

ABSTRACT

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THE IMPACT OF CAPITAL STRUCTURE AND FIRM SIZE ON PROFITABILITY OF PHARMACEUTICALS COMPANIES LISTED ON INDONESIA STOCK EXCHANGE

(xiv + 77 pages; 6 figures; 15 tables; 10 appendices)

Capital structure decision is crucial for any business because of the need to maximize return and the impact such decision has on an organization's ability to deal with its competitive environment. An appropriate mix of capital structure should be adopted to increase profitability. As another factor that may affect profitability, firm size is expressed through the total number of assets that a company owned. So, the bigger the size the higher the profitability will be. Despite that, both capital structure and firm size may shows different impact towards profitability ad it depends on the period and company. This research aim to find out the impact that capital structure and firm size have on profitability.

This research will be using both short-term debt and long-term debt as the proxy of capital structure. Both short-term debt and long-term debt are expressed through current liabilities and non-current liabilities respectively. Firm size will be measured using the natural logarithm of total assets and profitability will be measure by return on assets (ROA). This research is a quantitative research and the data is a secondary data obtained from the financial statement of pharmaceuticals companies that is listed on Indonesian Stock Exchange from year 2013 to 2017. By using the purposive sampling method, the total amount of samples are 40 samples which came from 8 pharmaceuticals companies. The data analysis used in this research are multiple linear regression, descriptive statistics, classical assumption test and hypotheses testing. The result of this research shows that short-term debt, long-term debt and firm size partially and simultaneously affect profitability. Short-term debt has positive and significant impact on profitability while long-term debt and firm size have negative and significant impact on profitability.

Keywords: Capital Structure, Short-term debt, Long-term debt, Firm size, Profitability, Return on Assets

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