

## CHAPTER V

### CONCLUSION AND IMPLICATION

#### A. Conclusion

The research on the effect of capital structure on financial performance of pharmaceutical companies listed on the Indonesia Stock Exchange for the period 2016-2021, based on analysis and discussion, the following conclusions can be drawn:

1. Leverage ratio (LR) has no effect on ROE. It means that there is no relationship between LR and ROE. The choice between leverage ratios is not related to the value of the enterprises.
2. Long-term asset ratio (LAR) has a negative and significant effect on ROE. To improve financial performance, companies need to decrease the ratio of long-term assets in order to optimize in using stable long-term capital sources such as equity and long-term loans for long-term investments.
3. Debt-to-asset ratio (DAR) has a negative and significant effect on ROE. It means that to increase a financial performance using ROE, company should decrease in order to optimize their borrowing, both short-term debt and long-term debt. Companies need to determine debt ratios appropriately to increase a financial performance especially on ROE without creating too much debt that leads to bankruptcy.

In addition, the control variables size and growth have no effect on ROE. It means that, the size of the company does not affect to the increasing ROE also the growth of the company does not affect to the increasing ROE.

## **B. Implication**

The results of this research on the effect of capital structure on the financial performance of the pharmaceutical companies listed on IDX in period 2016-2021, the following recommendations for the management in increasing financial performance specifically in ROE, the management should decrease in order to optimize long-term asset ratio and debt-to asset ratio.

The way to optimize LAR and DAR is the ability of the companies to be bankrupt depends on their company's business risk while in another hand, depends on their mobilizing, managing, operating and using their capital initiated by Kraus and Litzenberger (1973) with his The trade-off theory.

## **C. Research Limitations**

Some of the limitations of the author in compiling this research are:

1. Not all pharmaceutical companies listed on the IDX provide regular reports, so a thorough analysis can not be carried out and company samples are needed as research material.
2. Financial reports from pharmaceutical companies do not always use the same report format every year, making it difficult and difficult to determine research ratios.
3. It is hoped that in another research will use more accurate data collection methods such as direct interviews in order to respondents can understand the questions asked .

4. The limitations of the author's resources, both in terms of knowledge about research, facilities and infrastructure, time, sources of information, and cooperation between related parties have led to various obstacles and difficulties.

