International Journal of Education, Vocational and Social Science
https://e-journal.citakonsulindo.or.id/index.php/IJEVSS
E-ISSN : 2963 4954
IJEVSS

Analysis Of The Effect Of Capital Structure And Profitability On Company Value In Pharmaceutical Companies Listed On The Idx

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Abstract

This study aims to analyze the effect of capital structure and profitability on firm value in pharmaceutical subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The independent variables used in this study are Debt to Equity Ratio (DER) and Net Profit Margin (NPM), while firm value is measured using Price to Book Value (PBV). This research applies an associative quantitative approach using secondary data obtained from company financial statements. The population consisted of 15 pharmaceutical subsector companies, and the sample was selected using purposive sampling, resulting in three companies with a total of 15 observations. Data analysis techniques included classical assumption tests, multiple linear regression analysis, coefficient of correlation and determination, t-tests, and F-tests using SPSS version 22. The results show that DER has no significant effect on firm value with a significance value of 0.319 > 0.05. NPM also has no significant effect on firm value with a significance value of 0.087 > 0.05. Simultaneously, DER and NPM do not significantly affect firm value, with a significance value of 0.199 > 0.05.

Keywords: Capital Structure, Profitability, Debt to Equity Ratio, Net Profit Margin, Company Value, Price to Book Value.

INTRODUCTION

The current era of globalization is marked by increasing public awareness of the

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importance of health, which has driven significant growth in the pharmaceutical industry, particularly in Indonesia. The increasing need for medicines, supplements, and healthcare services reflects the high market demand for pharmaceutical products and the public's readiness to embrace innovation in the healthcare sector. The development of the pharmaceutical industry is inseparable from technological advances in the medical field and increasingly modern and efficient drug production. This situation has driven increasingly fierce competition among pharmaceutical companies to maintain their existence and improve company performance to attract investors in the capital market. To face this competition, companies are required to optimally manage financial resources through appropriate capital structure management and increased profitability, as both factors play a crucial role in increasing company value (Sari & Riswan, 2022).

The increasingly complex business environment demands that pharmaceutical companies survive and thrive through careful strategic planning, optimal capital structure management, and sustained improvement in profitability. Changing lifestyles, leading to increased health concerns, and government support for strengthening the national health system, present both opportunities and challenges for pharmaceutical companies in enhancing their competitiveness. The pharmaceutical sector is also relatively stable, as demand for health products tends to increase in line with population growth and public awareness of the importance of health. However, fluctuations in the financial performance of publicly traded pharmaceutical companies remain an important indicator in assessing company value, particularly in relation to the company's ability to effectively manage its capital structure and generate profits (Wulansari & Hasnawati, 2024).

Company value is an important indicator used to assess a company's performance and success in creating shareholder prosperity (Putri et al., 2022). Company value reflects investors' perceptions of the company's future growth prospects and financial performance (Anindita & Ratnawati, 2024). Furthermore, company value can also be defined as the price investors are willing to pay for a sale, reflecting the level of market confidence in the company (Wulansari & Hasnawati, 2024). Therefore, the higher the company's value, the higher the level of prosperity shareholders can achieve. In this study, company value is measured using the Price to Book Value (PBV) ratio, which compares the stock price to the book value per share. PBV is used to assess how the market assesses a company's book value (Pardede et al., 2025). The higher the Price to Book Value (PBV), the higher the investor's assessment of the company, reflecting increased market confidence and the company's ability to create shareholder value. Therefore, pharmaceutical companies that are able to manage their capital structure effectively and increase their

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profitability will tend to have higher company value in the capital market.

Capital structure is a company's policy in determining the composition of funding sources derived from debt and equity to finance the company's operational activities (Ilahi et al., 2021). Capital structure reflects management's ability to efficiently manage funding sources to achieve the company's goal of maximizing company value. The use of debt in the capital structure can provide benefits in the form of a tax shield, but can also increase financial risk if not managed properly (Olbert, 2025). In this study, capital structure is measured using the Debt to Equity Ratio (DER), which is a ratio that compares total debt to total company equity. The Debt to Equity Ratio (DER) is used to determine the extent to which a company is financed by debt compared to equity (Hidayah & Aisyah, 2025). The higher the Debt to Equity Ratio (DER), the greater the proportion of debt in the company's capital structure, indicating a higher level of financial risk. Conversely, a low Debt to Equity Ratio (DER) indicates that the company uses more equity, resulting in relatively lower financial risk. Therefore, an optimal capital structure is expected to increase investor confidence and positively impact company value (Wahyudi et al., 2025). This is in line with research conducted by Muliana & Ahmad (2021), which states that the Debt-to-Equity Ratio influences company value. Meanwhile, according to Hidayat (2019), the Debt-to-Equity Ratio has no effect on company value.

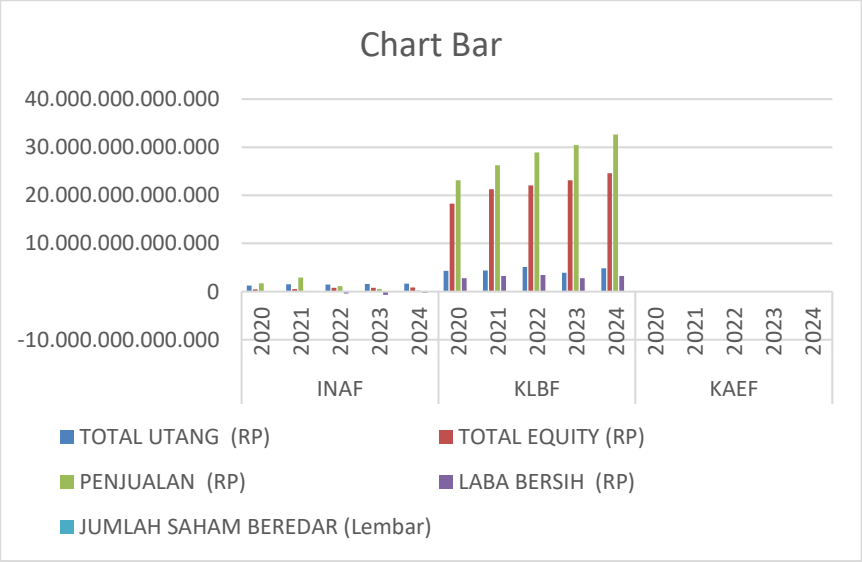
Profitability is a company's ability to generate profits through its operational activities, reflecting the effectiveness of management in managing its resources (Pratiwi & Armaniah, 2026). The level of profitability is an important indicator in assessing a company's financial performance because it shows the company's ability to generate profits sustainably. The higher the level of profitability, the greater the company's ability to generate profits, thereby increasing investor confidence in the company's future prospects (Meiliani et al., 2025). In this study, profitability is measured using the Net Profit Margin (NPM) ratio, which is a ratio that shows the comparison between net profit and sales. Net Profit Margin (NPM) is used to measure how much net profit is generated from each sale made by the company (Khan & Hadiyati, 2025). A high Net Profit Margin (NPM) value indicates that the company is able to control costs efficiently and generate optimal profits from its sales activities. Therefore, the higher the profitability, as measured by the Net Profit Margin (NPM), the greater the company's potential to increase its value and attract investors in the capital market (Susijati et al., 2025). This is in line with research conducted by Saddam et al. (2021), which states that Net Profit Margin influences company value. Meanwhile, according to Yahya & Fietroh (2021), Net Profit Margin has no effect on company value.

The pharmaceutical subsector on the Indonesia Stock Exchange includes companies

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engaged in the production and distribution of medicines, supplements, and various health products that play a vital role in supporting the improvement of people's quality of life and the growth of the healthcare industry in Indonesia. Of the 15 companies included in this subsector, only a few have consistently demonstrated stable and significant company value, namely PT Indofarma Tbk, PT Kimia Farma Tbk, and PT Kalbe Farma Tbk. This condition makes the pharmaceutical subsector a relevant research object for analyzing the influence of capital structure and profitability on company value, considering that these three companies are able to reflect the dynamics of financial performance and investor perceptions in the capital market (Anindita & Ratnawati, 2024). The following will present data related to Total Debt, Total Equity, Sales, Net Profit, and Number of Outstanding Shares of the three companies during the 2020-2024 period to provide an overview of the financial performance of each company.

Figure 1. Total Debt, Total Equity, Sales, Net Profit, and Number of Outstanding Shares of Three Pharmaceutical Subsector Companies Listed on the IDX in 2020-2024



Source: processed data, 2026

Based on Table 1 above, it can be explained that pharmaceutical sector companies consisting of PT Kimia Farma Tbk, PT Kalbe Farma Tbk, and PT Indofarma Tbk showed different dynamics during the period 2020 to 2024. At PT Indofarma Tbk (INAF), total debt fluctuated from IDR 1,283 trillion in 2020 to IDR 1,503 trillion in 2021, then decreased in 2022 and increased again to IDR 1,650 trillion in 2024. Total equity increased in general from IDR 430 billion in 2020 to IDR

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858 billion in 2024. Sales increased in 2021, but continued to decline to IDR 210 billion (2024). Net profit experienced a sharp decline from a profit of Rp30,020,709 in 2020 to a loss of Rp669 billion in 2023, before slightly improving in 2024. The number of shares outstanding remained stable at Rp3,099,267.

At Kalbe Farma Tbk (KLBF), total debt tends to increase from IDR 4,288 trillion in 2020 to IDR 5,143 trillion in 2022, then decreases and rises again to IDR 4,839 trillion in 2024. Total equity continues to increase from IDR 18,276 trillion in 2020 to IDR 24,590 trillion in 2024. Sales show an upward trend every year until reaching IDR 32,627 trillion in 2024. Net profit fluctuates but remains high, from IDR 2,799 trillion in 2020 to IDR 3,246 trillion in 2024. The number of outstanding shares is stable at 46,875,122.

At Kimia Farma Tbk (KAEF), total debt increased from IDR 10 billion in 2020 to IDR 11 billion in 2022, then declined slightly, only to rise again in 2024. Total equity increased until 2022, but then dropped sharply to IDR 3 billion in 2024. Sales decreased from IDR 12 billion in 2021 to IDR 9 billion in 2022. Net income decreased significantly from a profit of IDR 20,425,757 in 2020 to a loss of IDR 2 billion in 2023, then slightly improved in 2024, although still negative. The number of outstanding shares remained relatively stable at around 5,554,000 to 5,566,585.

The phenomenon observed in pharmaceutical companies listed on the Indonesia Stock Exchange indicates that company value does not always increase in line with changes in capital structure and profitability. Although some companies have been able to increase their profits and operational performance, the company's value, as reflected in stock prices and other market indicators, does not always show the same trend. This condition indicates that investors are not only concerned with the amount of profit earned, but also consider how the company manages its capital structure and its ability to generate profits efficiently. Therefore, an analysis of capital structure, proxied by the Debt-to-Equity Ratio (DER), and profitability, measured by Net Profit Margin (NPM), is important to determine the extent to which they influence company value in pharmaceutical companies listed on the Indonesia Stock Exchange.

Based on this description, the researcher is interested in conducting a study entitled: "**ANALYSIS OF THE EFFECT OF CAPITAL STRUCTURE AND PROFITABILITY ON COMPANY VALUE IN PHARMACEUTICAL COMPANIES LISTED ON THE IDX**."

LITERATURE REVIEW

Financial Management

Finance is a crucial aspect of a company because it plays a role in maintaining business

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continuity and supporting sound economic decision-making (Herry, 2020). Financial management can be defined as activities related to planning, managing, and controlling company funds so that they can be used effectively and efficiently to achieve organizational goals (Fahmi, 2020). Another opinion defines financial management as the process by which a company obtains funds, allocates them to various forms of investment, and manages the results to improve company performance (Kasmir, 2021).

Company Value

Company value indicates a company's level of success in carrying out its operational activities and financial management, as reflected in the market's assessment of the company (Kasmir, 2021). Company value is an important indicator for investors in assessing a company's future prospects and performance. One indicator used to measure company value is Price to Book Value (PBV), a ratio that compares the market price of a stock to the book value per share (Brigham & Houston, 2021). The higher the Price to Book Value (PBV), the higher the market's assessment of the company, indicating that the company is capable of creating added value for shareholders (Herry, 2020).

Capital Structure

According to Harmono (2022), capital structure is the balance between the use of debt and equity to finance a company's activities. Capital structure reflects how a company manages its funding mix to achieve optimal company value. According to Herry (2020), capital structure can be measured using financial ratios, one of which is the Debt-to-Equity Ratio (DER). According to Fahmi (2020), the Debt-to-Equity Ratio (DER) compares a company's total debt to its total equity. The higher the DER, the greater the company's financial risk due to its increased reliance on debt.

Profitability

According to Sartono (2019), profitability is a company's ability to generate profits related to sales, total assets, and equity. Profitability reflects a company's success in efficiently and effectively running its operations to generate profits. The higher the level of profitability, the better the company's performance in managing its resources. According to Sudana (2019), profitability can be measured using various indicators, one of which is Net Profit Margin (NPM). NPM indicates the extent of a company's net profit compared to its net sales. This ratio reflects a company's ability to control costs and generate profits from its operational activities. The higher the NPM, the better

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the company's ability to generate net profit.

The Effect of the Debt-to-Equity Ratio on Company Value

The Debt-to-Equity Ratio (DER) can affect company value because a higher DER indicates that the company uses more debt than equity in its financing structure. This can increase the company's financial risk due to the constant interest expense. However, optimal use of debt can provide benefits in the form of tax shields (tax savings), thereby increasing company value. When the Debt-to-Equity Ratio is high, the company has a high degree of leverage. This condition can attract investors if the company is able to manage its debt well and generate profits higher than the cost of debt. However, a DER that is too high also has the potential to reduce company value by increasing the risk of bankruptcy and uncertainty for investors.

Research by (Irnawati et al., 2023), (Prastiwi et al., 2025), and (Novelia & Marjohan, 2025) indicates that the Debt-to-Equity Ratio has a significant effect on company value. Meanwhile, research by (Suhartono et al., 2024) and (Fari et al., 2026) stated that the Debt-to-Equity Ratio has no effect on firm value. Based on the previous research above, the hypothesis for this study is:

H1: The Debt-to-Equity Ratio has a significant partial effect on Firm Value.

The Effect of Net Profit Margin on Company Value

Net Profit Margin is a profitability ratio used to measure a company's ability to generate net profit from each sale. A higher Net Profit Margin indicates a company's greater efficiency in managing operational costs and maximizing profits from revenue. A high net profit level provides a positive signal to investors regarding the company's financial performance and future growth prospects. A high Net Profit Margin reflects a company's ability to generate optimal profits, thereby increasing investor confidence and driving share prices upward, which in turn increases the company's value.

Various studies have examined the relationship between profitability indicators and firm value, as measured by PBV. Fadilah et al. (2021) and Mulyati et al. (2026) found that Net Profit Margin influences firm value. Conversely, research by Wijaya (2025), Nugraha et al. (2022), and Nabila & Hapsari (2024) indicates that Net Profit Margin has no effect on firm value. Based on theory and previous research, the following hypothesis can be formulated:

H2: Net Profit Margin has a significant partial effect on Firm Value.

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The Effect of Debt-to-Equity Ratio and Net Profit Margin on Company Value

The Debt-to-Equity Ratio (DER) is used to measure the level of debt used compared to equity in a company's financing structure. A higher DER indicates a company's greater use of debt, increasing financial risk due to interest expenses. However, optimal debt use can also increase company value through tax shield benefits. On the other hand, Net Profit Margin (NPM) is used to measure a company's ability to generate net profit from each sale. A higher NPM indicates a company's greater efficiency in managing operating costs and its ability to generate optimal profits. An excessively high DER can increase the risk of bankruptcy and undermine investor confidence, especially if it is not matched by the company's ability to generate high profits. A low NPM also indicates a company's inability to manage costs efficiently, which can reduce investor interest. Therefore, companies need to maintain a balance between capital structure and profitability to sustainably increase company value.

Various studies have examined the relationship between capital structure and profitability on company value, as measured by PBV. Three et al. (2026) found that the Debt-to-Equity Ratio and Net Profit Margin simultaneously influence firm value. Conversely, research by Nabila (2023), Yulistina et al. (2024), and Ramadhani & Yenni (2026) indicates that the Debt-to-Equity Ratio and Net Profit Margin have no effect on firm value. Based on theory and previous research, the following hypothesis can be formulated:

H3: Debt to Equity Ratio and Net Profit Margin have a simultaneous significant effect on Firm Value.

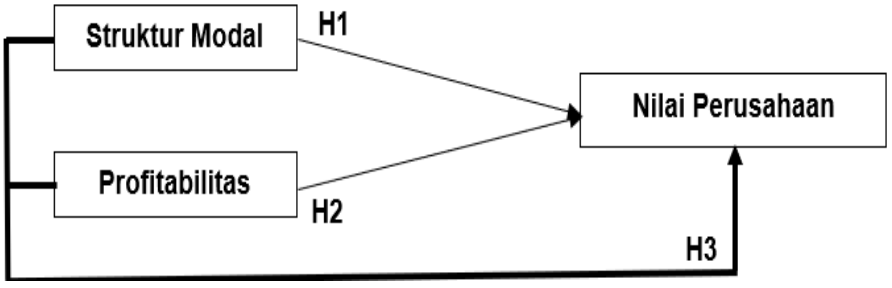


Figure 2
Conceptual Framework Model

RESEARCH METHODOLOGY

This study uses an associative quantitative approach to analyze the influence of capital structure and profitability on firm value in pharmaceutical subsector companies listed on the Indonesia Stock Exchange (IDX). The independent variables in this study are the Debt to Equity

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Ratio (DER) and Net Profit Margin (NPM), while the dependent variable is firm value, measured using Price to Book Value (PBV). The data used are secondary data in the form of company financial reports for the 2020–2024 period obtained from the official IDX website, IDN Financials, and related company websites. The study population consisted of 15 pharmaceutical subsector companies, while the sample was selected using a purposive sampling technique, resulting in three companies: PT Indofarma Tbk (INAF), PT Kalbe Farma Tbk (KLBF), and PT Kimia Farma Tbk (KAEF), for a total of 15 observations.

Data collection was conducted through documentation and literature review. Data analysis used SPSS version 22, with classical assumption tests including normality, multicollinearity, heteroscedasticity, and autocorrelation. Next, a multiple linear regression analysis was conducted to determine the effect of the independent variables on the dependent variable. Hypothesis testing was conducted using a t-test to determine partial effects, an F-test to determine simultaneous effects, and correlation and determination coefficient analyses to determine the level of relationship and the extent of the independent variables' contribution to company value.

RESULTS AND DISCUSSION

DATA ANALYSIS

Classical Assumption Test

Before conducting a hypothesis test, a classical assumption test is first performed to measure the accuracy of the regression function in estimating its actual value. The classical assumption test consists of:

Normality Test

Table 1. Normality Test Results

	Unstandardized Residual
N	15
Asymp. Sig. (2-tailed)	.200[c,d]

Source: SPSS v22 output, 2026

The results in Table 2 above indicate that the data are normally distributed. This is indicated by the Kolmogorov-Smirnov value for the 2-tailed asymp sig. of 0.200, which is greater than 0.05. This indicates that the residual data are normally distributed. By meeting this normality assumption, the validity of the regression analysis results can be ensured, in accordance with

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Ghozali (2019). Therefore, the regression analysis can be considered valid and reliable for testing the significance of the regression coefficients.

Multicollinearity Test

Table 2. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Debt to Equity Ratio	.905	1.104
	Net Profit Margin	.905	1.104

Source: SPSS v22 output, 2026

Based on Table 2 above, the VIF and tolerance values for each research variable are as follows: The VIF for the Debt-to-Equity Ratio variable is 1.104 <10, while the tolerance value is 0.905 >0.1. Therefore, the Debt-to-Equity Ratio variable is declared free of multicollinearity. The VIF for the Net Profit Margin variable is 1.104 <10, while the tolerance value is 0.905 >0.1. Therefore, the Net Profit Margin variable is declared free of multicollinearity.

Heteroscedasticity Test

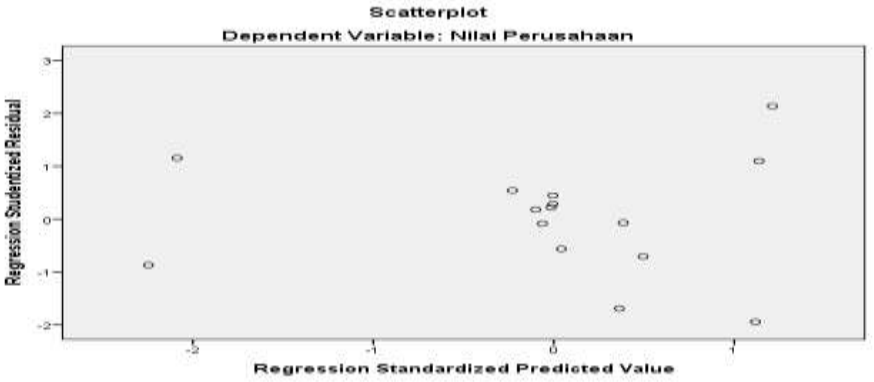


Figure 3.

Scatterplot test results

The scatterplot test in Figure 2 shows that the data is randomly distributed above and below 0 on the Y-axis and does not form a specific, regular pattern such as wavy, widening, and then narrowing. Therefore, it can be concluded that heteroscedasticity does not occur.

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Autocorrelation Test

Table 3. Autocorrelation Test Results

Model	Std. Error of the Estimate	Durbin-Watson
1	1.045	.649

Source: SPSS v22 output, 2026

Based on Table 3 above, the Durbin-Watson value is 0.868. To determine the Durbin-Watson value, refer to the DW table with a significance level of 5%, the number of independent variables (k) = 2, and the number of samples (n) = 15. The lower limit (dl) is 0.9455 (du) = 1.5432. Since 0 < 0.649 < 0.9455, in accordance with the first decision in Ghozali (2019), namely 0 < dw < dl, it can be concluded that there is an indication of positive autocorrelation. Therefore, the regression model needs further testing to confirm the results and maintain the validity of the analysis. To address this, a Runs Test can be used as an additional test for autocorrelation.

Table 4. Runs Test Results

	Unstandardized Residual
Asymp. Sig. (2-tailed)	.733

Source: SPSS v22 output, 2026

Based on the Runs Test results in Table 4 above, the Asymp Sig. (2-tailed) value is 0.733, greater than 0.05 (0.733 > 0.05). This value indicates that the data used in the study does not experience autocorrelation.

Multiple Linear Regression

Table 5. Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.769	.466		16.658	.000
	Debt to Equity Ratio	.279	.269	.276	1.039	.319
	Net Profit Margin	1.141	.613	.494	1.861	.087

Source: SPSS v22 output, 2026

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From the output in Table 5 above, the constant values and regression coefficients can be used to construct a multiple linear regression equation as follows:

$$Y = 7.769 + 0.279X1 + 1.141X2 + e$$

The multiple linear regression equation above can be explained as follows: The constant of 7.769 indicates that if the independent variables Debt to Equity Ratio and Net Profit Margin are assumed to be 0, then the Firm Value is 7.769. The regression coefficient of 0.279 for the Debt to-Equity-Ratio variable indicates that a one-unit increase in the Debt-to-Equity Ratio will increase the Firm Value by 0.279 units, assuming the other independent variables are held constant. The regression coefficient of 1.141 for the Net Profit Margin variable indicates that a one-unit increase in the Net Profit Margin variable will increase the Firm Value by 1.141 units, assuming the other independent variables are held constant.

Correlation and Determination Coefficient Test

Correlation Coefficient

Table 6. Results of the Correlation and Determination Coefficient Test

Model	R	R Square	Adjusted R Square
1	.486[a]	.236	.108

Source: SPSS v22 output, 2026

From the SPSS output column above, the R value, or multiple correlation coefficient, is 0.486. This value indicates a moderate relationship between changes in all independent variables and the dependent variable.

Coefficient of Determination

The output in Table 6 explains the coefficient of determination (R Square). The R Square value is 0.236, representing a 23.6% influence of the independent variable on the dependent variable. This indicates that the independent variable in this study influences the dependent variable by 23.6%. The remaining 76.4% (1 – 0.236) is influenced by variables other than the independent variable in this study.

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T-Test

Table 7. T-Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.769	.466		16.658	.000
	Debt to Equity Ratio	.279	.269	.276	1.039	.319
	Net Profit Margin	1.141	.613	.494	1.861	.087

Source: SPSS v22 output, 2026

Df = n - k = 15 - 3 = 12 and a 5% margin of error for a two-tailed test yields a t-table value of 2.179.

Effect of Debt-to-Equity-Ratio on Firm Value

The calculated t-value for the Debt to Equity Ratio is 1.039 and the t-table value is 2.179, with a significance value of 0.319 > 0.05. Because the calculated t-value is < t-table, **H0 accepted**. This means that the Debt to Equity Ratio does not significantly influence Firm Value. This means that the company's debt utilization has not significantly influenced the increase in firm value. These results indicate that investors in the pharmaceutical industry during the study period did not consider the debt to equity ratio a primary factor in assessing companies. Investors tended to view increased debt as part of a company's strategy to maintain operations and expand business amidst changing national economic and health conditions. Furthermore, government support for the healthcare sector through health subsidy programs, national drug procurement, and the belief that the pharmaceutical industry has good long-term prospects have made investors more optimistic about the company's potential for recovery. Furthermore, investors are also considering industry sentiment and growth opportunities more than simply looking at a company's high debt ratio.

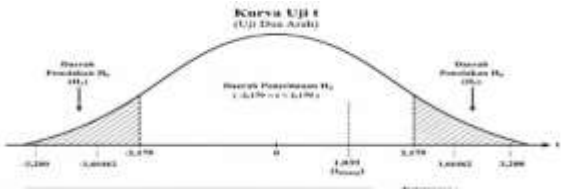


Figure 4

DER t-Test Curve

Data source: processed data (2026)

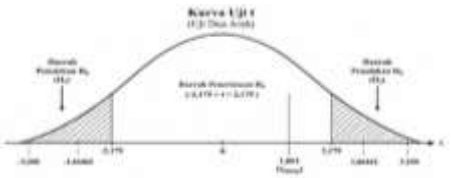
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Furthermore, based on the t-test curve above, two critical limits are visible on the left and right sides, namely the t-table values of -2.179 and 2.179. The calculated t-value of 1.039 lies between these two limits, neither exceeding -2.179 nor 2.179, thus remaining within the H0 acceptance region (the region of no effect). This indicates that H0 is accepted and H1 is rejected. Thus, the Debt-to-Equity Ratio (DER) is not proven to have a significant effect on firm value. This finding is further supported by the significance value of 0.319, which is greater than 0.05. These results align with research conducted by Suhartono et al., 2024, which states that the Debt-to-Equity Ratio has no effect on firm value. Furthermore, research by (Fari et al., 2026) also found that the Debt to Equity Ratio had no significant effect on firm value. This research finding aligns with the test results, which showed an insignificant relationship between Capital Structure and Firm Value.

The Effect of Net Profit Margin on Firm Value

The calculated t-value for Net Profit Margin was 1.861 and the t-value was 2.179, with a significance value of 0.087 > 0.05. Because the calculated t-value < t-value, **H0 is accepted**, indicating that Net Profit Margin has no significant effect on Firm Value. This means that the company's ability to generate net profit from sales has not significantly increased firm value. Investors in the pharmaceutical industry during the study period tended not to consider net profit margin as a primary consideration in investment decisions. This is because investors focused more on the pharmaceutical industry's growth prospects, government policy support, and optimism about the company's recovery after the pandemic than on the company's short-term profitability.

Figure 5



NPM t-Test Curve

Data source: processed data (2026)

Furthermore, based on the t-test curve above, two critical limits are visible on the left and right sides, namely at the t-table values of -2.179 and 2.179. The calculated t-value of 1.861 lies between these two limits, neither exceeding -2.179 nor 2.179, thus remaining within the acceptance range of H0 (the region of no influence). This indicates that H0 is accepted and H2 is rejected. Thus, Net Profit Margin (NPM) is not proven to have a significant effect on firm value.

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This finding is further supported by the significance value of 0.087, which is greater than 0.05. These results align with research conducted by (Wijaya, 2025), which found that Net Profit Margin has no effect on firm value. Furthermore, research by (Nugraha et al., 2022) also showed that Net Profit Margin has no partial effect on firm value. A similar finding was also presented by (Nabila & Hapsari, 2024), who stated that Net Profit Margin had no effect on company value. This research finding also aligns with the results of SPSS testing, which showed an insignificant relationship between Net Profit Margin and Company Value. The average Net Profit Margin level of the companies in this study tended to be suboptimal, thus failing to provide a strong positive signal to investors, indicating an increase in company value. This indicates that the company's ability to generate profits is not sufficient to influence market perceptions of company value.

F Test

Table 8. F Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.046	2	2.023	1.852	.199[b]
	Residual	13.110	12	1.092		
	Total	17.156	14			

Source: SPSS v22 output, 2026

The Effect of Debt to Equity Ratio and Net Profit Margin on Firm Value

Based on the output above, the calculated F is 1.852 with a significance value of 0.199. With α = 5% and degrees of freedom df2 = 12 (n-k-1) and df1 = 2 (k-1), the Ftable value is 3.885. Because the calculated Fvalue < Ftable (1.852 < 3.885), H0 is accepted and H3 is rejected. This means that the Debt to Equity Ratio and Net Profit Margin variables do not significantly influence Firm Value simultaneously. This means that the debt to equity ratio and net profit margin variables together do not significantly influence firm value. This indicates that investment decisions in pharmaceutical companies during the 2020–2024 period were more influenced by non-fundamental factors than by the company's financial ratios. Investors tend to view a company's ability to survive and thrive after the pandemic as a more important indicator than debt levels or short-term net income.

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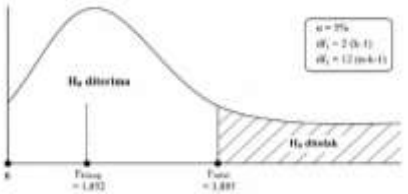


Figure 6 F-Test Curve

Data source: processed data (2026)

Furthermore, based on the F-test curve above, it can be seen that there is a critical limit, namely the F table value of 3.885, which separates the H0 acceptance region from the H0 rejection region. The calculated F value of 1.852 is to the left and has not yet crossed this limit, so it remains within the H0 acceptance region. This indicates that H0 is accepted and H4 is rejected, meaning that the Debt to Equity Ratio and Net Profit Margin variables together do not significantly influence firm value. The results of this study align with research conducted by Nabila (2023), which states that profitability does not significantly influence firm value. Furthermore, research by Yulistina et al. (2024) also shows that profitability does not influence firm value. This finding is also supported by research by Ramadhani & Yenni (2026), which states that capital structure does not significantly influence firm value. The findings of this study also align with the test results, which indicate that the relationship between Capital Structure and Profitability on Firm Value is insignificant.

CONCLUSIONS

The conclusions of this study are as follows:

1. The Debt to Equity Ratio does not have a significant partial effect on firm value in pharmaceutical sub-sector companies listed on the IDX.
2. Net Profit Margin does not have a significant partial effect on firm value in pharmaceutical sub-sector companies listed on the IDX.
3. The Debt to Equity Ratio and Net Profit Margin do not have a significant simultaneous effect on firm value in pharmaceutical sub-sector companies listed on the IDX.

SUGGESTIONS

The recommendations in this study are as follows:

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1. For Pharmaceutical Subsector Companies, It is recommended that companies in the pharmaceutical subsector optimize their capital structure management and increase profitability. Companies need to be more efficient in utilizing their assets to generate profits and be more prudent in using debt to avoid high financial risks. In addition, improving operational performance and optimal asset management are expected to drive increased company value.
2. For Investors, Investors should not rely solely on capital structure and profitability when making investment decisions in pharmaceutical subsector companies. They are advised to consider other factors such as industry conditions, government policies in the healthcare sector, and the company's growth prospects. By considering these factors, investors can make more informed decisions and reduce investment risk.
3. For Further Research, Further research is recommended to include other variables beyond capital structure and profitability that could potentially influence company value, such as liquidity or macroeconomic factors. Furthermore, expanding the research period and the number of companies sampled can provide more accurate and comprehensive results. Future research is also expected to examine in more depth the influence of external factors on company value in the pharmaceutical subsector.

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