CHAPTER V
DISCUSSION AND CONCLUSION

5.1 Introduction

The previous chapter has presented the results of data analysis and several tests consisting of normality testing and hypothesis testing. and in this chapter explain and discuss the results of the hypothesis summary, followed by the contribution of research to theory, practice, and methodology. This chapter also outlines the limitations of the current study and suggestions for future research.

5.2 Summary Of The Findings

Research on the relationship between long-term debt, short-term debt, and total debt to firm profitability has several main objectives. This research is important to understand how a firm's financing structure affects financial performance and business strategy. Research on long-term debt, short-term debt, and total debt to firm profitability has several key objectives that are important for managerial decision-making and business strategy. By understanding these relationships, companies can optimize capital structure, manage financial risk, improve management performance, and increase the value of the company in the eyes of investors.

5.3 Conclusion and Recommendations

This study aims to investigate the effect of corporate financial performance and some other independent variables of Pakistani manufacturing companies from 2020 to 2022. other independent variables of Pakistani manufacturing companies from 2020 to 2022. A sample of 30 manufacturing companies listed on the Indonesian stock exchange resulted in a total of 90 balanced observations for the study. The findings show that both long-term and short-term debt and total debt have no negative effect on firm performance. have no negative effect on firm performance. This suggests that agency problems may lead to high debt policies, resulting in lower performance, contrary to the agency cost theory (Jensen and Meckling, 1976), which states that a high level of debt can increase market value and performance. Results of this study The overall results of this study indicate that short-term and long-term debt are negatively related. This finding is in line with the “peckingorder” theory theory (Myers and Majluf, 1984) and supports the results of Yazdanfar and Ohman's (2015) research, which shows that debt financing has no effect on firm performance. that debt financing has no effect on firm performance. This finding is also consistent with with other studies (Ebaid, 2009; Habib et al., 2016; Nadeem et al., 2016). However, sales growth and However, sales growth and company size have a positive effect on the profitability of manufacturing sector companies. This indicates that the larger the size of the company, the better the performance of the company. This finding is consistent with previous research (Habib et al., 2016; Tauseef et al., 2015).

Theoretically, the results of this study indicate that companies prefer to use internal funding sources first before turning to external funding sources Stewart C. Myers and Nicolas Majluf (1984). This study supports the theory and main principles of the pecking order, which is Internal Funding Companies prefer to use retained earnings or other internal funds to fund investment or business operations because these funds do not require issuance costs and do not incur interest obligations. If internal funding is insufficient, companies prefer to use debt as opposed to equity issuance. Debt is often perceived as cheaper and quicker to access, and debt interest is tax deductible. whereas Equity, Issuance of equity (new shares) is a last resort due to high issuance costs and potential dilution of ownership which is not favored by existing shareholders. In addition, equity issuance may signal to the market that the company's shares may be overvalued, which could lower the share price. assets also tends to lower earnings, which creates a relationship between assets, earnings and debt. It has been observed that high debt leads to high assets but lowers profits. Companies that have a large firm size should not increase their physical assets through debt as it will affect their earnings. will affect their earnings. Companies should focus on growing their sales to increase profits. This study also offers profound and practical managerial implications. First, the results suggest that firm owners and managers should evaluate their existing debt levels to maintain stability so as not to affect and increase the risk of firm profitability. Second, the findings of this study will help Indonesian manufacturing firms make rational decisions to ensure they maximize profits and reduce costs associated with profitability. maximize profits and reduce the costs associated with debt capital. This will ultimately lead to maximization of shareholder wealth on the IDX. Management should lower their debt as much as possible due to the high cost of debt in Pakistan and rely on internal financing sources, e.g. retained earnings as much as possible. internal sources of financing. retained earnings as much as possible. External sources should be the last financing option for management. This research is not without limitations. Data was collected only on the IDX manufacturing sector, which is considered less informative compared to all companies listed on the stock market. So, further studies should try to include other under-researched sectors for a more detailed analysis. more detailed analysis. Due to the limited duration of this study, data was only collected for five years (2020-2022). Future research may consider covering a longer period. Furthermore, this research was only conducted within the geographical boundaries of Indonesia, thus limiting its generalizability. generalization. The inclusion of other Asian countries may improve the results of this study.