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The Effect Asset Structure, Corporate Growth and Profitability to Corporate Debt Policy

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Abstract. The study was ex post facto with quantitive method. This study used purposive sampling method in order to collect the sample. Based on certain criteria, there were 30 manufacturing companies that matched with the sample, the statistical method used in this study was multiple regression**.**The result of this study, asset structure and significant 0,00 and negative -0,362 effect on debt policy. The company's growth and positive 1,514 and significant 0,01impact on the debt policy. Profability and significant 0,08 and negative -0,29 effect on the debt policy. The coefficient of determination of 0,395 or 39,5%, indicated that the abilitty of independent variables in explained debt policy variable was 39,5%, while the remaining 60,5% was explained by other variable outside the research variables. The multiple linear regression equation was

Y = -0,362 – 0,362AST +1,514GROWTH – 0,29PROF + e

Keyword: asset structure, company growth, profitability, debt policy

1. Introduction

In managing a company, a manager must make the right decisions, one of the important decisions is how the company obtains capital to meet its operational needs. Capital or capital is an important is an impportatnt element in company, a business will always need capital and will still be needed if the company intends to expand business(Basyirah et al., 2023)

Debt is an alternative for companies to be able to increase the funds or capital needed by the company. Many companies are successful and successful in making these decisions because debt is considered able to minimize the risk of conflict between shareholders and managers. With increasing debt, the company must have obligations so that the company is more effective in using this debt. However, if debt is too high, the company can go bankrupt, the impact on the company will result in an increase in the company's financial risk and ultimately the company will enter a financial crisis (financial distress) (Agit et al., 2024).

Debt policy is determining how much debt the company will use to load its assets, which is shown by the debt ratio, namely the ratio between total debt and total assets. The use of high debt can minimize agency costs arising from conflicts between shareholders and agents. The higher the company's debt, the more it will reflect quality profits (Wardani & Al Arif, 2021).

The ratio of total debt (debt ratio) to total assets (total assets) is a ratio to measure the percentage of funds provided by creditors. Creditors prefer a low debt ratio because the lower the debt ratio, the smaller the potential losses borne by creditors if the company is liquidated. On the other hand, shareholders want more debt because debt increases expected profits (Jamaludin et al., 2023).

In determining debt policy, one of the things to consider is the asset structure. Asset structure is determining how much to allocate for each asset component, both in current assets and fixed assets. The amount of fixed assets owned by the company will determine the amount of debt used. Companies that have large amounts of fixed assets will find it easier to obtain large amounts of debt because these assets can be used as collateral compared to companies that do not have collateral. Fixed assets used as collateral by a company can reduce the risk of creditors. If the company cannot pay its debts and is declared bankrupt, the creditors will sell the assets to be used as debt repayment. The greater value of fixed assets can give a signal to creditors to be confident in providing loans, because creditors will avoid the risk of non-payment of loan principal or interest if the company is declared bankrupt (Rosihana et al., 2024).

Another thing that concerns debt policy is company growth. Company growth is the company's ability to increase company size. Every company will definitely develop the company so that the company experiences growth. Companies that have a high growth rate will require greater external source funding. So companies use various methods to meet these funding needs, one of which is by using debt so that there is a relationship between company growth and the debt ratio.

Companies that have high profitability tend to use relatively small debt, because the company's retained earnings are sufficient to finance the company's operations or for new investment activities. Profitability is very important for a company because it will influence the company's sustainability in the future. Profitability ratio is a ratio to assess ability company in search of profit The use of profitability ratios can be done using comparison between various components those in the financial statements, especially balance sheet financial reports and profit reports make a loss Without profits, it will be difficult for companies to attract capital from external parties. External parties will view that the company does not have good performance, so it is not worthy of receiving these funds. Creditors, shareholders, and most importantly company owners will try to increase profits because it will affect the continuity and future of the company (Rais et al., 2023).

2. Methods

This type of research uses descriptive research, namely a type of research that reveals a picture of the problems that occurred during the research by collecting data from manufacturing companies that are members of the Sharia Stock Index on the IDX which is then compiled so that conclusions and suggestions can be made with the aim of providing a systematic description of the object researched (Bungin, 2005).

The research approach uses a quantitative approach, namely data that can be measured on a numerical scale (Sugiyono, 2013).

The data collection technique used in this research is the documentation method. The documentation method is collecting data with documents which can be in the form of financial reports that have been collected and published. The documents observed are the financial reports of manufacturing companies that are members of the Indonesian Sharia Stock Index listed on the Indonesia Stock Exchange for the 2015-2018 period.

3. Results and Discussion

3.1. Asset Structure (AST) to Debt Policy (DER

The test results show that asset structure (AST) has a negative and significant effect on debt policy (DER), which means that asset structure has a small effect on debt policy. This is because the company has sufficient current assets to fund the company's operational activities(Widianita et al., 2023)

3.2. Company growth (GROWTH) on debt policy (DER)

The test results show that company growth (GROWTH) has a positive and significant effect on debt policy (DER). That companies that have a high growth rate will need greater funds from external sources to finance the company's growing needs. Company growth will show how much funds will be allocated to the company (Widianita et al., 2024).

3.3 Profitability (PROF) against debt policy (DER)

The test results show that profitability (PROF) has a negative and significant effect on debt policy (DER). These results are in line with research from Moh. Syadeli (2013), Ganda Yani Sinaga (2017), Dennys and Deasy Arianti Rahayuningsih (2012), Ahadiyah Muslida Dewi Yuniarti (2013) show that profitability has a negative and significant effect on debt policy.

4. Conclusions

After collecting secondary data from www.idx.co.id and processing the data using multiple linear regression analysis via SPSS 20 by taking samples based on the purposive sampling method totaling 30 companies registered on the Indonesia Stock Exchange (BEI) and those that are members in the Indonesian Sharia Stock Index from 2015-2018. So the following conclusions can be drawn:

a. Asset structure has a negative and significant effect on debt policy
b. Company growth has a positive and significant effect on debt policy
c. Profitability has a negative and significant effect on debt policy

Research limitations

This research only uses a few variables, namely Asset Structure, Company Growth and Asset Structure, meanwhile there are many other explanatory variables such as Liquidity, Company Size, Institutional Ownership, Managerial Ownership, Dividend Policy.

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