa Efek Indonesia Tahun 2015-2019). *Jurnal Akuntansi Dan Pajak*, 22(2). <http://jurnal.stie-aas.ac.id/index.php/jap>.
- Rukmana, W. S., Burhanudin, & Ab, A. (2022). Pengaruh Struktur Modal dan Struktur Aktiva Terhadap Profitabilitas dan Nilai Perusahaan pada Bank Umum *Go Public* yang Terdaftar Di Bei Tahun 2016-2020. *Angewandte Chemie International Edition*, 6(11), 951-952., 2(2), 60-87. urgentrev.unram.ac.id.
- Seftianne. (2022). Faktor – Faktor yang Mempengaruhi Struktur Modal pada Perusahaan Manufaktur. *Jurnal Paradigma Akuntansi*, 13(1), 39–56. <https://doi.org/10.24912/jpa.v4i3.19742>.
- Setyani, I., Wiyono, G., & Kusumawardhani, R. (2022). Analisis Pengaruh Likuiditas, Ukuran Perusahaan dan Risiko Bisnis Terhadap Struktur Modal dengan Profitabilitas Sebagai Variabel Intervening (Studi Pada Perusahaan Sub Sektor Makanan dan Minuman di BEI Periode 2014-2020). *Ekonomis: Journal of Economics and Business*, 6(1), 35-43. <https://doi.org/10.33087/ekonomis.v6i1.463>.
- Sitorus, F. D., Christiadi, R., Silalahi, B. R. br., Shelly, S., & Laia, D. (2022). Pengaruh Struktur Aktiva, Perputaran Total Asset, Perputaran Aktiva Tetap, dan *Leverage* Terhadap Profitabilitas (ROA). *Owner*, 6(1), 247–258. <https://doi.org/10.33395/owner.v6i1.563>
- Wahyu, J., Cahjono, M. P., & Satyawati, E. (2022). Pengaruh Profitabilitas, *Non-Debt Tax Shield* dan Ukuran Perusahaan Terhadap Struktur Modal Pada Sub Sektor Makanan dan Minuman Yang Terdaftar Di Bursa Efek Indonesia. *Bussman Journal : Indonesian Journal of Business and Management*, 2(2), 417–428. <https://doi.org/10.53363/buss.v2i2.67>.