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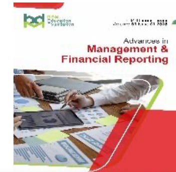

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Analyzing the Impact of Long-Term Financing on Cement Companies' Profitability in Indonesia Stock Exchange

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The author(s) declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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ABSTRACT

This study aimed to determine the effect of long-term debt and equity on profitability in cement sub-sector companies listed on the Indonesia Stock Exchange. The type of data used in this study is quantitative data in the form of values or numbers obtained from financial reports. The source of data in this research is secondary data. The population in this study were manufacturing companies in the basic industrial sector and the cement sub-sector chemicals listed on the Indonesia Stock Exchange, totaling 6 companies. Using the purposive sampling method, the total sample in this study is 35 data from 6 companies. The data in this study will be tested with several stages of testing, namely descriptive statistical tests, classic assumption tests (normality test, heteroscedasticity test, multicollinearity test), and testing of all hypotheses through a partial test (t test), simultaneous test and coefficient test determination. The results of this study indicate that long-term debt has a negative and insignificant effect on profitability. Meanwhile, own capital has a positive and insignificant effect on profitability. In addition, long-term debt and equity do not simultaneously have a significant effect on profitability.

Introduction

The dynamic nature of the economy necessitates continuous adaptation while intensifying business competition necessitates diligent efforts by business players to enhance corporate performance and attain objectives. To thrive in the competitive landscape of the business realm, companies must exhibit strong performance across all dimensions, including but not limited to management and finance (Adira, 2016). Publicly traded companies seek to enhance the well-being of their owners or shareholders through the augmentation of the company's value. To achieve this objective, owners or shareholders delegate the responsibility to a qualified professional who acts on their behalf. The rationale behind this delegation is the expectation that these managers will enhance the profitability and overall worth of the company (Fatimah, 2020).

The effective allocation of financial resources plays a crucial role in facilitating the sustained progress of an organization in attaining its objectives (Sari, 2016). To address the financial requirements necessary for sustaining the operational efficiency of the company, several options can be pursued to meet its funding needs. These alternatives encompass external funding sources, such as short-term and long-term debt, as well as internal funding sources, which encompass different types of shares and retained earnings. Loan capital or debt incurs a fixed obligation, specifically in

the form of interest expenses and principal loan payments that are required to be settled. On the contrary, debt serves as a financial resource that may be utilized by companies to support their operational endeavors and generate financial gains. In addition, it is worth noting that interest expenses might serve as a deductible component for income tax purposes. According to (Hosea et al. (2017; Susanti & Hidayat (2015), variable of long-term debt has an impact on the profitability measure of return on assets (ROA). The findings of this study are corroborated by previous research conducted by Agustina & Yuniati (2017), which similarly observed a substantial impact of long-term debt on the profitability of businesses. However, according to a comprehensive review of the literature, the findings of this study diverged from those of previous research conducted by Adira (2016) and Fatimah (2020), who concluded that long-term debt had no significant impact on profitability.

In conjunction with long-term debt, own capital represents another influential aspect about profitability. According to Dwilaksono, (2016) own capital refers to the funds contributed by the owners of a firm, which remain invested in the company for an infinite period. One notable benefit of utilizing personal capital for business financing is the absence of interest or administrative expenses. Additionally, this approach is independent of external parties and does not have intricate prerequisites. Moreover, there is no duty to repay the invested cash. However, it is important to acknowledge that the utilization of personal capital is subject to significant limitations. Under specific circumstances, a company has the potential to fulfill its funding requirements solely through internal sources. However, because of operational enhancements leading to increased funding needs, the company may resort to external funding sources, such as debt, to meet its investment activities' funding requirements.

The study conducted by Sukmayanti and Triaryati (2019) revealed a significant relationship between own capital and profitability. The findings of this study are substantiated by previous research conducted by Agustina and Yuniati (2017) and Susanti and Hidayat (2015). On the contrary, the findings of previous studies conducted by Hosea et al. (2017) and Sari (2016) indicate that there is no significant impact of own capital on profitability. Based on a comprehensive examination of prior scholarly investigations, it has been ascertained that a research lacuna exists in the form of incongruous study outcomes, wherein the association between long-term debt and equity and profitability is not consistently established. The researcher is inspired to do a re-examination of the impact of long-term debt and equity on profitability, specifically focusing on cement companies as the subjects of study.

According to the Indonesian Cement Association (ASI), the national demand for cement in 2012 amounted to 54.9 million tons. This figure climbed by 6% in 2013, reaching 58.5 million tons. Furthermore, in 2014, there was a 10% growth in the national cement demand, resulting in a total of 64 million tons (Ministry of Industry, 2022). The significant surge in the national demand for cement has compelled cement industry enterprises to augment their production capacity to proactively address the projected increase in demand, which is anticipated to persist alongside economic growth. The anticipated surge in demand is projected to augment sales revenue, leading to enhanced profitability for the organization.

In the current scenario, the substantial demand for cement presents favorable prospects for cement sector enterprises within the nation. According to available records, as of 2017, six businesses were listed in the cement sub-sector within the basic manufacturing and chemical industry sectors on the Indonesia Stock Exchange.

Table 1. List of Manufacturing Companies in the Cement Sub-Sector Basic Industry and Chemical Industries Listed on the Indonesia Stock Exchange in 2019 9

No.	Code	Company
1.	INTP	Indocement Tunggal Prakasa, Tbk
2.	SMBR	Semen Baturaja (Persero), Tbk
3.	SMCB	Holcim Indonesia, Tbk
4.	SMGR	Semen Indonesia (Persero), Tbk
5.	WSBP	Waskita Beton Precast, Tbk
6.	WTON	Wijaya Karya Beton, Tbk

Source: *www.idx.co.id*

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A cement company is a company that supports the nation's economy and development. Based on the report, cement sales in Indonesia fell 25 percent to 3.7 million tons in July 2014 from 5 million tons in July 2013. This sharp decline was caused by the Idul Fitri holiday (or Idul Fitri where Muslims celebrate the end of the fasting month), a time when many business activities temporarily halted, as well as the presidential election which was also held in July 2014. The slowdown in cement sales was also due to lower economic growth (5.12 percent yoy in the second quarter of 2014). Cement sales are the main indicator of construction activities (infrastructure and property development)

However, cement sales in 2015 were able to close positively with an increase of 1.8%, even though in the first semester yesterday it had fallen 1.5% due to delays in infrastructure development, said Chairman of the Indonesian Cement Association (ASI) Widodo Santoso to Investor Daily. Meanwhile, Director General of Chemical, Textile and Multifarious Industries (IKTA) of the Ministry of Industry Achmad Sigit Dwiwahjono said 2017 cement consumption in the country will increase to 84.96 million tons from 2016 of 65 million tons at the beginning of 2017. national minus 3%. Stagnant and declining growth of cement companies is a sign that the ability of cement companies to generate profits (profitability) is declining.

Literature Review

The signaling theory states that companies with good quality will deliberately provide signals to the market, thus the market is expected to be able to distinguish good and bad quality companies (Zafar et al., 2016). This theory is rooted in pragmatic accounting theory which focuses on the influence of information on changes in the behavior of information users. Signal theory explains why companies are incentivized to provide financial statement information to external parties. The company's motivation to provide information is due to information asymmetry between the company and outsiders. Companies have more information than outsiders (investors, creditors). One way to reduce information asymmetry is to provide signals to outsiders, one of which is in the form of reliable financial information and will reduce uncertainty regarding future company prospects.

This theory also suggests how a company should provide signals to users of financial statements. The signal given is in the form of information about what management has done to realize the owner's wishes. Signals can be in the form of promotions or other information stating that the company is better than others. To provide a positive signal in the form of good reports to external parties, the company can provide information regarding working capital management and financial ratios. Providing working capital management information and financial ratios can make external parties more confident about the profits presented by the company (Murugesu, 2018).

Analysis of financial statements, according to Irham (2012), is to break down financial statement items into smaller units of information and look at the relationship that is significant or that has meaning between one another, both between quantitative data and non-quantitative data intending to know deeper financial conditions that are very important in the process of making the right decisions.

According to Hanafi and Halim (2012), financial report analysis is carried out with the following objectives: a. Stock investment. Share certificates are proof of ownership of a company. Investors can buy, hold, and then sell these shares. Buying and holding shares mean that the investor owns the company and is entitled to its profits, although it is also entitled to the losses the company makes (if it loses). b. Granting of Credit. In the analysis of financial statements, the main goal is the company's ability to repay loans and the interest associated with these loans. c. Health Supplier (Supplier). Companies depending on suppliers' " supply " will be interested in these suppliers. The company wants to ensure that the supplier is healthy and able to survive. d. Customer Health (Customer). If the company is going to provide credit sales to customers, the company needs customer financial information, especially information about the customer's ability to meet its short-term obligations. e. Company Health Viewed from Employees. Employees or prospective employees will probably be interested in analyzing the company's finances to determine whether the company they are entering has good financial prospects. f. Government. The government analyzes company financial statements to determine taxes that must be paid or determine a reasonable rate of profit for industry. g. Internal

Analysis. The company's internal parties themselves will need information about the company's financial condition to determine the extent of the company's development. h. Competitor analysis. The company can analyze the competitor's financial condition to determine the extent of the competitor's financial strength. i. Damage Assessment. Sometimes financial statement analysis can be used as a determinant of the amount of damage experienced by a company.

Liabilities are also referred to as liabilities. In a simple sense, debt can be defined as all present company obligations to other parties that arise from past events and must be settled in the future, where the debt is a source of funds or company capital in carrying out company activities originating from creditors (Farah & Amin, 2019).) . According to Chen (2018) , debt is a bill from creditors to companies that must be paid with money or services at a certain point in the future. According to Sutrisno (2009), debt is capital that comes from bank loans, financial institutions, or by issuing bonds (bonds), and for this use, the company provides compensation in the form of interest which is a fixed burden for the company.

Debt can be classified into two types: 1) Short-term debt (current debt). According to Habib (2016), current or short-term debt is a company's financial obligations whose payments will be made in the short term (one year from the balance sheet date) using current assets owned by the company. Pradhan (2017), current liabilities are obligations that will be adequately liquidated using current assets or the creation of other short-term debt. 2) Long-term debt (non-current debt). According to Murugesu (2013), long-term liabilities are obligations that will not be liquidated with current assets in the normal operating cycle but will be paid on a date outside that time. Rehman (2016) , long-term debt is a financial obligation whose maturity is long-term (more than one year from the balance sheet date). Long-term debt includes mortgage debt, bonds payable, and other long-term debt.

According to Herciu (2017), equity capital is a long-term fund provided by the company (shareholders), which consists of various types of shares (preferred stock and common stock), as well as retained earnings. According to Sari (2016), capital is all assets or wealth owned by company owners in the form of share capital and assets that debts have reduced. Meanwhile, Astuti (2015) defines capital as the right of the company's owner to the company's assets or wealth.

The most important goal for the company is to get optimal profit. Even so, the problem of profitability is more important than the problem of profit, because large profits alone are not a measure for the company to work efficiently. New efficiency can be known by comparing the company's operating profit or, in other words, is to calculate its profitability. Profitability is the company's ability to generate profits. Profitability shows the success of a business entity in generating returns to its owners (Pastusiak et al., 2016). Sun (2017) defines profitability as the result of the policies taken by management. The profit ratio to measure the level of profit shows the better the management in managing the company. Brigham & Houston (2015) argued that profitability is the result of several policies and decisions made by the company. The ratios discussed so far can provide useful clues in assessing a company's effectiveness and operations, but the profitability ratio will show the combined effects of liquidity, asset management, and debt on operating results. Prihadi (2019), explains that profitability is the ratio used to assess a company's ability to make a profit.

Innocent (2013) argued that "The profitability of any business is certainly affected by the number of assets dedicated to that business. These assets include cash, accounts receivable, inventory, and fixed assets." Company profitability is influenced by effective asset management. Warrad (2013), profitability is the net result of various policies and management decisions. To maximize the profits that the company can get, financial managers need to know the factors that have a major influence on the company's profitability. By knowing the effect of each factor on profitability, companies can determine steps to overcome problems and minimize problems that arise.

From this understanding and explanation, profitability ratios are all forms of activity carried out by companies to generate profits that are used for investment as well as a benchmark for company management performance and profitability has an important meaning in business activities to maintain its viability in the long term, because profitability shows the company have good prospects in the future. Thus, every company will always try to increase its profitability because the higher the level of profitability, the continuity of the company's business activities will continue to be guaranteed.

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There are several kinds of ratios used to measure profitability. According to Hanafi and Halim (2012) , three ratios are often used to measure profitability ratios, namely Profit Margin, Return on Assets, and Return on Equity. Murugesu (2013), says that the rule of thumb for each profitability ratio is that the result of calculating the ratio must be greater than the one-year term interest. If the result of calculating the ratio is less than the one-year interest rate, then the return on investment made is smaller than investing in time deposits.

This ratio measures the extent to which a company can generate net profit at a certain level of sales. This ratio can be seen directly in the common-size analysis for the income statement (last line). This ratio can also be interpreted as a company's ability to reduce costs (a measure of efficiency) in a company in a certain period. This ratio can be calculated by the formula (Hanafi & Halim, 2012):

A high profit margin indicates the company's ability to generate high profits at a certain level of sales. Conversely, a low profit margin indicates sales that are too low for a certain level of sales, costs that are too high for a certain level, or a combination of both. In general, a low ratio can indicate management inefficiency. This ratio varies quite a bit from industry to industry. For example, the retail industry tends to have a lower profit margin than the manufacturing industry.

This ratio measures a company's ability to generate net income based on a certain level of assets. ROA is also often referred to as ROI (Return on Investment). This ratio can be calculated using the following formula (Hanafi & Halim, 2012) :

$$\mathrm{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

This ratio measures a company's ability to generate profits based on a certain share capital. This ratio is a measure of profitability from the point of view of shareholders. This ratio can be calculated by the formula (Hanafi & Halim, 2012) :

$$\mathrm{ROE} = \frac{\text{Net Income}}{\text{Total Equity}}$$

The use of debt is one of the important decisions made by the fund manager to increase the company's profitability. Suartika (2017) states that the use of debt has many risks. The higher the risk of a company, the higher the expected level of profitability as a reward for the high level of risk and conversely, the lower the company's risk, the lower the expected profitability as a reward for low risk. The effect of debt on profitability in various uses of foreign capital, in theory, it can be said that the higher a company's ability to generate profits using foreign capital (debt) and own capital (with a fixed interest rate), the use of foreign capital has a great opportunity to increase profitability. In other words, in such circumstances, companies that use debt will get a greater increase in profitability when compared to other companies with smaller debt. The research results from Susanti (2015) , found that long-term debt variables affect profitability (ROA). The results of this study are supported by research from (Agustina, 2017) , which also found a significant effect of long-term debt on profitability.

H_1: Long-term debt has a positive and significant effect on profitability.

Own capital is a long-term company fund provided by the company owner consisting of various types of shares and retained earnings and is also capital in a company that is at stake for all business risks and other risks of loss. The capital structure in the form of debt and equity can affect the company's profitability. This is explained based on determining the optimal structure or composition between long-term debt and own capital in funding investment and company operations, namely the structure or composition of capital with the lowest cost of capital and level of risk. Thus the more optimal the company's capital structure means the cost of each type of capital and the level of risk is low, which will increase the company's profitability. The research results (Agustina & Yuniati, 2017)

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found that own capital significantly affects profitability. The results of this study are supported by research (Agustina, 2017; Sukmayanti & Triaryati, 2019).

H_2: Own capital has a positive and significant effect on profitability.

Research Design and Methodology

This research is a type of quantitative research. In this study, the population is manufacturing companies in the basic industry sector and chemical cement sub-sector listed on the Indonesia Stock Exchange, totaling 6 companies. The sample used in this study was determined using a purposive sampling technique. In this study, there were criteria used in selecting the sample in this study, including: 1) Manufacturing companies in the basic industrial and chemical sectors of the cement sub-sector listed on the Indonesia Stock Exchange consecutively for the period 2017 – 2019. 2) Manufacturing companies in the basic industrial and chemical sectors of the cement sub-sector listed on the Indonesia Stock Exchange which published online quarterly financial reports on the official website of the Indonesia Stock Exchange (www.idx.co.id) for the period 2017 – 2019. The following presents the manufacturing industry companies in the cement sub-sector's basic industrial and chemical sectors listed on the Indonesia Stock Exchange consecutively for the period 2017 – 2019, which are the research samples.

Table 2. Research Sample

Code	Company
INTP	Indocement Tunggal Prakasa, Tbk
SMGR	Semen Indonesia (Persero), Tbk
SMBR	Semen Baturaja (Persero), Tbk

Source: *Primary Data*

To obtain the best possible information with the assumption that the goals in writing are achieved, the researcher uses the documentation data collection method, namely data collection based on records or documents related to the research object. The data sources in this study are secondary data, namely data sources obtained from the internet by downloading each State-Owned Enterprise company's financial statements published through the company's website and the Indonesia Stock Exchange. The data that has been collected will be analyzed through four stages of testing. The first stage is to perform descriptive statistical tests. The second stage is the classical assumption test (normality test, multicollinearity test, heteroscedasticity test). The third stage is to test all the hypotheses proposed in this study and will be proven through a partial test (t test), simultaneous test (f test) and test the coefficient of determination.

Findings and Discussion

Findings

The first stage is descriptive statistical analysis. Descriptive statistics are carried out to show the amount of data (N) used in this study and to show the maximum value, minimum value, average value (mean), and standard deviation (δ) of each variable owned by the company that is the object study. The results of descriptive statistical calculations are presented in table 3.

Table 3: Descriptive Statistics

		Long-term debt	Owner's equity	ROA
N	Valid	36	36	36
	missing	0	0	0
Means		1.7143E14	1.0307E15	.0581
Minimum		3.98E11	2.19E13	.01
Maximum		9.79E14	3.41E15	.16

Source: *SPSS 17.0 output*

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Based on table 3 it is known that the largest amount of long-term debt during the observation period from 2017 to 2019 was IDR 97,864,921,000, a long-term debt from Semen Baturaja (Persero), Tbk in the fourth quarter of 2019. The smallest long-term debt is Rp.398,292,647, the acquisition value of long-term debt from Semen Indonesia (Persero), Tbk, in the second quarter of 2017. Meanwhile, the average value of long-term debt for all research samples during the observation period was Rp.2,018,628,885. The highest own capital is Rp.3,412,859,859 which is own capital from Semen Baturaja (Persero), Tbk in the fourth quarter of 2019. The lowest own capital is Rp.21,862,890 which is own capital from Indocement Tunggal Prakasa, Tbk second quarter of 2017. At the same time, the average equity for the entire study sample during the observation period was IDR 10,467,414. The highest ROA for all research samples throughout the observation period was 0.16, which is the ROA acquired by Indocement Tunggal Prakasa, Tbk in the fourth quarter of 2017. The smallest ROA acquired is 0.01, the ROA acquired by Semen Baturaja (Persero), Tbk in the second quarter of 2019. At the same time, the average ROA value for all research samples during the observation period was 0.581.

The second stage is the classical assumption test intended to determine whether using a simple linear regression model in analyzing meets the classical assumptions. There are three classic assumption tests to test the linear regression model: the normality test, the multicollinearity test, and the heteroscedasticity test. The normality test is used to see whether the dependent and independent variable regression models are normally distributed. Based on the normal probability plot graph, the points spread around the diagonal line and the distribution follow the diagonal line, so it can be said that the distribution pattern is normal. Looking at the two graphs above, the regression model in this study can be used because it fulfills the assumption of normality.

Normal P-P Plot of Regression Standardized Residual

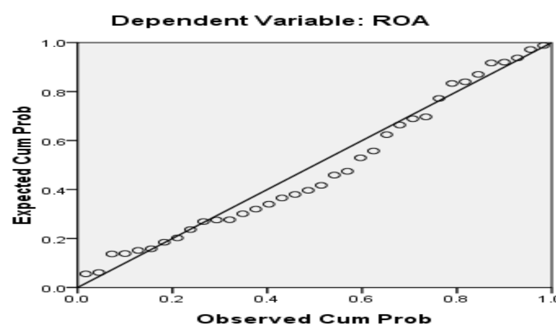

Figure 1: Normal probability plot
Source: *SPSS 17.0 output*

Scatterplot

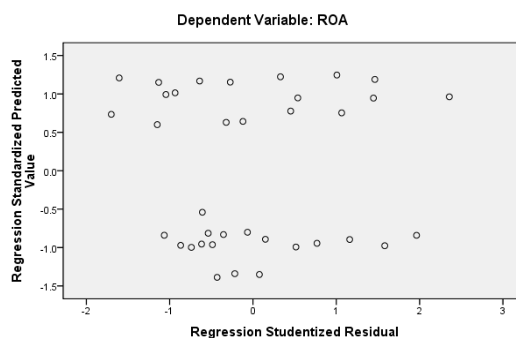

Figure 2: Scatterplot Diagram
Source: *SPSS 17.0 output*

Heteroscedasticity indicates that the variance of the variables is not the same for all observations. If the variance from one observation's residual to another remains, it is called homoscedasticity. Based on the scatterplot diagram, the data is spread randomly and does not form

a certain pattern, this indicates that there is no heteroscedasticity. Thus, it can be concluded that there are differences in the variance of the residuals from one observation to another.

Furthermore, the multicollinearity test aims to test the existence of a correlation between the independent variables in the regression model. In a good regression model, there should be no correlation between variables to test the presence or absence of multicollinearity in the regression model, it can be seen from the tolerance value and its opponent, namely by looking at the variance inflation factor (VIF). The commonly used cut-off value is the tolerance value of 0.01. One way to test for multicollinearity can be seen from the Variance Inflation Factor (VIF). If the VIF value > 10, multicollinearity occurs. The results of the analysis are presented in table 4.

Table 4: Multicollinearity Test Results

Variable	VIF	Information
Long term debt (X1)	1,2 23	Not Multicollinearity
Own capital (X2)	1.8 52	Not Multicollinearity

Source: *SPSS 17.0 output*

Based on table 4, it can be concluded that the regression model for the independent variables proposed by the researchers to be examined is free from multicollinearity. This can be proven by looking at the table above which shows the VIF value of each independent variable <10, and can be used to determine the effect on profitability.

The third stage is multiple linear regression analysis which is used to determine the linear relationship between the independent variables on the dependent variable, whether each independent variable has a positive or negative effect and to predict the value of the dependent variable if the independent variable increases or decreases. From the results of multiple linear regression analysis with the help of SPSS, we found the Coefficients table which contains information on the constant numbers and the coefficients of the research variables in table 5 below.

Table 5: Simple Regression Analysis Results (Coefficients [a])

		Unstandardized Coefficients		Standardized Coefficients		
	Model	B	std. Error	Beta	Q	Sig.
1	(Constant)	0.087	0.08		1,088	.278
	LN_Debt_Long_Term	-0.018	0.017	-0.877	-1,059	.2 30
	LN_Modal_Self	0.016	0.019	0.535	.842	.4 44

Source: *SPSS Outputs*

Based on table 5, it can be written the regression equation as follows:

$$Y = 0.0\,87 - 0.018X1 + 0.016X2$$

In the simple linear regression equation, it can be explained in detail that the constant value is 0.0 87. This means that if there is no change in the independent variables namely long term debt and equity then the profitability is 0.0 87 . The regression coefficient value for long-term debt in this study is -0.018. In this study it can be stated that long-term debt harms profitability. This shows that when there is an increase in one rupee of long-term debt, it will have an impact on decreasing profitability by -0.018. The regression coefficient value for own capital in this study is 0.0 16. In this study it can be stated that own capital positively affects profitability. This shows that when there is an increase in one rupee of own capital, it will have an impact on increasing profitability by 0.0 16.

Furthermore, the partial test determines whether each independent variable (X) significantly affects the dependent variable (Y). The test was carried out with a significance level of 0.05. Based on table 5 it is known that the value of Sig. of long-term debt is 0.2 30. This value is greater than the significance level (0.2 30 > 0.05). This indicates that debt has no significant effect on profitability. As well as the value of Sig. of own capital is 0.4 44. This value is greater than the significance level (0.4 44 > 0.05). This indicates that own capital does not have a significant effect on profitability.

Furthermore, the simultaneous test is used to determine whether the overall independent variable (X) has a significant effect simultaneously (simultaneously) on the dependent variable (Y). The test was carried out with a significance level of 0.05.

Table 6: Simultaneous Test Results (Test F)

	Model	Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	011	2	006	2,357	.108 [a]
	residual	077	33	002		
	Total	088	35			

Source: SPSS Outputs

Based on table 6 it is known that the value of Sig. from the results of the simultaneous test of long-term debt and equity on profitability is 0.10 8 . This value is greater than the significance level (0.10 8 > 0.05). This indicates that long-term debt and equity do not have a significant effect simultaneously on profitability. Furthermore, the analysis of the coefficient of determination is used to determine the percentage of the influence of the independent variables on the dependent variable.

Table 7: Determination Test Results

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.358 [a]	.128	076	.03804

Source: SPSS Outputs

Based on the test results of the coefficient of determination in table 7, it will be described the amount of R square for each variable in this study. The R square value for profitability is 0.128, indicating that profitability in this study can be explained by long-term debt and equity of 12.8%, and the remaining 87.2% of profitability is explained by other variables not included in this study.

Discussion

Effect of Long-Term Debt on Profitability

Long-term debt is an obligation with a maturity of more than one year. Long-term debt usually arises because there is a need for funds to purchase additional fixed assets, increase the amount of permanent working capital, buy another company, or pay off other debts. Measurement of long-term debt variable based on rupiah for each quarter in 2017 – 2019. Based on the results of multiple linear regression analysis, long-term debt has a negative coefficient, which means that long-term debt has the opposite effect on profitability. In other words, every additional one rupiah of long-term debt will have an impact on reducing the profitability of a cement company. Nonetheless, based on the partial test it is known that long-term debt does not have a significant effect on profitability. This indicates that long-term debt is not a determining factor for good or bad cement company profitability. Even though company financing uses external funding, namely long-term debt, it will have an impact on reducing profits because of loan interest payments, but in the case of cement companies, the amount of long-term debt is not enough to interfere with the company's ability to obtain profits. Based on the research results, it is known that the cement companies that are the sample of the study do not have large long-term debt growth, so long-term debt is not a good factor to hinder the company's profitability. This follows the Pecking Order Theory in Agustina (2017), which states that high long-term debt will also be followed by high interest expenses and can result in reduced profitability. The results of this study are in line with research that has been conducted by (Pratiwi & Utiyati, 2018; Susanti & Hidayat, 2015) which state that long-term debt has a significant negative effect on profitability. This might happen because external funds are needed in debt when the company's internal funds are insufficient. When long-term debt continues to increase, the risk will also increase. With high risk, the rate of return expected by the company also increases.

Effect of Own Capital on Profitability

Own capital in this study is a long-term fund provided from the assets or wealth of the company owner consisting of various types of shares (preferred stock and common stock) as well as retained earnings. Measurement of own capital variable based on rupiah for each quarter in 2017 7 – 2019. Based on the results of multiple linear regression analysis, it is known that own capital has a positive coefficient which means that own capital has a direct effect on profitability. In other words, every additional rupiah of working capital will impact increasing a cement company's profitability. Nevertheless, based on the partial test, it is known that owning capital does not significantly affect profitability. This indicates that equity is not a determining factor in whether the cement company's profitability is good or bad due to the low growth rate of equity capital of the three cement companies during the observation period. This result follows the pecking order theory. These results are also in line with research conducted by Suartika (2017), because the higher the level of profit obtained by a company, the higher the internal funding sources owned by the company, so the use of external funding sources will decrease. The results of this study also support previous research (Angraini, 2018; Susanti & Hidayat, 2015), which found that own capital has a positive effect on profitability.

Conclusion

Based on the results of the research and discussion in the previous chapter, it can be concluded in this study that long-term debt has a negative and insignificant effect on profitability. Meanwhile, own capital has a positive and insignificant effect on profitability. In addition, long-term debt and equity do not simultaneously have a significant effect on profitability. Based on the conclusions of this research, it can be suggested for cement companies. It is better to use both internal and external funding sources according to the company's conditions to obtain maximum profitability. Moreover, future researchers should consider other factors that affect profitability outside of long-term debt and own capital as independent variables.

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