

## **Effect of Capital Structure and Company Size on Stock Prices at PT Kimia Farma, Tbk (Observation Period 2010-2019)**

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### **Abstract**

*Nowadays, the development of the country's economy is mostly supported by several industries, as previously explained that industrial or business development can trigger the progress of the country's economy. One of the industries engaged in Indonesia is the pharmaceutical industry. Data on the growth of the pharmaceutical industry in Indonesia in 2019 was able to reach 9%, this growth rate is above the growth achievement in the first quarter of 2019 of 8.12% with a gross domestic product (GDP) value of IDR 21.9 trillion. Based on the description above, this study aims to determine how the capital structure and company size affect the share price either partially or simultaneously at PT.Kimia Farma Tbk with an observation period from 2010 to 2019. The research method used is descriptive associative method using multiple regression. The results of research and data processing partially show that there is a significant positive effect of capital structure on stock prices, while company size has a negative and insignificant effect on stock prices. Simultaneously the test results show that the capital structure and company size have a significant effect on stock prices.*

**Keywords:** *capital structure, company size, stock price*

### **Abstrak**

Dewasa ini perkembangan ekonomi negara banyak disokong oleh beberapa industri, seperti yang telah dipaparkan sebelumnya bahwa perkembangan industri atau bisnis dapat memicu kemajuan perekonomian negara. Salah satu industri yang bergerak di Indonesia adalah industri di bidang farmasi. Data pertumbuhan industri farmasi di Indonesia tahun 2019 mampu mencapai 9%, tingkat pertumbuhan ini di atas capaian pertumbuhan pada triwulan I-2019 sebesar 8,12% dengan nilai produk domestik bruto (PDB) sebesar Rp.21,9 triliun. Berdasarkan pada uraian diatas, penelitian ini bertujuan untuk mengetahui bagaimana struktur modal dan ukuran perusahaan berpengaruh terhadap harga saham baik secara parsial maupun simultan di PT.Kimia Farma Tbk dengan periode pengamatan dari tahun 2010 sampai 2019. Metode penelitian yang digunakan adalah metode deskriptif asosiatif dengan menggunakan regresi berganda. Hasil penelitian dan pengolahan data secara parsial menunjukkan bahwa terdapat pengaruh positif yang signifikan struktur modal terhadap

harga saham, sedangkan ukuran perusahaan berpengaruh negative tidak signifikan terhadap harga saham. Secara simultan hasil pengujian menunjukkan bahwa struktur modal dan ukuran perusahaan berpengaruh secara signifikan terhadap harga saham.

**Kata Kunci:** struktur modal, ukuran perusahaan, harga saham

## I. PRELIMINARY

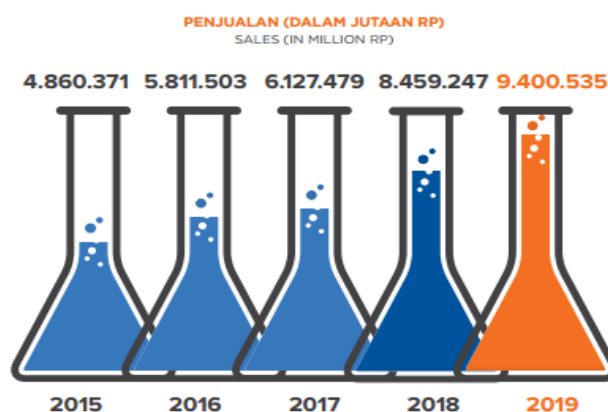
The industrial era 4.0, which brings changes to the improvement of the digital-based economy, will be able to absorb many new workers, especially taking advantage of the demographic advantages experienced by Indonesia until 2030. The government continues to prioritize industrial distribution outside Java, one of which is through the development of priority industrial areas.

Minister Agus Gumiwang Kartasasmita explained that the manufacturing industry is the sector that contributes the most to the country's export value. Nowadays, the economic development of many countries is supported by several industries, as previously explained that the development of industry or business can trigger the progress of the country's economy. One of the industries engaged in Indonesia is the pharmaceutical industry.

According to Permenkes No.1799 / MENKES / PER / XII / 2010 the pharmaceutical industry is a business entity that has a license from the minister of health to carry out activities for the manufacture of drugs or medicinal ingredients. The pharmaceutical industry in Indonesia is considered a priority industry, where its role in the country's economy is the main driving force. This is supported by the presence of pharmaceutical industry growth data put forward by the ministry of industry where the growth of the pharmaceutical industry in Indonesia in 2019 was able to reach 9%, this growth rate is above the growth achievement in the first quarter of 2019 of 8.12% with a gross domestic product (GDP) amounting to Rp. 21.9 trillion.

Pharmacy is one of the professional fields in the health sector, a pharmacist who ensures the safety of medicinal products before they are finally marketed to the wider community. The field of pharmacy tends to be oriented towards the solemnity of the community, fair effort and the safety of medicines, as well as providing information on the ins and outs of medicine. Pharmacy is the application of various sciences such as health, chemistry, physics, and biology, work in the field of pharmacy can be considered complex, starting from research, manufacture, combination, provision of medical supplies, testing, and medical notification services or those related to services for patients. The pharmaceutical industry is one of the priority sectors that will be improved in 2018 because it is considered to have made a large contribution (kompasiana.com).

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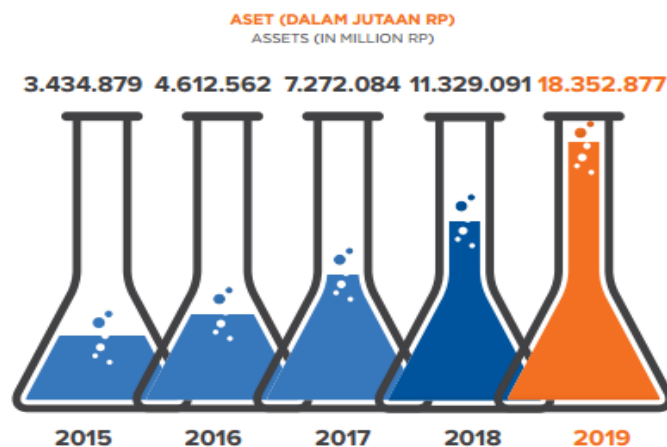


**Figure 1. Sales Report of PT. KAEF, tbk**  
Source: kimiafarma.co.id

In figure 1 PT. KAEF, tbk gets a very significant increase in sales every year where it explains that running a business wheel, business actors, both individuals and entities in general, have several important elements that are used as the driving force for the running of these business activities to increase the sales rate of a company, because on the things that are needed in the sustainability of a company. In the conventional understanding put forward by economists, capital is an asset belonging to a company as a business actor that can be used for business activities such as production, distribution, etc. Likewise, according to Islamic economic understanding, capital is wealth that is required to continue to develop in order to bring benefits to others. as used to do business so that the business can run well so that benefits can be created such as labor absorption.

According to Law Number 8 of 1995 Chapter 1 Article 1 paragraphs 4 and 5, the stock exchange is the party that regulates and provides a system and / or facilities to unify other parties' buying and selling offers for the purpose of trading security between them, where the security is security, namely debt security, commercial security, stocks, receipts, evidence of debt.

Every year, PT. KAEF, has experienced an increase in the number of outstanding assets from 2015 to 2019, which can be seen in the following figure: The stock exchange is a party that regulates and provides a system and / or convenience for bringing together other parties' buying and selling offers for the purpose of trading security between them, where the security is security, namely debt security, commercial security, shares, receipts, proof of debt. Every year, PT. KAEF, has experienced an increase in the number of outstanding assets from 2015 to 2019, which can be seen in the following figure: The stock exchange is a party that regulates and provides a system and / or convenience for bringing together other parties' buying and selling offers for the purpose of trading security between them, where the security is security, namely debt security, commercial security, shares, receipts, proof of debt. Every year, PT. KAEF, has experienced an increase in the number of outstanding assets from 2015 to 2019, which can be seen in the following figure:

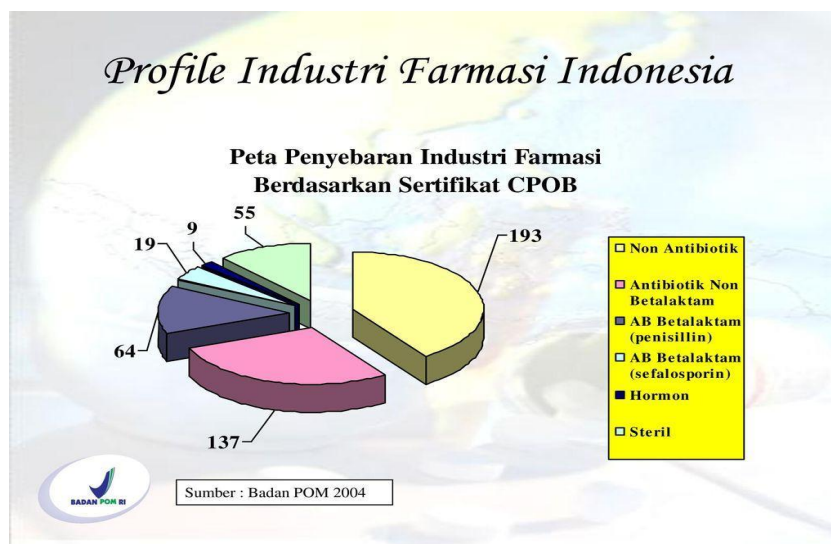


**Figure 2. Total Asset of PT. KAEF, Tbk**

Source: kimiafarma.co.id

Based on Figure 2 that the total assets owned by PT. KAEF, Tbk has always experienced significant increases, because in the midst of dynamic business challenges, Kimia Farma can continue to strive for good performance and further strengthen its position as one of the largest pharmaceutical companies in the country. Taufiek Bawazier, Director of the Downstream Chemical Industry at the Ministry of Industry, said that in the first term of 2018 the growth of the domestic pharmaceutical industry increased by 7.36% every year.

This figure is considered good because it exceeds the 5.06% economic growth. "The growth was driven by domestic demand and the implementation of the health insurance program by the government. In addition, traditional medicine innovations for the export market also continued to increase. Seeing the realization in the first term of 2018, Taufiek said that he was optimistic that the growth of the domestic pharmaceutical industry would be positive at the end of the year. At the beginning of the year, the Ministry of Industry suggested that the pharmaceutical industry could grow by 6.46% each year.

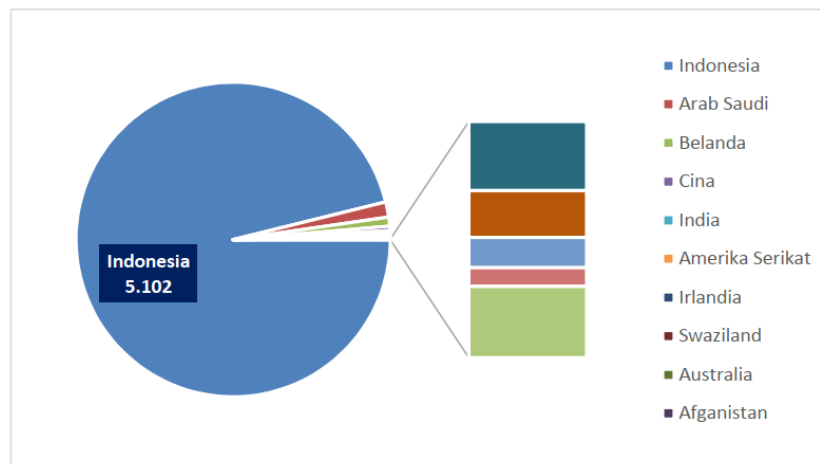


**Figure 3. Indonesian Pharmaceutical Industry Profile**

Source: pom.go.id

In Figure 3, although the condition of the rupiah exchange rate against the US dollar greatly affects this sector, Taufiek said that in general pharmaceutical entrepreneurs have taken it for the provision of raw materials. The same case was also conveyed by Vidjongtius, President Director of PT Kimia Farma Tbk. During his visit to the business office, he said that his company predicts the growth of the pharmaceutical industry will range from 5% to 7% by the end of this year. It can still grow, but not tall. In fact, the growth of the pharmaceutical industry is still experiencing a decline in performance, especially from a financial perspective. PT Kimia Farma Tbk. (KAEF) recorded a decrease in net profit of up to 81.45% in the third quarter of 2019 (www.cnbcindonesia.com) Kimia Farma's net profit was recorded at IDR 41.83 billion, decreased compared to the previous year of IDR 225.45 billion. The decrease in net profit was due to a decrease in sales of generic drugs by 13% to Rp1.11 trillion from Rp1.27 trillion annually (year on year / yoy). However, other segments of the company's sales have increased until the third quarter of 2019. In the ethical, licensing and narcotics sales segment, Kimia Farma recorded a sales increase of 7.55% to IDR743.20 billion, from IDR691.01 billion yoy.

Then, sales of over the counter (OTC) drugs and cosmetics also recorded an increase of 35.61% to IDR558.49 billion, from IDR411.83 billion (yoy) (invetasi.kontan.co.id), even though the company's net profit growth fell, This issuer coded KAEF posted sales of IDR 6.8 trillion until the third quarter of 2019. This sales increased by 14.



**Figure 4. Kimia Farma Market Sales Report**

Source: kimiafarma.co.id

In Figure 4, PT Kimia Farma Tbk. and PT Indofarma Tbk. issued a financial report in the third quarter of 2019. As a result, profits from holding pharmaceutical SOE were still depressed during the first 9 months of this year. Based on the financial report as of September 30, 2019, Kimia Farma recorded sales of IDR 6.88 trillion. the acquisition increased by 7.33 percent every year (Azizah Nur alfi, 2019). Although sales increased, the company was burdened by an increase in financial expenses of up to 139.47 percent to IDR 357.10 billion, from the same period in 2018 of IDR 149.12 billion. The cost of goods sold also increased by 19.56 percent and shopping sales increased by 20.92 percent annually. As a result, the net profit that can be distributed to shareholders decreased by 81.45 percent, from Rp.225.45 billion in the third quarter of 2018 to Rp41. 83 billion per quarter III / 2019.

Meanwhile, PT Indofarma Tbk. recorded net sales of IDR 583.54 billion, down 21.05 percent each year. These sales were improved in line with sales in the local market which fell 21.39 percent, while sales in the export market rose 4.48 percent. Sales decline occurred in all segments. Sales of prescription drugs fell 18.64 percent, followed by the over-the-counter medicine segment which fell 31.61 percent. Sales of medical devices, diagnostics and others also fell 31.25 percent annually. The issuer coded INAF also recorded a net loss that could be collected from the owner of the parent entity amounting to Rp34.84 billion. The net loss was 0.71 percent lower than the previous year's net loss of IDR35.09 billion. recorded net sales of IDR 583.54 billion, down 21.05 percent each year.

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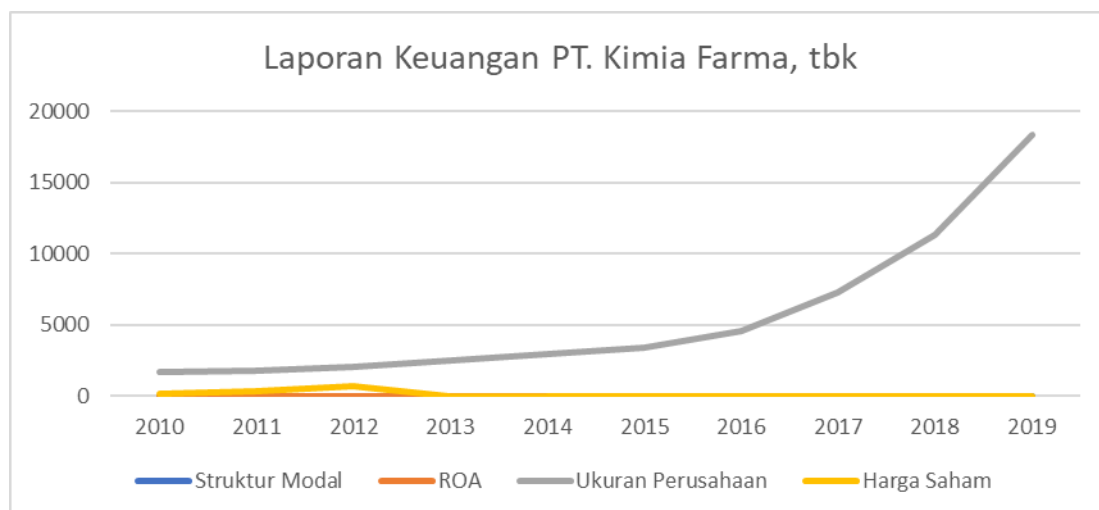
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**Table 1. Financial report of PT. KAEF, tbk**

NO	TAHUN	STRUKTUR MODAL	ROA	UKURAN PERUSAHAAN	HARGA SAHAM
1	2010	0,328	8,37	1,657	159
2	2011	0,302	9,57	1,794	340
3	2012	0,306	9,88	2,076	740
4	2013	0,343	8,68	2,472	590
5	2014	0,389	7,90	2,968	1465
6	2015	0,401	7,61	3,435	870
7	2016	0,508	5,80	4,616	2750
8	2017	0,549	4,49	7,272	2700
9	2018	0,634	4,34	11,329	2600
10	2019	0,596	0,07	18,353	1250
Total		4,356	66,57	46,719	13,464

Source: financial reports of PT. Kimia Farma (processed data)

If seen in Table 1, the valuation of INAF's shares in the last week has decreased by 2.50% and when viewed from year to year (ytd) its shares have fallen to minus 86.22%. It can also be seen from the following graphic results:



**Figure 5. Financial Report Graph PT. KAEF, tbk**

Source: kimiafarma.co.id

In Figure 5, you can see the possibility of stock valuation going down because in the first half of 2019 INAF recorded a large net loss of IDR 24.35 billion. For KAEF shares, the valuation fell 1.34% last week and within three months the performance fell 12.46%.

But if you look at the year until now (ytd), KAEF's share valuation has actually increased by 13.46%. PEHA shares are seen in the downward flow direction. As of today, shares fell 3.81% and share valuation fell to 50.53%.



Based on the phenomena and data above, the authors are interested in conducting research with the title "The Effect of Capital Structure and Company Size on Stock Prices at PT.Kimia, Tbk (Observation Period 2010-2019). The research objective in this paper is to find out:

1. How is the effect of capital structure on share prices at PT.Kimia Farma, Tbk for the period 2010-2019.
2. How is the influence of company size on stock prices at PT.Kimia Farma, Tbk for the period 2010-2019.
3. How did the influence of capital structure and company size on share prices at PT.Kimia Farma, Tbk for the period 2010-2019.

## **II. LITERATURE REVIEW**

### **Capital Structure**

Capital structure is the financial proportion between short-term debt, long-term debt and equity to carry out the activities of a company. Structure is the most important thing in a company, because the good and bad of the company are seen from the company's financial position. Capital is the most important thing in company growth because the greater the capital affects the size of the company's operational activities which affect the sales stage. The capital structure of a company is the composition of debt with equity. Funds raised on debt have a cost of capital in the form of interest. Funds raised on equity have a cost of capital in the form of dividends. The composition of debt and equity that is not optimal will certainly reduce the company's profitability and vice versa (Generous Sjahrial , 2009: 213). The capital structure is a mixture of long-term debt and equity, in order to fund company investment (operating assets). In a business activity, determining the right capital structure is a challenge for company executives. The company will strive to obtain funds with minimal capital costs with maximum results (Hendra S Raharja, 2009: 212)

The capital structure has several important elements that can be taken based on the above opinion, namely (1) capital used by companies consists of their own capital with foreign capital, (2) is a reflection of overall liabilities in the balance sheet and (3) important problems in making decisions regarding company spending, because it directly affects the company's finances. The structure or composition of capital must be arranged in such a way as to guarantee the financial stability of the company, indeed there is no definite measure of the amount and composition of capital of each company, but basically the regulation of the capital structure in the company must be oriented towards achieving financial stability and guaranteed survival. company. The capital structure is a reflection of the company's policy in determining the "types" of securities to be issued. As described above, the problem of capital structure is closely related to the problem of capitalization, where the structure of the types of funds that form capitalization is the capital structure.

### **Capital Structure Components**

The capital structure component consists of foreign capital and own capital, with the following explanation (Bambang Riyanto, 2010: 297):

#### **Foreign Capital**

Foreign capital, namely capital originating from outside the company which is temporarily working for the company and for the company concerned. In making decisions about the use of this debt, you must consider the amount of fixed costs that arise from debt in the form of interest which will lead to increased financial leverage and an increasingly uncertain rate of return for ordinary shareholders. Foreign capital is divided into three types, namely as follows:

1. **Short-term Debt** is outside capital with a maximum period of one year.
2. **Intermediate-term Debt** is debt with a maturity of more than one year or less than 10 years.
3. **Long-term Debt** is debt with a long term, generally more than 10 years. Long-term forms of debt include bond loans and mortgage loans.

#### **Owner's equity**

Own capital is capital that comes from the owner of the company and is included in the company for an indefinite period of time. Own capital in a company consists of several types, namely:

1. **Capital stock** is proof of participation in a company. The types of shares include Common Stock, Preferred Stock, Cumulative Preferred Stock, and others.
2. **Reserve** it means reserve shares formed from the profits earned by the company during the past time or from the current year. Reserves that include own capital include expansion reserves, working capital reserves, foreign exchange reserves, reserves to accommodate things or events that were not foreseen beforehand (general reserves).
3. **Retained earning** is the profit earned by the company which is partly paid as dividends and partly retained by the company. If the company does not have a specific purpose regarding the use of these profits, then these profits are retained profits.

#### **Capital Structure Theories**

The following describes several capital structure theories, including the following:

1. **Traditional Theory** is the traditional approach argues for an optimal capital structure. This means that capital structure has an influence on firm value, where the capital structure can change so that optimal company value can be obtained.

2. **Pecking Order Theory.** The pecking order theory implies that managers will think in terms of trade-offs between tax savings and bankruptcy costs in determining the capital structure. In empirical reality, it seems that financial managers think that way. This Pecking Order Theory can explain why companies that have a higher profit rate actually have a lower level of debt. This theory states that:
  - a. Companies prefer capital from internal.
  - b. The company will try to adjust the dividend payout ratio with the investment opportunities it faces, and try not to change dividend payments that are too large.
  - c. If external funding is required, the company will issue the safest securities first. Issuance of bonds, then bonds that can be converted into equity, are then finally issued. Pecking order theory explains why profitable companies generally borrow small amounts. This is not because they have a low target debt ratio, but because they require less external financing. Companies that are less profitable will tend to have bigger debt for two reasons, namely (a) insufficient internal funds and (b) debt is a widely used external source.

### **Types of Capital Structure**

The company's capital structure is usually formulated in a leverage ratio or solvency ratio depending on the type of company that uses it. When the size of the company is the ratio between the amount owed and the amount in equity. Stating that the capital structure ratio is as follows (Herry, 2016: 23):

1. Debt to equity ratio
2. Long term debt to equity ratio
3. *Times Interest Earned Ratio*

### **Benefits of Capital Structure**

As explained above, it seems that the capital structure has a very important position for the company. Because by knowing the composition of the right capital structure the company can avoid risks that can make the company experience a decline in achieving its goals.

According to Kasmir (2012: 154) states that the benefits of the solvency ratio or leverage are as follows:

1. To analyze the ability of a company position regarding obligations to other parties.
2. To analyze the company's ability to fulfill fixed bonds (such as loan installments including interest)
3. To analyze the balance of fixed assets
4. To analyze how much of the company's assets are financed by debt.
5. To analyze how much the company's debt affects asset management.
6. To measure own capital which is used as collateral for long-term debt.

So it can be concluded that the capital structure can take advantage of relationships and provide information to companies about investment companies that are financed with debt.

### **Ratios Measure Capital Structure**

The ratio used to measure the capital structure that can indicate the level of risk in a company will affect investors' considerations regarding the condition of the company, including:

#### **Company Size (DER)**

This ratio shows the relationship between the amount of debt owed by creditors and the amount of equity provided by the owner of the company. Investors are not only oriented towards profit, but take into account the level of risk the company has, if investors decide to invest their capital in the company. Liabilities in the form of debt and short term debt.

The higher the level of debt owned by the company, the more risky the company is, conversely the lower the rate of return on debt, the lower the risk of the company.

The formula is:  $DER = (\text{Debt Total}) / (\text{Equity Total})$

Information:

*Total Debt* : total Amoun of debt

*Equity Total*: total equity

#### **Debt to Asset Ratio (DAR)**

This ratio can be used by potential investors as a basis for investing in the company because it describes the total rate of return that the company will receive. So that companies need to understand at which point is considered safe for borrowing. The safe point is if the loan is a maximum of 40% of the total value.

The formula is:  $DAR = (\text{Debt Total}) / (\text{Total Asset})$

Information:

*Total Debt* : total Amoun of debt

*Total Asset* : total assets

#### **Company Size**

In general, company size can be interpreted as a comparison of the size or size of an object. Company size is defined as follows: "(1) tools to measure (such as stretching and so on), (2) something used to determine (assess and so on), (3) income measures the length (width, breadth, magnitude) of something". Company size is a scale where the size of the company can be classified according to various ways, including: total assets, log size of stock market value, number of employees, and others.

Basically, company size is only divided into three categories, namely large companies (large firms), medium companies (medium size), and small companies (small firms) (Eugene F. and Joel F. Houston Brigham , 2001: 132). A large company whose shares are very widespread, any expansion of share capital will only have a small effect on the possibility of losing or shifting control of the dominant party over the company concerned. On the other hand, a small company, where the shares are spread only in a small environment, the increase in the number of shares will have a big influence on the possibility of losing control of the dominant party over the company concerned (Bambang Riyanto, 1995: 124) companies with a larger size have more access. Bigger gets financing from various sources, so getting a loan from creditors will be easier because a company with a large size is more likely to survive in the industry.

Otherwise, Smaller firms are less likely to handle uncertainty, because they are quicker to respond to sudden changes. Therefore, it is possible that large companies have a greater level of leverage than smaller companies. Based on the description of company size above, it can be concluded that company size is an indicator that can indicate a condition or characteristic of a company where there are several parameters that can be used to determine the size (size / size) of a company, such as the number of assets owned by the company, the total sales achieved by the company in a period, as well as the number of shares outstanding.

### **Stock Price**

The term shares may be interpreted as a statement of capital from a person or legal entity against a company. Shares are written evidence for investors who have open ownership of the company. Shares are a sign of ownership or ownership of a certain person or entity in a company that is listed openly. The physical form of stock is a sheet of paper which explains that the owner is the owner of the company that issued the paper. Shareholders will benefit from developing a share issuing company. Stock is known for its "high yield" characteristics. That is, stocks are security that provide profit opportunities and high potential risk. Stocks allow investors to get large returns or capital gains in a short time. In investing in the capital market, especially stocks, changes in market prices are an important concern for investors. The share price used in conducting transactions in the capital market is a price formed by market mechanisms, namely market supply and demand.

### **III. OBJECT AND RESEARCH METHOD**

Objects that will be examined in this study are capital structure, company size, and share price at PT. Kimia Farma Tbk. This research was conducted on listed companies, going public in the Jakarta Islamic Index (JII).

The research approach used in this research is a descriptive approach to verification analysis with a quantitative approach, namely research methods based on the philosophy of positivism, used to examine specific populations or samples, sampling techniques are generally carried out randomly, data collection collects research instruments, data analysis quantitative / statistical in nature with the aim of testing the predetermined hypothesis. This research method by examining the archives and documents collected (Setyosari Punaji, 2016: 62). The data source used in this study is secondary data sources. Secondary data is data obtained from records, books and magazines in the form of company publication reports, government reports, articles, and so on. Data obtained from secondary data does not need to be processed again. Indirect sources provide data regarding data collection. This study uses financial data taken from the quarterly financial reports of PT. Kimia Farma Tbk 2010-2019 is taken from the website [www.kimiafarma.co.id](http://www.kimiafarma.co.id).

Operationalization of variables is the act of creating boundaries that will be used by researchers to measure the variables that will be used in research. The variables are as follows. The capital structure uses the DER (Debt to Equity Ratio) measure, the size of the company uses the total asset size and the variables influenced or the dependent variable share price uses the closing stock price measure.

One of the research project planning activities is to formulate data collection tools in accordance with the problem to be studied. To get authentic data in this study the authors used data collection techniques such as the following:

#### 1. **Study of literature**

The author uses the literature study technique, namely the collection of a number of data carried out by the researcher by collecting various written data or information that is closely related to the object of research such as an authentic balance.

#### 2. **Bibliography**

The author uses the literature technique, namely by searching for various data or information from a number of sources or published literature that is closely related to the object of research, which is usually used as a theoretical basis in writing a thesis.

The analytical tool used to test the hypothesis is to use classical assumption test, descriptive analysis, multiple linear regression analysis, Pearson product moment correlation analysis, coefficient of determination, significance test or t test (partial), and f test (simultaneous). For research testing this is with the application *SPSS For Windows Version 21.0*. Regression statistical analysis using Multiple Linear Regression Analysis is used to determine the effect of Capital Structure and Company Size on Stock Prices with the form of the equation is as follows.

$$Y = a + b_1x_1 + b_2x_2 + \dots + b_nx_n + e$$

Information:

$Y$  = dependent variable Stock Price

$a$  = Constant

$b$  = Regression coefficient

$X_1$  = Independent Variable of Capital Structure

$X_2$  = Independent Variable Firm Size

$b_1b_2$  = the regression coefficient of each independent variable

$x_n$  = The nth Independent Variable

$e$  = Error (Error)

### Classic Assumption Test

Because it uses Multiple Linear Regression, the classical assumption test must be fulfilled before carrying out other tests. From the results of the Classical Assumption test, it was found that the research did not occur multicollinearity, it could not be concluded, there was no heteroscedasticity, and the data obtained were normal, so this research could be continued in further testing.

## IV. RESEARCH RESULTS AND DISCUSSION

### Descriptin of the Capital Structure of PT Kimia Farma Tbk in 2010-2019

From the financial report data of PT. Kimia Farma Tbk which has been processed, namely the value of Capital Structure has decreased and increased with a decline that occurred for three years, namely 2011, 2014 and 2019, namely 2011 amounting to 0.302, 2014 amounting to 0.389 and 2019 amounting to 0.596 while the increase in capital structure occurred sequentially from 2015 to 2018, namely 2015; 0.401; 2016 amounted to 0.508, 2017 amounted to 0.549 and in 2018 amounted to 0.634. The declining capital structure encourages companies to be able to increase sales so that profit and asset gains will also increase. The increase in capital structure that occurs should be maintained by the company. Therefore, the development of the value of the company's capital structure must be monitored so that its value continues to increase so as to avoid losses and be able to increase share prices.

Capital Structure Development at PT. Kimia Farma Tbk for the period 2010-2019 can be seen in the table below:

**Table 2. PT.Kimia Farma Tbk Capital Structure for the Period 2010-2019**

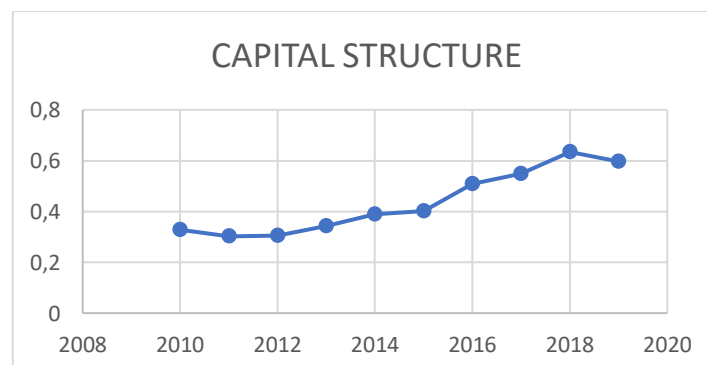
NO	TAHUN	CAPITAL STRUCTURE
1	2010	0,328
2	2011	0,302
3	2012	0,306

Effect of Capital Structure and Company Size on Stock Prices at PT.Kimia Farma, Tbk  
(Observation Period 2010-2019)

NO	TAHUN	CAPITAL STRUCTURE
4	2013	0,343
5	2014	0,389
6	2015	0,401
7	2016	0,508
8	2017	0,549
9	2018	0,634
10	2019	0,596
	<b>Min</b>	<b>0,302</b>
	<b>Max</b>	<b>0,634</b>
	<b>Average</b>	<b>0,436</b>

Source: Published Financial Report of PT. Kimia Farma Tbk (processed data)

Based on table 7 above also shows that the lowest capital structure value that occurs at PT. Kimia Farma Tbk occurred in 2011 amounting to 0.302. This decline in capital structure occurred because in 2011 PT Kimia Farma experienced an increase in profit compared to 2010 so that in 2011 PT. Kimia Farma is able to finance its capital with higher assets than to meet capital needs by borrowing, besides that in 2011 PT Kimia Farma in 2011 used part of its capital to make improvements in information technology that supports the sales process so that it can increase profits in 2011. Value the highest capital structure occurred in 2018 amounting to 0.634, the highest capital structure in 2018 shows that the condition of capital financing that is funded by debt has increased, This increase in capital structure was due to a decrease in profits in 2018, which encouraged companies to increase capital by making loans in the form of shares and bonds and the average capital structure growth was 0.436. The increase and decrease in the capital structure for the 2010-2019 period is shown in the table below:



**Figure 6. Capital Structure Development at PT. Kimia Farma Tbk**  
Source: Financial Report of PT. Kimia Farma Tbk (processed data)



Based on Figure 6 above shows that the capital structure at PT. Kimia Farma Tbk experienced fluctuating increases and decreases, and the most significant increase in capital structure occurred in 2016 amounting to 0.107 from the previous year, and conversely the most significant decline occurred in 2014 amounting to 0.057.

### Description of Company Size at PT. Kimia Farma Tbk

From the financial report data of PT. Kimia Farma Tbk which has been processed, namely the value of company size has increased over the last 10 years, from 2010 to 2019. A very significant increase in the value of company size occurred in 2019 compared to 2018, in 2018 the value of company size was 11,239 and in 2019 amounted to 18,353 so that the increase was 7,024. The size of the company that experienced the lowest increase occurred in 2011 compared to 2010, where the value of the company in 2011 was 1,794 and in 2010 it was 1,657 so that the increase was only 137. The increase in company size encouraged companies to increase production activities due to the availability of sufficient assets so that it would encourage the level of sales and result in increased profit as well. The increase in size value that occurs should be maintained by the company.

Therefore, the development of the size of the company must be monitored so that its value continues to increase so that it can avoid losses and be able to increase share prices. Capital Structure Development at PT. Kimia Farma Tbk for the period 2010-2019 can be seen in the table below.

**Table 3. Company Size PT.Kimia Farma Tbk 2010-2019 Period**

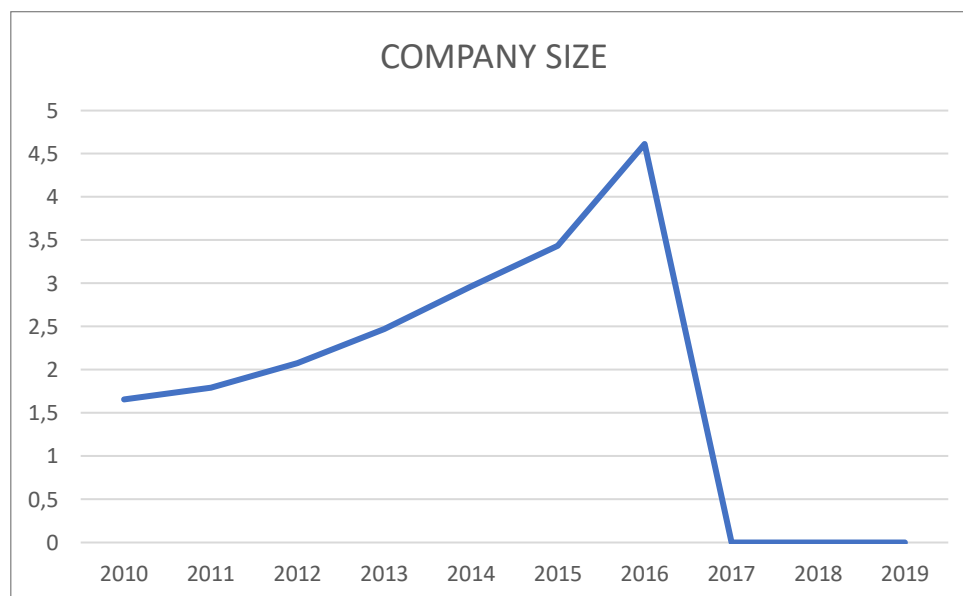
NO	YEAR	COMPANY SIZE
1	2010	1,657
2	2011	1,794
3	2012	2,076
4	2013	2,472
5	2014	2,968
6	2015	3,435
7	2016	4,613
8	2017	7,272
9	2018	11,329
10	2019	18,353
	<b>Min</b>	<b>1,657</b>
	<b>Max</b>	<b>18,353</b>
	<b>Average</b>	<b>4,672</b>

Source: Published Financial Report of PT. Kimia Farma Tbk (processed data)

## Effect of Capital Structure and Company Size on Stock Prices at PT. Kimia Farma, Tbk (Observation Period 2010-2019)

Based on table 3 above also shows that the lowest company size value that occurs at PT. Kimia Farma Tbk occurred in 2010 amounting to 1657, the value of company size in this study is measured from total assets, in 2010 is a condition where the value of total assets is at the lowest this can be because 2010 is the starting point for researchers to collect data while it is based on The data shows that if the assets have increased every year.

This increase in assets can also be caused by the increase in the opening of pharmacy outlets which increase every year which results in an increase in assets in the form of receivables or cash, with the highest value of company size occurring in 2019 at 18353 and average. -The average growth in company size is 4672.



**Figure 7. Development of Company Size at PT. Kimia Farma Tbk**

Source: Financial Report of PT. Kimia Farma Tbk (processed data)

Based on Figure 7 above shows that the size of the company at PT. Kimia Farma Tbk has increased every year for the past 10 years, from 2010-2019, and the most significant increase in company size occurred in 2019 compared to 2018, and the lowest increase in company size occurred in 2011 compared to 2010, the company size experienced increase every year due to an increase in assets both from cash, accounts receivable, buildings and inventories

### Share Price Overview at PT. Kimia Farma Tbk

From the financial report data of PT. Kimia Farma Tbk which has been processed, namely the value of the share price has decreased and increased with a decrease that occurred for three years, namely 2017, 2018 and 2019, namely 2017 amounting to 2700, 2018 amounting to 2600 and 2019 amounting to 1250, while the increase in stock prices occurred sequentially from in 2011 and 2012, namely in 2011 amounting to 340 in 2012 amounting to 740.

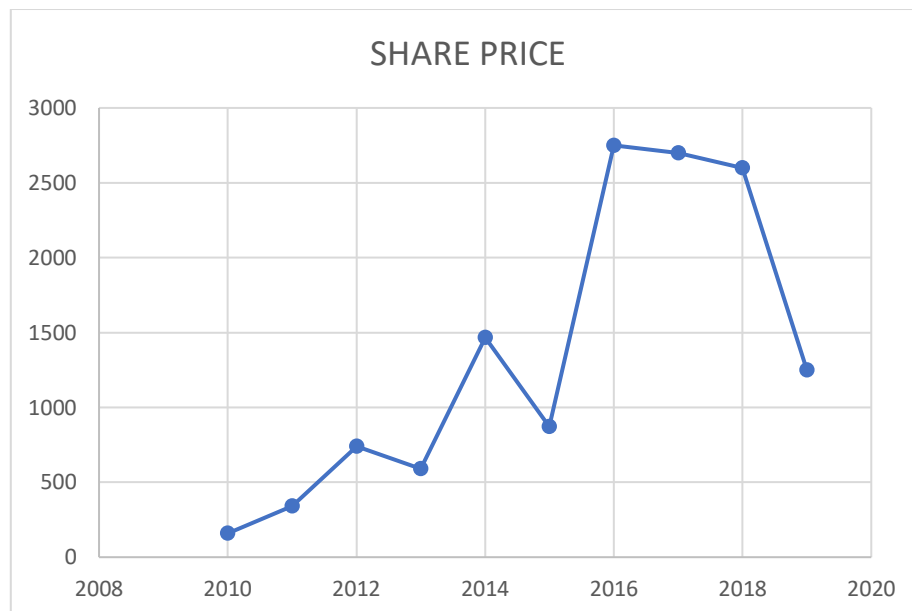
The declining share price encourages the company to be able to increase the company's operating activities so that the profit and asset gain will also increase. The increase in share prices should be maintained by the company. Therefore, the development of the company's share price must be monitored so that its value continues to increase so that it can avoid losses and be able to improve the company's performance. Share price development at PT. Kimia Farma Tbk for the period 2010-2019 can be seen in the table below.

**Table 4. PT.Kimia Farma Tbk's share price for the period 2010-2019**

<b>NO</b>	<b>YEAR</b>	<b>STOCK PRICE</b>
1	2010	159
2	2011	340
3	2012	740
4	2013	590
5	2014	1465
6	2015	870
7	2016	2750
8	2017	2700
9	2018	2600
10	2019	1250
<b>Min</b>		<b>159</b>
<b>Max</b>		<b>2750</b>
<b>Average</b>		<b>1346</b>

Source: Published Financial Report of PT. Kimia Farma Tbk (processed data)

Table 4 above also shows that the lowest share price occurred at PT. Kimia Farma Tbk occurred in 2010 amounting to 159, the lowest increase in share prices that occurred in 2010 because the sale of shares of PT Kimia Farma at that time was not very attractive to investors. The highest value of stock prices occurred in 2016 amounting to 2750, the highest SHAM value in 2016 because investor sentiment to invest in the pharmaceutical sector is on a positive trend and the average stock price growth is 1346. The increase and decrease in stock prices for the 2010-2019 period is shown in table below:



**Figure 8. Share Price Development at PT. Kimia Farma Tbk**

Source: Financial Report of PT. Kimia Farma Tbk (processed data)

Based on Figure 8 above shows that the share price at PT. Kimia Farma Tbk has experienced fluctuating increases and decreases, and the most significant increase in share prices occurred in 2016 compared to 2015 of 1880. From the previous year, and vice versa, the most significant decline occurred in 2019 compared to 2018 which was 1350.

### **The Effect of Capital Structure on Share Prices at PT. Kimia Farma Tbk**

Based on the results of this study, the results of the regression analysis show that Capital Structure has a positive influence unidirectional Stock price, meaning if Capital Structure has increased then Stock price will go up. The results of the correlation analysis show the correlation coefficient Capital Structure with Stock price is equal to 0.808 which means the relationship between Capital Structure with Stock price belongs to the "weak" category and shows a positive relationship direction. A positive relationship indicates that if value Capital Structure increases then the value Stock price ride. The capital structure is the most important thing in the company, because the good and bad company is seen from the company's financial position. Capital is the most important thing in company growth because the greater the capital affects the size of the company's operational activities. The results of this study are supported or in line with the theory or opinion expressed by Hendra S Raharja (2009) that in a business activity determining the right capital structure is a challenge for company executives. The company will strive to obtain funds with minimal capital costs with maximum results. A large company whose shares are very widespread, any expansion of share capital will only have a small effect on the possibility of losing or shifting control of the dominant party over the company concerned.

On the other hand, a small company, where the shares are spread only in a small environment, the increase in the number of shares will have a big influence on the possibility of losing control of the dominant party over the company concerned (Bambang Riyanto, 1995: 124). Companies with a larger size have greater access to financing from various sources, so getting loans from creditors will be easier because companies with large sizes have a greater chance of surviving in the industry. In contrast, small-scale firms are smaller in dealing with uncertainty, because small firms act more quickly on sudden changes. Therefore, it is possible that large companies have a greater level of leverage than smaller companies because small companies act faster to sudden changes. Therefore, it is possible that large companies have a greater level of leverage than smaller companies because small companies act faster to sudden changes. Therefore, it is possible that large companies have a greater level of leverage than smaller companies.

The coefficient of determination shows that the R Square value of 0.552 or 55.2% indicates the magnitude of the influence of the independent variables, namely *Capital Structure* the dependent variable, namely *Stock price*. this means that 55.2% change *Stock price* at PT. Kimia Farma Tbk can be explained by *Capital Structure* and the remaining 44.8% is influenced by other variables not examined in this arrangement. Hypothesis testing shows that *Capital Structure* has a t count of -1.522 which is then compared with the t table obtained from the t distribution table with 18 degrees of freedom and a significant level of 5% or 0.05 so that the t table value (3.331 < 2.356) can be formulated that partially *Capital Structure* significant positive effect on *Stock price*.

The results of this study are in line with and support the research conducted by Jelly D. Wehantouw, Parengkuan Tommy and Jeffry LA Tampenawas examined the impression of capital structure, company size and profitability on share prices in food and beverage industry companies listed on the Indonesia Stock Exchange for the 2012-2015 period. The results of this study indicate that capital structure, company size and profitability have a positive influence on stock prices. E Churcill and Ardillah tested the effect of capital structure, profitability and asset structure on stock prices. Data analysis was performed using multiple linear regression analysis. The results of his research show that capital structure has a positive effect on stock prices, meaning that high capital structure will affect shareholders' decisions in increasing share prices

### **The Influence of Company Size on Share Prices at PT. Kimia Farma Tbk**

Based on the results of this study, the results of the regression analysis show that company size has a negative or unidirectional effect on stock prices, meaning that if company size increases, stock prices also decline. The results of the correlation analysis show that the correlation coefficient of company size and share price is -0.666, which means that the relationship between company size and stock price is in the "strong" category and shows a negative or unidirectional relationship.

A negative relationship indicates that if the Size of the Company increases, the Share Price will decrease. The coefficient of determination shows that the R Square value of 0.179 or 17.9% is the coefficient of determination or determination which means that company size affects the stock price by 17.9%. This means that 17.9% change in share prices at PT. Kimia Farma Tbk can be explained by Company Size and the remaining 82.1% is influenced by other variables not examined in this arrangement. Hypothesis testing shows that the firm size variable has a tcount of 1.320 then compared with the t table obtained from the t distribution table with 18 degrees of freedom and a significant level of 5% or 0.05 so that the t table value (1.320 2.356) can be formulated that partially the company size has a negative and insignificant effect on stock prices.

### **The Effect of Capital Structure, Return on Assets, and Company Size on Stock Prices at PT. Kimia Farma Tbk**

Based on the results of this study, the results of multiple regression analysis indicate that the regression coefficient for Capital Structure 7,866 is positive, meaning that there is a positive relationship between Capital Structure with the Share Price and Company Size of -38,937 which is negative, which means that there is a negative relationship between Company Size and Share Price. This means that each change is one unit on Capital Structure assuming other variables are assumed to be fixed, then the share price will increase by 38,937 . So it can be said that the theory that says if Capital Structure increases, the share price increases, according to the theory, and when the size of the company increases, the share price decreases, this is not in accordance with the theory.

The results of the determination analysis show that the R Square value of 0.782 or 78.2% is the coefficient of determination or determination which means that Capital Structure and Company Size affect the stock price of 78.2%, the remaining 21.8% is influenced by other factors outside of this study. From the calculation results based on the table above, influenced by other factors outside of this research. From the results of calculations based on the table above, a significant value of 0.002 is obtained. This value is smaller than the probability value of 0.05 (0.002 0.05) so  $H_a$  is accepted and  $H_0$  is rejected. The variable of capital structure and company size has an F count of 14,379 then compared with the F table obtained from the distribution table F with 17 degrees of freedom and a significant level of 5% or 0.05 in order to obtain Ftable (14,379 4.68), it can be formulated that simultaneously the Capital Structure and company size has a significant positive effect on stock prices.

## **V. CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

Based on the results of the research and discussion that has been done, the following conclusions can be drawn:

1. Capital structure has a significant positive effect on stock prices.
2. Company size has a negative and insignificant effect on stock prices.
3. Capital structure and company size have a significant effect on stock prices.

### **Suggestion**

Based on the results of research and discussion, the author formulates the implications in the form of the following suggestions:

#### **1. For the Company**

- a. To increase the share price, it is better if PT. Kimia Farma further increases the maximum effort from sales by implementing the right marketing strategy, because the results of the research profit have not become the attention of investors to buy PT. Kimia Farma.
- b. Further increase or increase the opening of pharmacy outlets throughout Indonesia.
- c. Kimia Farma must be able to maintain a strong capital structure because it is based on research results that have a positive and significant influence on stock prices.

#### **2. For other parties who wish to conduct similar research**

- a. Other studies are able to add other independent variables that affect stock prices, such as managerial ownership, number of boards of commissioners, financial distress and others.
- b. Further researchers are expected to be able to add samples and expand the period of observation in order to be able to provide research results in accordance with the prevailing theory.
- c. For future researchers, they should be able to use other research methods that are different from this research.

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