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DEBT FINANCING OPTIONS AND FINANCIAL PERFORMANCE

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Abstract: The Sector that has greatest impact on debt financing is Sector food and beverage company use imported raw material. In this case, company is required to be able to regulate the level of debt to the company. This study analysis examine the influence between debt financing option and Financial Performance. Analysis carried out using multiple linear analysis by taking sample data use sample proportion or with the specified criteria which has been specified and obtained as many as 11 companies with total observation of 55 in food and beverage companies listed on the Indonesian stock exchange 2014-2018. Based on hypothesis testing Short Term Debt and Long Term Debt does affect between Return on Asset. Than, Short Term Debt does affect between Return on Equity. However, Long Term Debt does not affect between Return on Equity.

Keywords : Debt Financing Option, Financial performance

INTRODUCTION

The weakening of the rupiah against the United States dollar (US) also had an impact on the industrial world. Deputy Chairman of the Indonesian Employers' Association (APINDO) Shinta Kamdani said, the sector that was most affected was the import-based sector. industries that have a lot of debt in US dollars are also affected (Fitri, 2019). In addition, the growth of corporate debt financing in April 2019 was only around 4.51 percent, or not as high as the previous months which reached 5 percent. Statistics of the Financial Services Authority (OJK) show that the company's debt financing in April 2019 reached Rp440.93 trillion, only growing 4.51 percent compared to the same period in 2018 valued at Rp421.88 trillion (Aldila, 2019). The current growth in debt financing for the economy requires companies to manage and compete for profits. This is due to competition in various economic sectors, especially manufacturing companies, especially in food and beverage companies listed on the Indonesia Stock Exchange from period to period. With the increase in the company, this causes competition in the company to be tighter. The competition has spurred every company to develop all aspects of the company, one of which is in the financial sector.

Good and bad financial performance of a company can be seen from how to find optimal business financing options. Financial Performance involves increasing shareholder wealth and profit taking which is one of the main objectives of the company as stated (Pandey, 1999). (Olatunji, T.E. & Tajudeen A.A., 2014) use net income from commercial banks as a measure of their financial performance.

In addition to Financial Performance, Debt Financing Options are the second important form of capital structure. This involves financing operations and company assets by issuing financial instruments such as short-term debt, long-term debt, loan debt, notes payable, bonds, bonds, etc. (Chadha, S. and Sharma, A. K, 2016).

This study will examine the effect of Debt Financing Options on Financial Performance listed on the Indonesia Stock Exchange in the food and beverage company sub-sector. Based on the background above, a Debt Financing Option problem can be formulated affecting Financial Performance. The purpose of this study was to determine the effect of Debt

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Financing Options on Financial Performance.

Signal theory

Signal theory shows that a company has an obligation to provide information about financial statements to the company owner or the company's shareholders. According to (Darsono, 2015), by providing information, it can show the condition of the company in a good or bad condition of the company so that it will know the value of the company and will show that the company has a value that is superior to other companies.

Financial Performance

Financial Performance is a picture of the achievement of the company's success can be interpreted as the results that have been achieved for various activities that have been carried out. Financial Performance can be seen from the ratio used to show the ability of a company to generate profits for a certain period. Financial performance can be measured by comparing net income after tax with total assets or capital. Company capital comes from the owner of the company (own capital). (Munawir, 2012).

Debt Financing Option

Debt Financing is an increase in the amount of debt by issuing long-term debt instruments, such as bonds or other debt securities. This is done because of shopping needs that cannot be postponed, for example the provision of facilities, salaries, additional capital, and unexpected costs. Delays in financing will result in greater costs / losses in the future. According to (Hanafi, 2012), debt financing is a debt ratio that is used to measure the ratio between debt and assets. According to (Riyanto, 2004), shows the company's ability to meet all financial demands if the company is liquidated. Meanwhile, according to (Sugiarso & Winarwi, 2006), defining debt financing is the ability of a company to pay off its debts both short-term debt and long-term debt.

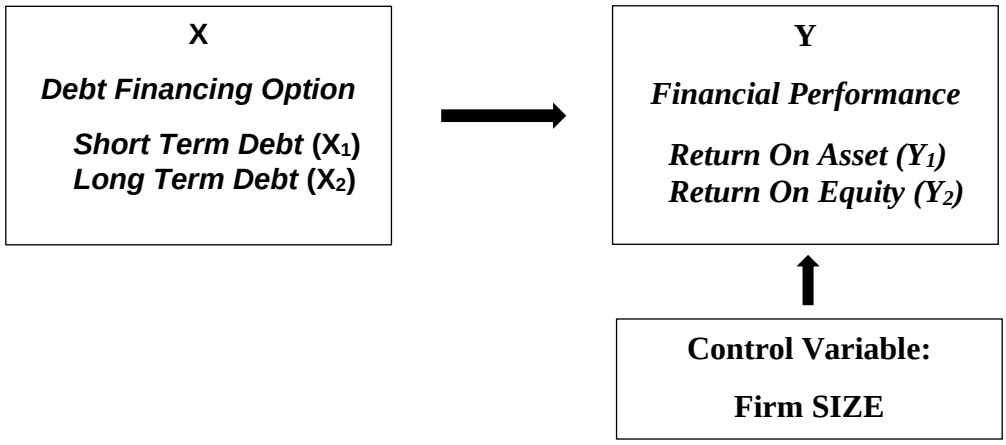

Figure 1 Framework for Thinking

Based on the above frame of mind schemes, it can be seen that the model in this study examines Debt Financing Options affecting Financial Performance. Then it can be formulated as follows

H1: Short Term Debt affects Financial Performance (Return On Assets).

H2 :: Long Term Debt has an effect on Financial Performance (Return on Assets).

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H3: Short Term Debt influences Financial Performance (Return On Equity).

H4: Long Term Debt affects Financial Performance (Return On Equity).

METHODS

Research Type

This type of research used in this study is quantitative research that can be interpreted as a research method based on an event, which is used to examine populations and certain samples of Sugiyono (2013).

Research and Measurement Variables

Research variables are anything in the form of what is determined by a researcher aims to be studied so that it gets information about it and a conclusion is drawn. The variables to be examined in this study are classified into two, namely: the dependent variable and the independent variable.

Variabel Dependen

Financial performance refers to the ability of a company to produce new resources from daily operations over a certain period of time (Bora, 2008). Financial performance can be seen from the components of Return on Assets (ROA) and Return on Equity (ROE):

a. Return on Assets (Y1)

Return on Asset or ROA indicates a capability

companies in getting profits on the assets used (Margaretha, 2005). The greater the value of ROA, the better it is for companies to calculate Return on Assets using:

$$ROAt = \frac{\text{"Net Profit After Tax"}}{\text{"Total assets"}}$$

Return on Equity (Y2)

Return on Equity or ROE is used to measure the amount of net profit generated from capital embedded in equity. The greater the value of ROE, the greater the amount of net profit generated from funds embedded in equity (Hery, 2015). To calculate ROE using the following formula:

$$ROE = \frac{\text{"Net Profit After Tax"}}{\text{Total assets}}$$

Independent Variable

The independent variables in this study are:

Short Term Debt (X1)

The Short Term Debt shows the company's ability to pay off the use of short-term debt:

$$STD = \frac{\text{Short} - \text{term Total Debt}}{\text{Capial}}$$

Long Term Debt (X2)

The Long Term Debt shows the company's ability to pay off long-term debt use:

$$LTD = \frac{\text{Short} - \text{term Total Debt}}{\text{Capital}}$$

Control variable

Firm Size

The size of the company can be interpreted as the size of the company in terms of the value of assets:

$$\text{Firm Size} = \text{Log Natural (Total Asset)}$$

Data source

The data used in this study are secondary data. Secondary data is data obtained through existing sources and not directly obtained by researchers from research subjects. The data used in this study are in the form of annual reports (annual reports) of companies included in the data used in this study are secondary data taken from the financial statements of the Food and Beverage Industry Companies that are listed on the Indonesian Stock Exchange (IDX) for the 2014- period 2018. (www.idx.co.id).

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Population and Sampling

The population in this study were all Food and Beverage Industry Companies with 18 companies. population sampled in this study is a population that meets the sample criteria that the researchers want in accordance with consideration. The sampling criteria

Table 1
Sampling Criteria

No	Sampling Criteria	Number of Companies
1	Food and beverage industry companies listed on the Indonesia Stock Exchange in 2014-2018	18
2	Food and beverage industry companies that do not publish complete financial statements every year	(3)
3	Food and beverage industry companies that do not use rupiah	(0)
4	Food and beverage industry companies that suffered losses	(4)
5	Number of Samples	11
	Number of research observation periods	5
	Total observational data for the period of 2016-2018 (11x5)	**55**

Sampling in this study uses a purposive sampling method, meaning that the

Metode Analisis data

The method used for data analysis is a panel data regression analysis method that is processed using SPSS 17. Used and to determine the level of significance of each regression coefficient between the independent variables to the dependent variable. So in this study using the following test:

Statistik Deskriptif

Descriptive statistics are statistics that function to describe or give a description of the object under study through sample data or population as they are, without conducting analysis and making conclusions that are applicable to the public. According to (Ghozali, 2011), descriptive statistics are used to describe the variables in this study. The analytical tool used is the minimum value, maximum value, mean (mean) and standard deviation.

Classic assumption test

The classic assumption test is an analysis that must be done before testing the hypothesis. The purpose of doing this classic assumption test is to ensure that the model used in the study are as follows:

is a viable model and can provide accurate hypothesis testing results.

Normality Test

According to Imam (Ghozali, 2011) the purpose of the normality test is as follows: "The normality test aims to find out whether the variables are normally distributed or not. Normality test is needed because in order to test other variables by assuming that the data examined are normally distributed. If this assumption is violated then the statistical test becomes invalid and parametric statistics cannot be used. "
In the linear regression model, this assumption is shown by the error value that is normally distributed. A good regression model is a regression model that has a normal or near normal distribution, so it is worth doing a statistical test. Testing the normality of data using the Kolmogorov-Smirnov Test of Normality in the SPSS program. According to (Santoso, 2012) the basis for decision making can be done based on probabilities (Asymtotic Significance), namely:

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a) If the probability is> 0.05 then the distribution of the regression model is normal.
b) If the probability is <0.05 then the distribution of the regression model is not normal.

Multikolinieritas

Multicollinearity test aims to test whether the regression model found a correlation between independent variables (Ghozali, 2011). In a good regression model there should be no correlation between independent variables. To detect the presence or absence of multicollinearity in the regression model can be seen from the Tolerance Value or Variance Inflation Factor (VIF). Both of these measurements indicate which independent variables are explained by other independent variables. Tolerance measures the variability of selected independent variables that are not explained by other independent variables. So a low Tolerance value is the same as a high VIF value. Common cut-off values are:
a) If the Tolerance value> 10 percent and VIF value <10, it can be concluded that there is no multicollinearity between the independent variables in the regression model.
b) If the Tolerance value <10 percent and VIF value> 10, it can be concluded that there is multicollinearity between independent variables in the regression model

Heteroscedasticity Test

Heteroscasticity test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another (Ghozali, 2011). A good regression model is one that is homoscedasticity or one that does not occur heteroscedasticity. This research will use the chart method (scatterplot diagram) with the basic analysis, namely:
a) If there are certain patterns, such as the points that form a regular pattern (wavy, widened, then narrowed), then it indicates that heteroscedasticity has occurred. If there is a clear pattern, and the points spread above and below the number 0 and on the Y axis, then there is no heteroscedasticity

Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the error of the intruder in the t period and the error of the intruder in the t-1 period (before) (Ghozali, 2011). The testing method used is the Durbin-Watson Test (DW Test). The testing criteria are as follows:
a) If 0 <d <dl, then autocorrelation occurs
b) If dl <d <du, then there is no certainty that autocorrelation will occur or autocorrelation does not occur (doubtful)
c) If 4-du <d <4-dl, then there is no certainty whether there is autocorrelation / no (doubtful)
d) If du <d <4-dl, then there is no positive or negative autocorrelation.

Multiple Linear Regression Analysis Regression Model

Hypothesis testing is done by regression analysis. Regression is an analytical tool used to measure how far the influence of independent variables on the dependent variable (Ghozali, 2011). The regression model is formulated with the following equation:
$Y1 = \alpha + \beta1\ X1 + \beta2\ X2 + \varepsilon$
$Y2 = \alpha + \beta1\ X1 + \beta2\ X2 + \varepsilon$
Information:
Y1 = Return on Assets (ROA)
Y2 = Return on Equity (ROE)
α = Constant (α),
β = Regression Coefficient (β),
X1 = Short Term Debt
X2 = Long Term Debt
ε = error

Model Feasibility Test

Statistical tests show that the independent variable entered in the model has an influence on the

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dependent variable. This test aims to determine the magnitude of the independent variable Debt Financing (Short Term Debt). jointly or simultaneously have a positive effect on the dependent variable Financial Performance (Return On Assets and Return On Equity)

Hypothesis testing

T test is used to test whether the independent variable partially has an influence on the dependent variable (Ghozali, 2011). The hypothesis will be tested using a significance level (a) of 5 percent or 0.05.

Coefficient of determination (Adj R2)

The coefficient of determination is used to measure how far the model's ability to explain the variation of the dependent variable (Ghozali, 2011). The coefficient of determination is between zero and one. This study uses the value of Adj R2 because it is able to overcome the bias towards the number of independent variables included in the regression model. The small value of Adj R2 means that the ability of the independent variables in explaining the dependent variables is very limited

RESULTS AND DISCUSSION

Based on table 1, a total of 55 data samples were obtained, taken from 11 food and beverage industry companies listed on the Indonesia stock exchange (IDX) over a 5-year period. The names of the companies that are sampled are presented in the following table :

Table 2
The names of companies that are the object of research

No	Stock code	Issuer's Name
1	CEKA	PT Wilmar Cahaya Indonesia Tbk
2	DLTA	PT Delta Djakarta Tbk
3	ICBP	PT Indofood CBP Sukses Makmur Tbk
4	INDF	PT Indofood Sukses Makmur Tbk
5	MLBI	PT Multi Bintang Indonesia Tbk
6	MYOR	PT Mayora Indah Tbk
7	ROTI	PT Nippon Indosari Corporindo Tbk
8	SKBM	PT Sekar Bumi Tbk
9	SKLT	PT Sekar Laut Tbk
10	STTP	PT. Siantar Top Tbk.
11	ULTJ	PT Ultrajaya Milk Industry and Trading Company Tbk

Descriptive statistics

Descriptive statistics are used to determine the characteristics of the sample used in the study. This includes the minimum value, the maximum value, the mean value (mean) and the standard deviation value, based on the dependent variable and the independent variable that is the study.

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Table 3
Descriptive Analysis Results

	N	Min	Max	Mean	Std.Dev
STD	55	0,070	2,869	0,504	0,481
LTD	55	0,024	0,944	0,234	0,220
ROA	55	0,009	0,527	0,123	0,108
ROE	55	0,014	1,435	0,194	0,240
∑ *Size*	55	12,728	18,385	15,138	1,513

Classic assumption test
Normality test

The normality test is used to test in the regression model, the disturbing variable or residual value has a normal distribution. A good regression model is if the regression model has a normal or near normal distribution. The results of the normality test with the 1-Sample K-S statistical test are presented in the following table:

Table 4
Normality test

Information	Sig.	Std	conclutions
Data 1	0,141	> 0,05	Normal
Data 2	0,325	> 0,05	Normal

Based on table 4 shows the significance level of Data 1 of 0.141 and Data 2 of 0.325 which is greater than the specified significance level of 0.05. Thus, it can be concluded that the regression model is normally distributed.

Multicollinearity Test

Multicollinearity test aims to test the regression model found a correlation between independent variables (independent). A good regression model should not occur correlation between independent variables. Multicollinearity test can be seen from the value of tolerance and its opposite variance inflation factor (VIF).

Table 5
Multicollinearity Test Results

Ket	*Tolerance*	Std	VIF	Std
STD	0,989	> 0,10	1,011	< 10
LTD	0,989	> 0,10	1,011	< 10

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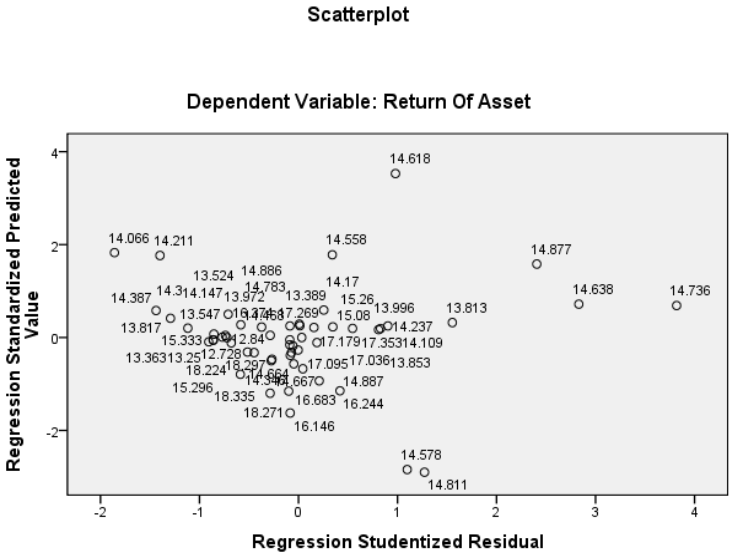
Based on the results of the multicollinearity test in table 5 it can be concluded that the independent variables used in this study do not occur multicollinearity symptoms, because all independent variables have a Tolerance value> 0.10 and a VIF value



Heterokedasticity Test

Heteroscedasticity test aims to test whether in the regression model there is an unequal variance from the residuals of one observation to another. A good regression model is homoscedasticity or heteroscedasticity does not occur. In this study the chart method (scatterplot diagram) will be used. If there are certain patterns that are regular, then it indicates that heterocedasticity has occurred. But if there is a clear pattern and the points spread above and below the number 0 on the Y axis, then heterokedasticity does not occur.

Based on the graphs in data 1 and data 2 show that the points spread randomly and scattered above and below the number 0 on the Y axis. It can be concluded that there is no heterokedasticity so that the regression model is feasible to use.

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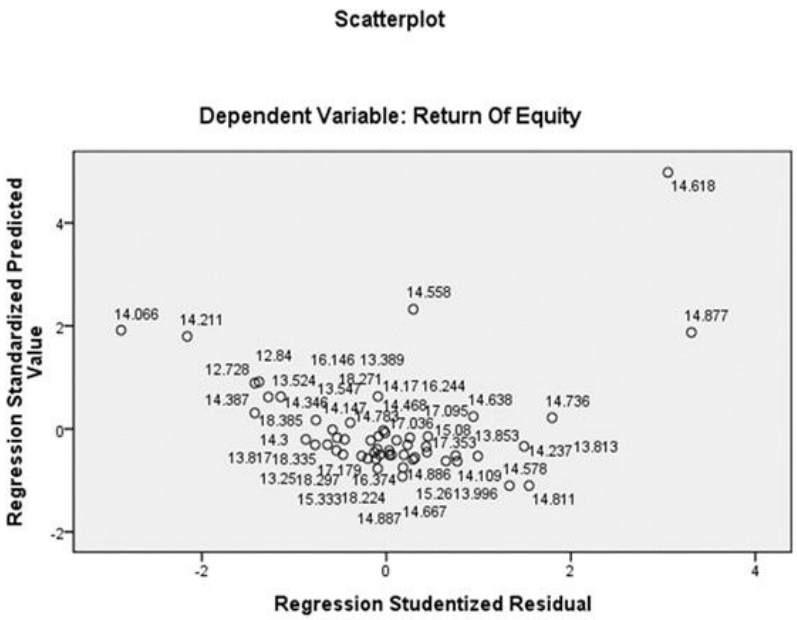

Figure 2 Heteroskedacity Test

Uji Autokorelasi

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the error of the intruder in the t period and the error of the intruder in the t-1 period (before). The testing method used is the Durbin-Watson Test (DW Test). The results of the autocorrelation test are presented in the following table:

Table 6
Autocorrelation Test

Inf	dU		*Durbin-Watson*		dU
Data 1	1,6815	<	2,051	<	2,3185
Data 2	1,6815	<	2,099	<	2,3185

With a significance level of 5%, the number of variables 3 is the number of samples 55 (n) and, then in the Durbin-Watson table we will get the upper limit value (dU) 1.6815 and the lower limit (dL) 1.4523. The Durbin Watson Data 1 value is 2.051 and Data 2 is 2.099 which is greater than the upper limit (dU) 1.6815 and less than 4-1.6815 (dU <DW <4-Du), it can be concluded that there was no autocorrelation in the model The regression used in this study is in data 1 and data 2.

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Multiple Linear Regression Analysis
Regression Model

Model persamaan regresi dalam penelitian ini adalah sebagai berikut :

Table 7
Regression Model Test Results

Model	Model 1 *Unstandardized Coefficients*	Model 2 *Unstandardized Coefficients*
Konstanta	0,131	0,054
STD	0,064	0,364
LTD	-0,173	-0,184

Based on the test results of multiple linear regression analysis in table 7 the regression equation used in this study are:

a) ROA = 0.131 + 0.064 STD – 0.173 LTD

The Model 1 equation above has the following meanings:

Short Term Debt (STD) regression coefficient value of 0.064, explains that each increase in Short Term Debt (STD) by one unit, it will increase the value of Return On Assets (ROA) of 0.064. Long Term Debt (LTD) regression coefficient value of -0.173, explaining that each increase in Long Term Debt by one unit, it will reduce Return on Assets (ROA) by 0.173. ROE = 0.054 + 0.364 STD – 0.184 LTD The equation above has the following meaning: The value of the Short Term Debt (STD) regression coefficient is 0.364, explaining that each increase in the Short Term Debt (STD) by one unit will increase the Return On Equity (ROE) value by 0.364.Long Term Debt (LTD) regression coefficient value of -0.184, explaining that each increase in Long Term Debt (LTD) by one unit, it will reduce the Return On Equity (ROE) by 0.184.

Model Feasibility Test

F test aims to determine whether the independent variables (independent) together affect the dependent variable (dependent).

Table 8
Model Feasibility Results

	F_{hitung}	F_{tabel}	Sig.	Std
Model 1	5,885	3,18	0,005	< 0,05
Model 2	30,166	3,18	0,000	< 0,05

Based on table 8 shows that the value of F_{count} model 1 of 5.885 is greater than the value of F_{table} of 3.18 with a significance level of 0.005 <0.05, it can be concluded that the regression model is feasible to use, for the F_{count} of Model 2 value of 30.166 is greater than the value F_{table} of 3.18 with a significance level of 0.000 <0.05, it can be concluded that the regression model is feasible to use.

Hypothesis testing

T test is used to see the effect of each independent variable partially on the dependent variable. T test results are presented in the following table:

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Table 9
Hypothesis Test Results

Hipotesis	Model	t_{hitung}	t_{tabel}	Sig.	Std	Kesimpulan
Short Term Debt	1	2,259	2,006	0,028	< 0,05	H_1 diterima
Long Term Debt	1	-2,808	-2,006	0,007	< 0,05	H_2 diterima
Short Term Debt	2	2,748	2,006	0,008	< 0,05	H_3 diterima
Long Term Debt	2	-1,779	-2,006	0,081	> 0,05	H_4 ditolak

Hypothesis Testing 1

The results of the hypothesis in table 9 show that the t-count for the STD variable is 2.259 with a significance value of 0.028. Because the value of ttable <tcount (2.006 <2.259), and the significance value of 0.05 (0.028 <0.05), it can be concluded that H1 is accepted. STD affects ROA.

Hypothesis Testing 2

The results of the hypothesis in table 9 show that the tcount for the LTD variable is -2,808 with a significance value of 0.008. Because the value of -test <-table (-2.808 <-2.008), and the significance value of 0.05 (0.007 <0.05), it can be concluded that H3 is accepted. LTD affects ROA.

Hypothesis Testing 3

The results of the hypothesis in table 9 show that the tcount for the STD variable is 2.748 with a significance value of 0.008. Because the value of ttable <tcount (2.008 <2.748), and the significance value of 0.05 (0.008 <0.05), it can be concluded that H2 is accepted. STD affects ROE.

Hypothesis Testing 4

The results of the hypothesis in table 9 show that the tcount for the LTD variable is -1.777 with a significance value of 0.081. Because the value of t-table ≤ tcount ≤ t table (-2,008 ≤ - 1,779 ≤ 2,008), and the significance value of 0.05 (0.081> 0.05), it can be concluded that H4 is rejected, LTD has no effect on ROE

Coefficient of Determination (Adj R2)

The coefficient of determination (Adj R2) to measure how far the ability of the model in explaining the variation of the dependent variable. The small value of Adj R2 means that the ability of the independent variables in explaining the dependent variables is very limited.

Table 10
Determination Coefficient Test Results

Information	*Adjusted r square*
Model 1	0,153
Model 2	0,519

Based on the results of testing the coefficient of determination (Adj R2) in table 10 it can be seen that the dependent variable in this case Model 1 can be influenced by 15.3% and model 2 can be influenced by 51.9% by the independent variable. This can be seen from the adjusted r square value of 0.153 and 0.519. While the remaining 32.8% dependent variable Financial Performance (ROA and ROE) is influenced by other variables not used in this study. This research has an effect of 67.2% in Financial Performance.

Discussion

Effect of Short Term Debt (STD) on Financial Performance (ROA).

The results of the analysis as presented in table 9 show that Short Term Debt (STD) affects the Return On Assets (ROA). This is because financial managers are able to adjust the level of

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short-term debt to ensure that they operate at the optimal point. In addition, the company is able to manage operational expenses for asset management. This research is in line. According to (Sartono, 2010) various financial ratios can be used to measure risk in relation to companies that use leverage in their capital structure. This causes the Short Term Debt (STD) to increase and Return On Assets (ROA) to increase.

Effect of Long Term Debt (LTD) on Financial Performance (ROA).

The results of the analysis as presented in table 9 show that it can be concluded that the Long Term Debt (LTD) affects the Financial Performance (ROA). This is because financial managers are able to adjust the level of Long Term Debt (LTD) to ensure that they operate at their optimal point in the long run. This research is in line (Abdul & M. Hanafi, 2009) measuring a company's ability to meet its long-term obligations. This ratio also measures the company's long-term liquidity and thus focuses on the right side of the balance sheet. This causes the Long Term Debt (LTD) to increase and Return On Assets (ROA) to decline.

Effect of Short Term Debt (STD) on Financial Performance (ROE).

The analysis results as presented in table 9 show that Short Term Debt (STD) affects Return on Equity (ROE). This is because financial managers are able to adjust the level of Short Term Debt (STD) to ensure that they operate at the optimal point in managing capital. This is in line with research (Modigliani, F. & Miller, M. H., 1963). Tax benefits and argues that under market imperfections where interest payments can be tax deductible, the value of the company will increase with the level of financial leverage. This causes the Short Term Debt (STD) to increase and Return On Equity (ROE) to increase.

Effect of Long Term Debt (LTD) on Financial Performance (ROE).

The analysis results as presented in table 9 show that Long Long Debt (LTD) has no effect on Return On Assets (ROE). This is because financial managers have not adjusted the level of Long Term Debt (LTD) to ensure that they operate at the optimal point . On the other hand, credit institutions can only finance business to the point where profitability is maximized to reduce the risk of default associated with overpayment of debt. This is not in line with (Aminatuzahra, 2010) states that DER significantly influences ROE, where the higher the use of risk (financial leverage) will produce a high ROE as well. This research is in line (Myers, S. C. and Majluf, N. S., 1984) Pecking Order Theory, where the theory reveals that there is a relationship between Long Term Debt (LTD) and Financial Performance (ROE). This causes the Short Term Debt (STD) to increase and Return On Equity (ROE) to decrease.

CONCLUSION

This study aims to examine the effect of Debt Financing Options (in the Short Term Debt (STD) and Long Term Debt (LTD)) on Financial Performance (in the Return On Asset (ROA) and Return On Equity (ROE) proxy. The analysis is carried out using multiple linear analysis. The sample data uses a purposive sample method or with predetermined criteria and obtained as many as 11 companies with a total observation of 55 in food and beverage companies listed on the Indonesia Stock Exchange in 2014-2018. Based on the results of testing hypothesis 1, hypothesis 2, and hypothesis 3 which states Short Term Debt (STD) and Long Term Debt (LTD) affect the Return On Assets (ROA) and Short Term Debt (STD) affect the Return On Equity (ROE)) supported by empirical evidence. Based on the results of testing hypothesis 4 which states Long Term

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Debt (LTD) has no effect on Return On Equity (ROE) supported by empirical evidence. The results of this study identify that to produce governance with Debt Financing Options and Financial Performance with integrity, management and regulation of Debt Financing Options and Financial Performance are needed to have a good impact on the company.

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