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EFFECT OF COMPANY GROWTH, SALES GROWTH AND FREE CASH FLOW ON DEBT POLICY

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ABSTRACT

This study aims to analyze and obtain empirical evidence of the influence of company growth, sales growth and free cash flow on debt policy empirical studies in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2017-2021. This research is quantitative research with a descriptive method, the data used is secondary data in the form of financial reports containing numbers and then testing and describing or giving an overview of these results. The sample selection in this study used a purposive sampling technique. The data analysis method used is panel data regression which is processed using Eviews version 9. The population used in this study are manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange in 2017-2021, totaling 57 companies. The samples obtained were 39 companies with 5 years of research, the total research data obtained were 195. The results of this study indicate that sales growth and free cash flow have no effect on debt policy while company growth has an influence on debt policy. Taken together the company growth variables, sales growth and free cash flow affect debt policy. The total research data obtained is 195. The results of this study indicate that sales growth and free cash flow have no effect on debt policy, while company growth has an influence on debt policy. Taken together the company growth variables, sales growth and free cash flow affect debt policy. The total research data obtained is 195. The results of this study indicate that sales growth and free cash flow have no effect on debt policy, while company growth has an influence on debt policy. Taken together the company growth variables, sales growth and free cash flow affect debt policy.

Keywords: Company Growth, Sales Growth, Free Cash Flow, Debt Policy

1. INTRODUCTION

Company funding can be sourced from within the company (internal) and from outside the company (external). Internal funding sources are obtained from within the company such as own capital and retained earnings while external funding sources are funds obtained from outside the company by borrowing from third parties (debt). The use of funds from internal sources actually has a smaller risk, because it can prevent the company from experiencing financial risk. However, some companies prefer and choose to use debt as a source of funding, because interest from debt can reduce the company's tax burden (Goddess of Fortune & Fauziah, 2022).

Debt policy is a framework to obtain sources of financing so that they can be used to finance operational activities. The debt policy also functions as a monitoring mechanism for the actions of managers in managing the company (Bahari, 2017). Funding a company using debt has several benefits, namely the interest that arises on the loan can be a tax deduction on profits and the company also does not have to share profits with the lender.(Oktariyani & Hasanah, 2019).

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PT Unilever Indonesia Tbk. is an affiliate of the British-Dutch giant company, Unilever NV. In 2017 PT Unilever Indonesia Tbk (UNVR) plans to disburse loans that have been obtained since 2015 from its affiliate, Unilever Finance International AG, worth Rp. 3 trillion. The disbursement of funds that have long been deposited is carried out in order to meet company needs such as for capital expenditure (*capital expenditure/capex*). Unilever obtained a loan facility with a ceiling of Rp. 3 trillion from affiliates based in Switzerland since May 2017. In addition to loans of Rp. 3 trillion from its affiliates, Unilever Indonesia still has several other loan facilities remaining. Director of Unilever Indonesia Sancoyo Antarikso said that his party did not disburse the loan immediately after the application process was approved. According to him, the debt is a standby loan so the company will disburse the loan only when it is needed(Kompas.com, 2018). The following is a DER graph at PT Unilever Indonesia Tbk. 2017 to 2021.

Figure 1 : DER PT. Unilever Indonesia Tbk.

Source: Processed data (2022)

Debt to equity(DER) can indicate the risk of a company. Where the higher the DER, the higher the risk of the company, because funding from debt is greater than own capital. If the debt is higher than own capital, DER will be worth above one. The ideal DER value is below one or below 100%. The graph above shows the DER value at PT. Unilever Indonesia Tbk. From 2017 to 2021 it shows a value above one, which means that the debt value to PT. Unilver Tbk. greater than the equity value. So it can be concluded that the risk to the company is quite large in the future if the debt policy is not managed properly by management.

Debt policy will have an impact on discipline for managers to optimize the use of existing funds. Because a large enough debt will cause financial difficulties and or the risk of bankruptcy. The use of debt needs to be controlled to avoid the potential risk of being unable to pay off obligations or debts. In this case the debt policy plays an important role for the company in order to build and ensure the continuity of the company. There are several variables that are thought to influence debt policy, namely company growth, sales growth and free cash flow.

The first variable that is thought to influence debt policy is the company's growth. Companies that have high growth rates tend to require larger funds from external parties. In order to meet these needs, companies tend to use debt. The company is said to be experiencing growth or it cannot be seen from the total assets owned by the company. The

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higher the company's growth rate, the higher the use of loan funds used by the company to meet its operational needs(Amalia, 2020).

The next variable that is thought to influence debt policy is sales growth. Sales growth represents sales volume in the coming years, based on historical sales volume growth data(Nurcholik & Khasanah, 2022). By knowing how much sales growth, companies can predict how much profit they will get. So, the higher the company's growth, the higher the company's revenue. In using external funds, the company has the option of issuing debt securities or issuing new shares. Companies tend to consider issuing debt securities rather than issuing new shares because the cost of issuing new shares is greater than the cost of the debt itself, so it can be said that with a high level of sales growth, companies tend to use more debt.(Zuhria & Riharjo, 2016).

The last variable that is thought to influence debt policy is free cash flow. Free cash flow is often the trigger for differences in interests between shareholders and managers. Companies experiencing conflicts of interest between management and investors cannot be separated from the free cash flow in the company. This conflict of interest can be minimized with a debt policy. The existence of debt can be used to control the excessive use of free cash flow by managers so that they can avoid wasted investments because when debt increases, managers must set aside larger funds to pay interest and loan principal periodically, so that the remaining funds become small. .(Supriadi, 2022).

Researchers who try to examine the influence of company growth, sales growth and*free cash flow*regarding debt policy has been carried out a lot but still gives different results as done bySupriadi (2022),Hamza & Prasetyo (2021),Romadina (2018)AndZuhria & Riharjo (2016)which results in company growth, sales growth and free cash flow affect debt policy. Meanwhile, in contrast to the research conducted byGoddess of Fortune & Fauziah (2022),Nurkolik & Khasanah (2022),Nainggolan et al. (2021),Abdullah & Lubis (2021)AndNafisa et al. (2016)which results in company growth, sales growth and free cash flow have no effect on debt policy.

Of the many studies above that have been carried out related to debt policy. However, the types of factors studied varied from one study to another. Many studies have been carried out but still do not show consistent results regarding the factors that influence debt policy. So this is one of the reasons for the author to conduct further research on debt policy.

2. LITERATURE REVIEW

Theoretical basis

Agency Theory

According to Jensen and Meckling (1976) agency theory is a theory that explains the agency relationship between the agent as the party managing the company and the principal as the owner who is bound in a contract and both have a relationship in decision making. Conflicts between owners and shareholders can be minimized by aligning the interests of both parties(Sheisarvian et al., 2015). However, this raises a new problem, namely the existence of costs called (agency costs). Separation or differences in oversight and ownership structures can increase agency costs. The way that can be done to reduce these costs is by increasing share ownership by managers and increasing funding with debt because, with debt, the company pays interest costs and debts periodically by activating monitoring through institutional investors.

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In the employment relationship contract, the rights and responsibilities of the owner and management of the company are determined. Company management is a party that acts as a decision maker within the company with the aim of achieving the welfare of the principal. According to agency theory, differences in interests are the basis for the emergence of conflicts between management and company owners, especially those related to funding. Debt policy is a funding policy taken by the company. In making debt policies, agency conflicts cannot be separated(Nurhikmah, 2020).

Thinking Framework

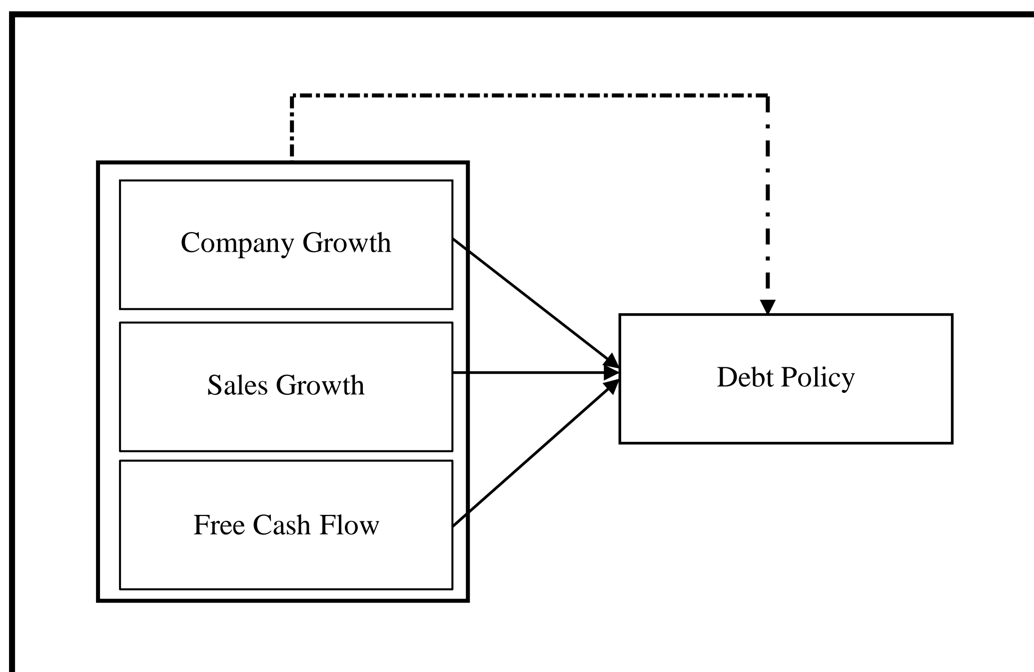

Figure 2: Thinking Framework
Source: Processed data (2022)

Information :

X1 = Company Growth
X2 = Sales Growth
X3 = Free Cash Flow
Y = Debt Policy
⟶ = Effect of interaction between variables X and Y
- · - ·> = Interaction of variable X together with variable

Hypothesis Development

Effect of Company Growth, Sales Growth and Free Cash Flow on Debt Policy

From an investor's point of view, the growth of a company is a sign that the company has a profitable aspect, and investors also expect a rate of return from investments made that shows good development. The stage of growth of a company can affect the ability to maintain profits in funding opportunities in the future(Suweta & Dewi, 2016). The linkage between the theory used is the greater the company's growth, sales growth and free cash flow owned by the company, the company's management (agents) will be under great

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pressure from investors (principals) to distribute dividends. Meanwhile, agents usually retain their profits for investment. This can lead to agency problems. Research conducted by Dewi Rejeki & Fauziah (2022) states that company growth, sales growth and free cash flow have a joint effect on debt policy. So that the higher the company's growth, sales growth and free cash flow, the higher the debt policy level owned by the company.

H1: It is suspected that the company's growth, sales growth and free cash flow have an impact on debt policy

Effect of Company Growth on Debt Policy

Company growth is where the company experiences a significant increase by looking at the comparison from the previous year to the current year (Hamzah & Prasetyo, 2021). The company can be said to experience significant growth if the company is successful in obtaining high profits. Based on agency theory which states that agents and principals have different interests so that when a company experiences rapid growth, it will be a conflict for both. Companies want their resources to be used for more important company needs. However, shareholders actually want company wealth such as profits to be used to distribute dividends. However, if the company's growth increases, the company's needs will also increase. The higher the growth of the company, the greater the funds needed by the company. These funds can be obtained by way of debt. If the debt level set by the company increases, the company's debt policy also increases. Because the company prefers funds from third parties. Much research has been carried out on the effect of company growth on debt policy, one of which is Hamzah & Prasetyo (2021) and Nafisa et. al (2016) which states that company growth affects debt policy, companies with high growth mean that they have sufficient internal resources for their activities, so companies will choose internal funding first then debt and shares as a last resort. Much research has been carried out on the effect of company growth on debt policy, one of which is Hamzah & Prasetyo (2021) and Nafisa et. al (2016) which states that company growth affects debt policy, companies with high growth mean that they have sufficient internal resources for their activities, so companies will choose internal funding first then debt and shares as a last resort. Much research has been carried out on the effect of company growth on debt policy, one of which is Hamzah & Prasetyo (2021) and Nafisa et. al (2016) which states that company growth affects debt policy, companies with high growth mean that they have sufficient internal resources for their activities, so companies will choose internal funding first then debt and shares as a last resort.

H2: It is suspected that the company's growth has an influence on debt policy

Effect of Sales Growth on Debt Policy

According to an investor's point of view, the growth of a company is a sign that the company has a profitable aspect, and investors also expect the rate of return on investments made to show good development (Zuhria & Riharjo, 2016). Sales growth reflects the installed productivity level that is ready to operate as well as the current capacity that can be absorbed by the market and reflects the company's competitiveness in the market. So, the higher the company's growth, the higher the company's revenue. By knowing how much sales growth, companies can predict how much profit they will get. the company will choose internal funding first then debt and stock as a last resort. The linkage with the theory used is that the higher the company's sales growth, the higher the profit that the company will get. That way the principal will pressure the agent to distribute the profits as dividends. Meanwhile, if the sales growth is higher, the company will actually need more funds to finance the purchase of raw materials and others. Much research has been done on the effect

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of company growth on debt policy, one of which is by Zuhria & Riharjo (2016) which states that sales growth affects debt policy, companies will choose internal funding first then debt and stock as a last resort. From an investor's point of view, the growth of a company is a sign that the company has a profitable aspect, and investors also expect a rate of return from the investment made by them to show good development. Much research has been done on the effect of company growth on debt policy, one of which is by Zuhria & Riharjo (2016) which states that sales growth affects debt policy, companies will choose internal funding first then debt and stock as a last resort. From an investor's point of view, the growth of a company is a sign that the company has a profitable aspect, and investors also expect a rate of return from the investment made by them to show good development. Much research has been done on the effect of company growth on debt policy, one of which is by Zuhria & Riharjo (2016) which states that sales growth affects debt policy, companies will choose internal funding first then debt and stock as a last resort. From an investor's point of view, the growth of a company is a sign that the company has a profitable aspect, and investors also expect a rate of return from the investment made by them to show good development. the company will choose internal funding first then debt and stock as a last resort. From an investor's point of view, the growth of a company is a sign that the company has a profitable aspect, and investors also expect a rate of return from the investment made by them to show good development. the company will choose internal funding first then debt and stock as a last resort. From an investor's point of view, the growth of a company is a sign that the company has a profitable aspect, and investors also expect a rate of return from the investment made by them to show good development.

H3: It is suspected that sales growth has an influence on debt policy

Effect of Free Cash Flow on Debt Policy

*Free Cash Flow*is the available residual cash flow that can be drawn on without jeopardizing the company's ability to operate and generate future cash flows(Bella Santika, 2022). When free cash flow is high, companies tend to use debt for company funding activities(Bahari, 2017). The link between the theories used is the greater the free cash flow owned by the company, the company management (agents) will be under great pressure from investors (principals) to distribute dividends to them. Meanwhile, agents usually hold back their profits for investment. This can lead to agency problems, namely differences in goals between agents and principals. Much research has been carried out on the effect of free cash flow on debt policy, one of which is Dewi Rejeki & Fauziah (2022) and Nurkholik and Khasanah (2022) who state that free cash flow has an effect on debt policy, if free cash flow is increased, the company's debt policy will also experience added value to the company's funding activities. By increasing debt

H4: It is suspected that Free Cash Flow has an Influence on Debt Policy

3. RESEARCH METHODS

Population and Sample

The data used in this research is secondary data in the form of financial reports. The financial reports used in this study are financial reports from manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX). The research was conducted in the period 2017–2021. This study used purposive sampling, namely data collection techniques on the basis of skill strategies or personal considerations,

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in other words, taken based on certain criteria that had been formulated in advance in more detail. Sampling in this study is presented in the following table:

1. Manufacturing companies in the consumer goods industry sector listed on the IDX for 2017-2021.
2. Manufacturing companies in the consumer goods industry sector that are not delisted on the IDX in 2017-2021.
3. Companies that publish their financial reports in a complete and consistent manner for the 2017-2021 period.

It can be seen that the number of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2017-2021 totaled 57 companies. However, based on the results of the sample selection, there were only 39 manufacturing companies in the consumer goods industry sector that met the criteria of the researcher. The year of observation taken by researchers is 5 years, starting from 2017 to 2021. So that it produces 195 observation data.

Dependent Variable

Debt Policy

Debt policy is a company management decision regarding the size of external funding through debt as a source of company operational financing. In this study, debt policy will be measured by the DER (Debt to Equity) ratio. DER is included in one of the solvency ratios. DER is the ratio of the total debt owned by the company to its own capital (equity)(Harjito & Martono, 2014). Debt to equity (DER) can show the risk of a company. Where the higher the DER, the higher the risk of the company, because funding from debt is greater than own capital. If the debt is higher than own capital, DER will be worth above one. The ideal DER value is below one or below 100%.

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

Independent Variable

Company Growth

Company growth is a company's ability to increase company size. The faster the company grows, the greater the need for funds for expansion. The greater the need for financing in the future, the greater the company's desire to retain profits. The company's growth ability can be measured by the amount of research and development costs that have prospects for the company to grow(Devi, 2019). In this study to measure the company's growth ratio following the research conducted by Devi, 2019 with the following formula:

$$CGrowth = \frac{Total\ Asset\ This\ Year - Total\ Asset\ Last\ Year}{Total\ Asset\ Last\ Year}$$

Sales Growth

Sales growth reflects the success of investments in the past time period and can be used as a forecast for future growth. Increased growth allows companies to increase their operational capabilities, and conversely, if growth decreases, companies will experience obstacles in increasing their operational capabilities(Life & Ajimat, 2022). Companies that have stable sales can be more secure in getting lots of loans and bear higher fixed costs compared to companies with unstable sales.(Supriadi, 2022). In this study, to measure the

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sales growth ratio, follow the research conducted by Supriadi, 2022 with the following formula:

$$Sales\ Growth = \frac{Current\ Period\ Sales - Perior\ Period\ Sales}{Perior\ Period\ Sales}$$

Free Cash Flow

*Free cash flow*represents excess company cash that can be distributed to shareholders or creditors that are not needed for working capital or investment in fixed assets(Zuhria & Riharjo, 2016). If the free cash flow in the company is not used or invested to maximize or balance shareholder interest, then this will give rise to an agency problem. Free cash flow that should be used for the acquisition and expenditure of growth-oriented capital, paying debts and paying shareholders in the form of dividends, is used by managers for their personal interests(Romadhina, 2018). In this study to measure the ratio of free cash flow following research conducted by Zuhria & Riharjo, 2016 with the following formula:

$$FCF = CFO - CFI$$

Information:
FCF =*Free Cash Flow*
CFO = Operating Cash Flow
CFI = Investment Cash Flow

4. RESULTS AND DISCUSSION

Research result

Descriptive Statistical Analysis

The number of observations in this study is 195 data from 39 companies with an observation period from 2017-2021 or (39 x 5 years). The following is a descriptive statistical analysis table.

Table 1 : Descriptive Statistical Analysis

	DER	CGROWTH	SGROWTH	FCF
Means	-0.421538	0.096978	0.054086	7.55E+11
Median	-0.454399	0.057097	0.047691	8.08E+10
Maximum	2.606470	2.527158	2.773170	1.99E+13
Minimum	-2.664082	-0.286635	-0.878449	-2.56E+13
std. Dev.	0.908405	0.273220	0.304438	4.04E+12
Skewness	0.143862	5.160652	3.550950	-0.913211
kurtosis	3.277064	40.10028	36.35386	22.64174
Jarque-Bera	1.296340	12049.05	9448698	3161711
probability	0.523002	0.000000	0.000000	0.000000
sum	-82.19997	18.91075	10.54681	1.47E+14
Sum Sq. Dev.	160.0888	14.48190	17.98044	3.17E+27
Observations	195	195	195	195

Source: Processed data (2022)

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Classic assumption test

Normality test

In this study, the number of samples of manufacturing companies in the consumer goods industry sector in 2017-2021 was 39 companies which were carried out for 5 years, so the total data obtained was 195 (39 x 5 years).

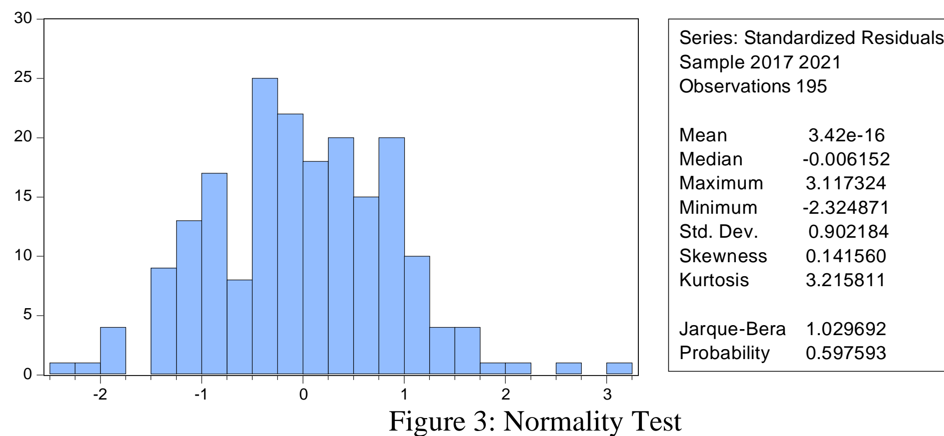

Figure 3: Normality Test

Source : Output Eviews version 9 (2022)

From the test results above, it can be seen that the probability value has increased to 0.597593 where this value is greater than the significance level of 0.05 or (0.597593 > 0.05) so it can be concluded that the data is normally distributed.

Multicollinearity Test

Table 2: Multicollinearity Test

	CGROWTH	SGROWTH	FCF
CGROWTH	1.000000	0.244510	-0.315672
SGROWTH	0.244510	1.000000	-0.024665
FCF	-0.315672	-0.024665	1.000000

Source : Output Eviews version 9 (2022)

Based on table 4.13, it shows that the correlation value X1 (Company Growth) is 0.244510, X2 (Sales Growth) is -0.024665, and X3 (Free Cash Flow) is -0.315672, where this value is smaller than the correlation value 0.85, so it can be concluded that Regression analysis in this study stated that there was no multicollinearity problem.

Heteroscedasticity Test

Table 3: Heteroscedasticity Test

Variables	coefficient	std. Error	t-Statistics	Prob.
C	0.733528	0.042745	17.16045	0.0000
CGROWTH	-0.109268	0.153794	-0.710479	**0.4783**
SGROWTH	-0.203415	0.131006	-1.552712	**0.1221**
FCF	1.05E-14	1.01E-14	1.040924	**0.2992**

Source: Outputs*Eviews*version 9 (2022)

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Based on table 4.14, the results show that all probability values consist of the company growth variable (X1) worth 0.4783, the probability value of the sales growth variable (X2) is 0.1221, the probability value of the free cash flow variable (X3) is 0.2992 where the value is greater than the level significance of 0.05, so it can be concluded that there is no heteroscedasticity.

Autocorrelation Test

Table 4: Autocorrelation Test

R-squared	0.073274	Mean dependent var	-0.090857
Adjusted R-squared	0.058718	SD dependent var	0.424749
SE of regression	0.412091	Sum squared residue	32.43536
F-statistics	5.033956	Durbin-Watson stat	**1.140845**
Prob(F-statistic)	0.002221		

Source : Output Eviews version 9 (2022)

Based on table 4.15, it shows that the Durbin Watson (DW) value is 1.140845, from this value, this research does not occur autocorrelation because the Durbin Watson value is 1.140845 between -2 and +2 (-2 < 1.140845 < 2).

Hypothesis test

TestR^2

Table 5 : Test of the Coefficient of Determination (R^2)

R-squared	**0.073274**	Mean dependent var	-0.090857
Adjusted R-squared	**0.058718**	SD dependent var	0.424749
SE of regression	0.412091	Sum squared residue	32.43536
F-statistics	5.033956	Durbin-Watson stat	1.140845
Prob(F-statistic)	0.002221		

Source : Output Eviews version 9 (2022)

From the results of testing the coefficient of determination () in table 4.17, the Adjusted R-Square value is 0.058718 which means that a value of 5.87% has the potential influence of independent variables, namely company growth, sales growth and free cash flow on the dependent variable, namely debt policy. While the remaining 94.13% (100% - 5.87%) is influenced by other variables not used in this study.R^2

F Test (Simultaneous)

Table 6 : F Test (Simultaneous)

R-squared	0.073274	Mean dependent var	-0.090857
Adjusted R-squared	0.058718	SD dependent var	0.424749
SE of regression	0.412091	Sum squared residue	32.43536
F-statistics	**5.033956**	Durbin-Watson stat	1.140845
Prob(F-statistic)	**0.002221**		

Source : Output Eviews version 9 (2022)

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From the results of the simultaneous test (F test) presented in table 4.18 it can be seen that the significance value is 0.002221, the Fcount value is 5.033956 and Ftable (df 1 = 4-1 = 3 and df 2 = 195-4 = 191) at α = 0.05 of 2.651888. So from these results Fcount is greater than Ftable (5.033956 > 2.651888) and a significance value of 0.002221 is less than 0.05 (0.002221 <0.05), so it can be concluded that company growth (X1), sales growth (X2) and free cash flow (X3)) jointly affect the debt policy (Y).

t test (Partial)

Table 7 : t test (partial)

Variables	coefficient	std. Error	t-Statistics	Prob.
C	-0.476300	0.138946	-3.427957	0.0007
CGROWTH	0.524137	0.136272	**3.846251**	**0.0002**
SGROWTH	-0.115915	0.106429	**-1.089132**	**0.2775**
FCF	1.35E-14	1.07E-14	**1.261742**	**0.2086**

Source : Output Eviews version 9 (2022)

Based on the results of the (partial) t test presented in table 4.19 above, it can be seen that the Tcount value and the significance value generated for each variable and the Ttable value are obtained from (df = nk = 195-4 = 191) at α = 0, 05 (0.05 : 2 = 0.025) is 1.972462. So it can be concluded that the results of hypothesis testing on each independent variable are as follows:

1. The company growth variable (X1) has a Tcount of 3.846251 while a Ttable of 1.972462 and a significance value of 0.0002. So it can be seen that the Tcount of 3.846251 is greater than the Ttable of 1.972462 then (3.846251 > 1.972462) and a significant value of 0.0002 is smaller than 0.05 then (0.0002 <0.05). So it can be concluded that the company's growth variable has an influence on debt policy.
2. Sales growth variable (X2) has a Tcount of -1.089132 while a Ttable of 1.972462 and a significance value of 0.2775. So it can be seen that Tcount is -1.089132 smaller than Ttable is 1.972462 then (-1.089132 < 1.972462) and a significant value of 0.2775 is greater than 0.05 then (0.2775 > 0.05). So it can be concluded that the sales growth variable has no influence on debt policy.
3. The free cash flow variable (X3) has a Tcount of 1.261742 while a Ttable of 1.972462 and a significance value of 0.2086. So it can be seen that Tcount is 1.261742 smaller than Ttable is 1.972462 then (1.261742 < 1.972462) and a significant value of 0.2086 is greater than 0.05 then (0.2086 > 0.05). So it can be concluded that the free cash flow variable has no influence on debt policy.

Research Discussion

Effect of Company Growth, Sales Growth and Free Cash Flow on Debt Policy

Company growth, sales growth and free cash flow have a joint effect on debt policy. This shows that a company with high growth means that it has sufficient internal resources for its activities, so that the company will choose internal funding first, then debt and stock as a last resort. Sales growth reflects the installed productivity level that is ready to operate as well as the current capacity that can be absorbed by the market and reflects the company's competitiveness in the market. So, the higher the company's growth, the higher the company's revenue. By knowing how much sales growth, companies can predict how much profit they will get. the company will choose internal funding first then debt and stock as a

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last resort. Free cash flow is often the trigger for differences in interests between shareholders and managers. Companies experiencing conflicts of interest between management and investors cannot be separated from the free cash flow in the company. This conflict of interest can be minimized with a debt policy.

This research is in line with research that has been conducted bySupriadi (2022) which states that the variable company growth, sales growth and free cash flow have a joint effect on debt policy. When a company has a high and increasing sales growth rate, it indicates a greater need for funding. When internal cash is felt to be insufficient to meet the company's funding needs, this forces the company to use debt in order to meet the funding, because debt is a cheap financing alternative. From an investor's point of view, a company's sales growth is a sign that the company has a profitable aspect, and investors also expect the rate of return on investments made to show good development.

Effect of Company Growth on Debt Policy

The growth of the company affects the debt policy. Companies that perform well mean that the company can generate profits or added value so that the value of assets owned increases and means that the company has a good growth rate as well. Company growth is a description of the company's performance achieved in investing and business activities, so that the greater the company's growth rate, the more capable the company is of meeting its funding needs. The company's growth reflects the installed productivity level that is ready to operate as well as the current capacity that can be absorbed by the market and reflects the company's competitiveness in the market. So, the higher the company's growth, the higher the company's revenue.

The results of this study are in line with research conducted byNafisa et al. (2016) which states that the company's growth affects the debt policy. This indicates that the growth and development of a company affects its debt policy. However, it is inversely proportional to research conducted byDewi Fortune & Fauzia, (2022)which states that the company's growth has no influence on debt policy. This means partially that the company's growth variable has no effect on debt policy. So companies with high growth rates do not use much debt to meet funding needs.

Effect of Sales Growth on Debt Policy

Sales growth has no effect on debt policy. Sales growth has no effect on debt policy because this can happen because the level of sales achieved by the company fluctuates every year so that the income earned by the company becomes unstable and will have an impact on the company's ability to pay fixed costs from debt. Therefore, high sales growth does not guarantee an increase in the company's debt policy, meaning that management avoids the risks caused.

This research is in line with research conducted byNurkolik & Khasanah (2022)AndNainggolan et al. (2021)which states that sales growth has no effect on debt policy. The size of sales growth as measured by the percentage increase or decrease in sales from one period to the next does not affect the size of the company's debt policy level. However, contrary to research conducted byZuhria & Riharjo (2016)which states that sales growth has an influence on debt policy. This shows that companies that have high acceptance mean that they have high internal funding capabilities. So the company will choose internal funding first then debt and shares as a last resort.

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Effect of Free Cash Flow on Debt Policy

*Free cash flow*has no effect on debt policy. The insignificant relationship between free cash flow is because the company will prioritize the use of internal funds for investment needs and operational activities, so that if the company has sufficient internal funds, the company will not use external funds to meet its funding needs. A sequence of funding decisions where the company will first choose to use retained earnings, debt, and issue of shares as a last resort.

This research is in line with research conducted byNurkolik & Khasanah (2022) which states that free cash flow has no effect on debt policy. meaning that any increase in free cash flow is not followed by the company's debt policy. However, it is inversely proportional to research conducted byGoddess of Fortune & Fauziah (2022)which states that free cash flow affects debt policy. This means partially that the free cash flow variable affects debt policy. So if the free cash flow has increased, the company's debt policy will also experience added value for the company's funding activities.

5. CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

Conclusion

Based on the results of research on the effect of company growth, sales growth and free cash flow on debt policies in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2017-2021. The number of samples in this study were 39 companies with a research period of 5 years so that the amount of data obtained was 195. Data processing used statistical tools in the form of the Eviews program version 9 by conducting panel data regression analysis, so that the following conclusions can be drawn:

1. The variable company growth, sales growth and free cash flow together have an influence on debt policy.
2. The company's growth variable has an influence on debt policy.
3. Sales growth variable has no effect on debt policy.
4. The free cash flow variable has no influence on debt policy.

Restrictions

This study has limitations that can be used as material for consideration for subsequent research, in order to obtain better results. These limitations include: The research period is limited to a period of 5 years, namely 2017-2021.

1. This study only uses manufacturing companies in the consumer goods industry sector.
2. This study only uses 4 research variables, namely company growth, sales growth, free cash flow and debt policy.

Suggestion

Based on the research that has been done and considering that the results of this study have limitations, the researcher proposes several suggestions for improvement for further research, including:

1. Using a research period with a longer period of time to get better research results.
2. Future researchers need to expand the scope of the research sample, namely using more companies to be studied so that they can provide better research results.
3. Further research is suggested to use or add other independent variables that can be used to determine the effect of corporate debt policy in the future.

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