

ANALYSIS OF THE INFLUENCE OF DEBT POLICY ON FINANCIAL PERFORMANCE OF COMPANIES DELISTED ON IDX PERIOD OF 2018-2020**ANALISIS PENGARUH KEBIJAKAN UTANG TERHADAP KINERJA KEUANGAN PERUSAHAAN YANG DELISTING DI BEI PERIODE 2018-2020**

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Abstract: The purpose of the study was to examine the effect of debt policy on financial performance of listed firms in Indonesian Stock Exchange. Debt policy measured by short term debt, long term debt, and total debt, while financial performance measured by return on equity. This research used two control variables, namely, size and sales growth. This research was causal research with quantitative approach, while by the level of it explanation, the research was associative research. The population of the research included the company delisted in Indonesian Stock Exchange on manufacturing sector during the 2018-2020 period. The purposive sampling was used as sample collection technique for the research, and it was obtained 12 companies. The method was used multiple regression analysis with two models. Model 1 was regression using short term debt, long term debt, and total debt, and model two was regression of independent variable. Short Term Debt had no effect on ROE. Long Term Debt had negative and significant effect on ROE. Total Debt had negative and significant effect on ROE. The F test on model 1 was 6,833, and the F test model 2 was 5,022. Adjusted R² of model 1 was 0,052 which means that variation of Return On Equity could be explained by Short Term Debt and Long Term Debt of 5,2%, while the remaining 94,8% was explained by other variables outside the model. Adjusted R² of model 2 was 0,097 which means that variation of Return On Equity could be explained by Total Debt of 9,7%, while the remaining 90,3% was explained by other variables outside the model.

Keywords: Financial performance, debt policy, short term debt, long term debt, total debt, return on equity

Abstrak: Tujuan dari penelitian ini adalah untuk menguji pengaruh kebijakan hutang terhadap kinerja keuangan perusahaan yang terdaftar di Bursa Efek Indonesia. Kebijakan utang diukur dengan utang jangka pendek, utang jangka panjang, dan total utang, sedangkan kinerja keuangan diukur dengan return on equity. Penelitian ini menggunakan dua variabel kontrol yaitu ukuran dan pertumbuhan penjualan. Penelitian ini merupakan penelitian kausal dengan pendekatan kuantitatif, sedangkan berdasarkan tingkat penjelasannya, penelitian ini merupakan penelitian asosiatif. Populasi dalam penelitian ini adalah perusahaan yang delisting di Bursa Efek Indonesia pada sektor manufaktur selama periode 2018-2020. Teknik pengambilan sampel penelitian menggunakan purposive sampling, dan diperoleh 12 perusahaan. Metode yang digunakan adalah analisis regresi berganda dengan dua model. Model 1 adalah regresi dengan menggunakan hutang jangka pendek, hutang jangka panjang, dan total hutang, dan model dua adalah regresi variabel bebas. Utang Jangka Pendek tidak berpengaruh terhadap ROE. Hutang Jangka Panjang berpengaruh negatif dan signifikan terhadap ROE. Total Debt berpengaruh negatif dan signifikan terhadap ROE. Uji F pada model 1 adalah 6.833, dan uji F model 2 adalah 5.022. Adjusted R² model 1 sebesar 0,052 yang artinya variasi Return On Equity dapat dijelaskan oleh Utang Jangka Pendek dan Utang Jangka Panjang sebesar 5,2%, sedangkan sisanya 94,8% dijelaskan oleh variabel lain di luar model. Adjusted R² model 2 adalah 0,097 yang berarti variasi Return On Equity dapat dijelaskan oleh Total Debt sebesar 9,7%, sedangkan sisanya 90,3% dijelaskan oleh variabel lain di luar model.

Kata Kunci: Kinerja keuangan, kebijakan utang, utang jangka pendek, jangka panjang

INTRODUCTION

Research Background

Measurement of financial performance can be done using various analytical techniques, namely comparative analysis of financial statements, trend analysis (positional tendency), percentage analysis per component, analysis of sources and uses of working capital, analysis of sources and uses of cash, analysis of financial ratios, analysis of changes in gross profit, and break even analysis (Jumingan, 2016). Of these several techniques, ratio analysis is the most widely used analytical technique, both for investors, creditors, and other parties, in assessing company performance. According to Warsidi and Bambang (2011), financial ratio analysis is an instrument of company performance analysis that explains various financial relationships and indicators, which shows changes in financial conditions or operating performance in the past and helps describe the trend of these changes, to then show the ratio and opportunities attached to the company concerned.

For investors, there are three dominant financial ratios used, namely the liquidity ratio, solvency ratio, and profitability ratio (Fahmi, 2012). In this study, the profitability ratio is the main focus of measuring the company's financial performance where profitability is a measure of the company's success in generating profits. Potential investors will carefully analyze the smooth running of a company and its ability to earn profits (profitability), because they expect dividends and market prices from their shares (Fahmi, 2012). For companies that go public, stock prices are one way to see the value of the company, so it shows that the profitability ratio is a ratio that assesses the company's ability to maximize company value or shareholder wealth.

There are various kinds of profitability ratios that can be used, one of which is Return on Equity (ROE). Return on Equity is a ratio that measures the company's ability to generate profits based on a certain share capital (Hanafi and Halim, 2016). The use of the ROE ratio is related to the company's ability to generate profits based on the use of certain share capital. According to Hanafi and Halim (2016), a high number for ROE indicates a high level of profitability. The capital structure of public companies in Indonesia is still dominated by debt rather than own capital. The dominance of debt in the capital structure can pose a risk of bankruptcy to the company because of the large total cost of debt that must be borne by the company. The year 2018 to 2020 was a year in which many companies were delisted by the Indonesia Stock Exchange (IDX). In 2018-2020, IDX has delisted 12 companies, namely 4 companies in 2018, 7 companies in 2019 and 1 company in 2020 (sahamok.com). The reason the company was delisted from trading on the IDX was mostly due to debt problems, so based on this data, optimization of debt ratios is important in financial performance stability. Based on the background of the problems described above, several problems can be identified as follows: There is management difficulty in determining the right debt policy for the company; Companies do not know the effect of each level of debt on company performance. Previous studies on the effect of debt policy on the company's financial performance are still inconsistent.

Research Objectives

Based on the description of the problems above, this study has the following objectives:

1. To determine the effect of Short Term Debt on the company's financial performance as measured by Return on Equity.
2. To determine the effect of Long Term Debt on the company's financial performance as measured by Return on Equity.
3. To determine the effect of Total Debt on the company's financial performance as measured by Return on Equity.

THEORETICAL FRAMEWORK

Financial Performance

According to Fahmi (2012), financial performance is an analysis carried out to see the extent to which a company has run a company using financial implementation rules properly and correctly.

Financial Performance Analysis

According to Jumingan (2016), based on the technique, financial analysis can be done in several ways, namely:

- Comparative analysis of financial statements, is an analytical technique by comparing financial statements

of two or more periods by showing changes, both in total (absolute) as well as in percentage (relative).

- Trend analysis (position tendency), is an analytical technique to find out whether the financial condition tends to increase or decrease.
- Analysis of percentage per component (common size), is an analytical technique to determine the percentage of investment in each asset to the total or total assets and debt.
- Analysis of sources and uses of working capital, is an analytical technique to determine the amount of sources and uses of working capital through two periods of time being compared.
- Analysis of sources and uses of cash, is an analytical technique to determine the condition of cash along with the causes of changes in cash in a certain period of time.
- Financial ratio analysis, is a financial analysis technique to determine the relationship between certain items in the balance sheet and income statement, either individually or simultaneously.
- Analysis of changes in gross profit, is an analytical technique to determine the position of profits and the causes of changes in profits.
- Break even analysis, is an analytical technique to determine the level of sales that must be achieved so that the company does not suffer losses.

Financial Ratios

Financial ratios or financial ratios are a company's financial analysis tool used to assess the performance of a company based on a comparison of financial data contained in the financial statements (balance sheet, profit/loss report, cash flow report). Financial ratio analysis can assist management in evaluating performance to find the company's weaknesses and strengths. According to Harahap (2015), ratio analysis has the following advantages:

- Ratios are numbers or statistical summaries that are easier to read and interpret.
- It is a simpler substitute for the information presented in very detailed and complicated financial statements.
- Knowing the company's position in the midst of other industries.
- Very useful for material in filling decision-making models and prediction models (Z-Score).
- Standardize company size.
- It is easier to compare the company with other companies or see the company's development periodically or time series.
- It is easier to see company trends and make predictions in the future.

According to Riyanto (2001), the grouping of financial ratios are as follows:

- Liquidity ratios, are the ratios intended to measure company liquidity (current ratio, acid test ratio).
- Leverage ratios are ratios intended to measure to what extent the company's assets are financed with debt (debt to total assets ratio, net worth to debt ratio and so on).
- Activity ratios, which are ratios intended to measure the effectiveness of the company in working on its sources of funds (inventory turnover, average collection period and so on).
- Profitability ratios, namely ratios that show the final results of a number of policies and decisions (profit margin on sales, return on total assets, return on net worth and so on).

Debt

Munawir (2017) argues that debt is all the company's financial obligations to other parties that have not been fulfilled, where this debt is a source of funds or company capital originating from creditors. Nurwahyudi and Mardiyah (2014) argue that debt is an economic sacrifice that must be made by the company in the future because of previous actions or transactions. Meanwhile, according to Sutrisno (2019), debt is capital that comes from loans, either from banks, financial institutions, or by issuing debt securities, and for this use the company provides compensation in the form of interest which becomes fixed interest for the company. Debt is classified into two groups, namely current debt or also called short-term debt and non-current debt or long-term debt. Short-term debt is an obligation that must be fulfilled by the company to other parties that will mature within one year in the company's normal operating cycle. Current liabilities are usually paid with current assets. Some current liabilities are trade payables, notes payable, long-term debt due, taxes payable, and others. Non-current debt or long-term debt is an obligation with a maturity of more than one year. In addition, non-current debt will usually be repaid with non-current assets that have been accumulated for the purpose of paying off liabilities. The difference between current and non-current liabilities is important because it affects the company's current

ratio, which is a ratio that describes the company's liquidity condition. Kinsman and Newman (2008) state that a higher level of debt will have an effect on lower financial performance based on the relationship between the three debt level measuring instruments.

Capital Structure

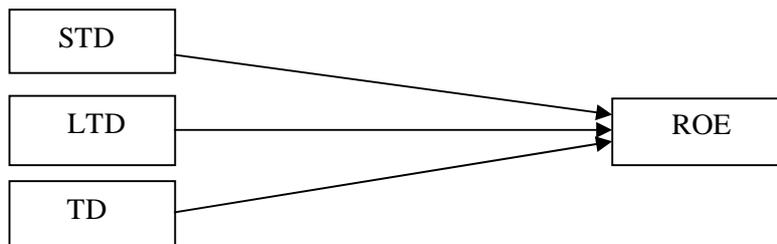
Understanding of capital structure is widely expressed by several experts. According to Sartono (2014), what is meant by capital structure is the balance of the amount of permanent short-term debt, long-term debt, preferred stock and common stock. According to Brigham and Houston (2014), the targeted capital structure is a mix of debt, preferred stock, and common stock that the company plans to increase capital. Decisions on capital structure will affect the company's financial performance, so companies are required to obtain an optimal capital structure. The optimal capital structure is a combination of debt and equity that maximizes the company's stock price Brigham and Houston (2014). There are several factors that affect the company's capital structure, namely: Business risk, or the level of risk inherent in the company's operations if it does not use debt. The greater the company's business risk, the lower the optimal debt ratio. Corporate tax position. The main reason for using debt is that interest costs are deductible in tax calculations, thus lowering the actual cost of debt. Financial flexibility, or the ability to raise capital on reasonable terms in deteriorating circumstances. Corporate fund managers recognize that a strong capital supply is necessary for stable operations, and investors prefer to invest in companies with good balance sheet positions. Conservatism or managerial aggressiveness. Some managers are more aggressive than others, so some companies are more likely to use debt to increase profits. This factor does not affect the optimal capital structure, but will affect the targeted capital structure set by the manager Brigham and Houston (2014).

Previous Research

Aprillia, Burhanuddin and Pawenang (2021) analyzed the effect of Short Term Debt (STD), Long Term Debt (LTD), and Total Asset Turn Over (TATO) on Return on Equity (ROE) at PT. Unilever Indonesia Tbk. The data used is secondary data, namely the quarterly financial statements for the period 2012-2019 obtained from the company's official website. So that obtained as many as 32 samples. This study uses data analysis techniques in the form of multiple linear regression analysis, classical assumption test, and hypothesis testing assisted by SPSS version 15. The results showed that Total Asset Turn Over has a significant effect on Return on Equity, while Short, Term Debt, and Long Term Debt have no effect on Return on Equity.

Suri (2019) examined whether the effect of Short Term Debt (STD), Long Term Debt (LTD), and Total Debt (TD) on Return on Equity (ROE) in retail trading companies and insurance service companies listed on the Indonesia Stock Exchange (IDX). This study uses a descriptive quantitative approach, which is measured using a multiple linear regression based method with SPSS 25.00. The population of this study are retail trading companies and insurance service companies listed on the Indonesia Stock Exchange (IDX) from 2014 to 2018. The sample was determined based on the purposive sampling method, with a total sample of 11 companies consisting of 7 retail trading companies and 5 companies insurance service companies so that the total observations in this study were 60 observations. The data used in this research is secondary data. The data collection technique used the documentation method through the official IDX website: www.idx.co.id and www.sahamok.com. Hypothesis testing is done by using t test and f test. The results of the study prove that (1) Short Term Debt (STD) has a positive and significant effect on Return On Equity (ROE), Long Term Debt (LTD) has a positive and significant effect on Return On Equity (ROE), and Total Debt (TD) has an effect on negative and insignificant to Return On Equity (ROE) in retail trading companies and insurance service companies listed on the IDX for the period 2014-2018.

Dwilaksono (2016) aimed to find the influence of Short Term Debt and Long Term Debt on Return On Equity in mining industry listed in Indonesia Stock Exchange. This research used qualitative and quantitative methods, meanwhile this analysis of data processing used regression analysis by SPSS program. Mining industry Companies listed in Indonesia Stock Exchange in 2003-2007 had chosen as the population of this research. Data analysis applied measuring method by regression analysis model then be estimated by ordinary least square. The analysis result as individual shows Short Term Debt variable have a positive influence and significant on Return On Equity, Long Term Debt variable have a negative influence and significant on Return On Equity. The analysis result as simultaneous shows there is influence of Short Term Debt and Long Term Debt to Return On Equity. Long Term Debt variable is a dominant variable influences to Return On Equity.

Conceptual Frame Work**Figure 1. Conceptual Framework***Source: Data Processed 2021***Description:**

STD = Short Term Debt

LTD = Long Term Debt

TD = Total Debt

ROE = Return on Equity

Research Hypothesis

The hypotheses compiled in this study are as follows:

H₁: Short Term Debt (STD) has a positive effect on Return on Equity (ROE)

H₂: Long Term Debt (LTD) has a positive effect on Return on Equity (ROE)

H₃: Total Debt (TD) has a positive effect on Return on Equity (ROE)

RESEARCH METHOD**Research Approach**

This research is classified as causal research, namely research that identifies cause-and-effect relationships between model-forming variables using a quantitative approach. According to the level of explanation, this research is categorized as associative research, namely research that aims to determine the relationship between two or more variables (Sugiyono, 2009). Based on the type of research data, this research includes quantitative data types, namely data that can be inputted into a statistical measurement scale. This research will be conducted on manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2020 based on data obtained from the IDX's official website, www.idx.co.id, and the Indonesia Stock Exchange office.

Population, Sample and Sample Technique

Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to study and then draw conclusions (Sugiyono, 2009). The population taken in this study are manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2020. Samples are some of the objects to be studied from all research objects that are considered representative. In this study, sampling using purposive sampling technique which limits the object of research to certain criteria. The following criteria are determined in this study:

1. Manufacturing companies that have been and are still listed on the IDX during the research period.
2. Delisted manufacturing companies publish company financial statements in 2018-2020.
3. Manufacturing companies that include the value of debt, both short-term and long-term as well as other data needed in the study.

Data Collection Method

In this study, the type of data used is quantitative data. Quantitative data in this study is in the form of financial reports, both in rupiah and processed into a ratio scale. The data collection method is carried out by tracing the results of the documentation of the financial statements of the sample companies on the official website of the IDX, www.idx.co.id, and also the office of the Indonesia Stock Exchange (IDX) Manado.

Table 1. Operational Definition of Research Variable

Variable	Indicators
Short Term Debt (X1)	<u>Short Term Debt(Rp)</u> Total Capital (Rp)
Long Term Debt (X2)	<u>Long Term Debt (Rp)</u> Total Capital (Rp)
Total Debt (X3)	<u>Total Debt (Rp)</u> Total Capital(Rp)
ROE (Y)	<u>Earning after Tax</u> x 100% Equity

Source: Data Processed 2021

Instrument Testing

Normality Test The normality test aims to test whether in the regression model, the independent variable and the dependent variable both have a normal distribution or not (Ghozali, 2009). **Multicollinearity test** aims to determine whether there is a relationship between independent variables. This test is carried out as a condition for the use of multiple analysis where a good regression is a regression that is free from multicollinearity problems. Multicollinearity test can be done by looking at the tolerance value and the Variance Inflation Factor (VIF) value. Symptoms of multicollinearity do not occur if the VIF value is not greater than 10 and the tolerance value is greater than 0.10 (Ghozali, 2009). **Heteroscedasticity** is the residual variance in the model that is not homogeneous for all observations. Heteroscedasticity test can be done by using the Glejser test, namely by regressing absolute residuals with each independent variable. The model is declared free of heteroscedasticity problems if the probability value is greater than 0.05

Data Analysis Method

Multiple regression analysis was used to determine the effect of two or more independent variables on the dependent variable. The analysis technique in this study uses regression analysis with panel data where the research data consists of cross sections and time series. Regression analysis was carried out twice to avoid the occurrence of multicollinearity, the following is the regression equation in this study:

Regression Equation Model:

$$ROE = \beta_0 + \beta_1STD + \beta_2LTD + \beta_3TD + e$$

Note:

ROE = Return On Equity

STD = Short Term Debt

LTD = Long Term Debt

TD = Total Debt

The calculated F test is intended to test the regression model on the effect of all independent variables simultaneously on the dependent variable. This test can be seen in the value of the F-test. The F value in this study uses a significance level of 0.05. The F test procedure is as follows:

$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$ (Regression equation1)

$H_0: \beta_1 = \beta_2 = \beta_3 = 0$ (Regression equation2)

It means that there is no effect of all X variables on variable Y.

$H_a \neq \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq 0$ (Regression equation 1) $H_a \neq \beta_1 \neq \beta_2 \neq \beta_3 \neq 0$

(Regression equation 2)It means that there is an effect of all X variables on Y

RESULT AND DISCUSSION

Descriptive statistics is the process of collecting, presenting and summarizing which serves to provide an adequate description of the data studied. Data processing was carried out with the help of SPSS 20 statistical program and obtained descriptive statistical results as follows:

Table 1. Descriptive Statistics

Descriptive Statistics						
Variable		N		Minimum	Maximum	
STD	219	0.04	0.74	0.2903	0.14441	
LTD	219	0.01	0.58	0.1218	0.11943	
TD	219	0.07	0.84	0.4121	0.18032	
ROE	219	0.00	0.76	0.1600	0.12231	

Source: Data Proceed 2021

Return on Equity (ROE)

Based on the results of descriptive statistical tests in table 3 above, it can be seen that the minimum value of Return on Equity is 0.00 and the maximum value is 0.76. This shows that the value of ROE in this research sample ranges from 0.00 to 0.76 with an average (mean) of 0.1600 with a standard deviation of 0.12231. The average value (mean) is greater than the standard deviation, namely $0.1600 > 0.12231$, which means that the distribution of Return on Equity values is good. The data is homogeneous, there is no too large a gap between the lowest and highest values of the Return on Equity variable during the study period.

Short Term Debt (STD)

Short Term Debt (STD) Based on the results of descriptive statistical tests in table 3 above, it can be seen that the minimum value of Short Term Debt is 0.04 and the maximum value is 0.74. This indicates that the magnitude of the STD value in this research sample ranges from 0.04 to 0.74 with an average (mean) of 0.2903 with a standard deviation of 0.14441. The average value (mean) is greater than the standard deviation, which is $0.2903 > 0.14441$, which means that the distribution of the Short Term Debt value is good. The data is homogeneous, there is no too large a gap between the lowest and highest values of the Short Term Debt variable during the study period.

Long Term Debt (LTD)

Long Term Debt (LTD) Based on the results of descriptive statistical tests in table 3 above, it can be seen that the minimum value of Long Term Debt is 0.01 and the maximum value is 0.58. This shows that the value of LTD in this research sample ranges from 0.01 to 0.58 with an average (mean) of 0.1218 with a standard deviation of 0.11943. The average value (mean) is greater than the standard deviation, namely $0.1218 > 0.11943$, which means that the distribution of the Long Term Debt value is good. The data is homogeneous, there is no too large a gap between the lowest and highest values of the Long Term Debt variable during the study period.

Total Debt (TD)

Based on the results of descriptive statistical tests in table 3 above, it can be seen that the minimum value of Total Debt is 0.07 and the maximum value is 0.84. This shows that the magnitude of the BP value in this research sample ranges from 0.07 to 0.84 with an average (mean) of 0.4121 with a standard deviation of 0.18032. The average value (mean) is greater than the standard deviation, which is $0.4121 > 0.18032$, which means that the distribution of the Total Debt value is good. The data is homogeneous, there is no too large a gap between the lowest and highest values of the Total Debt variable during the study period. Based on the two tables, the effect of Short Term Debt, Long Term Debt and Total Debt on Return on Equity can be explained as follows:

Table 2. Multiple Linear Regression Analysis Model

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	-.203	.150		-1.349	.179
STD	-.009	.056	-.011	-.160	.873
LTD	-.308	.073	-.300	-4.190	.000
TD	.013	.005	.177	2.480	.014

Source: Data Proceed 2021

1) Short Term Debt (STD)

$H_{01}: \beta_1 \leq 0$, meaning that there is no positive effect of Short Term Debt on Return on Equity.

$H_{a1}: \beta_1 > 0$, meaning that there is a positive effect of Short Term Debt on Return on Equity.

Based on table 14, the results of the t-test model 1, it can be seen that the regression coefficient value of the Short Term Debt variable is -0.009 with a t-count value of -0.160. The significance level is greater than the specified significance level, which is $0.873 > 0.05$. Thus, the Short Term Debt variable has no effect on Return on Equity in manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2020, so the first hypothesis is rejected.

2) Long Term Debt (LTD)

$H_{02}: \beta_2 \geq 0$, meaning that there is no negative effect of Long Term Debt on Return on Equity.

$H_{a2}: \beta_2 < 0$, meaning that there is a negative effect of Long Term Debt on Return on Equity.

Based on table 14 the results of the t-test of model 1, it can be seen that the regression coefficient value of the Long Term Debt variable is -0.308 with a t-count value of -4.190. The significance level is smaller than the specified significance level, which is $0.000 < 0.05$. Thus, the Long Term Debt variable has a negative and significant effect on Return On Equity in manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2020,

3) Total Debt (TD)

$H_{03}: \beta_3 \geq 0$, meaning that there is no negative effect of Total Debt on Return on Equity.

$H_{a3}: \beta_3 < 0$, meaning that there is a negative effect of Total Debt on Return on Equity.

Based on table results of the t-test, it can be seen that the regression coefficient value of the Total Debt variable is -0.114 with a t-count value of -2.407. The significance level is smaller than the specified significance level, which is $0.017 < 0.05$. Thus, the Total Debt variable has a negative and significant effect on Return on Equity in manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2020, so the third hypothesis is accepted.

CONCLUSION AND RECOMMENDATION

Conclusion

This study aims to determine the effect of debt policy on the company's financial performance in manufacturing companies listed on the Indonesia Stock Exchange. Debt policy is proxied by short term debt, long term debt, and total debt, while debt policy is proxied by return on equity. Based on the results of multiple linear regression analysis, it can be concluded as follows:

1. Short term debt has no effect on return on equity. This result is proven by statistical test which gives a significance value of 0.873 which is greater than the required significance level, which is 0.05. The regression coefficient shows a negative direction of -0.009. Therefore, the first hypothesis in this study which states that short term debt has a positive effect on return on equity is rejected.
2. Long term debt has a negative and significant effect on return on equity. This result is proven by statistical test which gives a significance value of 0.000 which is smaller than the required significance level, which is 0.05. The regression coefficient shows a negative direction of -0.308. Therefore, the second hypothesis in this study which states that long term debt has a negative effect on return on equity is accept.
3. Total debt has a negative and significant effect on return on equity. This result is proven by statistical test which gives a significance value of 0.017 which is smaller than the required significance level, which is 0.05. The regression coefficient shows a negative direction of -0.114. Therefore, the third hypothesis in this study which states that total debt has a negative effect on return on equity is accepted.

Recommendation

Based on the conclusions and limitations described previously, several suggestions can be made as follows:

1. For potential investors who want to invest, they should consider the debt policy adopted by the company. The debt level strategy used needs to be considered, because long-term debt and total debt have been proven to affect the financial performance of manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020.
2. For further researchers who will research the same topic, it is recommended to add variables in the research model and use the latest data so that the research results are up to date

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