

Effect of Capital Structure on Profit of PT Telekomunikasi Indonesia Tbk

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ABSTRACT

This study aims to analyze the effect of capital structure on profit at PT Telekomunikasi Indonesia Tbk. Capital structure is measured through the composition between own capital and loan capital. The data used in this study are the financial statements of PT Telekomunikasi Indonesia Tbk for three years, from 2020 to 2022. The research method used is simple linear regression analysis to determine the relationship between capital structure and company profits. The results showed that there were fluctuations in the components of own capital, loan capital, and profit level during the study period. In 2020, own capital amounted to 120,889 billion rupiah and loan capital amounted to 126,054 billion rupiah with a total profit of 29,563 billion rupiah. In 2021, own capital increased to 145,399 billion rupiah and loan capital increased to 131,785 billion rupiah with a profit of 33,948 billion rupiah. However, in 2022, own capital increased slightly to 149,262 billion rupiah, while loan capital decreased to 125,930 billion rupiah with a profit of 27,680 billion rupiah. This finding shows that changes in capital structure have a significant impact on corporate profits. The optimal capital structure can maximize the profit earned, because the use of an efficient combination of own and borrowed capital can increase the value of the company and prevent the company from financial difficulties. This research is expected to contribute to financial decision making in the company and become a reference for further research.

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1. INTRODUCTION

Fulfilling the company's funding needs, there are two alternatives taken, namely whether the company's capital can be fulfilled with its own capital originating from share capital, retained earnings, and reserves. If the company's funding from its own capital is still lacking, it is necessary to consider funding the company from outside, namely with loans (debt). If the company wants to use loans, the company must compare the interest rate on loans issued with the level of results that will be obtained from the use of these loans. Conversely, if the company's capital needs are met with its own capital, the company must take into account the rate of recovery on invested capital. However, in fulfilling the funding needs, the company must look for efficient funding alternatives. Efficient funding will occur if the company has an optimal capital structure. The optimal capital structure can be interpreted as a capital structure that minimises the overall cost of capital use or the average cost of capital, thereby maximising the value of the company. To meet the company's funding needs, companies are required to think about financial funding alternatives that are considered efficient enough to be applied in the company. Efficient funding will occur if a company has an optimal capital structure. Capital structure is the balance of the amount of long-term debt that is permanent or the ratio between long-term debt and equity capital used by the company. The value of a company is always associated with its capital structure, because the capital structure has a great influence on the level of profit that can be obtained by the company. The reason is

because the better the capital structure owned by the company, the greater the value or level of profit obtained, on the contrary, the worse the capital structure owned by the company, the profit that will be obtained by the company will also be smaller or there can be losses.

PT Telekomunikasi Indonesia Tbk or commonly called Telkom Indonesia is an information and communication technology company as well as a complete telecommunications service and network provider in Indonesia. As a service company, PT Telekomunikasi Indonesia Tbk definitely needs a source of funds in managing its business. Companies can obtain sources of funds from loan capital and own capital. The use of funds properly will affect the company's profit.

According to Jamil & Gultom (2022; 47) Capital structure is the ratio of total long-term debt to company capital. The optimal capital structure is the ratio of the company's capital to its long-term loans. The selection of appropriate and appropriate capital will create an optimal capital structure and can be a basic foundation for the company.

The capital structure of the company PT Telekomunikasi Indonesia in 2020-2023, as follows:

Table1. Capital structure of PT Telekomunikasi Indonesia Tbk 2020-2023 (in Billion Rupiah)

Year	Capital Structure		Capital	Profit
	Equity	Loan Capital		
2020	120.889	126.054	246.943	29.563
2021	145.399	131.785	277.184	33.948
2022	149.262	125.930	275.192	27.680
2023	156.562	130.480	287.042	32.208

Source: Capital structure PT. Telekomunikasi indonesia Tbk

Based on Table 1, namely own capital, loan capital and the level of profit owned by PT Telekomunikasi Indonesia, Tbk in a period of 3 years in 2020-2023 has increased and decreased. However, each component experienced fluctuations in both components of own capital, loan capital and profit. However, one component that has experienced significant changes can be seen in the amount of loan capital, namely in 2020 to 2021 it increased from 126,054 to 131,785. this is because the company is trying to develop its business due to the pandemic in 2020. So funding is needed that can be used to meet these needs. Profits each year also experience an increase and decrease, this is due to changes in interest rates each year. Where an increase in company profits occurs when the economy grows and when interest rates are lowered. Conversely, an increase in interest rates will reduce company profits.

The importance of capital structure in the implementation of the company's operational activities requires the company to keep paying attention to its capital structure. The reason is because the capital structure will directly affect the profit that will be achieved by the company. With a good capital structure, it will be easier for the company to analyse the use of debt or loans against the level of profit so that it can be used in the company's decision-making process. A company that has a high profit value will make the company have a good value in the company. Company value can also be determined by a high stock price. To obtain a high share value, the company must continue to increase the value of the company by increasing its profit value. Therefore, to increase profit, the company must try to maximise its capital structure. A good or optimal capital structure will have a good influence on the company's profit.

The decision to use loans is expected to increase the company's ability to generate profits. With the advantages and disadvantages in using equity and debt, it is necessary to analyse to determine the proportion of debt and equity in the capital structure in order to achieve an optimal capital structure.

Based on the phenomena in the description, it is necessary to conduct research with the title Effect of Capital Structure on Profit at PT Telekomunikasi Indonesia Tbk. Based on the above background, the problem formulation in this study is How is the effect of capital structure on profit at PT Telekomunikasi Indonesia Tbk. The objectives to be achieved in this study are to determine the effect of capital structure on profits at PT Telekomunikasi Indonesia Tbk.

Ansar, (2019) with the title of the effect of capital structure on the profit of PT Telekomunikasi Indonesia Tbk for the period 2009-2016. By using simple linear regression method, capital structure is measured by Debt equity ratio (DER). then the results of the analysis of debt to equity ratio (DER) per quarter for the last eight years (2009-2016) show a fluctuating percentage. From the overall percentage it can be seen that there is a greater increase in DER in each quarter I although the decline is more dominant. While the results of the analysis of price earning ratio (PER) per quarter for the last eight years (2009-2016) experienced a significant decline although there was also an increase every first quarter. The results showed that capital structure has an insignificant effect on profit. This shows that changes in the capital structure of PT Telekomunikasi Indonesia Tbk. over the past 8 years (2009-2016) have not made a significant contribution to profit achievement.

Wijaya, (2020) with the title of the effect of capital structure on the profit of PT Telekomunikasi Indonesia Tbk for the period 2013-2018. The independent variable in this study is the capital structure measured using DER and the dependent variable in this study is the company's profit. This research uses associative

research methods. The population used in this study is the entire consolidated financial statements of PT Telekomunikasi Indonesia Tbk for 13 years from 2006 with the sampling technique used is purposive sampling, the sample used is 6 years from 2013-2018. The data analysis technique used is simple linear regression with the SPSS 16 for windows programme . The results of data analysis of DER (debt to equity ratio) for 6 years of research data show a fluctuating percentage. Based on the results of statistical tests conducted in this study, the results obtained are Capital Structure has no effect and is not significant to Profit. This can be seen from the results of the t test conducted obtained a tcount value of $1.661 < \text{table } 2.776$, and a sig value of $0.172 > 0.05$, it can be concluded that the Capital Structure variable has no effect and is not significant to Profit.

Sari, (2020) with the title of the influence of capital structure on the profitability of PT Telekomunikasi Indonesia Tbk. By using multiple linear regression methods,. Profitability is measured by Return on Equity (ROE), profit margin (PM), and sales growth (SG). Capital structure is measured by Debt Equity Ratio (DER). The coefficient of determination (R^2) is 0.789, indicating that 78.9% of variation in profitability can be explained by capital structure, operating profitability, and sales growth. T-statistic for capital structure variable is positive and significant at 5% level, indicating that capital structure has positive and significant effect on profitability. So the conclusion is that capital structure has a positive and significant effect on the profitability of telecommunication companies in Indonesia during the period 2015-2019. The higher the capital structure, the higher the profitability of telecommunication companies.

According to Fahmi, (2020: 22) states that financial statements are information that describes the financial condition of a company, which in turn will become information that describes the performance of a company. According to Munawir in (Khair, 2020) Financial statements are an accounting process that can be used as a tool to communicate between the company's finances or activities and parties with an interest in the company's data or activities. So it can be concluded that, financial statements are an accounting process that describes the company's financial condition. Financial reports are also useful for all the interests of company activities and company development in a certain period of time. Where with the company's financial statements, it can be easy to find out whatever you want to know in the company, especially in the company's financial statements.

Financial reports are a means of information used by management to account for the resources managed by the company and are required to be published formally. Interested parties such as creditors and investors can find out the development and condition of the company through financial reports. Financial reports are very important for its users. However, in the financial statements the main thing that users need to pay attention to is earnings information. This earnings information will be used as a guide in making investment decisions by potential investors. Earnings quality describes the level of comparison of net income published in the financial statements with actual earnings, so that it can reflect the earnings quality of the company's true financial performance without manipulating Ayem & Mison (2022; 626).

According to Kasmir (2019: 28-30) in general there are five types of financial statements, namely:

1. Balance sheet is a report that shows the company's financial position on a certain date.
2. Income statement (income statement) is a financial report that describes the company's operating results in a certain period. The income statement shows the amount of revenue and the sources of income earned. Then it also illustrates the amount of costs and types of costs incurred during a certain period.
3. Statement of changes in capital, is a report that contains the amount and type of capital owned at this time. Then, this report also explains the changes in capital and the causes of capital changes in the company.
4. Cash flow statement, is a report that shows all aspects related to the company's activities either directly or indirectly affecting cash.
5. The notes to the financial statements, is a report that provides information if there are financial statements that require explanation.

Emilda (2019; 335) Capital structure can be interpreted as how an agency or it can be said that the company manages the funding system for the assets of the company with a combination process of own capital funding and corporate debt financing. Capital structure is part of the financial structure of a company. Capital structure is the company's resources obtained through various sources. This is because companies vary in their funding systems. In addition, capital structure is defined as a combination of funding chosen to finance the company's operations and performance with various sources of funds. Where in calculating the capital structure can be calculated by the Debt to Equity Ratio (DER) where this formula calculates the total debt / loan of the company divided by the total equity of the company. Tamba & Sudjiman (2021; 116-117) Capital structure is a combination of debt and equity. The company will try to choose the optimal capital structure, the optimal capital structure is the capital structure that can maximise firm value.

The need for funds to strengthen the capital structure of a company can be sourced from internal and external sources, provided that the source of funds needed is sourced from places that are safe (safety position) and if used has a thrust value in strengthening the company's financial capital structure in the sense that when funds are used to strengthen the company's capital structure, the company is able to control the capital effectively and efficiently and on target. The optimal capital structure of a company is a combination of debt and

equity that provides maximum return for the company owner. The optimal capital structure must be in the balance between risk and optimal return that maximises the return for the owner of the company.

According to Riyanto cited in Harahap (2020; 13), the components of the capital structure are composed of foreign capital and equity capital, the following is a complete explanation:

a. Debt

Foreign capital or debt is capital that comes from outside the company that is temporarily working in the company and for companies related capital is a debt that must be paid in due time. At the time of decision making on the use of this debt must be considered the cost of the form of interest that will cause the higher the financial leverage and the more uncertain the rate of return for ordinary shareholders, foreign capital or debt can be divided into three types, namely:

- a. Short-term debt is foreign capital with a maximum repayment period of one year. Short-term debt consists of trade credit, which is credit that is needed to keep the company running.
- b. Medium-term debt is debt with a payback period of more than one year or less than ten years. Medium-term debt is divided into two, namely *term loans* and *leasing term loans*.
- c. Long-term debt, is debt whose return is around 10 years. Forms of long-term debt include bond loans and mortgage loans. Bond loans are loans over a long period of time, for debtors to issue debt recognition letters that have a certain nominal value. A mortgage loan is a long-term loan in which the lender (creditor) is granted a mortgage right in an immovable property, so that if the debtor does not fulfil its obligations, the goods can be sold and the proceeds from the sale are used to cover the bill.

b. Equity

Equity is capital that comes from the owner of the company and is invested in the company for an indefinite period of time. Own capital is expected to remain in the company for an indefinite period of time. Therefore, equity capital in terms of liquidity is a long-term fund that is not certain in time. Own capital apart from coming from outside the company can also come from within the company itself, namely capital generated and formed by itself within the company. Own capital that comes from internal sources is in the form of profits generated by the company.

- a. Own capital can be divided into several types, among others: Share capital, is a proof of return of shares or participants in a company. There are types of share capital, namely *common stock*, *preferred stock*, *cumulativestock* and so on.
- b. Reserves, what is meant here is a reserve made from the profits earned by the company during the past vulnerable time or from the current year. Reserves included in own capital include *expansion*, working capital reserves, foreign exchange reserves, reserves to accommodate things or events that are not expected beforehand.
- c. Retained earnings, is part of the company's net profit retained by the company and not paid as dividends to shareholders usually retained earnings for a certain reporting period is calculated by reducing net income with dividends that must be paid by the company to shareholders.

Profit is the value of the difference between income and expenses that results in the amount of income greater than the burden, which is related to the company's operational activities. Profit is the net income earned by the company and has deducted taxes in one period. In a company, profit is a measure of the success of a company Windyanita (2023; 206).

According to Paranoan (2020), the definition of profit in general is the difference between revenue and expenses within a certain period of time. Profit is the difference between income and expenses if income exceeds expenses, the result is net profit. Profit is the difference between revenue and profit after deducting expenses and losses. Profit is one of the measures of operating activity and is calculated based on the accrual basis of accounting. Based on this definition, it can be concluded that profit is the difference between all revenues (revenue) and expenses (expense) that occur in a period.

Profit growth means that the company's performance is going well and it is possible to have growth in the quality of its profits. If a company has the opportunity to increase its profits, the company reflects reliable financial reports. If the company has the opportunity to grow its profits, it means that the company is good and allows it to also have the opportunity to grow the quality of its profits. Increasing profit growth illustrates the company's good condition. The profit earned is the basis for making investment decisions and planning for the next period. Profit is a crucial factor for companies, measured as the difference between operating income and costs incurred to obtain that income. An increase in profit each period is expected to support business expansion and finance future operations. Profit growth reflects the company's positive performance, where profit growth is a ratio that shows the company's ability to achieve greater net profit than the previous year.

Linkage of Capital Structure with profit

A corporate organisation's main goal is to make a profit, but in running the organisation also requires external parties to support the smooth running of activities in supporting the company's capital, the capital of a

company not only comes from the company itself but there are third parties as parties who provide capital injections in the case of investors who invest their shares in the company. Achieving the company's goal of expanding its business by expecting investment from both the private sector and the government in increasing company profits (operating profit).

According to Ansar (2017; 25) The capital structure problem is an important problem for every company, because both good and bad capital structure will affect the company's financial position. Optimal capital structure means a capital structure that can minimise the weighted average cost of capital which needs to pay attention to the proportion of the balance of the components of the funds used. Where the increase in the cost of capital will affect the company's profit, the greater the cost of capital borne by the company, the more it will reduce profits.

Larger company capital is financed by loan capital which will reduce the value of the company in the eyes of investors. The amount of company loans indicates poor quality and prospects for investors and in the future so that the company will have difficulty in attracting investors to invest, the company's concern for investors makes the company carry out earnings management where earnings management will reduce the quality of the company's earnings because earnings are not presented fairly.

2. RESEARCH METHODS

The research method used in this research is the correlational research method, which is research conducted to find the presence or absence of a relationship between two or more variables under study. The data was obtained from financial reports downloaded through the official website of PT Telekomunikasi Indonesia, Tbk for the period 2020 to 2023. The data was then analysed using the formula below:

1. *Debt to Equity Ratio* (DER) in percentage.

$$\text{Struktur Modal DER} = \frac{\text{Modal Pinjaman (total hutang)}}{\text{Modal sendiri} + \text{modal pinjaman (total hutang)}}$$

2. PER in percentage

$$\text{PER} = \frac{\text{Harga Pasar Saham}}{\text{Laba Per Lembar Saham}}$$

After obtaining the percentage of capital structure and firm value, the effect of capital structure and firm value was analysed using SPSS 20.

3. RESEARCH RESULTS

1. Comparison of Own Capital and Loan Capital Structure

To find out the comparison between the structure of own capital and loan capital, the following can be seen the comparative condition of the capital structure owned by PT Telekomunikasi Indonesia Tbk.

Table 2. Capital Structure of PT Telekomunikasi Indonesia Period 2020-2023

Year	Equity	Debt	Capital
2020	120.889	126.054	246.943
2021	145.399	131.785	277.184
2022	149.262	125.930	275.192
2023	156.562	130.480	287.042

Sourcer:Idx Financial Statement PT Telkom

From the table above, the capital structure, especially at PT Telekomunikasi Indonesia, shows that equity capital continues to increase from 2020 to 2022, this shows that the company is able to reduce the cost of capital. while borrowed capital increased in 2021 but the following year it decreased, namely 125,930.

2. Capital Structure Analyze by DER

According to (Isnaeni et al., 2021) capital structure is a comparison or balance of the company's long-term funding as indicated by the ratio of long-term debt to equity. This study uses the measurement of Capital Structure with DER (Debt to Equity Ratio) is a ratio to measure the Company's ability to recover debt costs through its own capital, as measured by the ratio between total debt and total capital. This research also refers to previous research that uses DER to calculate Capital Structure. From the above interpretation, the development of capital structure (Debt to Equity Ratio) can be described in the following table:

Tabel 3. Capital Structure Trends (Debt to Equity Ratio) PT Telekomunikasi Indonesia Tbk. Quarterly(2020-2023).

Year	Quarterly	DER (Rp)	Up (%)	Down (%)
2020	I	0.92	-	-
	II	0.19	-	79.35
	III	0.45	136.84	-
	IV	0.52	15.56	-
2021	I	0.51	-	1.92
	II	0.59	15.69	-
	III	0.51	-	13.56
	IV	0.48	-	5.88
2022	I	0.46	-	4.17
	II	0.49	6.52	-
	III	0.47	-	4.08
	IV	0.45	-	4.26
2023	I	0.43	-	-
	II	0.51	18.60	-
	III	0.45	-	11.76
	IV	0.45	-	-

Source : Financial Statement PT. Telkomsel Tbk (2020-2023)

The table explains that in 2020, DER experienced significant variations, ranging from 0.92 in the first quarter to 0.52 in the fourth quarter, showing considerable fluctuations in the use of borrowed capital compared to equity. 2021 showed an overall downward trend in DER, although there were some quarters with minor increases. The year 2022 shows greater stability in DER, with more moderate fluctuations than the previous year. This data reflects the company's financial strategy of using debt to support their growth and operations throughout the period.

3. Analysis of Profit Acquisition at PT Telekomunikasi Indonesia Tbk

Price Earning Ratio (PER) is one of the approaches often used by securities analysts to value a stock or is a comparison between the market price of a stock (market price) and the earnings per share (EPS) of the stock concerned. This approach is based on the ratio between the share price per share prevailing in the capital market and the level of net profit available to shareholders.

A high Price Earning Ratio (PER) does not necessarily reflect good performance, because a high PER can be caused by the company's average profit growth. A high Price Earning Ratio (PER) shows good prospects for the share price, but the higher the risk. A low Price Earning Ratio (PER) can also mean high company profits and high dividend potential. Price Earning Ratio (PER) can be calculated by dividing the share price by earnings per share. Data regarding the share price with earnings per share at PT Telekomunikasi Indonesia Tbk per quarter since 2020-2023 can be seen in the following table:

Table 4. Data on Closing Price and Earnings per Share per Quarter of PT Telekomunikasi Tbk. During the Last Three Years (2020-2023)

Year	Quarterly	Share Price	Earning Per Share
2020	I	Rp 3.160	59,17
	II	Rp 3.050	110,83
	III	Rp 3.560	168,37
	IV	Rp 3.310	210,01
2021	I	Rp 3.420	60,71
	II	Rp 3.150	125,69
	III	Rp 3.690	190,51
	IV	Rp 3.750	249,94
2022	I	Rp 4.580	61,76
	II	Rp 4.000	134,36
	III	Rp 4.460	167,38
	IV	Rp 3.750	209,49
2023	I	Rp. 4.250	65.85
	II	Rp. 3.720	128.77
	III	Rp. 3.490	196.84
	IV	Rp. 3.960	247.92

Source: Idx Financial Statement PT Telkom 2024

From the above interpretation, the development of the Price Earning Ratio can be described in the following table:

Table 5. Trend of Capital Structure (PER) of PT Telekomunikasi Indonesia Tbk. Per Quarter for Three Years (2020-2023)

Year	Quarterly	PER (times)	Up (%)	Down (%)
2020	I	53,4	-	-
	II	27,49	-	48.52
	III	15,2	-	44.72
	IV	54,52	258.68	-
2021	I	56,33	3.32	-
	II	25,06	-	55.50
	III	19,36	-	22.74
	IV	15	-	22.56
2022	I	25,06	67.07	-
	II	29,77	18.80	-
	III	26,64	-	10.51
	IV	17,9	-	32.83
2023	I	65.53	-	-
	II	28.88	-	55.92
	III	17.73	-	38.60
	IV	15.97	-	9.92

Source: Idx Financial Statement PT Telkom 2024

The table above shows the development of the company's Price Earning Ratio (PER) from 2020 to 2023 per quarter, complete with percentage increases and decreases. In 2020, the PER experienced significant fluctuations, with a sharp decline from 53.40 times in the first quarter to 15.20 times in the third quarter, then jumped to 54.52 times in the fourth quarter. 2021 showed a general downward trend, although there was a small increase in the first quarter. The year 2022 started with an increase in PER, but overall the year showed more moderate fluctuations than the previous two years, with a significant drop in the fourth quarter from 26.64 times to 17.90 times. This data illustrates the variability of the share price to the company's net profit in each quarter, reflecting dynamic market conditions and company performance.

a. The Effect of Capital Structure on Profit at PT Telekomunikasi Indonesia

1. Simple Regression Test

This method is used to analyse the magnitude of the relationship and influence of the independent variable, namely Capital Structure (X) on the dependent variable, namely profit (Y). The general equation of simple regression is $Y = a + bx$, each component of a and b is obtained by the least squares method using the SPSS program.

Table 6. Results of Simple Linear Regression Data Analysis and T-test
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	3207.560	1922.433		1.668	.126
	Struktur Modal	18.523	36.498	.158	4.507	.023

a. Dependent Variable: Laba

Based on the table above, the simple regression formula can be obtained, namely

$$Y = 3207.560 + 18.523X.$$

From the equation, it can be seen that each addition of the independent variable of capital structure affects the profit. The interpretation of the regression above is as follows:

- 1) Constant (a)
The constant value of 3207.560 rupiah which means that if the capital structure (X) means zero then the profit (Y) of 3207.560 times.
- 2) Turnover of Capital Structure (X) to Profit (Y)
The coefficient value of capital structure for variable X is 18.523 rupiah and positive sign. This implies that every one rupiah increase in capital structure, the profit variable will increase by 18.523 times and vice versa.

a. Correlation Test

Correlation is an analytical technique included in one of the measures of association techniques. To see the effect of Capital Structure on profit, correlation analysis is used.

Table 7. SPSS Output Test Coefficient of Determination
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.556 ^a	.309	-.072	1962.325

a. Predictors: (Constant), Struktur Modal

Based on the correlation table above, the R Square value is 0.309 which means that the relationship between capital structure and profit is in the weak category. For the coefficient of determination (r^2), it is 0.309 or 30.9%, which means that the capital structure has an effect of 30.9% on profit and the rest is influenced by other variables.

2. Partial Significance Test (t-test)

The t test is used to determine whether the independent variable partially has a real effect or not on the dependent variable. The degree of significance used is 0.05. If t_{count} is greater than t_{table} , then H_0 is rejected and H_1 is accepted and if t_{count} is smaller than t_{table} , then H_0 is accepted and H_1 is rejected. The presentation of the proposed hypothesis is if t_{count} is greater than t_{table} , then it can be said that the capital structure (X) has an effect on profit (Y). based on these requirements, the effect of capital structure on profit can be explained based on the results of the t-test analysis obtained in the table (Coefficients).

Table 8. Partial Significance Test
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3207.560	1922.433		1.668	.126
	Struktur Modal	18.523	36.498	.158	4.507	.023

a. Dependent Variable: Laba

The data in the table shows that the t_{count} is 4,507 with the t_{table} used of 2,228 so that the t_{count} value is $4,507 > 2,228$ using its significance value of 0.023 or smaller than 0.05, it can be concluded that the **capital structure has a positive and significant effect on company profits..**

In 2020, DER showed marked variations, starting from 0.92 in the first quarter and dropping to 0.52 in the fourth quarter. These fluctuations indicate a change in the strategy of using borrowed capital compared to equity, which may reflect the company's adaptation to changing external and internal conditions.

Meanwhile, PER in the same year also experienced significant movements, with the highest value of 54.52 times in the fourth quarter after falling dramatically from 53.40 times in the first quarter to 15.20 times in the third quarter. This shows the sensitivity of the share price to the company's financial performance, which is influenced by the net profit reported each quarter. The year 2021 showed an overall downward trend in PER, signalling a decline in market expectations of the company's performance at that time.

In 2022, the PER shows greater stability although there are still moderate fluctuations. Nonetheless, a significant decline was seen in the fourth quarter from 26.64 times to 17.90 times, highlighting the challenges the company faces in maintaining consistent financial performance amidst complex market dynamics.

Based on the results of the partial significance test (t-test) with a t_{count} value of 4.507 and using a t_{table} of 2.228 with a significance level of 0.023, it can be concluded that capital structure has a positive and significant effect on corporate profits.

The company's capital structure, which refers to the ratio between equity and debt capital, is a key factor in financial management that can significantly affect the company's performance and profit. There are several reasons why capital structure can have a positive and significant influence on corporate profits.

Firstly, a balanced capital structure can improve the financial efficiency of the company. By utilising the right combination of own and borrowed capital, a company can optimise its financial resources. Borrowed capital, for example, can be used to invest in projects that have the potential to generate high returns, while equity capital can be used to maintain stability and reduce high finance costs.

Secondly, the right capital structure can also affect a firm's cost of capital. If the company is able to utilise loans at lower interest rates than the potential return on investment generated, this can increase overall profitability. Efficient use of debt can help increase the firm's leverage in generating profits that are greater than the interest costs incurred.

Third, a healthy capital structure can increase the value of the firm in the long run. Investors tend to see a good capital structure as an indication of competent financial management and sustainable strategy. By having enough equity capital to sustain day-to-day operations and well-managed borrowed capital for growth, the company can give investors confidence that the profits generated can be maintained or increased over a longer period of time.

Finally, an effective capital structure can provide the necessary financial flexibility in the face of economic challenges or market changes. By having good access to borrowed capital that is appropriate to current market conditions, the company can be more responsive to new opportunities or urgent needs that may arise. This flexibility can help companies to remain competitive and sustainable in a dynamic business environment.

Overall, careful management of the capital structure is not only important to optimise the company's current financial performance, but also to build a solid foundation for long-term growth and sustainability. By carefully considering all these factors, a company can effectively maximise its profit potential and corporate value.

4. CONCLUSION

Based on the results of the study, it can be concluded that the results of the partial significant test (t-test), the t-count value of 4.507 using the t table value of 2.228 and a significance level of 0.023 indicate that the capital structure has a positive and significant effect on PT Telekomunikasi Indonesia Tbk's profit. This finding indicates that the relationship between capital structure management, which includes the use of own and borrowed capital, has an impact that does not occur by chance alone on the company's financial performance.

Based on the conclusion obtained from the partial significant test, there are several suggestions that can be given as an implication of the results of this study:

- 1) For the Company (PT. Telekomunikasi Indonesia Tbk)
The company is advised to pay more attention to the evaluation of its capital structure. By considering the finding that capital structure has a positive and significant influence on the company's profit, the company can make strategic adjustments to improve the efficiency of using own capital and loan capital. This is expected to support the achievement of better profits in the coming years.
- 2) For Investors
The results of this study can provide a clearer picture of how the company's capital structure (PT. Telekomunikasi Indonesia Tbk) impacts the company's financial performance and profit. For investors, it is important to be careful in assessing how this capital structure can affect the potential return on their investment. By understanding this, investors can make more informed investment decisions and optimise their potential investment returns.
- 3) For Future Researchers
For researchers interested in further exploring the same topic, it is recommended to consider research with a longer time span. By looking further into how capital structure impacts over a longer period of time, it will provide a more comprehensive insight into the relationship between capital structure and firm performance. This can make a valuable contribution in the further development of financial management theory and practice.

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