JIMUPB Jurnal Ilmiah Manajemen
E-issn:2549-9491 P-issn:2337-3350

JIM UPB
Jurnal Program Studi Manajemen
Universitas Putera Batam Vol.10 No.1

COMPANY EXTERNAL FUNDING TO GENERATE PROFIT

By

Vargo Christian L. Tobing[1], Erni Yanti Natalia[2]
Accounting Study Program, Putera Batam University
Email : vargo.tobing@gmail.com

ABSTRACT

The study aims to look at the effect of external funding on a company's ability to make a profit. The object of the research is PT Ultra Jaya Milk Industry, Tbk. The data used is secondary data obtained from the idx.co.id website. The data studied is data from 2016 to 2020. From the results of the study, it can be known that the debt to equity ratio does not have a significant influence on the company's ability to obtain profits. The company's external funding (debt to equity ratio) in 2016 to 2019 has a stable value. But in 2020, the company's debt to equity ratio will increase significantly. As for the return on equity in 2016 to 2018 decreased. However, in 2019 to 2020, the company's return on equity increased.

Keywords: Job Stress, debt to equity ratio; return on equity

INTRODUCTION

The purpose of establishing a company is to make a profit. This advantage will be obtained if all the resources in the company, be it capital, assets, can be managed properly so that they are able to generate profits. To make a profit, of course the company must have qualified funding. If the company wants high profits, then the company must prepare a large capital as well.

A business activity that is run by a company must have several objectives to be achieved by the owner and management. One of them is the owner wants the capital that has been invested in his business to return quickly. In addition, the owner also expects a return on the capital that has been invested. So as to be able to provide additional capital (new investment) and prosperity for the owner and all employees.

For the management, the profits are the achievement of predetermined targets. The achievement of the profit target is very important because by achieving the target that has been set or even exceeding the desired target, this is an achievement in itself for the management. This achievement is a measure to assess the success of management in managing the company.

In addition to wanting optimal profits, the owner also wants that the business that will be run later is not only for one period of activity. Instead, the company is expected to continue to excel in the long term. Likewise, the management also wants a long-term survival of the

company because this is related to the income they earn while the company is running (Ayuningtyas, 2019).

The company's funding can be sourced from internal or external companies. In this study, the funding discussed is funding from an external perspective. This external funding can be obtained by the company from investors or creditors. To get funds from investors or from creditors is certainly not easy, because investors and creditors will certainly see the company's prospects in the future, whether it has good prospects or not, so investors will later benefit if they invest in the company, or creditors will get return the disbursed funds along with the interest. To narrow the scope of the research.

LITERATURE REVIEW

Debt to Equity Ratio

*Debt to equity*ratio is a ratio that measures the extent to which the company is financed by creditors. The higher this ratio, the greater the funds taken from outside. Viewed from the point of view of the solvency ratio which is relatively not good, because if there is liquidation the company will experience difficulties. The lower this ratio illustrates that the better the company's ability to pay its long-term obligations. So if this ratio is high, it will have an impact on investors' views on the company's ability to provide high returns(Sa'adah et al., 2020)

*Debt to equity ratio*is a ratio that shows how much of each rupiah of own capital is used as collateral for the entire debt. The higher this ratio means the higher the amount of outside funds guaranteed by the amount of own capital(Hani, 2015).

Meanwhile, according to(Cashmere, 2012), debt to equity ratio is the ratio used to assess debt to equity, this ratio is sought by comparing all debt with all equity. This ratio is useful for knowing the amount of funds provided by loans (creditors) with company owners

$$Debt\ to\ Equity\ Ratio\ \frac{Total\ Hutang}{Total\ Ekuitas}$$

Return On Equity

Return On Equity is a ratio that shows the extent to which the company is actively managing its own capital, measuring the level of profit from investments made by the owners of own capital and the company's shareholders. Return on Equity shows the profitability of own capital or what is often called business profitability. If this ratio is low, it indicates that the company's performance is not good and will result in a decrease in the rate of return desired by shareholders(Sa'adah et al., 2020)

*Return on equity*is part of the profitability ratios in analyzing the financial statements of the company's financial performance reports. Return on equity is the ratio of net income to common equity or measures the rate of return on investment by common stockholders(Brigham & Houston, 2012)

$$Return\ On\ Equity = \frac{Laba\ bersih}{Ekuitas}$$

RESEARCH METHODS

This research is a quantitative descriptive research with the object of research is PT Ultra Jaya Milk Industry, Tbk. The data used in this research is secondary data. The financial reports were obtained from the idx.co.id website. The data used is the period from 2016 to 2020.

RESULTS AND DISCUSSION

Research result

The following can be seen from the Debt to Equity Ratio data for the period 2016 to 2020

Table 1. Debt to Equity Ratio

Year	DER	Change
2016	0.21	
2017	0.23	+0.02
2018	0.16	- 0.07
2019	0.17	+0.01
2020	0.83	+0.66

From the table above, it can be seen that the company's external funding sources have an upward trend, which means that the company's external funding has increased. If this external funding is not managed properly, it will become a burden for the company. Conversely, if this external funding can be managed properly, it will be able to generate profits for the company. Companies want big profits, so companies must have large capital as well. Therefore, many companies are trying to get external funding sources for company operations.

DER Trends can be seen in the following graph:

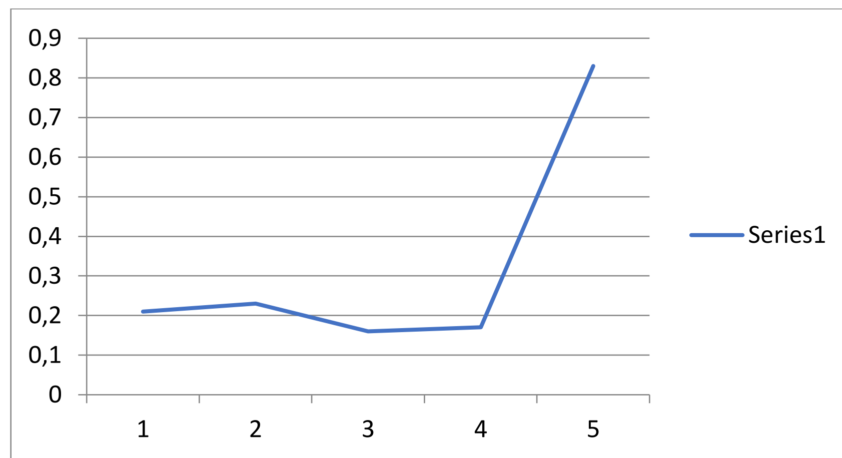


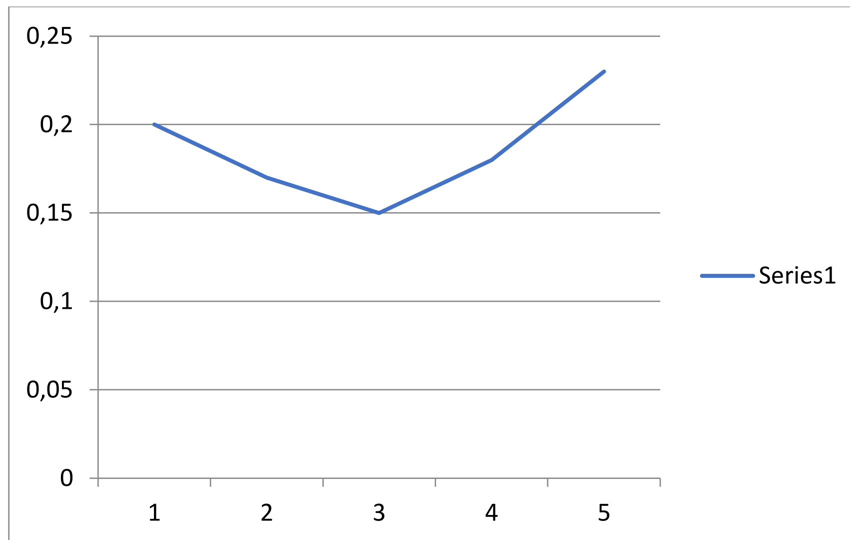
Table 2. Return On Equity
Here you can see the Return On Equity data for the period 2016 to 2020

Year	ROE	Change
2016	0.20	
2017	0.17	- 0.03
2018	0.15	- 0.02
2019	0.18	+0.03
2020	0.23	+ 0.05

From the table above, it can be seen that the company's return on equity tends to fluctuate, but if you look at the trend, the company's return on equity has a positive trend, or

an increasing trend. This is a good condition for the company, because with the funding it has, the company can manage it well so that the company is able to generate profits.

Trends *return on equity* can be seen in the following graph:



Hypothesis test

The Effect of Debt to Equity Ratio on Return On Equity

Table 3. Partial Test

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.158	.014		11.217	.002
	Debt to Equity Ratio	.088	.034	.830	2,575	.082

a. Dependent Variable: Return On Equity

From the table above, it can be seen that the debt to equity ratio has a significant value of 0.082. This significant value is greater than 0.05, so it can be concluded that the debt to equity ratio does not have a significant effect on the company's ability to generate profits (return on equity).

In this study, the debt to equity ratio does not have a significant effect on the company's ability to generate return on equity. Of course, the company takes a policy to obtain funding from external sources because the company wants to develop the company and get greater profits than with larger capital. External funding in this study had a stable value from 2016 to 2019. However, in 2020, this external funding experienced a significant increase.

This external funding does not have a significant effect on the company's ability to generate profits because the debt to equity ratio is not the main factor for the company to carry out the company's operational activities to generate profits. The results of this study are in line with research conducted by(Alpi, 2018) which states that the debt to equity ratio does not have a significant effect on return on equity

CONCLUSION

From the results of the study it can be concluded that:

1. The company's external funding (debt to equity ratio) in 2016 to 2019 has a stable value. However, in 2020, the company's debt to equity ratio has increased significantly
2. *Debt to equity ratio* does not have a significant effect on the company's ability to generate return on equity

SUGGESTION

Based on the results of the study, the suggestions that can be given are that in the future, it is hoped that there will be additional research objects by examining companies operating in the same subsector so that they can see the results in general, and can add other independent variables to see the company's ability to generate profits.

REFERENCES

Alpi, MF (2018). The Influence of Debt To Equity Ratio, Inventory Turn Over, And Current Ratio To Return On Equity In Pharmaceutical Sector Companies Listed On The Indonesia Stock Exchange. The National Conference on Management and Business (NCMAB), 158–175.

Ayuningtyas, FD (2019). PROFITABILITY RATIO ANALYSIS TO ASSESS FINANCIAL PERFORMANCE. Shintia Mayasari.

Brigham, & Houston. (2012). Fundamentals of Financial Management (11th ed.). Salemba Four.

Hani, S. (2015). Financial Statement Analysis Techniques. UMSU Press.

cashmere. (2012). Financial Statement Analysis. King Grafindo Persada.

Sa'adah, L., Rahmawati, I., & Nur'ainui, T. (2020). Implementation of Measurement of Current Ratio, Debt to Equity Ratio and Return on Equity and Their Effect on Return. LPPM University KH.A. Wow Hasbullah.