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The Effect of Equity and Liabilities on Net Profit of Manufacturing Companies Listed on The Indonesia Stock Exchange

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Abstract
This study aims to analyze the effect of equity and liabilities on net profit manufacturing companies listed on the Indonesia Stock Exchange. The type of research used is associative causal by using quantitative methods. The analytical method used is multiple linear regression with the independent variables equity and liabilities and the dependent variable is net income. The data in this study used secondary data taken from www.idx.co.id. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange for the 2022 period. This study uses data from 2022 periods with 55 manufacturing companies as a sample. The study shows that the lowest equity is PT. Siantar Top Indonesia Tbk and the highest is owned by PT. Lion Metal Works Tbk. The lowest liability value is owned by PT. Astra International Tbk, and the highest is owned by PT. Lion Metal Works Tbk. The lowest net profit is owned by PT. Astra International Tbk and the highest net profit belongs to PT. Lion Metal Works Tbk, Equity partially has a positive effect on net income, Liabilities partially have no effect on net income, and equity and liabilities simultaneously have an effect on net income.

Keywords: Net Profit, Equity, Liability

1. Introduction

The main goal of investors in investing in one or several companies is to make a profit. Investors can determine whether the company can provide the expected profit or return by measuring the performance of management within the company. Performance measurement is an important factor for companies because these measurements can be used to assess the company's success.

In investing, investors can measure financial performance through the profits generated by the company. Investors see the company's profit as a good signal in evaluating a company. Profit is the main source for the company to maintain its survival. The higher the profit produced by the company, the better the performance of the company (Hapsari, Nuraina, and Wijaya, 2017). Every company in carrying out its business always strives for its profits to always increase. Increased profit will invite investors to join in investing capital in the company, to evaluate and analyze the company's performance in generating profit.

Profit is an indication of a company's success which can be seen from what percentage it produces. Profit encourages companies to continue to operate and survive. Net profit information is the main concern in viewing management performance or accountability. Profit information also helps companies assess earning power in the future. The profit presented in the financial statements is used as an indicator of management performance in managing the company's assets. Profit functions in measuring the net effectiveness of a business operation. The performance of a business entity can be seen through the level of profit. (Anggraini, 2019) states that earnings quality is profit that is in the company's actual financial statements, and is also the difference between actual profit and reported net profit.

Theoretically, a company's profit is influenced by two factors, namely equity and liabilities. Every company must be able to manage and run the company well, in order to be more productive in obtaining profits. This requires companies to pay special attention to providing capital and using funds (Saputra, 2022). In terms of providing funds in the form of capital in the company, it is better known as equity. Equity is the sum of the assets owned and the capital that has been sacrificed by the owner of the company.

Equity can be in the form of fixed capital and current capital depending on the type of business. For service companies, there will be more current assets, while for trading and manufacturing companies, there will be many types of fixed capital that companies must have to produce products with effective and efficient calculations, and this equity serves as a counterweight from the liability side. Equity is self-capital whose health continues to be improved, especially to strengthen the company's capital structure. Own capital is capital that comes from within the company. Companies that earn profits will generate cash from within the company thereby reducing the need for funds from outside the company because the company is able to increase its profitability. High equity value will have an impact on high profits. The more equity value increases, the company's profit will increase.

In addition to equity, companies also need to pay attention to their liabilities. Liability is one of the company's external sources in funding the company's activities. Liabilities are all of 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 (Hery, 2018). Liabilities consist of short-term debt and long-term debt. Short-term debt is debt that matures within a one-year period, where this short-term debt has lower interest than long-term debt which can increase a company's profit, while long-term debt is debt with a maturity of more than one year. The higher the company's liabilities, the higher the company's obligations to external parties so this can reduce company profits (Nurlita and Pratiwi, 2020).

The manufacturing industry has an important role in economic growth in Indonesia. Indonesia's manufacturing industry has contributed 20.27 percent to ASEAN on a national scale economy. The existence of this contribution can be seen from the development of the manufacturing industry in Indonesia which is able to replace the role of commodity-based to manufacture-based. The manufacturing industry looks more productive and has the potential to have a broad impact so as to be able to add workers, increase the value of raw materials, and add the largest source of foreign exchange. Companies engaged in manufacturing are one of the industries that use or take advantage of many things, starting from the use of sophisticated machinery, equipment, and technology (Utami, 2020).

The Ministry of Industry identified that in 2022 there will be several companies in the manufacturing sector whose performance is higher than the national GDP, including the basic metal industry by 9.94 percent, the textile and garment industry by 7.5 percent, and the transportation equipment industry by 6.33 percent. This was also influenced by the increase in people's purchasing power for various types of products, thereby increasing the manufacturing process in response to demand. Indonesia's manufacturing industry is also being developed in several ASEAN countries, such as Vietnam and the Philippines. This development can guarantee economic growth at the national level and enhance global competitiveness. Indonesia's economy has strength in the domestic market with the remaining 80 percent being the export market. In the export market, the manufacturing industry has made a major contribution in 2021 with an export value reaching USD 177.10 billion and contributing up to 76.49 percent of total exports in Indonesia (www.kemenperin.go.id).

Manufacturing companies generally require quite a lot of capital to be able to run their business, such as to pay employee wages. buy company equipment or production machinery, therefore equity and liabilities are important factors that can affect the net profit of a manufacturing company. Following are the average data on liabilities, equity, and net income of manufacturing sector companies listed on the IDX for the 2020 - 2022 period:

Table 1. Data on average equity, liabilities, and net income of manufacturing sector companies listed on the IDX for the 2020-2022 period

Year	Equity	Liability	Net profit
2020	676.102.509.541	779.129.824.908	71.561.238.476
2021	476.003.087.833	440.290.272.976	35.308.089.239
2022	348.222.239.632	243.093.766.051	36.560.367.986

Source: www.idx.go.id

Table 1 shows that the average equity has decreased in a row for three years. In 2020 is 676.102.509.541 and in 2021is 476.003.087.833 and in 2022 amounted to 48.222.239.632 this indicates that the average capital in manufacturing companies decreased. The average condition of liabilities has decreased in 2020 to 779.129.824.908 then decreased in 2021 to 440.290.272.976 and in 2022 liabilities decreased again by 243.093.766.05. The condition of average net profit experienced fluctuating conditions namely in 2020 it was 71,561,38,476 then in 2021 it decreased to 35,308,089,239, and in 2022 it increased by 36,560,367,986.

The results of research on the effect of equity and liabilities on net income obtained different results. The research results of Amini (2021) and Wardoyo (2022) state that equity and liabilities affect net income. Meanwhile, the results of the research by Mawati (2021) and Fahlevi (2023) state that equity and liabilities has no impact on net income. Based on the background of the problems above and the results of different studies, it is necessary to research the effect of equity and liabilities.

2. Research Method

The type of research used is associative *causal* by using quantitative methods. The analytical method used is multiple linear regression with the independent variables equity and liabilities, and the dependent variable is net income. The data in this study used secondary data taken from www.idx.co.id. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange for the 2022 period. The number of samples in this study is 55 companies.

3. Results and Discussions

Descriptive Statistics

According to Ghozali (2018), the data characteristics described can be seen from each variable's minimum, maximum, and mean. The results of the descriptive statistical data in this study are as follows.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean
Equity	55	164.959	8.134.550.586.355	815.751.585.166.02
Liability	55	169.577	8.014.571.097.975	780.282.046.667.71
Net profit	55	45.945	803.844.617.906	93.674.733.695.47

Data source: *output* SPSS

Based on the research results presented in Table 2, it can be seen the description of each variable as follows: (1) Equity has a minimum value of 164,959 and a maximum value of 8,134,550,586,355, and the mean value is 815751585.166.02; (2) Liability has a minimum value is 169.577 and a maximum value is 8.014.571.097.975 and a mean value is 780.282.046.667.71; (3) Net income has a minimum value is 45.945 and a maximum value is 803.844.617.906 and a mean value is 93.674.733.695.47.

Classic Assumption Test

Normality Test

In this study, the normality test was carried out by statistical tests Kolmogrov-Smigrov (K-S). You can see the result value *a symp (2-tailed)* is 0.317, meaning that the data is normally distributed because the data is said to be normally distributed if the significance value is > 0.05.

Multicollinearity Test

To detect the presence or absence of multicollinearity between independent variables can be detected by looking at the *tolerance* and *variance inflation factor* (VIF). Based on the multicollinearity test, it is known that the VIF value is 8,322, meaning that there is no multicollinearity.

Autocorrelation Test

To detect the presence or absence of autocorrelation between variables, the Durbin-Watson (DW) test is used. Based on the autocorrelation test, it can be seen that the value*Durbin Watson* of 1.784 means that there is no autocorrelation.

Heteroscedasticity Test

Whether there is heteroscedasticity can be determined by looking at the presence or absence of certain patterns, such as wavy, widened, or narrowed on the graph. Scatterplot there is a certain pattern, it can be ascertained that heteroscedasticity has occurred Ghozali (2018). The following are the results of the heteroscedasticity test:

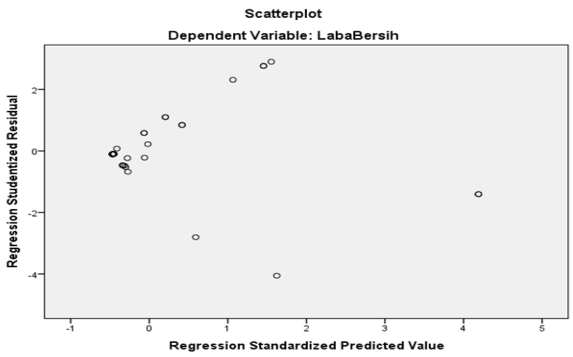

Figure 1. Scatter plot chart

Based on the picture above it can be seen from the picture scatterplot It can be seen that the dots spread and do not form a pattern. It is stated that there is no heteroscedasticity.

Multiple Linear Regression

Table 3. Multiple Linear Regression Test Results

	B	Std. Error	Beta	t	
(Constant)	65.774	94.932		.693	.491
Equity	.106	.014	.944	7.468	.000
Liability	.001	.013	.006	.044	.965

Source: Output SPSS

Regression models: $Y = 65.774 + 0{,}106X_1 + 0{,}001X_2 + \text{no}$

Information:

a) A constant of 65,774 means that if the equity and liabilities are zero, then the net profit is 65,774.
b) The regression coefficient of the equity variable is 0.106, meaning that if equity increases by one unit, then net income increases by 0.106, assuming other variables remain.
c) The regression coefficient of the liability variable is 0.001, meaning that if the liability increases by one unit, then net profit increases by 0.001, assuming other variables remain.

Determination Coefficient Test (R^2)

The coefficient of determination (R^2) measures the model's ability and explains variations in stock price variables. The coefficient of determination between zero $< R^2 < 1$.

Table 4. Test results for the coefficient of determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.869[a]	.755	.735	693.515	1.784

a. Predictors: (Constant), Liabilities, Equity
b. Dependent Variable: Net Income

R^2 is 0.755, indicating the contribution of the independent variables, namely equity and liabilities to the dependent variable, namely net income together. The R Square value or the coefficient of determination is 0.755. This indicates that 75.5% of the variation in the Y variable (net income) can be explained by the variation in the x variable, namely equity, and liabilities. While other variables outside of this study explain the remaining 24.5%.

Partial Coefficient Test (t-test)

t-test result:

a) Equity variable t-test on net income

The calculation results show that the significance value obtained is less than 0.05, namely 0.000 <0.05. So, it can be concluded that equity affects net income.

b) Liability variable t-test on net income

The calculation results show that the significance value obtained is greater than 0.05, namely 0.965 > 0.05. So it can be concluded that liabilities have no effect on net income.

Hypothesis Test F

Table 5. F Test Results

Model	Sum of Squares	Mean Square	F	Sig.
Regression	355506870	177753435	36.987	.000[b]
Residual	115338843	480578513		
Total	470845713			

Source: SPSS Output Data

In the table above, the significance value of the ANOVA test is 0.000 <0.05. This means that there is a significant influence between equity and liabilities variables on net income variables together. Based on the results of the tests that have been carried out, there is a research model for the effect of equity and liabilities on the net income of manufacturing companies listed on the Indonesia Stock Exchange in 2022.

Partial Effect of Equity on Manufacturing Company Net Income

The t-test shows that equity affects net income because the t-test obtains a small level of less than 0.05, namely 0.000 of a significant level, so equity partially affects net income for manufacturing companies listed on the Indonesia Stock Exchange. The effect of equity on net income is positive and significant, indicating that manufacturing companies listed on the

Indonesia Stock Exchange in obtaining profits can increase company assets, and these assets are reused for capital to gain returns. So the results of this study that if equity increases, it will provide opportunities for companies to finance their operations, which determines net income that tends to increase. The results of this study support the results of research from Wardani (2018), Amini (2021), and Wardoyo (2022) that equity partially affects net income. The results of this study are different from the results of the research of Mawati (2021) and Fahlevi (2023) which state that equity has no effect on net income.

The Simultaneous Effect of Equity and Liabilities on Manufacturing Company Net Income

The F test showed that the ANOVA test's significance value was 0.000 <0.05. Therefore H_0 was rejected and H_1 accepted which means there is a significant influence between equity variables (X_1) and liabilities (X_2) on the variable net income (Y) jointly or simultaneously. This study's results align with Amini's research (2021), which states that equity and liabilities have a significant effect on net income.

4. Conclusions

Based on the results of collecting and processing research data relating to the effect of equity and liability on the net profits of manufacturing companies listed on the Indonesia Stock Exchange, it can be concluded as follows: the lowest equity is PT. Siantar Top Indonesia Tbk and the highest is owned by PT. Lion Metal Works Tbk. The lowest liability value is owned by PT. Astra International Tbk and the highest is owned by PT. Lion Metal Works Tbk. The lowest net profit is owned by PT. Astra International Tbk and the highest net profit belongs to PT. Lion Metal Works Tbk, Equity partially has a positive effect on net income, Liabilities partially have no effect on net income, and equity and liabilities simultaneously have an impact on net income.

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