

ABSTRACT

Profitability is the company's ability to achieve maximum profit by making the best use of its assets. Good profitability is considered to be able to improve the company's performance to attract the attention of stakeholders. This research was driven by the high dependence on imported pharmaceutical raw materials caused by technological bottlenecks and limited human resources potential, which can result in high production costs and operational costs that affect the company's profitability. This indicates that the company needs to manage production costs, operational costs, and intellectual capital well in order to create value added for the company for all its potential, so as to increase the company's profitability.

This study aims to determine the influence of intellectual capital, production costs, and operational costs on profitability in the Pharmaceutical Sub-Sector listed on the Indonesia Stock Exchange (IDX) for the 2017-2021 period. By conducting this analysis, it is hoped that the company can take policies, and the right decisions in achieving better company performance, as well as as material for evaluating the company's work results.

The object of this study is pharmaceutical sub-sector companies listed on the IDX during 2017-2021. This study used a purposive sampling method obtained by 9 companies for 5 years of observation with 45 observation data. However, there are outlier data that have an extreme value of 1 data, so the final result of 44 observation data was obtained. The data analysis method used is panel data regression analysis using Eviews12 software, because the research data conditions are cross-section and time series information.

The results of this study show that intellectual capital as measured by VAIC has a positive and significant effect on profitability. Meanwhile, production costs and operational costs partially do not affect profitability.

Based on the results of the study, it shows that intellectual capital, production costs, and operational costs simultaneously affect the profitability of the Pharmaceutical Sub-Sector listed on the Indonesia Stock Exchange (IDX) for the 2017-2021 period. Partially, intellectual capital as measured by VAIC has a positive and significant effect on profitability. Meanwhile, production costs and operational costs partially do not affect profitability.

Keywords: *Intellectual Capital, Operating Costs, Production Costs, Profitability*