

ABSTRACT

The continuous development of financial technology, or Fintech, has given rise to P2P Lending, which facilitates the connection between lenders and borrowers on a digital platform. P2P Lending is the fastest growing type of Fintech in Indonesia. However, a significant proportion of Fintech Lending companies that are consistently registered with OJK for the 2019-2022 period have not yet achieved optimal profitability. This is reflected in the ROA values of these companies, which are dominated by negative ROA values. Therefore, it is important to identify the factors that affect the profitability of Fintech Lending companies in Indonesia in order to enhance the profitability of these companies.

The purpose of this study is to reveal what are the main components that affect the profitability of companies consistently registered with the OJK for the period 2019-2022, based on 18 independent variables tested. Then, this study will analyze how much influence the found main components have on the profitability of the companies.

In determining the research sample, researchers employed the purposive sampling method, a non-probability sampling technique. The sample for this study consisted of 45 companies in each of the years 2019, 2020, 2021, and 2022. Subsequently, the principal component analysis (PCA) method was employed to identify the principal factors influencing company profitability, with multiple linear analysis subsequently employed to determine the extent of their influence on company profitability.

The findings of this study reveal that liquidity, solvency, and activity ratios are the primary factors that must be evaluated in assessing the profitability of Fintech lending companies in Indonesia. Moreover, the variables of current ratio, cash ratio, working capital turnover, debt to assets ratio, short-term debt ratio, equity multiplier, total assets turnover, fixed assets turnover, tangible assets ratio, and effective tax rate are the variables that represent the principal components that significantly affect the profitability of Fintech lending companies in Indonesia.

This research is useful for academics, further research, Fintech lending companies, and stakeholders of Fintech lending companies. The researcher's recommendation for future research that examines the topic of company profitability is to investigate additional variables that are believed to influence company profitability. For companies and stakeholders of Fintech lending companies, researcher suggest considering liquidity indicators, solvency structures, and operational efficiency before making decisions related to the profitability of Fintech lending companies in Indonesia.

Keyword: *principal component analysis, company characteristics, profitability, activity ratio, liquidity ratio, solvency ratio*