



THE EFFECT OF OWNERSHIP STRUCTURE, CAPITAL STRUCTURE, COMPANY CHARACTERISTICS ON FINANCIAL PERFORMANCE (EMPIRE STUDY ON PHARMACEUTICAL COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE, 2017-2019)

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ABSTRACT

This examination plans to decide the impact of ownership structure, capital structure and company characteristics on financial performance. The population of this study is the pharmaceutical sub-area organizations recorded on the Indonesia Stock Exchange in 2017 – 2019. The data analysis technique uses smart PLS with analysis of the Measurement (Outer) Model and Structural Model (Inner Model). Based on the results of the study, it was shown that there was no significant positive between ownership structure and financial performance. Capital structure has a significant negative impact on monetary execution. Organization attributes have no huge constructive outcome on monetary execution. Possession structure contrarily affects capital plan. Capital construction has a critical adverse consequence on the attributes of the organization. The Company's goal is to expand net benefit created from functional exercises including drug sub-area organizations recorded on the Indonesia Stock Exchange by improving monetary execution and the government assistance of investors. Capital design and monetary execution are frequently utilized as the reason for financial backers in the capital market in deciding.. The characteristics of the company have an influence on the ownership structure where the managerial, board of directors, board of commissioners as control holders of the company can determine policies and good roles in improving welfare for the pharmaceutical sub-sector company.

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INTRODUCTION

In the period of globalization, the improvement of the business world today is progressively quick, making the economy hard to predict, as a result, business development and its continuation have caused business people to compete in maintaining their existence. The pharmaceutical industry is a basic industry where the role of intangible assets is very large on the competitiveness and performance

of companies. On Basically, a Go Public company has an obligation to provide a written description of its financial position on the Indonesia Stock Exchange (IDX). The report can be analyzed by various interested parties such as guarantor investors, banks, insurance, or other parties who intend to enter into partners, acquisitions, or other purposes. Financial performance is the assurance of specific estimates that can be measure the

accomplishment of an organization in producing benefits. Performance measurement is carried out within a certain period of time in assessing the company's progress and producing information for the executives dynamic and having the option to make organization esteem (Hwihanus, et.al., 2018). Another factor that should be considered with an end goal to amplify the organization's monetary presentation is the organization's capital design. The use of increased debt causes an increase in financial performance using ROI indicators. Leverage in high numbers will tend to have high financial performance (Karyawati et al (2012). Managerial ownership is a condition that indicates that managers have shares in the company or managers as well as shareholders of the company, this is indicated by the amount management share ownership percentage. The more noteworthy the administrative proprietorship in the organization, the more useful the chief's activities in expanding the worth of the organization (Ni, Wayan, 2010). The characteristics of the company basically reflect the company's fundamental conditions. Karyawati, et al (2012), states the factors that influence the characteristics of the company, among others: company size, sales growth, asset growth. basically the characteristics of the company have a relationship with the company's financial performance, the greater the value of the company's size, the lower the company's financial performance. Companies that have the characteristics are small companies, have high sales growth, and have high asset growth, will tend to have high financial performance (Endang et al (2012).

LITERATURE REVIEW

Management Accounting

Management accounting is a process of identification, measurement, collection, analysis, preparation and communication of financial information, the results of which are addressed to internal parties of the organization and to assist company leaders in achieving predetermined organizational goals. The executives bookkeeping is expected to give monetary data to the board purposes. The board bookkeeping manages data about the organization to give advantages to the individuals who are in the organization.

Agency Theory

Office struggle is an irreconcilable circumstance between the proprietor and the specialist in light of the fact that the specialist doesn't generally act as per the interests of the head, in this manner setting off office costs (Jensen & Meckling, 1976). One approach to limit organization struggle is through a possession structure that can mirror the conveyance of force and effect on the organization's tasks (Hwihanus, et.al., 2018). Jensen and Meckling (1976) expressed that between the proprietor as the purchaser of power (head) and the executives as the beneficiary of the position (specialist) have various interests in the functioning relationship. The presence of this interest, each gathering looks to build benefits for himself. The proprietor needs the most extreme profit from speculation and straightaway, while the administration needs his inclinations to be obliged however much as could reasonably be expected for the exhibition that has been finished.

Ownership Structure

Possession structure is the level of offer proprietorship in an organization that mirrors the conveyance of force and effect on the organization's activities. Proprietorship construction can be seen from the office approach and uneven data approach. Specialist approach, the possession structure is a system to decrease irreconcilable circumstances among administrators and investors.

Capital Structure

Capital construction is essential for the monetary design which is an examination between perpetual transient obligation, long haul obligation, favored stock and normal stock utilized by the organization. The motivation behind capital design the executives is to consolidate the organization's fixed wellsprings of subsidizing for tasks, which will amplify the worth of the actual organization.

Company Characteristics

The characteristics of the company are the factors that distinguish the company from other companies. Each company has different characteristics from one entity to another (Wardani, 2013). The variables that recognize organizations are additionally called organization qualities, which incorporate organization (size), liquidity level, benefit level, influence level, social requirements, organization age, organization profile, leading body of chiefs structure, nation of proprietor of an organization, country where the organization is established, etc.

Financial performance

Financial performance is an appraisal of the organization's presentation that can evaluate the wellbeing of the organization by utilizing the organization's monetary proportions. An organization in keeping up with and further developing its monetary exhibition is a need that should be possessed by the organization to draw in financial backers as reflected in the fiscal summaries. The company must be able to achieve the targets set at the beginning of the year. Increasing company profits indicate that the company's performance has increased.

Examination Hypothesis

The exploration speculation should be possible as following.

1. Ownership structure affects financial performance.
2. Capital Structure Affects Financial Performance
3. Company characteristics affect financial performance
4. The ownership structure affects the capital structure.
5. Capital structure affects the characteristics of the company.

RESEARCH METHODS

Data Types and Sources

The type of data in this study is quantitative data, namely data on the annual financial statements of pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019.

Sources of data in this study using secondary data sources. Secondary data sources are research data sources obtained indirectly or through intermediary media (obtained and recorded by other parties). The examination information was acquired from the authority site of the Indonesia Stock Exchange (IDX), in particular www.idx.co.id.

Research Sample

The examining procedure utilized purposive inspecting technique with 09 out of 10 drug sub-area organizations recorded on the Indonesia Stock Exchange with a perception time of 2017–2019.

Data collection technique

Data collection techniques in this study using Documentation Studies. Documentation studies or commonly referred to as document studies are data collection techniques that are not directly addressed to the research subject in order to obtain information related to the object of research. In the study of documentation, researchers usually conduct a search for historical data of the object of

research and see to what extent the ongoing process has been well documented.

Data analysis method

This examination utilizes incomplete relapse investigation (Partial Least Square/PLS) to test the five speculations proposed in this examination. Every theory will be dissected utilizing SmartPLS programming to test the connection between factors.

The examination speculation was tried utilizing a Structural Equation Model (SEM) approach dependent on Partial Least Square (PLS). PLS is a part or variation based primary condition model (SEM). Underlying Equation Model (SEM) is a field of factual examination that can test a progression of connections that are generally hard to gauge all the while.

Variables and Indicators

The factors and pointers utilized in this investigation are Independent Variables and Dependent Variables. The accompanying table of factors, markers and their estimation equations:

Table 1 Variables, Indicators, and Research Measures

Variabel	Indikator	Ukuran
Structure Ownership (X1)	Ownership Managerial	MNJR = Quantity stock directors, commissioners and management
	Ownership Institutional	INST= Quantity Shares owned Institution
	Ownership Foreign	FRGN= Amount Foreign Ownership
	Ownership Government	MRT= Number of shares government property
	Ownership Public	KP= Amount Sheet Ownership Public Share
Capital Structure (X2)	Total Debt to Total Assets Ratio/DAR	$DAR = \frac{\text{Total Hutang}}{\text{Total Aktiva}}$
	Total Debt to Equity Ratio / DER	$DER = \frac{\text{Total utang}}{\text{Total Ekuitas}}$
	Equity to asset ratio/EAR	$EAR = \frac{\text{Total Ekuitas}}{\text{Total Aset}}$
Characteristics Company (X3)	Company Size	$Ln = \text{Total Aktiva}$
	board of Commissioners	Number of Board of Commissioners
	Board of Directors	Number of Board of Directors

Variabel	Indikator	Ukuran
	audit committee	Number of Audit Committee
Financial performance	Return On Assets (ROA)	ROA=(net profit)/(Total Assets)
	Return On Equity (ROE)	ROE=(net profit)/(Total Equity)
	Gross Profit Margin	GPM=(Net Sales- Cost of Goods Sold)/Sales

ANALYSIS AND DISCUSSION

Research Model Test

This examination utilizes the restricting variable of the stacking factor by mirroring the pointers dependent on the connection between every thing's score with its development score with its development score with an estimation scale that is felt to be adequate at the stacking worth of 0.5. So that an indicator can be declared valid if the score obtained is above 0.5 and if there is a score below 0.5, it must be re-tested by eliminating several indicators whose value is below 0.5 to get good results.

Conceptual framework

The connection between research factors can be clarified by the theoretical system in Figure 1 underneath.

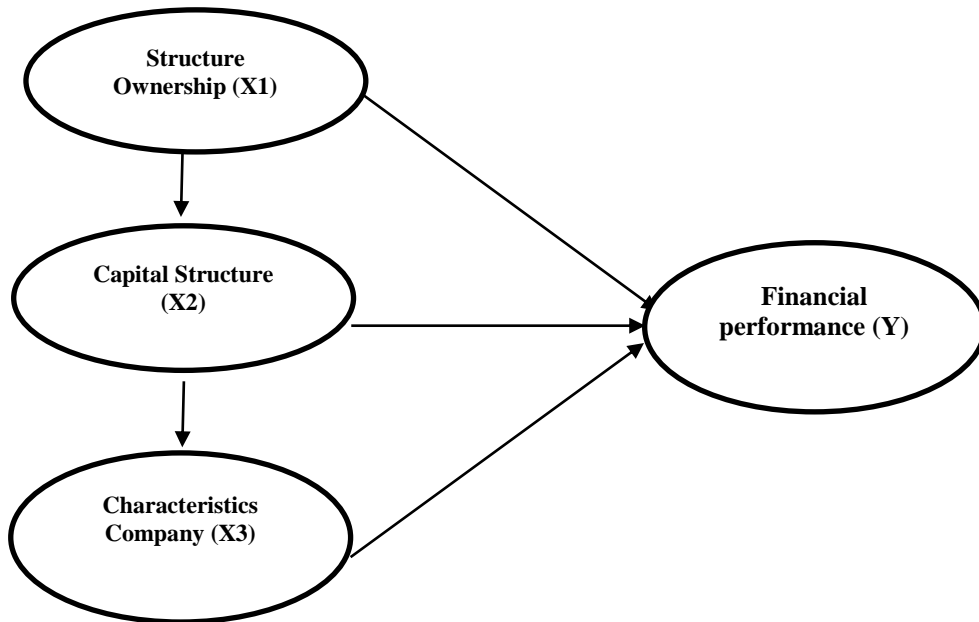
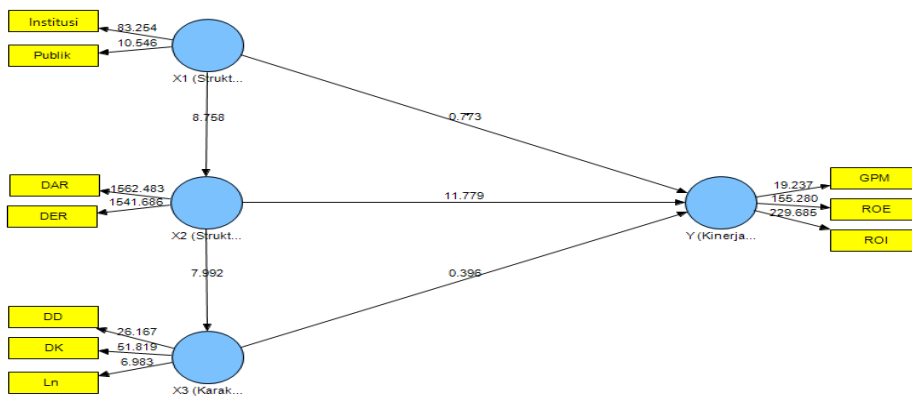


Figure 1 Conceptual Framework



Source: Processed Data
Figure 2 Algorithm Bootstrapping report

he measurable test in the between factor relationship requires an importance level of 95% ($\alpha = 0.05$) and the t-table worth is 1.96 to acknowledge the elective speculation. The general aftereffects of speculation testing can be found in Table 2.

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STD EV)	Standard Error (STERR)	T Statistics (O/STERR)	Significant
Character -> Performance	0.024671	0.023473	0.062353	0.062353	0.395662	Not significant
Ownership -> Performance	0.063428	0.058189	0.082070	0.082070	0.772849	Not significant
Kepemilikan -> Modal	-0.465136	-0.473142	0.053111	0.053111	8.757845	Significant
Ownership -> Capital	-0.409566	-0.422683	0.051247	0.051247	7.992017	Significant
Capital -> Performance	-0.755611	-0.758698	0.064151	0.064151	11.778676	Significant

Discussion

The consequences of the speculation and the connection between factors in drug organizations recorded on the Indonesia Stock Exchange in 2017-2019 are as follows:

Ownership Structure with Indicators of Public Ownership and Institutional Ownership incidentally affects financial execution. The researcher agrees with the research conducted by Hwihanus et al. (2018). analyzes proprietorship structure on monetary execution with pointers of administrative possession having a negative and inconsequential impact on monetary execution with markers of NPM, ROA and ROE.

Capital structure with indicators DAR, DER and EAR has a negative and significant impact on financial performance. The analyst concurs with the exploration directed by Karyawati et al (2012), it is found that the capital structure has a significant effect on the company's financial performance. The path coefficient is positive, it can be said that the greater the Debt Ratio (DR) and Debt Equity Ratio (DER) as a measure of capital structure, it can improve financial performance using the Return on Investment (ROI) indicator.

The attributes of the organization with the pointers of the top managerial staff, the leading body of magistrates, and the size of the organization have a positive and immaterial impact on monetary execution. The specialist disagrees with the examination led by Karyawati et al (2012). that the company's characteristics have a significant effect on the company's financial performance. Basically the characteristics of the company have a relationship with the company's financial performance, the greater the value of the company's size, the lower the company's financial performance.

Ownership structure has a negative and huge impact on capital structure. The researcher agrees with Primadhanny's research (2016), stating that the proxies in this study consist of institutional ownership, managerial ownership, foreign ownership, public ownership, government ownership, while the capital structure is proxied using DER. The result is that institutional ownership, managerial ownership, and foreign ownership show a significant negative effect on capital structure.

Capital structure has a significant negative influence on the company's characteristics, with the increasing number of commissioners, it will be easier for managers to control in making funding decisions. The large number of the board of directors will lead to wider monitoring, and also the board of directors has the authority to make decisions, especially related to company funding and has a great obligation to add value to the company. The size of the company affects the more closed or open the company in sharing information with external parties.

Research Implication

The Company's goal is to build the net benefit produced from functional exercises including the drug sub-area organizations recorded on the IDX by advancing monetary execution and the government assistance of investors. Capital construction and monetary execution are regularly utilized as the reason for financial backers in the capital market in deciding.

The higher the level of ROA and ROE owned by the company, the more investors will make investment decisions in the company. Likewise, high DAR and DER will also affect the high financial performance. It is the use of debt that

increases which causes an increase in the company's financial performance will also increase. The characteristics of the organization affect the ownership structure where the managerial, board of directors, leading group of officials as control holders of the organization can decide strategies and great jobs in further developing government assistance for the drug sub-area organization.

CONCLUSION

Based on the results of the study showed that there was no significant positive between ownership structure and financial performance. Capital structure has a significant negative effect on financial performance. Company characteristics have no huge constructive outcome on financial performance. Ownership structure has a critical adverse consequence on capital structure. Capital structure has a critical adverse consequence on the characteristics of the organization.

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