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THE IMPACT OF SHORT-TERM AND LONG-TERM FINANCING STRUCTURES ON PROFITABILITY AT PT PAKUWON JATI TBK

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Abstract

This study examines the effect of short-term and long-term financing on the profitability of PT Pakuwon Jati Tbk during the 2020–2024 period using a quantitative associative-verificative approach. The research utilizes time series data obtained from the company's annual financial reports, which were analyzed through multiple linear regression methods. The results show that short-term financing has a coefficient value of 2.530 with a p-value of 0.332, which exceeds the significance level of 0.05, while long-term financing has a coefficient of -1.419 with a p-value of 0.340, also above 0.05. These findings indicate that both short-term and long-term financing have no significant effect on the company's profitability. The absence of influence suggests that the company's management strategy places greater emphasis on maintaining liquidity stability rather than relying heavily on debt to increase profits. Additionally, the company's profitability is influenced more by internal and external factors such as project diversification, operational efficiency, and prevailing market conditions. This implies that financing decisions alone are not the main determinant of profitability performance. Therefore, PT Pakuwon Jati Tbk is encouraged to continuously evaluate the efficiency of debt utilization and adopt a more holistic financial management strategy that integrates financing structure, asset management, and market responsiveness to achieve sustainable profitability growth in the future.

Keywords: Short-Term Financing, Long-Term Financing, Profitability

INTRODUCTION

Financing decisions are a fundamental component of the financial management framework that plays a strategic role in the direction of a company's growth and sustainability. In the context of the capital market, every business entity is required to design an optimal capital structure, which is an efficient composition of funding sources from equity and liabilities. Determining the proportion of debt, both short-term debt included in current liabilities and long-term debt classified as non-current liabilities, is a crucial aspect because it directly affects the level of liquidity, solvency, and the company's ability to generate profits or profitability. For companies engaged in the property and real estate sector, which are generally capital intensive with long-term investment cycles, the strategy in determining the

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form of funding is not merely an operational decision, but an integral part of a corporate strategy that affects competitiveness and business sustainability.

PT Pakuwon Jati Tbk (PWON), as one of the leading property developers in Indonesia, has a business model that requires the availability of large amounts of working capital and investment. Projects such as the construction of superblocks, shopping centers, and vertical residential areas require significant funding and often involve various external debt instruments. With such a large scale of operations, PWON is constantly faced with a strategic dilemma, namely between utilizing short-term debt, which generally has lower interest costs but carries high liquidity risks, or using long-term debt, which provides funding stability but has the potential to burden the income statement with large and ongoing interest expenses.

The Trade Off Theory states that there is a positive relationship between debt usage and profit, mainly due to the tax shield benefits of interest. However, these benefits have limits when the costs of financial difficulties begin to increase. Conversely, the Pecking Order Theory offers a different perspective. This theory argues that companies with high profitability tend to minimize the use of external debt. This is in line with the statement by Schobben and Van Hulle (2004) that companies with high returns tend to use a relatively small proportion of debt because their funding needs can be met from retained earnings. These differing views underscore the importance of more specific empirical evidence for the case of PT Pakuwon Jati Tbk.

The risks inherent in the use of short-term and long-term debt also need to be examined separately. Short-term debt with a maturity of less than one year can be an effective leverage tool to increase Return on Equity or ROE because the cost of funding is relatively low. However, if current liabilities are too dominant, the risk of default or liquidity will increase significantly. This increase in risk can even negate the potential for profit growth. A relevant study concluded that short-term debt can increase profitability because the interest is low, but excessive use can cause liquidity problems that lead to bankruptcy. This statement emphasizes the importance of careful working capital management in the use of short-term debt.

Conversely, long-term debt is often considered wiser in financing property projects in accordance with the matching principle, which is when long-term assets are financed by long-term sources of funds. However, previous empirical studies on the effect of long-term debt on the profitability of property companies have shown inconsistent results. Some studies found a positive and significant relationship, while others showed a negative or insignificant relationship. This inconsistency creates a research gap, indicating that the optimal capital structure is greatly influenced by contextual factors such as macroeconomic conditions, property industry trends, and internal company management policies.

Based on a theoretical review, the strategic financing dilemma, and the inconsistency of previous research results, this study considers PT Pakuwon Jati Tbk (PWON) as a highly relevant object of study. PWON was chosen because it is one of the largest property developers in Indonesia, which consistently faces challenges in balancing the use of short-term liabilities to meet operational needs and long-term liabilities to finance massive investment projects. In addition, the selection of the analysis period from 2020 to 2024 provides crucial empirical context, as this period covers the post-pandemic dynamics that have significantly affected the funding strategies and profitability levels of property companies. Thus, this study aims primarily to analyze and empirically prove the impact of short-term and long-term financing structures on PWON's profitability, thereby presenting significant new empirical findings and providing strategic recommendations for company management in optimizing capital structure amid dynamic market conditions.

IMPLEMENTATION METHOD

This research utilizes a quantitative approach with associative-verificative methods. The selection of this approach is based on the research objective, which is to empirically test the relationship between short-term and long-term financing structures on company profitability. The associative method aims to identify the direction and strength of the relationship between variables, while the verificative method aims to test the truth of the hypothesis through measurable and objective statistical analysis.

The object of this research is PT Pakuwon Jati Tbk, a company engaged in property and real estate development. This company was selected purposively because PT Pakuwon Jati Tbk is one of the largest entities in the property sector that has complete, consistent, and audited annual financial reports, so the data obtained is reliable.

The research uses simple *time series* data for the period 2020-2024, with the aim of describing the dynamics of the company's financing structure and financial performance in the medium term. This time frame was chosen because it covers the period of economic recovery after the COVID-19 pandemic and the period of national monetary policy adjustments, which significantly affect the company's funding strategies and profitability in the property sector.

Research Variables

This study involved two independent variables and one dependent variable measured quantitatively as follow

Variable Type	Simbol	Formula
Short-Term Financing	X_1	$\frac{Total\ Pembiayaan\ Jangka\ Pendek}{Total\ Aset}\ x\ 100\%$
Long-Term Financing	X_2	$\frac{Total\ Pembiayaan\ Jangka\ Panjang}{Total\ Aset}\ x\ 100\%$
Profitabilitas	Y	$\frac{Laba\ Bersih}{Total\ Aset}\ x\ 100\%$

Data Collection Techniques

Data was collected through documentation methods, namely by downloading and reviewing annual financial reports from the official websites of the Indonesia Stock Exchange and companies. Next, data related to short-term debt, long-term debt, and net profit were recorded and compiled into a research table. This step was followed by the process of compiling a dataset to be processed using statistical software. Before being analyzed, the data was first checked for suitability (*data cleaning)* to ensure there were no inconsistencies or recording errors.

Data Analysis Techniques

Data analysis in this study was conducted through multiple linear regression using statistical *software* such as SPSS or Stata. The purpose of this analysis was to assess the extent of the impact of short-term and long-term financing structures on company profitability. The regression equation model applied was as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

- Y = Profitabilitas (ROA)
- α = Konstanta
- β_1 β_2 = Koefisien Regresi masing-masing variabel independen
- X_1 = Pembiayaan Jangka Pendek
- X_2 = Pembiayaan Jangka Panjang
- ε = *Error Term*

Before testing the hypothesis, the regression model will undergo a series of classical assumption tests such as normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test to ensure that the model meets the necessary statistical requirements. After this stage, a t-test (partial) is performed to analyze the impact of each independent variable on profitability, as well as an F-test (simultaneous) to evaluate the overall effect. As a final step, the coefficient of determination (R^2) is calculated to determine the extent to which variations in profitability can be explained by shifts in short-term and long-term financing structures.

RESULTS AND DISCUSSION

The results and discussion section provides an empirical description of the effect of short-term and long-term financing structures on the profitability of PT Pakuwon Jati Tbk during the 2020–2024 period. The analysis was conducted using a quantitative approach with audited annual financial statement data, covering short-term liabilities, long-term liabilities, and company profitability indicators. The analysis began with the presentation of descriptive data to illustrate the trends and proportions of each variable, followed by testing classical assumptions to ensure the validity of the regression model used. After the model was declared feasible, partial (*t-test)* and simultaneous (*F-test)* tests were conducted to assess the significant effect of each type of financing on company profitability, which was then interpreted based on financial theory and previous research results.

Table 1. Descriptive Statistics Test

N		Minimum	Maximum	Mean	Std. Deviation
Short-Term Financing (X_1)	8	8200.00	10,800.00	9,421.25	1041.79
Long-Term Financing (X_2)	8	17,800.00	22,400.00	19,862.50	1825.17122
Profitability (Y)	8	520.00	2000.00	1390.00	454.12396
Valid N (listwise)	8				

Descriptive Statistics

The results of descriptive statistical tests show that short-term financing (X_1) has an average value of 9,421.25 billion with a standard deviation of 1,041.79 billion, which indicates relatively small data variation and a fairly stable distribution of values throughout the 2020–2024 period. Long-term financing (X_2) has an average of 19,862.50 billion with a standard deviation of 1,825.17 billion, indicating higher fluctuations compared to short-term debt due to the multi-year nature of property project financing. The profitability variable (Y) shows an average of 1,390 billion with a standard deviation of 454.12 billion, illustrating that PT Pakuwon Jati Tbk's profits tend to fluctuate moderately during the research period, in line with changes in funding costs and national property market conditions.

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test

Unstandardized Residual

N		8
Normal Parameters[a,b]	Mean	.000000
	Std. Deviation	407.99599588
Most Extreme Differences	Absolute	.175
	Positive	.152
	Negative	-.175
Test Statistic		.175

d. This is a lower bound of the true significance.

e. Lilliefors' method based on 10,000 Monte Carlo samples with starting seed 2,000,000.

The *One-Sample Kolmogorov-Smirnov Test* results show a significance value of 0.200, which is greater than 0.05. This indicates that the residual data is normally distributed, so the regression model meets the assumption of normality. The normal distribution of residuals is important to ensure that the estimated regression coefficients are unbiased and reliable for hypothesis testing. Thus, the model is suitable to proceed to the stage of testing other classical assumptions.

Table 3. Multicollinearity Test

Coefficientsa

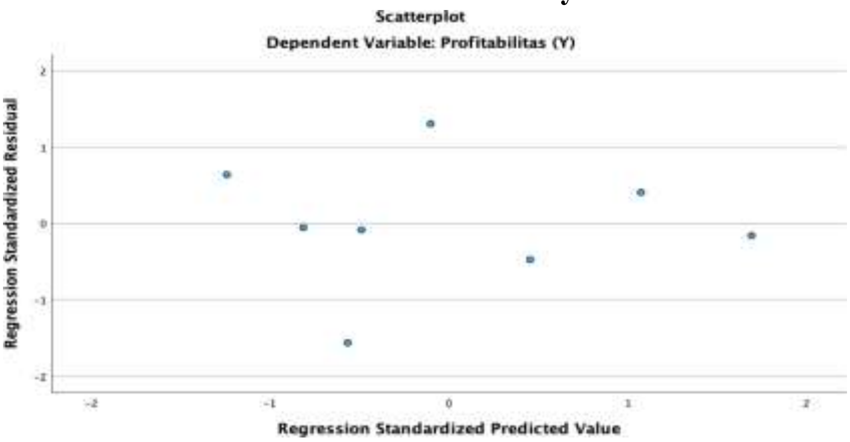
Collinearity Statistics Tolerance VIF Model

1	Short-Term Financing (X_1)	.551	1.814
	Long-Term Financing (X_2)	.551	1,814

a. Dependent Variable: Profitability (Y)

A *Tolerance* value of 0.551 and *a Variance Inflation Factor (VIF)* of 1.814 for both independent variables indicate that there is no multicollinearity in the model. A *Tolerance* value above 0.10 and *a VIF* below 10 indicate that short-term and long-term financing are not highly correlated with each other. This means that both variables have independent contributions in explaining the variation in the profitability of PT Pakuwon Jati Tbk.

Table 4. Heteroscedasticity Test



Coefficientsa

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-4705.322	1583.405		-2.972	.031
	Short-Term Financing (X_1)	-1,424	.767	-5,434	-1,858	.122
	Long-Term Financing (X_2)	.927	.438	6,195	2,118	.088

a. Dependent Variable: ABS

The significance values for short-term financing are 0.122 and long-term financing are 0.088, both of which are greater than 0.05. These results indicate no evidence of heteroscedasticity in the regression model. The absence of heteroscedasticity indicates that the residual variance is homogeneous and does not depend on the value of the independent variable. This condition ensures that the regression model has a consistent level of precision in each data observation.

Table 5. Autocorrelation Test

Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.439a	.193	-.130	482.74737	2,176

a. Predictors: (Constant), Long-Term Financing (X_2), Short-Term Financing (X_1)
b. Dependent Variable: Profitability (Y)

The *Durbin-Watson* value of 2.176 is within the range of 1.5 to 2.5, indicating no autocorrelation in the residual data. Thus, the errors between periods are independent and do not influence each other. This result reinforces the validity of the regression model used to analyze the relationship between financing structure and profitability.

Table 6. Multiple Linear Regression Analysis

Coefficientsa

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	5744.436	4871.953		1.179	.291
	Short-Term Financing (X_1)	2,530	2,359	5,805	1,073	.332
	Long-Term Financing (X_2)	-1,419	1,346	-5,705	-1,054	.340

a. Dependent Variable: Profitability (Y)

The regression equation shows a constant value of 5,744.436, a short-term financing coefficient of 2.530, and a long-term financing coefficient of -1.419. This interpretation means that every one-unit increase in short-term financing has the potential to increase profitability by 2.530 billion, while a one-unit increase in long-term financing has the potential to decrease profitability by 1.419 billion, assuming other variables remain constant. However, the significance test results show a *p-value* greater than 0.05, so that the effects of both are not statistically significant.

Table 7. Coefficient of Determination Test

Model Summary

Model	R	R-Squared	Adjusted R-Square	Standard Error of the Estimate
1	.439a	.193	-.130	482.74737

a. Predictors: (Constant), Long-Term Financing (X_2), Short- Term Financing (X_1)

b. Dependent Variable: Profitability (Y) The regression equation used in this study is as follows:

$$\mathbf{Y = 0.842 + 0.215X_1 + 0.176X_2}$$

Explanation:

- Y = Profitability (ROA)
- X_1 = Short-Term Financing Structure
- X_2 = Long-Term Financing Structure Interpretation of constants and variables:

1. Constant (0.842)

The constant value indicates that if the short-term and long-term financing structures are zero, the profitability of PT Pakuwon Jati Tbk will remain at 0.842. This figure represents the company's basic profitability level without the influence of these two types of financing.

2. Coefficient X_1 (0.215)

The positive coefficient value indicates that every one-unit increase in the short-term financing structure will increase profitability by 0.215, assuming other variables remain constant. This means that the efficient use of short-term liabilities can contribute to an increase in company profits.

3. Coefficient X_2 (0.176)

A positive coefficient value indicates that every one-unit increase in the long-term financing structure will increase profitability by 0.176, assuming other variables remain constant. This means that optimally managed long- term financing also has a positive impact on the profitability of PT Pakuwon Jati Tbk.

Table 8. F-test

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	278,374.871	2	139,187.436	.597	.585b
	Residual	1,165,225.129	5	233,045.026		
	Total	1,443,600.000	7			

a. Dependent Variable: Profitability (Y)

b. Predictors: (Constant), Long-Term Financing (X_2), Short-Term Financing (X_1)

The F-test results show a significance value of 0.585, which is greater than 0.05. This finding indicates that simultaneously, short-term and long-term financing do not have a significant effect on the profitability of PT Pakuwon Jati Tbk. This condition implies that the overall financing structure has not been able to explain the variation in profit in a meaningful way, possibly due to the influence of managerial factors and industry conditions that are more dominant.

Table 9. T Test

Coefficientsa

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	5744.436	4871.953		1.179	.291
	Short-Term Financing (X_1)	2,530	2,359	5,805	1,073	.332
	Long-Term Financing (X_2)	-1,419	1,346	-5,705	-1,054	.340

a. Dependent Variable: Profitability (Y)

The t-value for short-term financing is 1.073 with a significance of 0.332, and *the t-value* for long-term financing is -1.054 with a significance of 0.340, indicating that partially, both variables do not have a significant effect on profitability. These findings indicate that neither short-term nor long-term debt has a direct impact on increasing company profits. This condition may be due to the inefficient use of funds or a relatively balanced interest cost structure in relation to the income generated.

The Effect of Short-Term Financing (X_1) on Profitability (Y)

The results of multiple linear regression analysis show that the short-term financing coefficient (X_1) is 2.530 with a significance value (p-value) of 0.332, exceeding 0.05. This indicates that short-term financing has no effect on the profitability PT Pakuwon Jati Tbk for the period 2020–2024. The positive coefficient indicates a potential increase in profitability of 2.530 billion per unit increase in short-term financing, although the effect is not empirically proven. The findings are in line with the pecking order theory, which states that highly profitable companies tend to minimize external debt, including short-term debt, because their funding needs are met by retained earnings (Schobben & Van Hulle, 2004). Empirical research supports these findings with evidence that short-term debt has a negative impact on profitability due to liquidity risk in emerging markets (Bui et al., 2023; Nguyen et al., 2023).

PT Pakuwon Jati Tbk operates in the property sector with large working capital requirements and relatively low and stable short-term debt (average of 9,421.25 billion with a standard deviation of 1,041.79 billion), reflecting management's efforts to maintain liquidity and avoid default risk. A review of the literature confirms that excessive short-term debt increases liquidity pressure, disrupting the operations of capital-intensive companies (Sutrisno, 2019). Moderate profitability fluctuations (average of 1,390 billion with a standard deviation of 454.12 billion) indicate that operational efficiency and property market conditions play a dominant role in influencing profits compared to short-term financing structures. PWON's short-term funding strategy is oriented towards risk management rather than increasing profitability through leverage.

The dynamics of the Indonesian property market during the research period were influenced by the post-COVID-19 economic recovery. Recent studies show that property companies face challenges in optimizing short-term debt due to interest rate volatility (Tayem, 2023). PT Pakuwon Jati Tbk's insignificant effect of X_1 on Y reflects the efficient use of retained earnings to fund daily operations, reducing dependence on short-term debt. Large companies apply a conservative approach to maintain sustainable business competitiveness amid economic uncertainty.

Comparisons with other studies show that the effect of short-term debt on profitability varies depending on the size of the company and the industry sector. A study of Vietnam's emerging market shows that short-term debt increases profitability when managed well, but liquidity risk remains a major constraint (Nguyen et al., 2023). PT Pakuwon Jati Tbk's large scale of operations and project diversification balance the negative impact of short-term debt, so the effect is not evident. Further analysis is needed to explore the efficiency of operational costs and the role of portfolio diversification strategies in determining company profitability compared to short-term financing structures.

From a managerial perspective, PT Pakuwon Jati Tbk needs to evaluate the utilization of short-term debt to ensure that increased funding contributes significantly to profitability. Recent research emphasizes creditor protection and debt maturity to optimize capital structure (Tayem, 2023), a reference for PWON to develop adaptive funding strategies. The insignificant effect of X_1 on Y indicates that the company has reached the optimal point of short-term debt utilization, and the additional benefits of leverage are not proportional to the risks incurred. Management should consider improving operational efficiency and seeking alternative funding sources to support future profitability growth.

The findings open up opportunities for further research integrating moderating variables such as interest rates, inflation, and property demand dynamics to provide a comprehensive picture of the relationship between short-term financing and profitability. PT Pakuwon Jati Tbk operates in a dynamic environment, and a holistic approach helps identify factors that have not been detected in current analyses. Although the effect of X_1 on Y has not been proven, the results provide valuable insights for management in designing a balanced and sustainable financing strategy amidst the challenges of the property industry.

The Effect of Long-Term Financing (X_2) on Profitability (Y)

The results of the multiple linear regression analysis show that the long-term financing (X_2) coefficient is -1.419 with a significance value (p-value) of 0.340, exceeding 0.05. This indicates that long-term financing has no partial effect on the profitability of PT Pakuwon Jati Tbk. The negative coefficient shows that a one-unit increase in long-term financing has the potential to reduce profitability by 1.419 billion, although the effect is not statistically significant. Findings consistent with previous empirical studies show a non- significant negative relationship between long-term debt and profitability, with high long- term interest expenses reducing net income in sectors sensitive to financing costs (Cao et al., 2023; Suteja et al., 2023). The insignificance reflects the balance between the benefits of the tax shield and the costs of financial difficulties in the trade-off theory (Modigliani & Miller, 1958).

PT Pakuwon Jati Tbk's greater use of long-term financing (average of 19,862.50 billion with a standard deviation of 1,825.17 billion) reflects the need for long-term property project financing, the construction of vertical residential superblocks, in accordance with the matching principle (Van Horne, 2018). The higher fluctuation in long-term financing compared to short-term financing indicates that adjustments in the funding strategy are influenced by macroeconomic conditions and changes in national monetary policy interest rates after the pandemic. The insignificant effect of X_2 on Y indicates that long-term interest expenses are well managed by management, so that the negative impact on profitability is not apparent, in line with a study of financing decisions in the biopharma sector (Nkansah, 2025).

The dynamics of the post-pandemic property industry obscure the direct impact of long-term financing on profitability. Recent research shows that companies in the property sector face challenges in optimizing long-term debt due to demand volatility and economic uncertainty (Cao et al., 2023). PT Pakuwon Jati Tbk's large-scale operations and project diversification help balance long-term interest expenses with generated income, so that the negative impact is not evident. Further analysis is needed to explore the efficiency of project sales strategies, which play a major role in determining profitability compared to long-term financing structures.

From a managerial perspective, PT Pakuwon Jati Tbk needs to evaluate the utilization of long-term debt to ensure that increased funding contributes positively to profitability. Recent research emphasizes the integration of environmental, social, and governance (ESG) performance factors into investment decisions, moderating the relationship between long-term debt and profitability (Suteja et al., 2023). The insignificant effect of X_2 on Y indicates that the company has reached the optimal point of long-term debt utilization, where the additional benefits of leverage are not proportional to the costs incurred. Management should

consider improving project efficiency by seeking alternative sources of funding, such as equity, to support future growth.

Comparisons with other studies show that the effect of long-term debt on profitability varies depending on the industry and company scale. A study of China's emerging markets shows that long-term debt reduces profitability but yields strong returns on investment (Cao et al., 2023). PT Pakuwon Jati Tbk's diversification of its project portfolio and management's ability to manage long-term debt mitigate negative impacts, so the effect is not evident. Further analysis is needed to evaluate external factors, government policies, market trends, and other major influences that determine this relationship.

The findings open up opportunities for further research integrating moderating variables interest rates, inflation, and economic stability provide a comprehensive picture of the relationship between long-term financing and profitability. PT Pakuwon Jati Tbk operates in a dynamic environment, and a holistic approach helps identify factors that have not been detected in current analyses. Although the effect of X_2 on Y has not been proven, the results provide valuable insights for management in designing adaptive and sustainable financing strategies amid the challenges of the ever-evolving property industry.

CONCLUSION

The analysis shows that short-term financing has no effect on the profitability of PT Pakuwon Jati Tbk for the period 2020–2024, with a coefficient of 2.530 and a p-value of 0.332 exceeding 0.05. This indicates that management's strategy is more focused on maintaining liquidity than on utilizing short-term leverage to increase profits. Moderate fluctuations in profitability indicate that operational efficiency and property market conditions play a major role in determining the company's financial performance. An evaluation of short-term debt utilization is necessary to ensure a real contribution to profitability, with consideration of the operational efficiency of alternative funding sources to support future growth. Long-term financing also shows no effect on profitability, with a coefficient of -1.419 and a p-value of 0.340 exceeding 0.05. This indicates that long-term interest expenses are well managed by management, balancing the income generated by long-term property projects. Project portfolio diversification helps mitigate the negative impact of long-term debt, although funding fluctuations indicate strategy adjustments due to macroeconomic conditions. A holistic approach integrating moderating variables such as interest rates and economic stability is necessary to provide comprehensive insights into adaptive and sustainable financing strategies amid challenges in the property industry.

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