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The effect of total debt on net profit in industrial companies

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ABSTRACT

The Company's profit or profit is the main objective of all Companies. Over time and the development of knowledge, the Company's profit or profit is no longer influenced by the amount of sales as income and costs as expenses. The existence of tax levies makes the Company look for various alternatives in financing the company's operational activities. Debt is one of the alternatives that is highly considered by the Company so that the Company's indirect profits can increase and capital can be used effectively and efficiently to obtain profits or profits. This study aims to prove that the rise and fall of debt has an impact on the rise and fall of profits or company profits, the profit or profit referred to is net profit after tax. This study uses quantitative methods with simple linear regression analysis using correlation coefficient tests, determination coefficient tests, and regression equation tests with the aim of determining whether or not there is an effect of Total Debt on Net Profit and significant which is processed using IBM SPSS Statistics software applicationversion 15. The results of the analysis obtained based on the correlation test concluded that between Total Debt showed a significant relationship to Net Profit with a correlation of 0.363 which means weak or low. The results of the determination test show that Total Debt has a significant influence on Net Profit by 13.2% and the remaining 86.8% is influenced by other factors that are not studied. The results of the regression equation formed are Y = 1136652 + 0.252X.

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INTRODUCTION

The Company's profit or profit is the main objective of all Companies. Traditionally Profit or profit is influenced by Sales as income and Expenses as expenses. Along with the development of the world and the entry of government tax elements and the development of science, many companies try to manage in terms of the Company's operational financing. Capital is no longer the main choice in financing the Company's operations, debt is an alternative that can be considered.

The Company's total debt consists of short-term debt and long-term debt. Short-term debt is a trade payable where payments are made for a certain period of time according to an agreed agreement and usually under 1 year of repayment. In short-term debt, there is no interest payment if the payment is made according to the agreement and this will not have an impact on profit before tax.

Long-term debt is a loan to the Bank or other parties with an agreement on the repayment period, interest expenses that must be paid each period and installments for each period or the date of maturity of the principal debt. The interest expense will affect the profit before tax and will affect the net profit earned by the Company. One advantage of the Company is that the tax that must be paid is lower due to the interest expense of the loan.

However, because the data obtained by the author is difficult to separate between short-term and long-term debts, the data used is the total debt.

Previously, the author has made research on the Company's net profit affected by costs. In his research (H. Indrawan &; Nainggollan, 2019) Promotion costs, employee salary costs and interest costs affect the Company's net profit. Likewise in subsequent research (H. E. Indrawan & Givan, 2019) Promotional costs and fund costs have a significant effect on the Company. If previously the author's research was conducted on service companies, then in this study the author took data from industrial or manufacturing companies. Net profit is still the writer's concentration but is related no longer to costs but debt.

If in the previous research the research was conducted on service companies, namely banking, then the author conducted research on industrial companies in this study. This is done because in service or banking companies there are 2 interest costs, namely savings interest costs and debt loan costs. In Industrial Companies, the Company has 2 financing alternatives, namely own capital or debt where the decision is not always due to the Company's lack of capital. Therefore, the author is eager to conduct research on whether debt affects the Company's profits.

In another study (Syarif et al., 2022), the Company's profit is also influenced by receivables turnover. Meanwhile, in the next study (Febri et al., 2023) production costs, promotional costs and the number of sales partially or simultaneously affect company profits.

Handayani (Mayasari, 2018) in his research obtained the results that Debt does not significantly affect the net profit of PT. Kereta Api Indonesia (Persero). Cakhyati (Kakhyati, 2013) In his research, it was found that Total Debt did not show a significant relationship to Net Profit with a correlation of 0.479 which means it is quite strong and unidirectional. The results of the coefficient of determination test showed that Total Debt did not have a significant influence on Net Profit by 22.9%.

The development of the company is seen in how the company manages funds in order to generate profits or profits. Under certain conditions the company can meet its fund needs by prioritizing sources of funds that come from within, but because of the company's growth, it results in the company needing large funds, so the company uses sources of funds from outside the company, namely debt, in the hope that these funds can help the company achieve optimal profits (Mayasari, 2018).

Debt is a source of capital originating from creditors, who have a certain period of time on the part of the company who are obliged to pay back or are obliged to meet bills originating from outside parties (Nurwani, 2018). Total debt is a combination of short-term debt and long-term debt. With the combination of these two debts, it makes the company's burden even higher. But the high burden can be used to lower corporate taxes, which is what makes it profitable. Net profit is the profit earned by the company that can be obtained by using pre-tax profit with corporate income tax. Net profit is the final result of an income statement. The amount of net profit obtained by the company will be a measure of the success of a company.

Debt can be interpreted as an obligation or also often referred to as a liability. Understanding debt in brief is the financial obligation that must be paid by the company to the party who is the source of the loan. Debt is used to meet various kinds of necessary company needs.

"All financial obligations of the company to other parties that have not been fulfilled, where the debt is a source of funds or capital of the company derived from creditors" (Munawir, 2017). "Debt is an obligation to move property or provide services in the future. This obligation arises due to transaction activities carried out by the company with parties outside the company" (Widyatama & Suprapty, 2018). While according to (Sutrisno, 2009) "Debt is a capital that comes from outside the company such as banks, financial institutions, or by issuing debt securities, and for its use the company provides compensation or compensation in the form of interest that remains the company's burden".

From the understanding of debt above, it can be concluded that debt is an obligation that occurs due to past transactions that are used for company funding and must be paid by the company with money or services in the future, or it can also be interpreted as a bill of creditors to the company.

According to (Fahmi, 2015) in general Debt (*Liabilities*) is divided into 2 groups, namely: Short Term Debt (Current Debt), According to accounting standards, short-term debt or current debt is a company's obligation that must be paid or repaid in a period of less than 12 months or 1 year using the company's current asset sources. Short-term debt or current debt includes, among others: A). Accounts payable, is debt that arises due to the purchase of trade goods on credit. B). Money order debt, is a debt that is included or supported by a written promise such as a debt statement or statement of ability to pay (which is regulated by law) in a certain amount at a certain time in the future. C). Dividend debt, is the company's debt to all shareholders due to the announcement of profit distribution. Dividend payable is paid in accordance with the agreement and within 1 year after the dividend distribution is announced. D). Tax debt, is a debt that arises because the company has not deposited income tax into the State treasury as stipulated in the Tax Law. E). Expenses that must be paid, are costs that have been charged or that have occurred but have not been paid. F). Income received upfront, is the receipt of upfront money for the sale of goods or services that have not been realized in other words have not become the right of the company because there is still an obligation of the company to provide goods or services.

Long-Term Debt (Non-Current Debt) According to (Fahmi, 2015) Explanation of Long-term debt or non-current debt is the obligation of companies whose payments are due for more than 1 year, because the funds used by the company are used to expand their business long-term. Long-term financing allocations are usually *tangible asset* or assets that can be touched and have a physical form that can be used or utilized for example such as the purchase of new machinery or fixed assets, factory expansion, and so on. Long-term debt or non-current debt includes, among others: A). Mortgage Debt (Munawir, 2017) argues that mortgage debt is debt whose collateral is in the form of fixed assets or immovable property such as certificates (land or buildings). And if the condition of the company is unable to pay the debt in exchange, the creditor has the right to confiscate or sell the property that becomes collateral. Mortgage debt is basically only obtained from 1 source such as banking. Mortgage debt (Funding, 2020) is a long-term debt with a guarantee of fixed assets that requires periodic payments. Mortgages can be issued to fund the purchase of fixed assets or the purchase of plant equipment. Banks have special requirements for issuing mortgages such as the pledged fixed assets must exceed the value of the mortgage to be granted. Usually the party giving the mortgage will lend 70 to 90 percent of the value of the collateral. Mortgage debt has several advantages such as favorable interest rates, restrictions on less income than bonds, and an extension of the maturity date for repayment can be easily available. B). Bond Debt is debt that occurs due to an agreement that has been determined through bonds or also company debt to buyers issued by the company. The bond issuer can trade the bonds and the bondholder is entitled to interest that is paid twice a year. C). Miscellaneous debts is debt that cannot be classified into long-term debt or non-current debt, such as deferred income, long-term security advances from customers, and debts to directors or affiliated companies.

Debt policy includes the company's funding policy of external origin. Geedipalli (Orientanti, 2013) Argues that funding through debt is a loan of money for a certain period of time with a commitment that must be paid back at a predetermined time in the future. (Ramadhani & Barus, 2018) stated that the debt policy is carried out by the company's management to obtain sources of financing for the company to finance the company's operational activities.

Mamduh (Orientanti, 2013) states that there are several factors that have an influence on debt policy, including: 1). NDT *(Non-Debt Tax Shield),* The benefit of using debt is debt interest that can be used to reduce corporate tax. But to reduce taxes, companies can use other means such as pension funds and depreciation. That way, companies with high NDT do not need to use high debt. 2). Structure Assets, The amount of fixed assets in a company can determine the amount of debt use. Companies that have large fixed assets can get large amounts of debt as well, because these fixed assets can be used as collateral for loans. 3), Profitability, Companies that have a high rate of return on their investment will use relatively small debt. High retained earnings already finance most funding needs. 4). Business Risk, Companies that have relatively high business risk will use smaller debts to avoid bankruptcy risk. 5). Company Size, Large companies usually tend to diversify so as to reduce the risk of bankruptcy. In addition, large companies are easier to obtain external funding. 6). Internal Company Conditions, Each company's internal conditions can determine the policy of using debt in an enterprise.

According to Brigham and Houston (Orientanti, 2013) There are several important impacts/benefits of companies using debt as funding or capital, namely: 1). By raising funds through debt, shareholders can control the company with a limited amount of equity investment. 2). Creditors see the equity or funds provided by the owner as a security limit, which means that the greater the proportion of total capital provided, the less risk is faced. 3).If the yield earned on the company's assets is greater than the interest rate paid, then the use of debt will increase (leverage), or magnify the return on equity.

Funding through debt may provide financial risk or *Financial risk*, meaning the additional risk imposed on common shareholders as a result of the decision to fund through debt. Short-term debt and long-term debt must be paid back in accordance with a predetermined time (Orientanti, 2013). The risks arising from funding through debt include: 1). Debt causes the company to lose some of its flexibility related to financing in the future, because there are regulations in the agreement, company management has difficulty making investment decisions and paying dividends in a certain amount. 2). The emergence of conflicts between creditors and debtors, caused by company management taking on several projects that are higher risk than expected by creditors, and provide good results but the commission given by company management to creditors (in the form of interest) does not go up. 3). The use of debt that continues to increase until it reaches its maximum point, will cause *financial distress,* meaning that the condition where the company experiences financial difficulties and is threatened with bankruptcy, resulting in bankruptcy costs.

In the business world, profit is one of the goals of the company to establish its business. Profit is an increase or decrease in equity before distributions and contributions from equity holders (Wild et al., 2008). With the achievement of maximum profits, the welfare of the company will be guaranteed and the size of the profits achieved is a measure of success or failure for a company.

"Profit is a positive difference between revenue and expenses, which is the basis of performance measures for management's ability to manage company assets. Profits must be planned properly and correctly so that management can achieve goals optimally" (Prawironegoro, 2005). Definition of Profit according to (Baridwan, 2010) states that Profit (Gains) is an increase in capital (net assets) derived from side transactions or transactions that rarely occur in a business entity, and from all transactions that affect business entities during a period except those arising from income *(revenue)* or investment by the owner. Example: profit from the sale of fixed assets.

Profit according to (Simamora, 2000) "Profit is the difference between revenue and expenses if income exceeds expenses then the result is net profit".Profit according to (L. M, 2011) "Profit is the result of a reduction between cost over revenue.

Profit will be generated by the company if the company's revenue is greater than its costs, and vice versa if its costs are greater than revenue, the company will generate losses". In the income statement according to (Wild et al., 2008) There are several parts of profit between: 1). Gross Profit, is the difference between net sales and cost of goods sold, which shows how much the company can cover the cost of its products. The first step of measuring profit on the income statement. 2). Operating Profit / Operating Profit, is the difference between sales and all costs and operating costs, which shows how well and correctly the company carries out its activities / activities. 3). Profit Before Tax, which is operating profit reduced by interest expense and added by interest income outside the business but has not been deducted tax expense. 4). Net Profit / Profit After Tax, is income from the company's ongoing business after deducting tax expenses, and is given to users of financial statements a summary of the company's overall performance during the accounting period.

Definition of Net Profit, Definition of Net Profit according to (Soemarsono, 2005) i.e. "The difference over all income and profits against all expenses and losses. This amount represents a net increase in capital derived from business activities". Definition of Net Profit according to (Stice et al., 2009) i.e. "Difference in interest expense, income tax expense with income derived from operating profit".

Definition of Net Profit according to Henry Simamora (Pradjnaparamitha, 2013) Yes, Net Profit is the result of transactions of income, expenses, profits and losses. Profit is the difference between revenue and profit with expenses and losses over a certain period of time. (Bernardin & Pebryyanti, 2016) states that, "Net Profit *(Net Profit)* is the result derived from profits that have been reduced by costs (taxes and corporate expenses) in a given period".

RESEARCH METHOD

According to Sofyan Siregar in (Cakhyati, 2013) "The Correlation Coefficient is a number that expresses that the strength of the relationship between two or more variables can also determine the direction of both numbers". According to (Waratna, Sujarweni, 2016) "correlation is one of the inference statistics that will test whether two or more variables have a good relationship or not." According to Widiyanto in (Hadi & Bindura, 2018) "The Correlation Coefficient is a measure used to determine the degree of relationship between variables".

The correlation coefficient is used to measure how strong the relationship between variables, the shape or direction of the relationship and the amount of contribution of the independent variable and the dependent variable. Measuring the relationship between variables is determined by the magnitude of the correlation coefficient which ranges from -1 to +1.

The shape or direction of the relationship between variables, the correlation coefficient is expressed in the form of positive (+) and negative (-). If the correlation coefficient is zero (0), then the variable does not indicate a relationship. The correlation coefficient of +1 means that the variable shows a perfect positive relationship and if it is -1 it means that the variable indicates a perfect negative relationship.

The value of the correlation coefficient is positive, meaning that if one variable goes up, the other variable will go up and vice versa, if one variable goes down, the other variable will go down too. Unlike the value of the correlation coefficient is negative, if one variable goes up then the other variable will go down and vice versa if one variable goes down then the other variable will go up.

In this study, researchers used a correlation coefficient test *Person Product Moment.* According to (Hadi & Bindura, 2018) To calculate the correlation coefficient *Person Product Moment*

You can use several formulas, which are formulas that directly calculate from raw scores and use the deviation formula. Correlation Coefficient Formula:

$$r_{xy} = \frac{n\sum xy - (\sum x)(\sum y)}{\sqrt{\{(n\sum x^2) - (\sum x)^2\}\{(n\sum y^2) - (\sum y)^2\}}}$$

Information:
r = Correlation Coefficient
n = Amount of Data
∑x = Number of Variable Scores x
∑y = Number of Variable Scores y
∑xy = Variable Multiplication result x and y

Table 1. Very tall or very strong2, Interpretation of the Correlation Coefficient

Value Interval	The Power of Relationships
0,000 - 0,199	Very low or very weak
0,200 - 0,399	Low or weak
0,400 - 0,599	Moderate or sufficient
0,600 - 0,799	High or strong
0,800 - 1,000	Very tall or very strong

Source: (Cakhyati, 2013)

The basis for decision making is as follows: 1). If the value of r > 0.05, it means that there is no significant relationship between the independent variable (X)b and the dependent variable (Y). 2). If the value of r < 0.05, it means that there is a significant relationship between the independent variable (X) and the dependent variable (Y).

Coefficient of Determination Test

Understanding the Coefficient of Determination according to Siregar Sofyan (Cakhyati, 2013) "Coefficient of Determination is a number that expresses or is used to determine the contribution or contribution made by one or more independent variables (X) to the dependent variable (Y)".

According to (Hadi & Bindura, 2018) The coefficient of determination test reflects the magnitude of the influence of the discussion of the independent variable (X) in carrying out changes in the dependent variable (Y) together, with the aim of measuring the truth and goodness of the relationship between the variables in the model used.

According to (Nita Dwi, 2015) stated that: "The coefficient of determination is a measure to determine the suitability or accuracy between the alleged value or regression line with the sample data. If the value of the correlation coefficient is known, then to obtain the coefficient of determination can be obtained by squaring it."

The magnitude of the r^2 value ranges from 0 to 1 or 0 to -1. If the R^2 value is getting closer to one model, it is said to be good because the higher the variation of the dependent variable (Y) that can be explained by the independent variable (X).

To find out the magnitude of the dependent influence (Y) can be known from the value *r-Square* (r^2) contained in the model summary table of SPSS data analysis results.
The equation for the coefficient of determination is as follows:

$$KD = r^2 \times 100\ \%$$

Information:
KD = Coefficient of Determination
r = Correlation Coefficient
The value of r can be determined by the following formula:

$$r = \frac{\left[n(\sum xy) - (\sum x)(\sum y)\right]^2}{\sqrt{\left[n(\sum x^2) - (\sum x)^2\right]\left[n(\sum y^2) - (\sum y)^2\right]}}$$

Regression Equation Test

Understanding Simple Linear Regression according to Sofyan Siregar (Kakhyati, 2013) A tool that can be used in estimating future demand based on past data to determine the effect of one independent variable on a dependent variable is using linear regression.

According to (Sarwono, 2015) suggests that: "Simple linear regression is used to measure the magnitude of the influence of the independent variable on the dependent variable and predict the dependent variable using the independent variable".

According to (Married and Married, 2018) Simple regression analysis is used to find out how the relationship between the independent variable (X) and the dependent variable (Y), from the persaman can be known the magnitude of the contribution of the variable (X) to the variable (Y) which is also indicated by the functional relationship between the two variables. The general equation of simple linear regression is as follows:

$$Y = a + bx$$

Information:
Y = Bound Variable
α = Konstanta
B = Regression constant showing the magnitude of x to y

While the values of constants a and b are determined using the regression equation as follows:

1. Formula for Finding Value A

$$a = \frac{\sum y . \sum x^2 - \sum x . \sum xy}{n . \sum x^2 - (\sum x)^2}$$

2. Formula for Finding Value b

$$b = \frac{n . \sum xy - \sum x . \sum y}{n . \sum x^2 - (\sum x)^2}$$

Information:
Y = Bound Variable (dependent)
X = Free Variable (independent)
α = A constant that is the value of Y if X is zero (0)
B = Regression direction coefficient, in the form of an addition or subtraction of Y
N = Amount of data used

Hypothesis Testing
Partial Test (T Test)

"The t test is used to determine each partial free contribution to the dependent variable, using the test of each regression coefficient of the independent variable whether it has a meaningful influence or not on the dependent variable" (Sugiyono, 2018).

The procedures used in the partial test (T test) are as follows:

Creating hypotheses
Ho: There is no partially significant effect between variable X and variable Y.

Ha: There is a partially significant influence between variable X and variable Y.
Determine the value of Ttabel
Calculation of Ttabel value with the following conditions:
Value α = 0.05
Degrees of freedom (df) = (α / 2 ; n – k)
Hypothesis testing criteria
If Tcalculate > Ttabel, then Ha is accepted.
If Tcalculate < Ttabel then Ha is rejected.

RESULTS AND DISCUSSIONS

Table 2: Summary of the Helper Table

NO	X	Y	NO	X	Y
1	5.296.499	999.072	21	10.255.900	1.570.040
2	8.102.796	2.068.917	22	14.029.689	3.298.207
3	6.046.516	3.026.181	23	10.405.882	4.750.551
4	6.801.375	4.164.304	24	12.041.437	6.390.672
5	7.151.813	1.162.686	25	11.921.305	1.960.841
6	10.182.107	2.329.701	26	14.380.273	3.623.958
7	7.316.284	3.653.568	27	12.391.366	5.229.400
8	8.016.614	4.839.145	28	13.733.025	7.004.562
9	7.505.909	1.431.983	29	13.229.294	1.839.131
10	9.949.299	2.823.890	30	15.514.356	3.529.869
11	7.829.734	4.090.499	31	11.027.987	7.303.493
12	9.093.518	5.352.625	32	11.944.837	9.109.445
13	8.698.529	1.360.981	33	12.977.603	1.748.520
14	11.685.025	2.847.991	34	16.752.108	3.697.232
15	9.697.242	4.048.929	35	13.926.354	5.509.603
16	9.681.888	5.738.523	36	15.367.509	7.392.837
17	8.434.341	1.591.699	37	14.324.428	1.862.681
18	11.983.104	2.930.640	38	12.543.918	3.619.635
19	10.229.164	4.183.173	39	14.593.270	5.438.339
20	10.902.585	5.851.805	40	15.597.264	7.163.536

Data source : Secondary data processed by the author

Information:
X : Total Debt
And : Net Profit

Analysis of the Effect of Total Debt (X) on Net Profit (Y)

In this study, the analysis used to determine the influence of the independent variable (x) and the dependent variable (y) is the correlation coefficient test with *product moment person*, test the coefficient of determination, and regression equations. In processing data, researchers use the IBM SPSS application program *Statistics Ver.15* for research.

Correlation Coefficient Test

The following are the results of the correlation coefficient test using the IBM SPSS program application *Statistic Ver.15,* to determine the relationship between the independent variable (Total Debt) and the dependent variable (Net Profit). In this test the researcher determines the following hypothesis: 1). Hypotheses formed include: a). Ho_1 : There is no relationship between Total Debt to Net Income. b). Ha_1 : There is a relationship between Total Debt to Net Income. 2). Basic Decision Making : a). If the value r > 0.05, it means that there is no significant relationship between the independent variable (X) and the dependent variable (Y). b). If the value of r < 0.05, it means that there is a significant relationship between the independent variable (X) and the independent variable (Y).

then the results of the SPSS Ver.15 Analysis of the Correlation Coefficient Test can be seen in the following table:

Table 3. Correlation Coefficient Test Results

		DEBT	NET PROFIT
DEBT	Pearson Correlation	1	,363(*)
	Sig. (2-tailed)		,021
	N	40	40
NET PROFIT	Pearson Correlation	,363(*)	1
	Sig. (2-tailed)	,021	
	N	40	40

* Correlation is significant at the 0.05 level (2-tailed).

Source : Data processed using IBM SPSS Statistic Ver.15

Table III.4 shows that the variable relationship between Total Debt and Net Profit at PT. Unilever Indonesia calculated using the Correlation Coefficient is 0.363. This shows a low or weak relationship according to the correlation interpretation table. The direction of the relationship between the two veriabels is positive (there is no negative sign at 0.363). The degree of significance of the Correlation Coefficient of *Sig output* . *(2tailed)* as measured by probability yields a number of 0.021. Since the probability is smaller than 0.05 (0.021 ≤ 0.05), Ho_1 is rejected and Ha_1 is accepted which means that the correlation between Total Debt and Net Income has a significant relationship.

Coefficient of Determination Test

The coefficient of determination is calculated to determine the effect and how much the percentage value that helps produce the independent variable (Total Debt) to the dependent variable (Net Income). In the Coefficient of Determination Test the researcher determines the following hypothesis: 1). Hypotheses formed include: a). Ho_2 : There is no significant effect between Total Debt to Net Income. B). Ha_2 : There is a significant influence between Total Debt to Net Income. 2). Basis of decision making: a). If Sig > 0.05 then H_o is accepted and H_a is rejected. b). If Sig < 0.05 then H_o is rejected and H_a is accepted.

then the results of the SPSS Ver.15 Coefficient of Determination Test analysis can be seen in the following table:

Table 5. Correlation Coefficient Test Results

1	5.296.499	999.072	Adjusted R Square	21
10.255.900	1.570.040	2	8.102.796	2.068.917

a Predictors: (Constant), TOTAL HIUTANG

Source : Data processed using IBM SPSS Statistic Ver.15

In the table it is known that the R obtained by 0.132 is the square of the correlation coefficient, or 0.363 × 0.363 = 0.132. KD = 0.132 × 100% which in terms means 13.2% of Net Profit can be explained by the variable Total Debt. While the rest (100% - 13.2% = 86.8%) is explained by other factors that were not studied. R *square* ranges from 0 to 1, with a note that the smaller the number R *square*, the weaker the relationship between the two variables.

Regression Equation Test

In this analysis to find out the regression model of the relationship between Total Debt to Net Profit which is explained from the results of the Linear Regression equation to find out the constant number and hypothesis test. In this test the researcher determined the following hypothesis: 1). The hypothesis formed as follows: a). Ho_3 : The regression equation formed is insignificant. b). Ha_3 : The regression equation formed is significant. 2). Basis for decision making: a). If Sig > 0.05 Then Ho is accepted and Ha is rejected. B). If Sig < 0.05 Then Ho is rejected and Ha is accepted.

Table 6. Regression Equation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,363(a)	,132	,109	1922741,54695

a Dependent Variable: LABA BERSIH
Source : Data processed using IBM SPSS Statistic Ver.15

Based on the *Coefficients* table above, that significant values of 0.021 < 0.05 then Ho_3 is rejected and Ha_3 is accepted. Regression equation formed Y = 1136652 + 0.252X. where Y is Net Profit and X is Total Debt. Then the numbers can be interpreted as follows: 1). The α constant value of 1136652 (positive value) states that if the Total Debt is zero (0), then the Net Profit will be 1136652. 2). The value of *the Coefficient б* of 0.252 states that if every increase in the perception of Total Debt by one (1%), it results in an increase in Net Profit of 0.252.

CONCLUSION

Based on the research that has been done, the following conclusions can be drawn 1, The results of the correlation test show that there is a significant relationship between Total Debt to Net Profit so that Ho_1 is rejected and Ha_1 is accepted. 2, The results of the determination test show that there is an influence and the amount of percentage value between Total Debt which is influenced by the value of Net Profit of 13.2%, then the remaining 86.8% is influenced by factors from other variables that are not studied in this study, such as cash receipts, total assets, working capital and other factors that affect Net Income.

Debt can affect the Company's profit indirectly, because the impact of debt on the Company's operations is the addition of the Company's expenses, namely the burden of Debt Interest. In the calculation of Profit and Loss, the debt burden will reduce Profit Before Tax, so the impact of Tax paid by the Company will be smaller if the Company's debt increases. So that the selection of Debt is only for the effectiveness and efficiency of using Working Capital.

The results of this study show that debt interest costs do affect the company's net profit due to the payment of interest costs, but it is not seen whether the operating profit is affected, as well as when the company uses debt as financing whether it is due to a lack of capital or whether the capital is used for other investments that will increase the company's income outside its main business.

Therefore, further research is needed to be able to show that the use of debt is due to a lack of financing or is one of the Company's efforts to reduce taxes and obtain other benefits through financial investment.

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Based on the results of the analysis and discussion in this study, the author can provide the following suggestions: 1, Companies are expected to be more careful in using debt as a source of capital. In addition, the use of debt must be considered so that it is not too much, because the more companies use debt, the greater the company's obligation to pay back the debt accompanied by the burdens required in the debt. 2, The company should pay attention to the company's ability to generate profits and better control the use of debt in the capital structure, because the high use of debt will also adversely affect the amount of net profit that will be generated by the company. 3, For further research, it is expected to provide additional knowledge and insight, as a source of

information and reference or comparison to assist in the development of further research, especially related to Total Debt to Net Profit but in a different point of view. In addition, the author also suggests being able to combine several factors that can affect net income, add variables and use more samples so that the research conducted can produce good results.

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