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The Impact of Profitability and Capital Structure on The Company Level at PT. Wismilak Inti Makmur, Tbk

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INDEXING

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ABSTRACT

The objective of this research is to assess and evaluate how profitability and capital structure affect the value of PT. Wismilak Inti Makmur Tbk. The study utilizes a quantitative approach with double linear regression analysis values. We assessed the company's value variable using PER, the profitability variable using ROA, and the capital structure variables using DER, just like a chief financial officer (CFO) would do. We conducted this research on PT. Wismilak Inti Makmur Tbk, utilizing the annual financial report from the BEI for the period 2019-2023 as the instrument. Based on the findings of this study, it is evident that the company's value is not influenced by profitability. Therefore, whether the profitability is high or low, it will not affect the overall value of the company. Additionally, the study reveals that the capital structure has a noteworthy negative impact on corporate value. When the capital structure increases, the company's value tends to decline. As a top financial executive, the company must decrease its dependence on debt-derived funds to maximize its overall value. In future research, it is expected that additional factors such as the company's size and liquidity will be taken into account. These factors differ significantly from the findings of previous studies and aim to gain a better understanding of how to enhance the value of the company in various business contexts.

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INTRODUCTION

Indonesia is the most substantial economy in Southeast Asia and is regarded as one of the burgeoning markets. Indonesia, classified as a middle-income nation and a member of the G-20, was included in the group of industrialized countries (Vasishtha, 2017). Indonesia surpassed India to become the second fastest-growing economy among the G-20 countries (Sundararaman, 2020). Subsequently, the yearly rate of expansion has varied by around 5%. Indonesia is now experiencing a recession as of 2020, with economic growth declining to -2.07% as a result of the COVID-19 epidemic (Purba, 2020). The impact of COVID-19 has all but demolished economic buoyancy through closure of hundreds of thousands of SMEs and millions of workers delegated to the unemployment line (Campbell *et al*., 2021). This is the most severe decline in growth since the 1997 financial crisis. Indonesia's gross domestic product expanded by 3.69% in 2021, driven by the lifting of COVID-19 limitations and a surge in exports fueled by robust commodity prices (Nikkei Asia, 2023).