THE INFLUENCE OF DEBT ON PROFITABILITY OF MANUFACTURING COMPANY

SKRIPSI

Disusun untuk Memenuhi Syarat Menyelesaikan Pendidikan Sarjana Terapan (D-IV) Akuntansi Sektor Publik pada Jurusan Akuntansi Politeknik Negeri Sriwijaya

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POLITEKNIK NEGERI SRIWIJAYA

PALEMBANG

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The Influence of debt on Profitability of Manufacturing Company

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Abstrak

Any firm’s capital structure is the essence of maximizing wealth and minimizing the cost of capital (Sheikh and Qureshi, 2017). In indonesia manufacturing sectors, they play long-term financial stability because they are the third-largest economy sector, which contributes about 20% of the gross domestic product (GDP). However, due to the high inflation and interest cost, import-based economy, lower foreign investment and many other economic issues,manufacturing sectors face financial constraints to fulfil their investment needs. Manufacturing firms usually opt for debt financing, which has consequences related explicitly to the firm’s profitability. Long-term debt is debt whose repayment process takes a long time, usually up to 5 to 20 years. Depends on the agreement of the borrower and lender. Usually used by companies that need a large enough budget to develop their business. Short-Term Debt Short-Term Debt is debt that must be repaid or matures within one accounting period. In other words, a debt can be classified as Short Term Debt if it is expected to be paid within 12 (twelve) months after the reporting date. Profitability is a company's ability to generate profits or profits in a certain period, where companies that have the ability to generate good profits can show good company performance. This is because profitability is often used as a measure in assessing a company's performance. This research will focus on the influence of long-term debt and short-term debt on profitability. by comparing it to the articles that I reviewed as my reference in making this research. Is there a significant difference in long-term debt to profitability and short-term debt to profitability as well as other existing obligations of the manufacturing company. The purpose of this study is to determine the relationship between long term debt, short term debt and liquidity on

profitability in manufacturing companies listed on Indonesia Stock Exchange (IDX) for 2017 – 2021.

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