Sales, Short-Term Debt, Long-Term Debt, and Net Profit: A Study of Companies in Jakarta Islamic Index (JII)

Nurwani¹*, Laylan Syafina²

¹,² Universitas Islam Negeri Sumatera Utara

ABSTRACT

This study examines and analyzes the effect of sales, short-term debt, and long-term debt on net profit. The population of this research is the financial statements of the Jakarta Islamic Index (JII) companies for the 2018-2020 period as many as 30 companies and the sample is 28 companies using purposive sampling technique. The data analysis technique used multiple linear regression analysis, hypothesis testing, and determination test. The results show that sales and short-term debt have a positive and significant effect on net profit partially, while long-term debt has a positive and significant effect on net profit. Finally, the results of the research are sales, short-term debt, and long-term debt have a significant effect on net profit.

Keywords: Sales, Short-Term Debt, Long-Term Debt, Net Profit.

JEL Classification Code: B23, F34, H54
INTRODUCTION

Companies that are included in the Jakarta Islamic Index (JII) in Indonesia have experienced quite rapid development in the era of industrial society 5.0. digital based. The company is a company consisting of 30 of the most liquid sharia shares listed on the Indonesia Stock Exchange. Increasingly competitive business competition makes companies have to be innovative and creative in managing the business to achieve the goals that have been set by the company. One of the company's goals is to maximize profits or profits generated every year by using the company's resources optimally. The success of the company in managing its business can be seen from the size of the profits generated by the company and the use of profits by management for business survival.

Companies that have gone public are related to agency theory. There is a separation of the owner of the company, the shareholders, called the principal, with the person who manages the company, namely the party whose management is called the agent. With this separation there will be a conflict of interest. This happens because managers are not always aligned with the interests of the principal. To minimize this agency conflict, costs are required which are called agency costs. Agency costs are the result of the sum of expenses for monitoring by the owner (principal), expenses for binding agents, and other costs (Manurung, 2012). If there is no agency cost, then there is a possibility that the manager will not take actions that are in the interests of the shareholders and it is possible that the shareholders will be able to lose some of the assets they will receive (Lubis, A.F & Putra, 2012).

In carrying out daily operational activities and long-term investment activities the company needs funds. Sources of these funds can come from internal and external. Internal funds from profits generated by the company while external funds from debt. The pecking order theory, introduced by Gordon Donaldson in 1961 with the result that the company has a sequence of financing, starts with the order of retained earnings, debts to third parties either by loan or selling bonds, and finally by issuing new shares (Manurung, 2012). Profit provides overall information about the condition of the company in a certain period. One of the factors that affect profit is income through sales and debt. Profit consists of elements of income whose components are sales and expenses related to the company's operational activities. Generally, revenue will be recognized after the sale (Hani, 2015). If sales are greater than expenses, it will generate operating profit and otherwise it will result in operating loss (Prasetyo, 2020). Net profit is the result of income with one component coming from sales, expenses and taxes. This profit is used as an indicator in measuring management performance in maintaining the company's existence. If the company wants to increase net profit, it must be able to increase sales by reducing costs to be incurred by the company. Therefore, the sales generated by the company can affect profits. Sales is a business activity in providing goods or services and then reselling them to consumers.

Sources of capital derived from debt, both short-term debt and long-term debt. Short-term liabilities are defined as current liabilities of the entity, arising from past events, the settlement of which is expected to result in an outflow of resources from the entity that will be settled within one 12-month operating cycle, whichever is longer or for trading purposes (Martani et al., 2015) While long-term liabilities are obligations that are reasonably expected to be liquidated or repaid within a period of more than one year (Elizar et al., 2016). Using debt as a source of funds will make the company work extra by using the
capital to generate profits so that the company can pay its obligations that are due. If the company cannot manage debt, it will result in the company going bankrupt. Therefore, debt can effect the company’s net profit.

Based on the net profit data that occurred in JII companies, there are several companies whose profits have decreased over the last 3 years and even some companies have suffered losses (BEI; Bursa Efek Indonesia, 2020). This is very interesting because there are still companies that experience a decrease in profit so that the company has not achieved one of the company’s goals to maximize or increase company profits (Wahyuningsih & Ningsih, 2019). In an effort to earn profits, management must behave to maximize the value of the company, meaning that management must generate profits greater than the cost of capital used (Lubis, A.F & Putra, 2012).

Research on the analysis of the effect of sales, short-term debt, and long-term debt on net income has been carried out by several previous researchers but still, no one has researched the Jakarta Islamic Index (JII) company so researchers want to re-examine some of the factors that affect net income in companies. The research that has been done regarding net income includes: (Wijaya et al., 2021), (Triani et al., 2020), (Adrianah, 2019), (Sinaga et al., 2019), (Casmadi, Y & Butar Butar, 2018), (Irawati, 2017), (Ermaya et al., 2016), and (Helvida, L & Murti, 2016). This study aims to examine and analyze: 1) the effect of sales on net income; 2) the effect of short-term debt on net income, 3) the effect of long-term debt on net income, and 4) the effect of sales, short-term debt, and long-term debt on net income. This research is expected to contribute to the development of the study of accounting, especially regarding the analysis of the effect of sales, short-term debt, and long-term debt on net income in the Jakarta Islamic Index (JII) company.

**METHODOLOGY**

This study uses a quantitative method with an associative approach. The population in this study is the Jakarta Islamic Index (JII) company for the 2018-2020 period as many as 30 companies and the sample is 28 companies using purposive sampling technique through certain criteria so that the observation data is 84 data. The data collection method uses secondary data, namely the financial statements of the Jakarta Islamic Index (JII) companies.

Data analysis technique using IBM SPSS program. The data analysis method used in this study is a multiple linear regression model which first tests the classical assumptions. Hypothesis testing using t test and F test. Next there is a test of determination. This test uses the Kolmogrov-Smirnov test. A good regression model should be normally distributed. The test hypothesis:

H0 : Data is normally distributed
HA : Data is not normally distributed
\( \alpha = 0.05 \)

If Sig. < \( \alpha \) then H0 is rejected,
If Sig. > \( \alpha \) maka H0 is accepted

This test uses the VIF value and the tolerance value. A good regression model should not have multicollinearity or there should be no correlation between the independent variables. The value that indicates the presence of multicollinearity is the Tolerance value ≤ 0.10 or the same as the VIF value ≥ 10 (Ghozali, 2018).

This test uses the glejser test by regressing the absolute value of the residual on the independent variable. A good regression model is that there is no heteroscedasticity. the independent variable is statistically significant affecting the dependent variable, then there is an indication of heteroscedasticity with a sig. value 0.05.
This test uses a runt test that is used to see whether the residual data occurs randomly or not (Ghozali, 2018). A good regression model is a regression that is free from autocorrelation or if there is no correlation between residuals, it is said that the residuals are random. The test hypothesis:

- **H0**: residual (res_1) random (acak)
- **HA**: residual (res_1) is not random

\[ \alpha = 0.05 \]

If Sig. < \( \alpha \) then H0 is rejected
If Sig. > \( \alpha \) then H0 is accepted

Multiple Linear regression equation as follows:

\[
Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \varepsilon 
\]

- \( Y \) = Net Profit, \( a \) = Constant, \( b_1-b_3 \) = Regression coefficient of variable, \( X_1 = \) Sales, \( X_2 = \) Short-TermDebt, \( X_3 = \) Long-Term Debt

The form of the test with \( \alpha = 0.05 \) as follows:

- **Ho**: sales, short-term debt, and long-term debt have no significant effect on net profit partially.
- **Ha**: sales, short-term debt, and long-term debt have a significant effect on net profit partially.

If Sig. > \( \alpha \) then H0 is accepted
If Sig. < \( \alpha \) then H0 is rejected

The form of the test with \( \alpha = 0.05 \) as follows:

- **Ho**: sales, short-term debt, and long-term debt have no significant effect on net profit simultaneously.
- **Ha**: sales, short-term debt, and long-term debt have a significant effect on net profit simultaneously.

If Sig. > \( \alpha \) then H0 is accepted
If Sig. < \( \alpha \) then H0 is rejected

The coefficient of determination test was conducted to determine the percentage of the effect of the independent variable on the dependent variable. The test can find out how much the dependent variable can be explained by the independent variable, while the rest is explained by other causes outside the model.

**RESULT AND DISCUSSION**

This test through the Kolmogrov-Smirnov test is carried out on the Unstandardized Residual value generated from all variables. The results of the statistical test through the Kolmogrov-Smirnov test with a significant value of 0.148 > 0.05 which means that the data is normally distributed so that the research data can be tested with a regression model. This test can be seen from the VIF value and the tolerance value. There is no multicollinearity because the VIF value of each variable is smaller than 10 and the tolerance value is greater than 0.10 so that the regression model is feasible to use to predict net profit based on the variables of sales, short-term debt, and long-term debt.

This test is through the glejser test by regressing the absolute value of the residual on the independent variable. The results of the heteroscedasticity test show that the value of sig. sales 0.967 > 0.005, sig. short-term debt 0.99 > 0.005, and sig. long-term debt 0.510 > 0.005. This means that there is no heteroscedasticity so that the research data can be tested using a regression model. This test is through a run test. Based on table 4, the results of the autocorrelation test show that the value of asymp sig 0.826 > 0.005. This means that there is no autocorrelation so that the research data can be tested with a regression model. Multiple regression analysis was used to determine the effect of the independent variable on the dependent variable. The multiple regression equation between the independent variable (X) and the
dependent variable (Y) is as follows:

Net Profit = -0.467 + 0.351 Sales + 0.640 Short-Term Debt - 0.057 Long-Term Debt

The regression equation above can be explained as follows: (1) a constant of -0.467 indicates that if all the independent variables of sales, short-term debt, and long-term debt are assumed to be zero, the value of net profit is -0.467; (2) The coefficient b1 of 0.351 indicates that if the sales variable increases by one unit, it will increase net profit by 0.351 units assuming all other independent variables are zero; (3) The coefficient b2 of 0.640 indicates that if the short-term debt variable increases by one unit, it will increase net profit by 0.640 units assuming all other independent variables are zero; (4) The b3 coefficient of -0.057 indicates that if the long-term debt variable increases by one unit, it will decrease the dividend policy by -0.057 units with the assumption that all other independent variables are zero. The results of the t-statistical test on the variables of sales, short-term debt, and long-term debt on net profit. The results of testing the first hypothesis show that the sales variable has a positive and significant effect on net profit in the Jakarta Islamic Index (JII) company. In other words, the low and high sales of the company greatly affect the small amount of net profit that will be generated by the company. This happens because sales are one of the components in generating business income which will then be reduced by costs so that net profit is obtained. Accounting profit comes from the sale of goods and services transactions minus the costs needed to make sales (Hani, 2015). The results of this study support the results of the study (Wijaya et al., 2021), (Triani et al., 2020), (Sinaga et al., 2019), (Casmadi, Y & Butar Butar, 2018) that sales have a positive and significant effect on net profit and do not support the research results (Diana et al., 2020), (Ermaya et al., 2016), (Nurhayati, 2016) that sales have a positive and insignificant effect on net profit.

Second, short-term debt has a significant effect on net profit in the Jakarta Islamic Index (JII) company. It can be seen that the significant value (0.004) is smaller than the value of (0.05), which means that the second hypothesis is accepted. The results of testing the second hypothesis show that the variable short-term debt has a positive and significant effect on net profit in the Jakarta Islamic Index (JII) company. In other words, the low and high short-term debt of the company greatly affects the small amount of net profit that will be generated by the company. This happens because the company prefers short-term debt as a source of external funds for the company whose capital will be used for daily operational activities so that it is expected to increase net profit. If the entity needs funds to finance production expansion to meet additional production demand, the entity will use short-term liabilities (Martani et al., 2015). The results of this study support the results of research (Adrianah, 2019), and (Irawati, 2017) that short-term debt has a positive and significant effect on net profit and does not support the results of research (Dewi, 2014) that short-term debt has a positive and insignificant effect on net profit.

Third, long-term debt has no significant effect on net profit in the JII company. It can be seen that the significant value (0.751) is greater than the value of (0.05), which means that the third hypothesis is rejected. The results of testing the third hypothesis show that the long-term debt variable has a positive and insignificant effect on profit in the Jakarta Islamic Index (JII) company. In other words, the low and high long-term debt of the company does not affect the small amount of net profit that will be generated by the company. This can be caused by high sales...
growth because one element of net profit is operating income through sales. The results of this study support the results of research (Dewi, 2014) that long-term debt has a positive and insignificant effect on net profit and does not support the results of research (Adrianah, 2019) and (Helvida, L & Murti, 2016) that long-term debt has a positive and significant effect on net profit.

The results of the F statistical test on the variables of sales, short-term debt, and long-term debt on net income. Based on the results of the F-test, sales, short-term debt, and long-term debt have a significant effect on net profit in the Jakarta Islamic Index (JII) company. This can be seen from the significant value of 0.000 <0.05 and means that the fourth hypothesis is accepted. The results of this study support research (Adrianah, 2019) that sales, short-term debt, and long-term debt affect net profit. The coefficient of determination test is carried out to determine the percentage of the influence of the independent variable on the dependent variable. The Adjusted R Square value is 0.939, which means that the percentage of the influence of the independent variable on net income is 93.9% while the remaining 6.1% is influenced or explained by other variables not included in this research model.

CONCLUSION

Based on the results of the study it was found that (1) sales had a positive and significant effect on net income at the Jakarta Islamic Index (JII) company; (2) short-term debt has a positive and significant effect on net income at the Jakarta Islamic Index (JII) company; long-term debt has a positive and insignificant effect on net income at the Jakarta Islamic Index (JII) company; (4) sales, short-term debt, and long-term debt have a significant effect on net income at the Jakarta Islamic Index (JII) company. Based on these findings, it is expected that the company can maximize or increase its sales so that the profits obtained will increase. Companies should be able to use debt as an alternative in adding funds as a source of company capital, especially short-term debt by managing it more effectively through good debt control.

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