



The Effect of Debt on Business Profit (Case Study at PT. Gudang Garam Tbk Listed on the Indonesia Stock Exchange for the 2015-2020 Period)

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ABSTRACT

Research conducted by the author to determine the effect of debt on operating profits at PT. Gudang Garam Tbk. Listed on the Indonesian Stock Exchange for the 2015-2020 period. The independent variable is debt, the dependent variable is operating profit. The sampling type chosen was purposive sampling. Quantitative data type. Secondary data sources include financial reports accessing www.idx.co.id and each company's website. The research results show that the effect of debt on business profits is two linear factors, characterized by the regression equation $\hat{Y} = -1.242 + 0.519 x$. This means that every time debt is increased by 1%, it will be followed by an increase in operating profit of 0.519 at a constant of 1.242. There is a very strong and significant influence between debt and business profits as shown by the Pearson product moment correlation coefficient $r = 0.713$ with $t_{count} = 2.032$, this value is greater than $t_{table} = 2.132$. In accordance with the correlation coefficient value above, the coefficient of determination is 0.508, which means that the influence of debt on business profits is 50.8% and the remaining 49.2% is explained by other variables not included in this analysis

INTRODUCTION

Debt has an influence on company profits. An increase in debt will affect the size of the company's profits, which reflects the company's ability to fulfill all its obligations, because the greater the use of debt, the greater the obligations (Titman and Wessels in Suaryana, 2016: 6).

The use of debt can be justified as long as it can provide additional operating profit (EBIT) that is greater than the interest paid, which can be used. (Suad Husna and Eddy Pudjiastuti, 2012: 319)

Profit or what is also called earnings or Profit is a summary of the net results of business operating activities in a certain period expressed in financial terms (Subramanyan and Wild, 2014: 109).

As is known, profit is the main goal of companies in the economy. Both large-scale and small-scale companies always try to increase the profits they earn. This is done to maintain the company's survival and so that all activities within the company can run well, so that the company can carry out further developments. Obtaining a profit is not easy, the company will make every effort to obtain it, such as reducing costs, expanding marketing so that sales increase, etc.

Researcher using manufacturing companies as locations study. The reason is because in terms of companies, manufacturing companies consist of various sectors, namely the basic and chemical industry sector, the miscellaneous industry sector and the consumer goods industry sector. And judging from the number of companies, there are more manufacturing companies than other companies such as banking and insurance so they can meet the criteria for determining the sample. The following data shows the development of debt and profits at PT. Gudang Garam Tbk which was listed on the Indonesia Stock Exchange in 2015 - 2020.

Table 1. Debt and Profit PT. Gudang Garam Tbk

Year Period	Long Term Debt	Short Term Debt	Total Amount of debt	Profit
2015	1.425.418	24.045.086	25.470.504	10.064.867
2016	1.748.841	21.638.565	23.387.406	10.122.038
2017	1.961.224	22.611.042	24.572.266	11.237.253
2018	1.960.367	22.003.567	23.963.934	11.156.804
2019	2.457.789	25.258.727	27.716.516	15.073.090
2020	2.658.949	17.009.992	19.668.941	10.045.885

Source: PT. Gudang Garam, Tbk. Listed on the Indonesian Stock Exchange in 2015 - 2020

Based on the table above, it can be seen that the Total Debt and Profit at PT. Gudang Garam Tbk experienced fluctuations. PT. Debt Gudang Garam Tbk. In 2015 it was 25,470,504, but profit in 2015 was 10,064,867, then debt decreased in 2016 by 23,387,406 but profit in 2016 increased by 10,122,038. Debts in 2017 increased by 24,572,266 and also profits in 2017 increased by 11,237,253. Debt in 2018 decreased by 23,963,934 and profit in 2018 decreased again amounting to

11,156,804. In 2019 debt increased by 27,716,516 and profits in 2019 also increased by 15,073,090. In the last year 2020, debts decreased by 19,668,941, but in the last year 2020 profits also decreased by 10,045,885.

From the results of the data processing above, it is clear that the relationship between debt and profit at PT. Gudang Garam Tbk. From 2015 to 2016 debt decreased and profits increased. This data result is not in line with the statement of Najahah Kusuma Dini (2016:11). That when the debt is higher, the company's possibility of making a profit will be greater, because the debt is used as working capital to fund the company's operational activities, so the company's income will be greater, and vice versa when the debt is small.

From the explanation above, the researcher suspects that the decline in profits was caused by a lack of utilization and efficient use of debt within PT Gudang Garam Tbk which is listed on the Indonesia Stock Exchange. Gross profit means the profit obtained before deducting costs that are borne by the company (Kasmir, 2012: 303). This means the overall profit that the company first obtains. Apart from that, the factor that greatly influences the size of the business profits received by the company is capital. For some companies that have large capital, this will not happen difficulty in developing his business. However, many companies have Limited capital makes it difficult for them to develop their business. In order to overcome this, the company management has two options, namely issuing new shares or borrowing from outside, either short-term debt or long-term debt.

Based on this background, the author is interested in researching "The Effect of Debt on Business Profit at PT Gudang Garam Tbk which is listed on the Indonesia Stock Exchange".

Identification of Problems

Based on the background that has been described, the problem identification in this research is as follows:

1. There is a condition where debt increases but company profits decrease, this is contrary to existing theory.
2. A condition occurs where debt increases but the company's profits decrease.
3. There is less than optimal utilization and efficiency of debt use so that does not produce maximum profits for the company.
4. Ownership by managerial parties can reduce the manager's personal interests which causes increasing debt.
5. Working capital is less than optimal so it does not produce maximum profits for the company, this is contrary to existing theory.

Problem Formulation

From the research background that the researcher has put forward, then researchers formulate general research problems, namely:

1. How is the debt to PT Gudang Garam Tbk listed on the Indonesia Stock Exchange?
2. How is the operating profit at PT Gudang Garam Tbk which is listed on the Indonesia Stock Exchange?
3. How does debt affect operating profits at PT Gudang Garam Tbk which is listed on the Indonesia Stock Exchange?
4. Research purposes

5. To find out debt to PT Gudang Garam Tbk which is listed on the Indonesia Stock Exchange.
6. To find out profits at PT Gudang Garam Tbk which is listed on the Indonesia Stock Exchange.
7. To determine the effect of debt on operating profits at PT Gudang Garam Tbk which is listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

Accountancy

According to the American Accounting Association (AAA), accounting is a process of identifying, measuring and reporting economic information by enabling clear and firm assessments and decision making for those who use the information (Lantip, 2016; 2).

Debt

Debt is all the company's financial obligations to other parties that have not been fulfilled, where this debt is a source of company funds or capital that comes from creditors according to Munawir (2017:18).

Debt is divided into long-term debt and short-term debt. These debts are differentiated because of the difference in the maturity of the refund. Short-term debt is at least twelve months, if more than twelve months it will be considered long-term debt. Long-term debt has a repayment period of more than twelve months, if it is paid before twelve months it can be called short-term debt.

An increase in debt will affect the size of the company's profits, which reflects the company's ability to fulfill all its obligations, because the greater the use of debt, the greater the obligations (Titman and Wessels in Suaryana, 2016: 6).

Operating Profit

Profit is the result of operating activities which measures changes in shareholder wealth over a period and reflects the company's ability to generate profits (estimated future profits) (Syafri, 2015: 79).

Profit is the most core element in attracting users of financial reports because profit figures are expected to represent the company's overall performance. The profit and loss statement in the financial statements is one way that we can see how the company's profits are obtained. The Profit and Loss Report provides details of a company's income, expenses, profit or loss over a period of time. And this information is used by internal parties or external to the company to make decisions for the company in the future.

METHODOLOGY

This research uses quantitative research which is an associative method with a form of causal relationship. The associative method is research that aims to determine the influence or relationship between two or more variables, namely short-term debt, long-term debt as an independent variable and operating profit as a dependent variable. Relationship Causal is a relationship that is cause and effect. Like one variable (independent) influences another variable (dependent). This research is a causal type of associative research. Because this research is one variable influencing other variables. This type of associative research has the highest level compared to descriptive and comparative because with this

research a theory can be built that can function to explain, predict and control a phenomenon.

Research Design

In this research, several techniques are used to test the data that has been collected using secondary data. The steps used in this research are the Classic Assumption Test, namely Normality Test, Multicollinearity Test, Autocorrelation Test, Heteroscedasticity Test, Multiple Linear Regression Test, Hypothesis testing, namely Partial Test (t Test), Simultaneous Test (f Test). After these methods have been carried out, this research can answer the usual questions asked so that it can convey conclusions that can be translated into the final results of the research.

Population and Sample

The population in this study was PT. Gudang Garam Tbk. which are listed on the Indonesian Stock Exchange, in this case the entire population is used as the research object. The sampling technique used in this research was the financial report of PT. Gudang Garam, Tbk which is listed on the Indonesia Stock Exchange for the 2015-2020 period.

Types and Sources of Research

The type of data used in this research is secondary data. The data sources used in this research were obtained from the official website of the Indonesian Stock Exchange, namely www.idx.co.id, website www.id.investing.com, and from the websites of each related company.

Data Collection Techniques

The data and information collection techniques used in this research were carried out using two methods, namely:

1. Documentation method, namely the data obtained with method
2. Collect documents or reports sourced from companies or parties related to research.
3. Literature study method, namely studying literature and scientific works related to research and used to understand existing problem phenomena and to obtain alternative solutions.

Operational Definition of Variables

The Operational Definition of Variables will link the research variables, namely the dependent variable and independent variables in more detail.

Debt is a company's current obligations arising from past events, the settlement of which comes from cash outflows from company resources that contain economic benefits. Companies use debt to increase capital to finance the running of the company, for example to buy raw materials. With the formula:

$$\text{DEBT} = \text{LONG TERM DEBT} + \text{SHORT TERM DEBT}$$

Operating profit or operational profit is a supporter of the company's fundamental operational performance and is calculated as the difference between gross profit and operational expenses. Operating profit in the company's annual report is located in the profit and loss report and other comprehensive income. Operating profit can be calculated using the formula:

OPERATING PROFIT = GROSS PROFIT – OPERATIONAL

Operational variables contain tables describing each research variable into indicators. Each indicator has a measurement scale specified. The operational variables in this research are:

Table 2. Operational Variables

Variable	Indicator	Sub Indicator	Formula	Scale
Debt (X)	- Short Term Debt - Long-term debt	- Bank Debt - Notes Payable - Debt notes - Bonds Payable - Mortgage Debt	= Short term debt + Long term debt	Ratio
Operating profit (Y)	- Gross profit - Operating costs	- Income - Cost - Fixed cost - Variable Costs	= Gross Profit - Operating Costs	Ratio

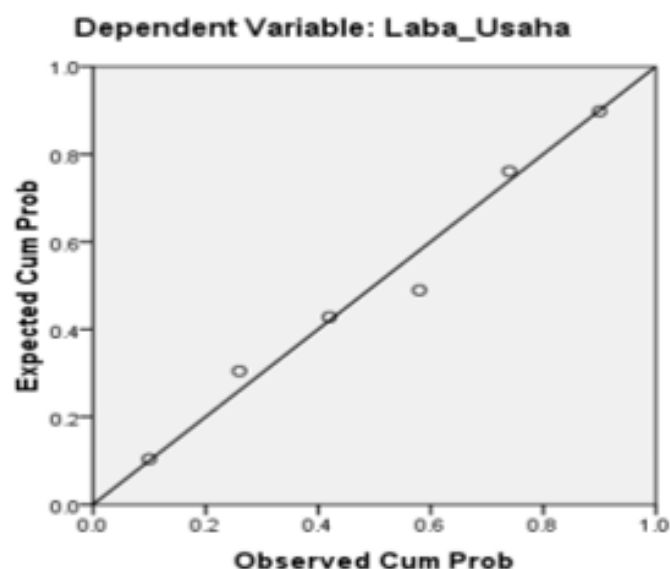
RESULT AND DISCUSSION

Classical Assumption Test

1. Normality Test

The following are the results of the normality test using SPSS 16.0 which will be shown in the image below:

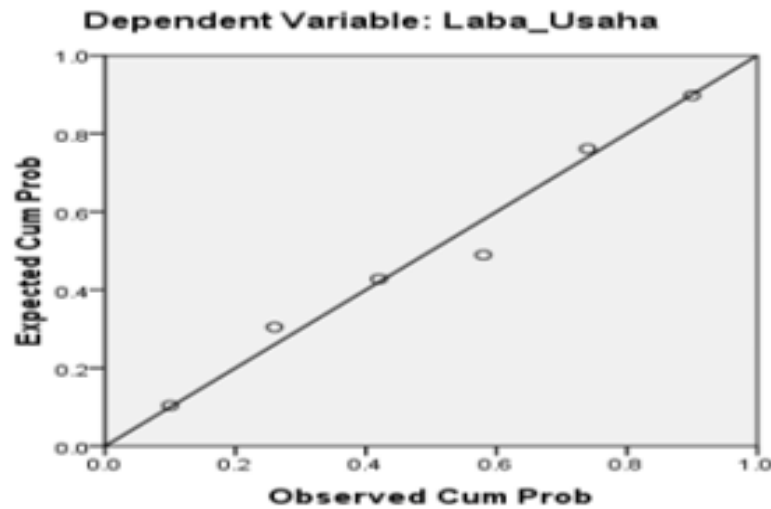
Picture 1. Normal P-P Plot of Regression Standarizez Residual



From the image output above, it can be seen that the data meets the normality assumption because the pattern constructed by the data forms a straight diagonal line. Thus, the regression model on the Operating Profit variable meets the normality assumption.

2. Heteroscedasticity Test

Picture 2. Of Heteroscedasticity Test Results



From the output above, it can be seen that the heteroscedasticity assumption is met because the scatter plot of the data does not form a particular pattern. In accordance with Ghozali's statement that if there is a certain pattern formed by points regularly, such as wavy, widening and then narrowing. And if there is no clear and widespread pattern between the zeros on the Y axis, then heteroscedasticity does not occur.

3. Multicollinearity Test

Multicollinearity Test Results

Table 3. Coefficientsa*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.242E6	6.195E6		-.200	.851		
	Hutang	.519	.255	.713	2.032	.112	1.000	1.000

a. Dependent Variable: Laba_Usaha

From the output table above, it can be seen that the variance inflation factor (VIF) value for Debt is 1,000 and the VIF value for Business Profit also has the same value, namely 1,000. This shows that there is not one independent variable that has a VIF value of more than 10. Therefore, it can be formulated that there is no multicollinearity between the independent variables in the regression model in this study.

The calculation results also show the tolerance value for each variable, namely the Debt level of 1,000. This means that there are no independent variables that have a tolerance value exceeding 0.1. So based on the tolerance value of the independent variables in this study there is no multicollinearity.

4. Autocorrelation Test

From the output table above, it can be seen that the Durbin-Watson value is 2.209 between -2 and 2, so there is no autocorrelation in the data.

Table 4. Model Summaryo

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.713 ^a	.508	.385	1518552.358	.61

a. Predictors: (Constant), Hutang

b. Dependent Variable: Laba_Usaha

Table 5. Debt to PT. Gudang Garam, Tbk 2015-2020 Period

Year Period	Long Term Debt	Short Term Debt	Total Amoun of debt
2015	1.425.418	24.045.086	25.470.504
2016	1.748.841	21.638.565	23.387.406
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2019	2.457.789	25.258.727	27.716.516
2020	2.658.949	17.009.992	19.668.941

Based on the table above, it can be seen that the Total Debt at PT. Gudang Garam Tbk experienced fluctuations. PT. Debt Gudang Garam Tbk. In 2015 it amounted to 25,470,504, then debt decreased in 2016 amounting to 23,387,406. Debt in 2017 increased by 24,572,266. Debt in 2018 decreased by 23,963,934. In 2019 debt increased by 27,716,516. In the last year 2020, debt decreased by 19,668,941.

Table 6. Operating Profit at PT. Gudang Garam, Tbk 2015-2020 Period

Year Period	Profit
2015	10.064.867
2016	10.122.038
2017	11.237.253
2018	11.156.804
2019	15.073.090
2020	10.045.885

Based on the table above, it can be seen that Profit at PT. Gudang Garam Tbk experienced fluctuations. Profit in 2015 was 10,064,867 but profit in 2016 increased by 10,122,038. Profit in 2017 increased by 11,237,253. Profit in 2018 decreased again by 11,156,804. In 2019, profits also increased by 15,073,090. In the last year 2020, profits also decreased by 10,045,885.

The Effect of Debt on Business Profit at PT. Gudang Garam, Tbk 2015-2020 Period

The influence of debt on business profits is two linear factors characterized by the regression equation $\hat{Y} = -1.242 + 0.519 x$. This means that every time debt is increased by 1%, it will be followed by an increase in operating profit of 0.519 at a constant of 1.242. There is a very strong and significant influence between debt and business profits as shown by the Pearson product moment correlation coefficient $r = 0.713$ with $t_{count} = 2.032$, this value is greater than $t_{table} = 2.132$. In accordance with the correlation coefficient value above, the coefficient of determination is 0.508, which means that the influence of debt on business profits is 50.8% and the remaining 49.2% is explained by other variables not included in this analysis.

From the results of the analysis carried out by researchers, this can be proven that debt has a significant positive effect and it can be concluded that debt in this case the company must estimate.

CONCLUSION

Based on the results of research conducted at PT. Gudang Garam, Tbk, the data used in this research is normally distributed.

The following is the conclusion of the influence of Debt on Business Profit at PT. Gudang Garam, Tbk, namely as follows:

1. Debt to PT. Gudang Garam Tbk experienced fluctuations. PT. Debt Gudang Garam Tbk. In 2015 it amounted to 25,470,504, then debt decreased in 2016 amounting to 23,387,406. Debt in 2017 increased by 24,572,266. Debt in 2018 decreased by 23,963,934. In 2019 debt increased by 27,716,516. In the last year 2020, debt decreased by 19,668,941. Where this debt is a source of company funds or capital that comes from creditors.
2. Profit at PT. Gudang Garam Tbk experienced fluctuations. Profit in 2015 was 10,064,867 but profit in 2016 increased by 10,122,038. Profit in 2017 increased by 11,237,253. Profit in 2018 decreased again by 11,156,804. In 2019, profits also increased by 15,073,090. In the last year 2020, profits also decreased by 10,045,885. Profit is one of the determining factors in the process of returning decisions by users of financial statements. This encourages management to work more effectively and efficiently so that the company can generate maximum profits while maintaining the stability of operational activities while improving management performance, so that it can grow trust for investors and creditors who use financial statements.
3. The influence of debt on business profits is two linear factors characterized by the regression equation $\hat{Y} = -1.242 + 0.519 x$. This means that every time Debt is increased by 1%, it will be followed by an increase in Operating Profit of 0.519 at a constant of -1.242. There is a very significant and significant influence between Debt and Business Profit as indicated by the Pearson product moment correlation coefficient $r = 0.713$ with $t_{count} = 2.032$, this value is greater than $t_{table} = 2.132$ with a significance value of 0.112. Corresponds to the price of the correlation coefficient on, The coefficient of determination is 0.508, which means that the influence of debt on

business profits is 50.8% and the remaining 49.2% is explained by other variables not included in this analysis.

RECOMMENDATION

Based on the results of the author's research, there are several suggestions that the author can give to companies:

1. Companies listed on the Indonesian Stock Exchange can optimize the debt they have obtained so that able to produce profits as expected by the company and can be held accountable for it and the company does not have a burden of unpaid debts so it does not experience bankruptcy due to debt.
2. It is hoped that future researchers can increase the period that will be used as a sample for research because the longer the observations, the greater the opportunity to obtain reliable information so that it can provide more accurate results.
3. It is hoped that future researchers will be able to add research variables that can influence business profits so that the research will be more complex.
4. For investors, this research proves that small scale companies have more potential to practice profit making. With this research, investors can be more selective in choosing companies to invest in so that their investment objectives can be achieved.

FURTHER STUDY

This research still has limitations, so it is necessary to carry out further research related to the topic of The Effect of Debt on Business Profit (Case Study at PT. Gudang Garam Tbk Listed on the Indonesia Stock Exchange for the 2015-2020 Period) to improve this research and add insight to readers.

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