Debt Financing and Firm Performance on Manufacturing Companies Listed on the IDX

Dian Ratu Hayati[1], Maisya Liztiara[2], and Susy Muchtar[3]
[1,2,3] Faculty of Economics and Business , Trisakti University Jakarta

Email address:
dianratu14@gmail.com , liztiaramaisya@gmail.com , susy_muchtar@trisakti.ac.id

Abstract: In this period, the manufacturing sector itself recorded a growth of 6.91% despite being under pressure due to the COVID-19 pandemic. Therefore, this study was conducted to determine the effect of debt financing and firm performance on manufacturing companies. The sample used was 21 companies listed on the Indonesia Stock Exchange for the period 2016 - 2020. The sampling technique used was purposive sampling and the analytical method used was panel data regression. The results of this study state that the Short term debt ratio (STDA) has no effect on Return on Assets , Long term debt ratio (LTDA) has a negative and significant effect on Return on assets, Sales Growth (GROWTH) has a positive and significant effect on Return on assets, Short term debt ratio (STDA) has no effect on Net Profit Margin, Long term debt ratio (LTDA) has a negative and significant effect on Net Profit Margin , Sales Growth (GROWTH) has a positive and significant effect on Net Profit Margin.

Keywords: Long-Term Debt, Net Profit Margin, Sales Growth, Short-Term Debt, and Return On Assets.

Abstrak: Pada periode ini, sektor manufaktur sendiri mencatatkan pertumbuhan sebesar 6,91% meski sempat tertekan akibat pandemi COVID-19. Oleh karena itu, penelitian ini dilakukan untuk mengetahui pengaruh debt financing dan kinerja perusahaan pada perusahaan manufaktur. Sampel yang digunakan adalah 21 perusahaan yang terdaftar di Bursa Efek Indonesia periode 2016 - 2020. Teknik pengambilan sampel yang digunakan adalah purposive sampling dan metode analisis yang digunakan adalah regresi data panel. Hasil penelitian ini menyatakan bahwa Short term debt ratio (STDA) tidak berpengaruh terhadap Return on Assets, Long term debt ratio (LTDA) berpengaruh negatif dan signifikan terhadap Return on assets, Sales Growth (GROWTH) berpengaruh positif dan berpengaruh signifikan terhadap Return on assets, Short term debt ratio (STDA) tidak berpengaruh terhadap Net Profit Margin, Long term debt ratio (LTDA) berpengaruh negatif dan signifikan terhadap Net Profit Margin , Sales Growth (GROWTH) berpengaruh positif dan signifikan berpengaruh pada Margin Laba Bersih.

Kata kunci: Hutang Jangka Panjang, Margin Laba Bersih, Pertumbuhan Penjualan, Hutang Jangka Pendek, dan Return On Assets.

DOI: http://dx.doi.org/10.24912/je.v27i1.848

INTRODUCTION

The company has a mission and vision to ensure a balance between equity and debt. The capital structure of each company talks about how to maximize wealth and minimize the cost of capital (Sheikh and Qureshi, 2017). Total debt or company equity is part of the capital structure used to finance operational activities and purchase company assets.

Every company has a goal to maximize the value of the company or the wealth of the owner of the company by making good financial reports. A good company's financial performance will be a benchmark for the success of the company's performance (management). Management as the party that manages the company can maximize the level of company performance by presenting good financial reports, to report the results of financial statements to shareholders. (Agustina and Pratomo, 2019).

Debt as an economic action that must be carried out by a company in the future because of previous actions or transactions. Debt is classified into two, namely current liabilities or also called short-term debt (STD), and non-current liabilities or long-term debt (LTD). Short Term Debt or term debt that has a maturity of one year. While long-term debt or debt that has a maturity period of more than one year.

Therefore a company will take a policy by way of debt, debt is one of the funding decisions that come from external. This debt policy is intended to increase the company's funds to be used to meet the company's operational needs. Debt has an important influence on the company because apart from being a source of funding for expansion, debt can also be used to reduce agency conflicts. The availability of sources of funds and capital greatly affects the survival and development opportunities of a company.

Companies will need large funds to fund a company's capital expenditures. This funding source can be obtained in two ways, namely from internal and external sources, internal sources namely retained earnings while external sources by making loans in the form of debt or issuing shares in the capital market. Debt can increase the value of a company. In addition, the use of debt can also increase risk. Companies that use debt to fund companies and are unable to pay off their debts will be threatened with liquidity.

One thing that is closely related to company value is the company's financial performance. The company's financial performance shows the company's capability in managing the financial resources owned by the company. Good financial performance is indicated by how high the company is in generating profits for the company. The company's ability to be able to create high profits has a positive impact on the company. The company becomes more attractive in the eyes of investors so that it can affect the company's stock price. This is in accordance with research conducted by (Putri and Suwitho, 2015), (Wijaya and Linawati, 2015), and (Heder and Priyadi, 2017) which states that financial performance has a significant effect on firm value.

Based on the background explanation above and previous research conducted by (Aamir et al., 2021) shows that short-term and long-term debt are negatively and significantly related to financial performance. Therefore, researchers are interested in re-examining in Indonesia so that this study is entitled "The Effect of Debt Financing and Firm Performance on Manufacturing Companies Listed on the IDX".

THEORITICAL REVIEW

Short Term Debt . Short term debt is a company's obligation that will mature in one year or less, including other debts whose maturities are included in the current cycle. Based on the matching principle, the company will use its short-term debt for short-term purposes such as the company's operational costs, so that the higher short-term debt will increase working capital in order to increase the company's productivity. (Agiomirgianakis et al., 2015).

Long Term Debt . Long Term Debt is a source of debt financing that is often used in large companies, long term debt is a requirement that many financial institutions take deposits (Foyeke et al., 2016).

Sales Growth . Sales Growth is used to see the progress of how much sales increase that occurs in the company every year and this can motivate managers to earn profits (Sari et al., 2016).

Return On Assets . According to (Jufrizen and Maya, 2019) Return On Assets is a measuring tool or ratio used by each company to assess the level of net income to the company's total assets. Return on Assets need to be reviewed by investors in investing in stocks, because Return on Assets has a role as an indicator of the company's efficiency in using assets to earn profits.

Net Profit Margins. According to a book entitled Fundamentals of Financial Management (Eugene et al., 2018), Net Profit Margin is a measuring tool or ratio used to measure Net Income in units of currency value from Sales obtained by the company. Net Profit Margin is calculated by dividing Net Income by Sales.

Conceptual Framework. In a company, the calculation of Net Profit Margin becomes a benchmark for how well the company manages the available sources of funds to generate profits from each capital spent to achieve certain sales targets. Companies with large sales do not always mean that the Net Profit Margin of the company is considered proportional. This is because the Net Profit Margin tries to show how big a part of the sales can be recognized as profit. When a company has reached a larger production position, it will need capital to be able to support its efforts. Debt Financing with careful planning and understanding can be used as a source of external funds. Shows that short-term debt tends to increase the probability of bankruptcy and financial distress compared to long-term debt . But on the other hand, there are still many companies that depend on the Short-term Debt option even though they know the consequence is that there must be a commitment to be able to pay off the payment of the proposed Debt for no more than 1 year.

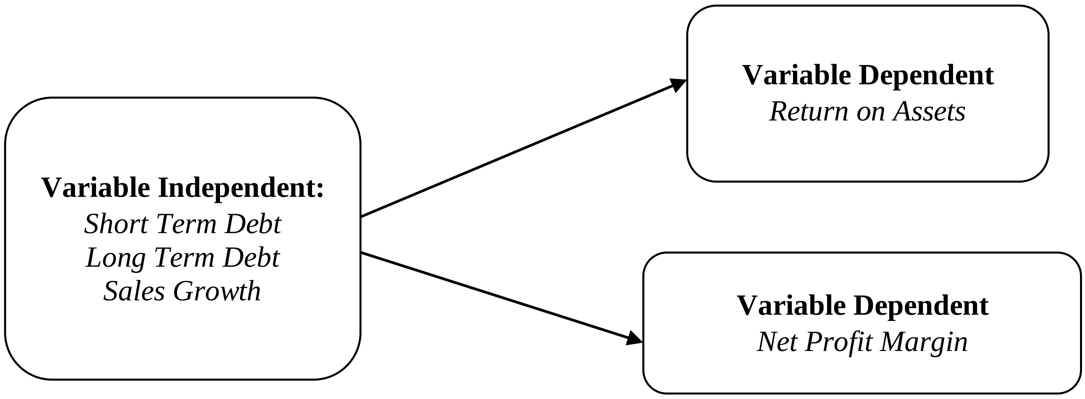

Figure 1. Conceptual Skeleton Chart

Hypothesis Development. Profit-debt relationship in non-financial sector companies listed and according to the authors' criteria on PSX (Pakistan Stock Exchange) , the results of the study claim a negative but significant relationship between debt and profitability . tested different profitability ratios to determine the impact of debt and found mixed results, because debt does not significantly affect all profitability variables.

H1: Short Term Debt has a positive effect on Return on Assets.

(Chaiporn and Jittima, 2015) argue that profits are negatively related to debt for Nigerian firms; when debt increases, company profitability decreases and vice versa. However, some sectors show the opposite result, showing that their profitability increases with a decrease in the debt ratio. Show that short-term liabilities, more than long-term commitments, tend to increase the likelihood of bankruptcy and financial distress. However, a company that relies heavily on such liabilities will not affect its risk-adjusted returns.

H2: Long Term Debt has a negative effect on Return on Assets .

Another study by (Chaiporn and Jittima, 2015) also confirmed the relationship between sales growth and profitability. They argue that sales growth is an important variable in increasing business profits. However, the empirical results show direct and significant results and support the proposition that increased sales from the previous year will increase earnings, for shareholders, in increasing dividends.

H3: Sales Growth has a Positive effect on Return On Assets.

(Chaiporn and Jittima, 2015) show that short-term liabilities, more than long-term commitments, tend to increase the likelihood of bankruptcy and financial distress.

H4: Short Term Debt has a negative effect on Net Profit Margin.

Several studies show mixed results for NPM and firm performance (Agiomirgianakis et al., 2015). This study extends the previous literature by exploring the relationship between long-term and short-term debt and NPM.

H5: Long Term Debt has a negative effect on Net Profit Margin .

A study conducted by (Eni et al., 2020) states that sales growth has a significant effect on Net Profit Margin (NPM), meaning that if sales growth increases, it will cause an increase in Net Profit Margin (NPM).

H6: Sales Growth has a Positive effect on Net Profit Margin .

METHODS

Variables and Measurements. The dependent variable is the variable that is influenced by the independent variable. The dependent or dependent variables in this study are Return On Assets (ROA) and Net Profit Margin (NPM). sales growth. (Nazir et al., 2021).

Table 1. Variable Measurement

Variable Type	Variable Name	Measurement	Reference
Dependent Variable	Return on Assets	$\frac{\text{Net Profit Before Tax}}{\text{Total Assets}}$	Nazir, Azam and Khalid, 2021
	Net Profit Margin	$\frac{\text{Net Profit After Tax}}{\text{Total Sales}}$	Nazir, Azam and Khalid, 2021
Independent Variable	Short – Term Debt	$\frac{\text{Short Term Debt}}{\text{Total Assets}}$	Nazir, Azam and Khalid, 2021
	Long – Term Debt	$\frac{\text{Long Term Debt}}{\text{Total Assets}}$	Nazir, Azam and Khalid, 2021
	Sales Growth	$\frac{\text{Net Sales}}{\text{Net Fixed Assets}}$	Nazir, Azam and Khalid, 2021

Sampling Method. The sampling method used by the researcher is purposive sampling, namely the sampling method taken based on the provisions determined by the researcher, where the population to be used as the research sample is a company that complies with predetermined criteria. The sample in the study includes the Consumer Goods sector companies listed on the Indonesia Stock Exchange in the 2016-2020 period with a total sample of 21 companies that meet the following criteria: first, the research sample used is a Consumer Goods sector company listed on the Indonesia Stock Exchange in For the 2016-2020 period, the two researchers took Consumer Good Manufacturing Companies that did not experience delisting during 2016 – 2020, and furthermore, the researchers took Consumer Goods sector companies that had complete financial reports and were in accordance with the provisions and needs of variable data to be used in the stated research. in rupiah.

Research Regression Methods. Research methods that are in accordance with the title of this research can be explained systematically, following the explanation of some of the relationship variables:

$ROA_{it} = + {}_{1} STDA_{it} + {}_{2} LTDA_{it} + {}_{4} SG_{it} + {}_{it}$ ....(1)
$NPM_{it} = + {}_{1} STDA_{it} + {}_{2} LTDA_{it} + {}_{4} SG_{it} + {}_{it}$ ....(2)

Description:
ROA_{it} (Y1) = Return On Assets
NPM_{it} (Y2) = Net Profit Margin
$STDA_{it}$ (X1) = Short Term Debt
$LTDA_{it}$ (X2) = Long Term Debt
SG_{it} (X3) = Sales Growth
${}_{it}$ = Error Team

RESULT

Results of Descriptive Statistical Analysis. Descriptive statistical analysis is used to describe the summary of research data that contains the minimum, maximum, mean , and standard deviation values. The minimum value is the lowest value for each variable, while the maximum value is the highest value for each variable. The mean value to show the average value of each research variable. Standard deviation is used to represent the distribution of research data that shows whether it is homogeneous or heterogeneous which is fluctuating. The results of the descriptive statistical analysis of this research can be described as follows:

Table 2. Descriptive Statistical Analysis Results

	STDA	LTDA	GROWTH	ROA	NPM
mean	0.241602	0.165572	0.063129	0.093996	0.082333
median	0.223200	0.135200	0.051850	0.069900	0.074700
Maximum	0.583000	0.529400	1.598300	0.526700	0.390000
Minimum	0.000300	0.000100	-0.644700	-0.243500	-0.616400
Std. Dev.	0.140519	0.145245	0.262620	0.132640	0.150192
Observations	100	100	100	100	100

Source: Data Panel Regression Eviews Output 10.0

Based on the descriptive statistical analysis in Table 4.1 described above, it can be concluded from the interpretation results as follows:

Short Term Debt variable obtained from the data above which has an average value (mean) of 0.241602 while the standard deviation is 0.140519. The minimum value of Short Term Debt has a value of 0.000300. the above data is the result of PT . Inti Agri

DOI: http://dx.doi.org/10.24912/je.v27i1.848

Resources Tbk in 2020 , while the maximum value of 0.583000 is owned by PT. Sido Muncul's Herbal and Pharmaceutical Industry Tbk in 2018.

The two researchers tested the Long Term Debt variable obtained from the data above which has an average value (mean) of 0.165572 and a standard deviation of 0.145245 . when viewed from the minimum value of Long Term Debt of 0.000100 which is owned by PT Pratama Abadi Nusa Industri Tbk in 2016 , while the maximum value of 0.529400 is owned by PT. Sido Muncul's Herbal and Pharmaceutical Industry Tbk in 2018.

The three researchers tested the Sales growth variable obtained from the data above which has an average value (mean) of 0.063129 and a standard deviation of 0.262620 . The minimum sales growth value of -0.644700 is owned by PT. Inti Agri Resources Tbk in 2017 , while the maximum value of 1,598300 is owned by PT. Inti Agri Resources Tbk in 2016.

The four researchers tested the Return On Assets variable obtained from the data above which has an average value (mean) of 0.093996 and a standard deviation of 0.132640 . The minimum value of Return On Assets of -0.243500 is owned by PT Prima Cakrawala Abadi Tbk in 2016 , while the maximum value of 0.526700 is owned by PT. Sido Muncul's Herbal and Pharmaceutical Industry Tbk in 2018.

The five researchers tested the Net Profit Margin variable obtained from the data above which has an average value (mean) of 0.082333 and a standard deviation of 0.150192 . The minimum value of Net Profit Margin of -0.616400 is owned by PT. Inti Agri Resources Tbk in 2020 , while the maximum value of 0.390000 is owned by PT. Inti Agri Resources Tbk in 2019.

Test Chow Test. The results of the chow test have two options that must be determined, namely the common effect or the fixed effect . In this study, the chow test is useful to determine which model is better and more appropriate. While the Chow test is based on the null hypothesis where there is no individual heterogeneity and an alternative hypothesis where there is heterogeneity in the cross-section. The hypothesis in the chow test can be stated as follows:

H0: The right model is common effect
Ha: The right model is fixed effect

The decision making criteria:
a. If the cross-sectional probability of chi-square <0.05, H0 is rejected
b. If the cross–section probability of chi-square > 0.05, H0 is accepted

Table 3. Chow Test Results

Dependent	Chi-square	Prob	Decision
ROA	196.320706	0.0000	Rejected H_0 , Fixed Effect selected
NPM	136.766886	0.0000	Rejected H_0 , Fixed Effect selected

Source: Data Panel Regression Eviews Output 10.0

Hausman Test. The results of the Hausman test have two options that must be determined, namely random effects or fixed effects . In this study, the Hausman test is used to determine which model is better and more appropriate. The hypothesis in the Hausman test can be stated as follows:
H0: The right model is random effect
Ha: The right model is fixed effect

The decision making criteria:

a. If the cross-section probability of random < 0.05, H0 is rejected
b. If the cross-section probability of random > 0.05, H0 is accepted

Table 4. Test Hausman

Dependent	Chi-square	Prob	Decision
ROA	1.712020	0.6343	Accepted H_0, Random Effect is selected
NPM	1.991626	0.5741	Accepted H_0, Random Effect is selected

Source: Data Panel Regression Eviews Output 10.0

Based on table 3 the results of the chow test , the results show that model 1 (Y=ROA) has a cross section probability value. Chi-square is 0.0000 < 0.05, then the decision obtained is H0 is rejected so that the model used is Fixed effect . If the chosen model is a model of Fixed effect , then further testing is needed using the Hausman test to test whether to use the fixed effect or random effect model .

Based on table 3, the results of the chow test , the results show that model 2 (Y=NPM) has a Chi-square cross section probability value of 0.0000 < 0.05, so the decision obtained is H0 is rejected , so the model used is Fixed effect . If the model chosen is a model of Fixed effect , then further testing is needed using the Hausman test to test whether to use the fixed model. effects or random effects.

Test Results F . Based on the results of Model 1 testing, it can be seen that the probability F statistic produces a value of 0.000000 <0.05. Therefore, the results of the analysis in this study indicate that the independent variables, namely the ratio of short-term debt, long-term debt ratio and sales growth have an effect on return on assets so that the regression model is feasible to use. in this research.

Table 5. Test F

Dependent	F-Statistics	Prob	Decision
ROA	24.05537	0.000000	Rejected H_0
NPM	12.04433	0.000000	Rejected H_0

Source: Data Panel Regression Eviews Output 10.0

DOI: http://dx.doi.org/10.24912/je.v27i1.848

Based on the results of model 2 testing, it can be seen that the probability of the F statistic produces a value of 0.000000 <0.05. Thus, the results of the analysis in this study indicate that together the independent variables, namely the short-term debt ratio, long-term debt ratio and sales growth have an effect on the net profit margin so that the regression model is feasible to be used in this study.

Goodness of Fit Test Results. The Goodness of Fit test aims to determine how much influence the independent variable has in explaining the dependent variable. This test was analyzed through the adjusted R2 value (0 < adjusted R2 <1) in the panel data regression model. The decision making criteria:
(1)If the adjusted R2 value is close to 1, then the influence of the independent variable in explaining the dependent variable is getting stronger. That is, there is a strong relationship between the independent and dependent variables; (2) If the adjusted R2 value is close to 0, then the influence of the independent variable in explaining the dependent variable is getting weaker. That is, there is a weak relationship between the independent and dependent variables.

Table 6. Test Fit (Adjusteed R^2)

Dependent	R2 -	Adjusted R^2
ROA	0.872983	0.836692
NPM	0.774838	0.710505

Source: Data Panel Regression Eviews Output 10.0

Based on the results of the goodness of fit test in model 1, the adjusted r-square value is 0.836692. This is because the independent variables, namely the short-term debt ratio, long-term debt ratio and sales growth, are able to explain the return on variance assets of 83.6692% and the remaining 16.3308% explained that the return on assets can be affected by other people. Factors not included in this model. So that there is a strong influence between the independent variables, namely the ratio of short-term debt, long-term debt ratio, and sales growth on return on assets.

Based on the results of the goodness of fit test in model 2, the adjusted r-square value is 0.710505. This is because the independent variables, namely the short-term debt ratio, long-term debt ratio and sales growth are able to explain the variance in the net profit margin of 71.0505% and the remaining 28.9495% explains that the net profit margin can be influenced by other factors that are not included. in this model. So that there is a strong influence between the independent variables, namely the ratio of short-term debt, long-term debt ratio, and sales growth on the net profit margin.

DISCUSSION

Descriptive Statistical Analysis. Based on descriptive statistical analysis of the data that has been inputted, the interpretation results can be described as follows:

DOI: http://dx.doi.org/10.24912/je.v27i1.848

Short Term Debt variable has an average value (mean) of 0.241602 and a standard deviation of 0.140519. The minimum value of Short Term Debt of 0.000300 is owned by PT. Inti Agri Resources Tbk in 2020, while the maximum value of 0.583000 is owned by PT. Sido Muncul's Herbal and Pharmaceutical Industry Tbk in 2018.

Long Term Debt variables have an average value (mean) of 0.165572 and a standard deviation of 0.145245. The minimum value of Long Term Debt of 0.000100 is owned by PT Pratama Abadi Nusa Industri Tbk in 2016, while the maximum value of 0.529400 is owned by PT. Sido Muncul's Herbal and Pharmaceutical Industry Tbk in 2018.

Sales growth variables have an average value (mean) of 0.063129 and a standard deviation of 0.262620. The minimum sales growth value of -0.644700 is owned by PT. Inti Agri Resources Tbk in 2017, while the maximum value of 1,598300 is owned by PT. Inti Agri Resources Tbk in 2016.

The four Return On Assets variables have an average value (mean) of 0.093996 and a standard deviation of 0.132640. The minimum value of Return On Assets of -0.243500 is owned by PT Prima Cakrawala Abadi Tbk in 2016, while the maximum value of 0.526700 is owned by PT. Sido Muncul's Herbal and Pharmaceutical Industry Tbk in 2018.

Net Profit Margin variable has an average value (mean) of 0.082333 and a standard deviation of 0.150192. The minimum value of Net Profit Margin of -0.616400 is owned by PT. Inti Agri Resources Tbk in 2020, while the maximum value of 0.390000 is owned by PT. Inti Agri Resources Tbk in 2019.

Table 7. Descriptive Statistical

Variable	**Maximum**	**Minimum**	**mean**	**Std. Dev.**
Return On Assets	1.98899	-0.21398	0.107092	0.212457
Short-Term Debt	2.85059	0.02399	0.316395	0.301157
Long-Term Debt	1.27017	0.00470	0.135108	0.156082
Tangibility	4.65410	0.05920	0.369289	0.366639
Sales Growth	1.45867	-0.99874	0.036393	0.222273
Firm Size	13.63310	4.14273	10,57073	2,421962

Based on hypothesis testing using the t-test (individual test) in Table 4.2, the effect of each independent variable on the dependent variable can be explained as follows:

H1: Short term debt ratio (STDA) has a significant effect on Return on Assets.

The regression test in this study concludes that the short term debt ratio (STDA) has no effect on return on assets . This means that the company 's short - term debt will not affect the company 's profitability as measured by return on assets . This means that in this study a lot or at least the short-term debt owned by the company will not affect the profits to be obtained from its total assets. This means that manufacturing companies in the consumer goods sub-sector have no influence in managing their short-term debt.

H2: Long term debt ratio (LTDA) has a significant effect on Return on Assets.

The regression test in this study concludes that the long-term debt ratio (LTDA) has a negative and significant effect on return on assets . This means that in this study the effect of long-term producer debt on the consumer goods subsector will be inversely proportional to the income from its total assets. Because the longer the long-term debt owned by a company, the longer the obligation to pay off the debt, and if the company has ever been at a low profit level, it will be difficult to pay off the debt and will have an impact on profits.

H3: Sales Growth (GROWTH) has a significant effect on Return on assets.

The regression test in this study gives the result that GROWTH has a positive and significant effect on return on assets . The positive and significant influence can be explained that the company's sales growth volume will increase the company's profitability. This means that in this study the higher the sales growth of a manufacturing company which is included in the consumer goods sub-sector, the greater the profit from the total assets it obtains.

H4: Short term debt ratio (STDA) has a significant effect on Net Profit Margin.

The regression test in this study concluded that the short term debt ratio (STDA) had no effect on the net profit margin . There is no impact in this study which shows that the existence of short-term debt owned by a company does not affect the profit generated from its sales due to the higher operating margin value due to higher operating costs or the negative impact of using large debt.

H5: Long term debt ratio (LTDA) has a significant effect on Net Profit Margin.

The regression test in this study gives the result that the long-term debt ratio (LTDA) has a negative and significant effect on net profit margins. This can be interpreted as the effect of long-term debt of manufacturing companies on the consumer goods subsector will be inversely proportional to the income derived from sales. Because the equity in the consumer goods sub-sector manufacturing company is not of high value and has no effect on the company's net profit margin.

H6: Sales Growth (GROWTH) has a significant effect on Net Profit Margin.

The regression test in this study gives the result that GROWTH has a positive and significant effect on the net profit margin . This means that in this study, the higher the sales growth of a producer in the consumer goods sub-sector, the greater the sales profit obtained. Because the net profit margin is how much profit a manufacturing company in the consumer goods subsector makes compared to the income it earns from its operating activities.

CONCLUSION

Based on the analysis and discussion that has been done, it can be concluded as follows: (1) Short term debt ratio (STDA) has no effect on Return on Assets. (2) Long term debt ratio (LTDA) has a negative and significant effect on Return on Assets. (3) Sales Growth (GROWTH) has a positive and significant effect on Return on assets. (4) Short term debt ratio (STDA) has no effect on Net Profit Margin. (5) Long term debt ratio (LTDA) has a negative and significant effect on Net Profit Margin. (6) Sales Growth (GROWTH) has a positive and significant effect on Net Profit Margin.

Implications. Based on the conclusions described above, the results of this study provide managerial implications that can be used in the business practices of many parties, including:

For Companies. The financial manager of a manufacturing company that is included in the consumer goods category can consider internal and external factors that will affect the company's profitability. If the company wants to increase profitability, the company must consider influencing factors such as net profit margins and return on assets.

For Investors. When deciding to invest or apply for a loan, investors need to pay attention to these stocks. Before making investment decisions, you should consider information on factors that affect profitability such as short-term debt ratios, long-term debt ratios, and sales growth.

For the next researcher. Can provide references and information about debt financing and company performance to readers and researchers who wish or wish to conduct research in the same field.

Limitations And Suggestions . Based on the results of the research conducted, this study has several limitations, including the following: This study only examines companies engaged in the manufacturing industry in Indonesia, the number of producers listed on the IDX is very small, and it is difficult to obtain a complete list. data in the company's annual report so that access to information becomes less. Further research is expected to add research variables so that the data used can interpret stock price risk as a whole in line with the development of the Indonesian manufacturing industry.

REFERENCES

Adriana. (2019). The Effect Of Short-Term Debt And Long-Term Debt On Net Profit Of PT Vale Indonesia Tbk On The Indonesia Stock Exchange. Journal of the Economix, Vol. 7, No. 2.

Agiomirgianakis, GM, Magoutas, AI, and Sfakianakis, G. (2015). Determinants of profitability in the Greek tourism sector revisited: The impact of the economic crisis. *Journal of Tourism and Hospitality Management* , 1 (1), 12-17.

Allozi and Obeidat. (2016). The Effect of Profitability and Firm Size on Firm Value with Capital Structure as a Mediation Variable. Asian Journal of Accounting Research

Brimantyo, Rochman, and Karima. (2019). Improving The Financial Performance Of The Company Through The Capital Structure To Increase The Value Of The Company. Journal of Business and Management Merdeka University Malang , Vol. 6, No. 1, 6-14.

Christopher. (2019). Analysis of the Effect of Capital Structure on Profitability of Consumption Sector Companies Listed on the Indonesia Stock Exchange for the 2014-2016 Period. Journal of Business Management and Entrepreneurship, Vol. 3. No.4. July – 2019: 25-31.

Chaiporn Vithessonthi and Jittima Tongurai. (2015). The Effect of Leverage on Performance: Domestically-Oriented vs. Internationally-Oriented Firms. DOI:10.1016/j.ribaf.2015.02.016.

Dioha, CU, and Kamaluga, A. (2017). Effect of Debt Financing on Profitability of Listed Agricultural Companies in Nigeria. The International Journal of Research Publications, Vol. 06, No. 11.

Dioha, CU, and Kamaluga, A. (2017). Effect of Debt Financing on Profitability of Listed Agricultural Companies in Nigeria. The International Journal of Research Publications, Vol. 06, No. 11.

Eni Nurwati; Untung Sriwidodo; Dorothea Ririn Indriastuti. (2020). Pengaruh Working Capital Turnover, Sales Growth Dan Cash Turnover Terhadap Net Profit Margin Pada Perusahaan Manufaktur Subsektor Logam Dan Sejenisnya. Jurnal Ekonomi Dan Kewirausahaan. Vol. 20 No. 2 (2020).

Eugene F. Brigham, Joel F. Houston ; penerjemah, Novietha Indra Sallama, Febriany Kusumastuti ; supervisor editor, Masykur, M. Dasar-dasar manajemen keuangan. Edisi Edisi 14. Penerbitan Jakarta : Salemba Empat, 2018.

Foyeke, Obigbemi Imoleayo; Olusola, Faboyede Samuel; and Aderemi, Adeyemo Kingsley. (2016). Financial structure and the profitability of manufacturing companies in Nigeria. *S* 2(3), 56-63. https://www.um.edu.mt/library/oar//handle/123456789/26103.

Goddess. (2014). Analysis Of The Effect Of Long-Term Debt, Short-Term Debt And Net Working Capital On Profit At PT. Griya Asri Prima . Pamulang University Secretariat Journal , Vol. 1, No. 2.

Hammad, Nuraini, and Ahmadun. (2021). Analysis of the Effect of Debt Policy on the Company's Financial Performance. Journal of Administration and Management, Vol. 9, No. 2.

Jufrizen Jufrizen dan Maya Sari. (2019). Pengaruh Current Ratio, Debt to Equity Ratio dan Firm Size terhadap Return on Equity. Vol 18 No 1 (2019): Jurnal Riset Akuntansi Aksioma. DOI: https://doi.org/10.29303/aksioma.v18i1.58.

Imadudin, Swandari, and Redawati. (2014). Effect Of Capital Structure On Company Performance. Journal of Management Insights , Vol. 2, No. 1.

Maulana and Safa. (2017). The Effect Of Short-Term Debt And Long-Term Debt On Profitability In Pt. Bank Mandiri Tbk. Journal Of Accounting Economic Research (JENSI), VOL. 1, NO. 1.

Ma'wa, and Alwi. (2018). The Effect Of Debt And Capital On Profitability (Research On Pt Lippo Karawaci Tbk). Journal Of Accounting And Economics, Vol. 5, No. 3, 104-112.

Meidiyustiani. (2016). The Effect Of Working Capital, Company Size, Sales Growth And Liquidity On Profitability In Manufacturing Companies In The Consumer Goods Industry Sector Listed On The Indonesia Stock Exchange (IDX) Period Of 2010 – 2014. Journal of Accounting and Finance, Vol. 5, No. 2, 41–59.

Mukti. (2018). Ratio Of Short-Term Debt To Assets And Long-Term Debt To Assets Ratio As Profitability Predictors. 4th National Seminar of Scholars.

Nazir, Azam, and Khalid, (2021). Debt financing and firm performance: empirical evidence from the Pakistan Stock Exchange. *Asian Journal of Accounting Research*.

Ramadhan, A. (2019). The Effect of Corporate Debt on Financial Performance (Empirical Study of Companies Listed in the Jakarta Islamic Index). MEA Scientific Journal (Management, Economics, and Accounting), Vol. 3. No. 1. January-April 2019.

Sari, Nila; Kalbuana, Nawang; Jumadi, Agus. (2016). Pengaruh Konservatisme Akuntansi, Kualitas Audit, Ukuran Perusahaan Terhadap Penghindaran Pajak (Studi Empiris pada Perusahaan Perdagangan Eceran yang Terdaftar di Bursa Efek Indonesia Tahun 2011-2015). *Proceeding Call for Syariah Paper*. https://publikasiilmiah.ums.ac.id/handle/11617/7314?show=full.

Ramadhan, A. (2019). The Influence Of Company Debt On Financial Performance. MEA Scientific Journal (Management, Economics, & Accounting), Vol. 3, No. 2, 16-27.

Selviani, and Aminah. (2019). The Effect Of Short-Term Debt And Long-Term Debt On Profitability (Net Profit Margin) In Pt Wijaya Karya (Persero) TBK. Journal of Accounting Year XI , No. 1.

Setyawan, and Susilowati. (2018). Analysis of Sales Growth and Working Capital Turnover Against Profitability of PT. Three Pillars of Prosperous Food, Tbk 2012-2016. Accountability: Journal of Accounting Science , Vol. 11 No. 1, 147-158.

Suryaputra, and Christiawan. (2016). The Effect of Working Capital Management, Sales Growth and Company Size on Profitability in Property and Real Estate Companies Listed on the Indonesia Stock Exchange (IDX) 2010-2014. Business Accounting Review , Vol. 4, No. 1, 493-504.

Wikardi, and Wiyani. The Influence of Debt to Equity Ratio, Firm Size, Inventory Turnover, Assets Turnover and Sales Growth on Profitability (Case Study in the Food and Beverage Industry Listed on the Indonesia Stock Exchange for the Period 2011-2015). Online Journal Of Accounting Personnel , Vol.2, No.1, 99 – 118.

Zaid, NAM, Ibrahim, WMFW, and Zulqernain, NS (2015). The Determinants of profitability: Evidence from Malaysian construction companies. Proceedings of the 5th Asia-Pacific Business Research Conference.