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THE EFFECT OF DEBT TO ASSET RATIO AND DEBT TO EQUITY RATIO ON PROFITABILITY EMPIRICAL STUDY ON PUBLICLYLISTED COMPANIES OPERATING SPECIFICALLY WITHIN THE MEDIA AND ENTERTAINMENT SECTOR ON THE INDONESIA STOCK EXCHANGE 2022-2024

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ABSTRACT

This study aims to examine the effect of Debt to Asset Ratio and Debt to Equity Ratio on Profitability through annual financial reports published by Media & Entertainment Industry Sector companies listed on the Indonesia Stock Exchange for the period of 2022-2024. This study uses a quantitative approach. The population of this study consists of 7 Media & Entertainment Industry Sector companies listed on the Indonesia Stock Exchange for the period of 2022-2024. The sampling technique used is purposive sampling, which is a sampling technique with certain considerations. This study uses multiple linear regression analysis with SPSS Version 31 application, including Data Analysis Technique, Classical Assumption Test, Model Feasibility Test, and Coefficient of Determination (R2). Based on the results of multiple linear regression analysis, the equation Y1 = 0.062 - 0.280X1 + 0.086X2 + ε is obtained, which means that the proxy for Debt to Asset Ratio (DAR) shows a Beta value of -0.280 with an alpha (α) value of 0.057. This indicates that (α > 0.05), so H1 is rejected. The proxy for Debt to Equity Ratio (DER) shows a Beta value of 0.086 with an alpha (α) value of 0.065. This indicates that (α > 0.05), so H2 is rejected. Through the Simultaneous Test (F-Test), a value of 2.073 is obtained with a significance value of 0.155, where the significance value is greater than 0.05. Based on this test result, it can be concluded that the independent variables simultaneously do not have a significant effect on the dependent variable, which is Profitability.

Keywords: Debt to Asset Ratio, Debt to Equity Ratio, Profitability

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INTRODUCTION

A company is a form of business or entity established by an individual or group that produces goods and services to achieve common goals. The company's objectives as a business entity have short-term and long-term orientations. The short-term objective of a company is to obtain the maximum profit or profit based on the principles of management that exist within the company itself and increase the wealth of its owners. Meanwhile, the long-term objective of a company is to maximize the company's value, as the company's value is one of the factors considered by investors to invest their capital.

The company's objectives can basically be achieved by improving financial decisions taken by the company and maximizing all company activities, because one financial decision can affect other financial decisions that impact the company's value. A well-managed company will experience high economic growth and development, creating business opportunities that can benefit all parties involved.

The theory of capital structure explains that a company's financial policy in determining its capital structure (a mix of debt and equity) aims to optimize the value of the firm. An optimal capital structure in a company is a combination of debt and equity (external sources) that maximizes the company's stock price. At a certain point, company management sets a target capital structure that may be optimal, although the target may change over time. Therefore, the use of debt in the capital structure must be used optimally and effectively to increase the company's value.

A company with a poor capital structure and high debt will give a heavy burden to the company, so it is necessary to strive for an optimal balance in using both sources. This can maximize the company's value. The higher the company's capital from its own capital, both investors and owners, shows that the debt is low, so it tends to provide a greater incentive to its owners, which ultimately drives up the payment of investment returns, which will increase the company's value from its stock price.

The variables Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) can be used by potential investors as a basis for investing in a company because these two variables describe the company's own capital, total debt, and total assets, which are used to see the level of risk, return, and revenue that will be received by the company. The level of risk, return, and revenue of a company can affect the demand for its shares, which will also affect the company's value.

High profitability reflects a company's ability to generate high profits for its shareholders. The greater the profit obtained, the greater the company's ability to pay dividends, and this has an impact on increasing the company's value. A company with high profitability will attract investors to invest in the company. The ultimate goal of a company is to obtain maximum profit or profit. Company profit is an element in creating company value that shows the company's prospects in the future.

According to the signaling theory, profitability will be a signal from management that will describe the company's prospects based on the level of profitability formed, and directly affect the company's value, which can be reflected in the level of stock prices in the market.

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Profitability is the most appropriate indicator to measure a company's performance. Profitability can be used as an indicator to assess a company. The size of a company's profitability can have a direct impact on the company because it will affect potential investors' decisions to invest or not.

Meanwhile, Return on Assets (ROA) describes the extent to which the return on all assets owned by the company. The return on investment shows the productivity of all funds owned by the company, both debt and equity. The lower this ratio, the less good it is, and vice versa.

LITERATURE REVIEW

Capital Structure

According to Sudana.(2015), To achieve the company's goal of maximizing shareholder wealth, financial managers must be able to assess the capital structure and understand its relationship with risk, return, or value. The target of capital structure is to create an optimal composition of debt and equity that is most appropriate and most beneficial from a financial perspective. Brigham and Houston (2001:5).

Debt to Asset Ratio (DAR)

Debt to Asset Ratio (DAR) is a debt ratio used to measure the comparison between total debt and total assets. In other words, it measures how much of the company's assets are financed by debt or how much debt affects the management of assets.

According to Lukman Syamsuddin (2009: 54), "This ratio measures how much of the assets are financed by creditors. The higher the debt ratio, the greater the amount of borrowed capital used to generate profits for the company."

This ratio can be calculated using the formula:

$$Debt\ to\ Assets\ Ratio = \frac{Total\ Utang}{Total\ Aktiva}$$

Debt to Equity Ratio (DER)

According to Kasmir (2010: 156), "Debt to Equity Ratio is a ratio used to assess debt and equity. This ratio is calculated by comparing total debt to total equity."

The formula for this ratio is:

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Utang}{Total\ Ekuitas}$$

Profitability

According to Kasmir (2019), profitability is a company's ability to achieve the desired profit. Profitability indicators measure a company's ability to generate higher profits from its expenses. Profitability can be measured using the Return on Assets (ROA) ratio.

This ratio is measured using the formula:

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$$Return\ on\ Asset = \frac{Laba\ Bersih}{Total\ Aktiva}$$

Previous Research

Dian Maulita & Inta Tania (2018) conducted a study titled "The Influence of Debt to Equity Ratio (DER), Debt to Asset Ratio (DAR), and Long Term Debt to Equity Ratio (LDER) on Profitability". This study aims to determine the effect of DER, DAR, and LDER on Profitability. The sample of this study consisted of manufacturing companies in the Food and Beverage sub-sector listed on the Indonesia Stock Exchange (IDX) for the period 2011-2016.

The research method used was quantitative associative research. This study used multiple linear regression analysis techniques. Based on the research results, it can be concluded that (1) DER has no significant effect on Profitability. (2) DAR has no significant effect on Profitability. (3) LDER has a significant effect on Profitability. (4) DER, DAR, and LDER simultaneously have a significant effect on Profitability.

Hypothesis Development

The Effect of Debt to Asset Ratio (DAR) on Profitability

Debt to Asset Ratio is a ratio used to measure the comparison between total debt and total assets. A high DAR ratio indicates that the company's funding is heavily reliant on debt, making it increasingly difficult for the company to obtain additional loans because it is feared that the company will not be able to cover its debts with its assets. Conversely, a low ratio indicates that the company's assets are less financed by debt. Debt provides information about the company's assets and capital. A decrease in DAR can make the company more solvable, meaning that the company can cover its debts with its assets. The higher the DAR, the larger the amount of capital used as investment capital, which will lead to a decrease in profitability.

H1: Debt to Asset Ratio (DAR) has a positive effect on Profitability in Media & Entertainment Industry Sector Companies listed on the Indonesia Stock Exchange for the years 2022-2024.

The Effect of Debt to Equity Ratio (DER) on Profitability

According to Brigham and Houston (2010), every company has an optimal capital structure, which is stated as a combination of debt, preferred stock, and equity that usually leads to maximum stock prices. Therefore, companies that want to maximize their value will estimate their optimal capital structure. Analysis of capital structure policies helps companies determine funding options. The capital structure proxied by

Debt to Equity Ratio (DER) is the comparison between total debt and total equity. The use of low debt will affect the DER value to be low. Companies with low debt will have a low risk of bankruptcy, as evidenced by high profitability.

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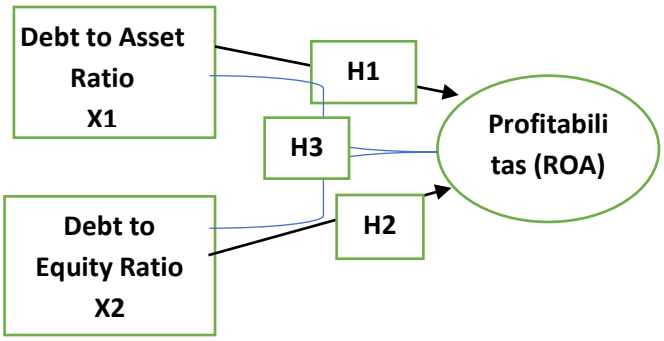
H2: Debt to Equity Ratio (DER) has a positive effect on Profitability in Media & Entertainment Industry Sector Companies listed on the Indonesia Stock Exchange for the years 2022-2024.

The Effect of Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) on Profitability

Debt to Asset Ratio is a debt ratio used to measure the comparison between total debt and total assets. In other words, it measures how much of the company's assets are financed by debt or how much debt affects asset management. According to Lukman Syamsuddin (2009:54), this ratio measures how much of the company's assets are financed by creditors. The higher the debt ratio, the greater the amount of borrowed capital used to generate profits for the company. According to Kasmir (2010:156), Debt to Equity Ratio is a ratio used to assess debt and equity.

H3: Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) have a positive effect on Profitability in Media & Entertainment Industry Sector Companies listed on the Indonesia Stock Exchange for the years 2022-2024.



RESEARCH METHOD

This study uses quantitative research, which involves hypothesis testing using a sample that represents the population. The data used in this study is secondary data published by the Indonesia Stock Exchange in the form of Annual Reports. The data collection technique used is a literature study, where the researcher collects relevant information related to the topic or problem being researched. The population in this study consists of 18 Media & Entertainment Industry Sector Companies listed on the Indonesia Stock Exchange for the years 2022-2024. The sampling technique used is purposive sampling, which resulted in a sample of 7 companies.

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Table 1: Sample Size

Description	Amount
Population :	
Media & Entertainment Industry Sector Companies listed on the Indonesia Stock Exchange for the years 2022-2024.	18
Sample Selection Based on Criteria:	
a. Companies that publish financial reports on the Indonesia Stock Exchange for the period 2022-2024.	18
b. Companies that did not incur losses during the observation period, namely from 2022 to 2024.	7
Research Sample:	
Total Sample (n x observation period) (7 x 3 years)	21

Data Analysis Technique

Descriptive Statistical Analysis

According to Sugiyono (2014), descriptive analysis is a statistical technique that describes or summarizes the data that has been collected without making any generalizations or inferences about the larger population.

Classical Assumption Test

Normality Test:

The normality test can be performed using the One Sample Kolmogorov-Smirnov test and Runs Test, with the provision that if the significance value is more than 5% or 0.05, the data is normally distributed.

Autocorrelation Test:

To determine the presence of autocorrelation, the Durbin-Watson test can be used. According to Ghozali (2016), the analysis results are considered good if there is no autocorrelation.

Multicollinearity Test:

According to Ghozali (2016), to detect the presence of multicollinearity in the regression model, we can look at the tolerance value and the Variance Inflation Factor (VIF) value. If the tolerance value is less than 0.10 and the VIF value is above 10, there is no correlation between the independent variables.

Heteroscedasticity Test:

To determine the presence of heteroscedasticity, the Glejser test can be used. According to Ghozali (2016), this test is used to regress the absolute residual value of the independent variable. To conclude the results of the analysis, we can look at the significance value; if it is above 0.05, the variable is significant.

Model Feasibility Test

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Simultaneous Test (F-Test):

According to Ghozali (2016), the simultaneous test (F-test) aims to determine whether the independent variables jointly have an influence on the dependent variable. This test is performed at a significance level of 0.05 (5%).

Glejser Test:

The Glejser test is used to detect the presence of heteroscedasticity.

Coefficient of Determination (R2):

This test aims to measure the ability of the model to explain the variation in the dependent variable. The coefficient of determination has a value between 0 and 1.

Multiple Linear Regression Analysis

This analysis aims to determine the influence of one independent variable on another independent variable.

Multiple linear regression can be formulated as follows:

$$Y = \alpha + b1X1 + b2X2 + \varepsilon$$

Where:

- Y: Profitability Coefficient
- α: Constant
- $b1\_b2$: Regression Coefficients of the 1st and 2nd independent variables
- $X1$: Debt to Asset Ratio
- $X2$: Debt to Equity Ratio
- ε: Residual Variable (error term)

Hypothesis Testing

Partial Test (t-test):

The t-test aims to show the influence of independent variables individually on the dependent variable. This study uses a significance level of 0.05 (5%).

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistical Analysis

This study examines the effect of Debt to Asset Ratio and Debt to Equity Ratio on Profitability. The descriptive analysis will present an overview of each research variable, namely Debt to Asset Ratio and Debt to Equity Ratio as independent variables that can affect Profitability. The description of each research variable is as follows:

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Table 2: Descriptive Statistical Analysis Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DAR	21	.0474	.6771	.186168	.1354538
DER	21	.0498	2.0973	.292799	.4276757
PROFITABILITAS	21	.0019	.1001	.034983	.0287646
Valid N (listwise)	21				

Source: Secondary Data Processed Using SPSS Version 31

Profitability (Y):

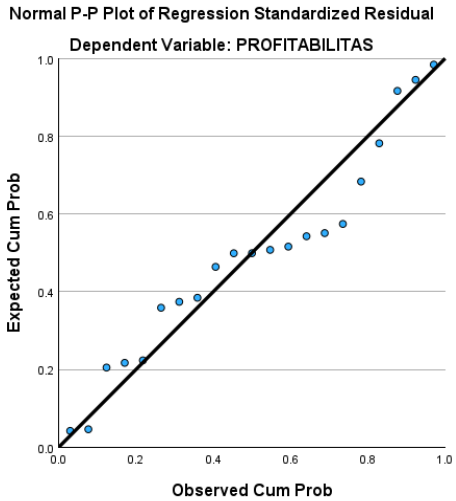
The analysis results show a mean value of 0.034983, while the standard deviation value is 0.0287646. From these values, it can be seen that the standard deviation value is smaller than the mean value, resulting in an even distribution of data.

Debt to Asset Ratio (X1) has a mean value of 0.186168 and a standard deviation value of 0.1354538. It can be seen that the mean value of the Debt to Asset Ratio variable is higher than the standard deviation value, resulting in an even distribution of data.

Debt to Equity Ratio (X2) has a mean value of 0.292799, while the standard deviation value is 0.4276757. From these values, it can be seen that the standard deviation value is greater than the mean value, resulting in an uneven distribution of data.

Classical Assumption Test

Normality Test



Source: Secondary Data Processed Using SPSS Version 31

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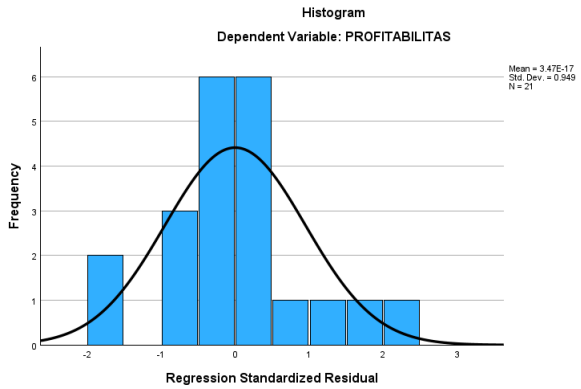
Figure 1: Normality Test Graph

It can be seen that in the normality test using the Normal P-P Plot Regression method, the data points are scattered along the diagonal axis line. Therefore, it can be concluded that the data meets the normality assumption and the residuals are normally distributed.



Source: Secondary Data Processed Using SPSS Version 31
Figure 2: Normality Test Graph

Based on the histogram graph above, it can be concluded that the data is normally distributed because it has a bell-shaped characteristic and does not skew to the right or left.

Table 3: Kolmogorov-Smirnov Test Results

One-Sample Kolmogorov-Smirnov Test

			DAR	DER	PROFITABILITAS	Unstandardized Residual
N			21	21	21	21
Normal Parameters[a,b]	Mean		.186168	.292799	.034983	.0000000
	Std. Deviation		.1354538	.4276757	.0287646	.02593253
Most Extreme Differences	Absolute		.223	.354	.125	.184
	Positive		.223	.354	.123	.184
	Negative		-.153	-.285	-.125	-.113
Test Statistic			.223	.354	.125	.184
Asymp. Sig. (2-tailed)[c]			.008	<.001	.200[e]	.062
Monte Carlo Sig. (2-tailed)[d]	Sig.		.008	<.001	.519	.063
	99% Confidence Interval	Lower Bound	.006	.000	.506	.057
		Upper Bound	.010	.000	.532	.069

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 299883525.
e. This is a lower bound of the true significance.

Source: Secondary Data Processed Using SPSS Version 31

Based on the test conducted using the Kolmogorov-Smirnov statistic method, the significant value obtained is 0.062 and the Kolmogorov-Smirnov value reaches 0.184. These values are higher than 0.05, and it can be concluded that the data distribution is normal.

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Autocorrelation Test

Table 4: Autocorrelation Test Results I

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.433[a]	.187	.097	.0273353	1.265

a. Predictors: (Constant), DER, DAR

b. Dependent Variable: PROFITABILITAS

Source: Secondary Data Processed Using SPSS Version 31

From the data above, it is known that the DW value is 1.265, the DU value is 1.6694, and the DL value is 1.0262. The DU and DL values are obtained by looking at the Durbin-Watson table with N = 21 and k = 3. The conclusion that can be drawn from this test is that there is no definitive conclusion in the data analysis.

This statement is supported by the evidence below:

DU > DW < 4-DU
1.6694 > 1.265 < 2.3306

Where the DU value is greater than the DW value, while the DW value is smaller than 2.3306, which is obtained from the calculation (4-1.6694 = 2.3306).

Table 5: Autocorrelation Test Results II

Runs Test

	Unstandardized Residual
Test Value[a]	-.00007
Cases < Test Value	10
Cases >= Test Value	11
Total Cases	21
Number of Runs	8
Z	-1.336
Asymp. Sig. (2-tailed)	.182

a. Median

Source: Secondary Data Processed Using SPSS Version 31

Based on the SPSS Version 31 output results above, it is known that the Asymp. Sig. (2-tailed) value is 0.182, which is greater than 0.05. Therefore, it can be concluded that there

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are no symptoms or problems of autocorrelation. Thus, the autocorrelation problem that could not be resolved with the Durbin-Watson test can be overcome through the Runs Test, and the linear regression analysis can proceed.

Multicollinearity Test

Table 6: Multicollinearity Test Results

Coefficients[a]

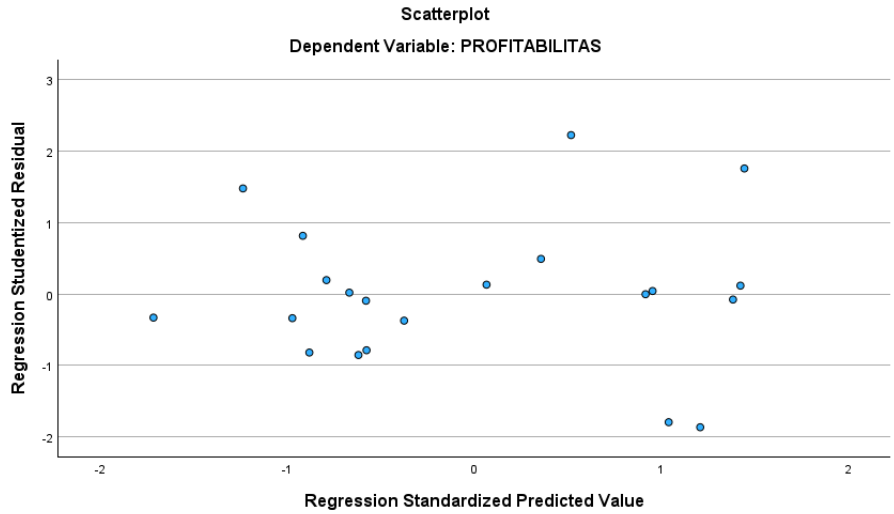
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	DAR	.108	9.300
	DER	.108	9.300

a. Dependent Variable: PROFITABILITAS

Source: Secondary Data Processed Using SPSS Version 31

From the explanation above, it can be seen that all independent variables have a tolerance value of 0.108, which is greater than 0.10, and a VIF value of 9.300, which is less than 10. Therefore, it can be concluded that there is no correlation between the data in the multicollinearity test.

Heteroscedasticity Test



Source: Secondary Data Processed Using SPSS Version 31
Figure 3: Heteroscedasticity Test Graph

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Based on the graph above, the data spreads in an irregular pattern, indicating that there is no heteroscedasticity problem in the data. Therefore, the basic assumption of regression is met.

Table 7: Heteroscedasticity Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.062	.015		4.024	<.001
	DAR	-.280	.138	-1.317	-2.032	.057
	DER	.086	.044	1.273	1.964	.065

a. Dependent Variable: PROFITABILITAS

Source: Secondary Data Processed Using SPSS Version 31

From the graph above, it can be seen that the sig value for the Debt to Asset Ratio (DAR) variable is 0.057, and the Debt to Equity Ratio (DER) variable is 0.065. From these results, it can be concluded that all independent variables have values greater than 0.05, which means there is no heteroscedasticity in the data.

Model Feasibility Test

Simultaneous Test (F-Test)

Table 8: F-Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.003	2	.002	2.073	.155[b]
	Residual	.013	18	.001		
	Total	.017	20			

a. Dependent Variable: PROFITABILITAS

b. Predictors: (Constant), DER, DAR

Source: Secondary Data Processed Using SPSS Version 31

Based on the table above, it can be seen that the calculated F-value is 2.073 with a significance value of 0.155, both of which are greater than 0.05. From this test result, we can conclude that the independent variables simultaneously have no significant effect on the dependent variable, namely Profitability.

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Coefficient of Determination Test (Adjusted R2)

Table 9: Coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.433[a]	.187	.097	.0273353

a. Predictors: (Constant), DER, DAR

b. Dependent Variable: PROFITABILITAS

Source: Secondary Data Processed Using SPSS Version 31

Based on the table above, it can be seen that the Adjusted R Square value is 0.097, which means that the independent variables such as Debt to Asset Ratio and Debt to Equity Ratio can only explain 9.7% of the overall variation, while 90.3% is explained by other factors not examined in this study.

Multiple Linear Regression Test

Table 10: Multiple Linear Regression Analysis Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.062	.015		4.024	<.001
	DAR	-.280	.138	-1.317	-2.032	.057
	DER	.086	.044	1.273	1.964	.065

a. Dependent Variable: PROFITABILITAS

Source: Secondary Data Processed Using SPSS Version 31

From the results of multiple linear regression analysis, the following equation is obtained:

$$Y1 = 0.062 - 0.280X1 + 0.086X2 + \varepsilon$$

Hypothesis Testing (t-Statistic Test)

Testing the Effect of Debt to Asset Ratio on Profitability

Based on the table above, the proxy for Debt to Asset Ratio (DAR) shows a Beta value of -0.280 with an alpha (α) value of 0.057. This shows that the alpha value is greater

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than the alpha level of 0.05, so H1 is rejected, meaning that the independent variable (DAR) has no significant effect on the dependent variable (Profitability).

Testing the Effect of Debt to Equity Ratio on Profitability

Based on the table above, the proxy for Debt to Equity Ratio (DER) shows a Beta value of 0.086 with an alpha (α) value of 0.065. This shows that the alpha value is greater than the alpha level of 0.05, so H2 is rejected, meaning that the independent variable (DER) has no significant effect on the dependent variable (Profitability).

Testing the Effect of Debt to Asset Ratio and Debt to Equity Ratio on Profitability

Based on the table above, the proxy for Debt to Asset Ratio and Debt to Equity Ratio shows a Beta value of 0.062 with an alpha (α) value of <0.001. This shows that the alpha value is smaller than the alpha level of 0.05, so H3 is accepted, meaning that the independent variables (Debt to Asset Ratio and Debt to Equity Ratio) have a significant effect on the dependent variable (Profitability).

Discussion

The Effect of Debt to Asset Ratio on Profitability

The analysis conducted in this study proves that Debt to Asset Ratio has no effect on Profitability, and the first hypothesis is rejected. This could be because a high Debt to Asset Ratio may not necessarily lead to a decrease in Profitability.

The Effect of Debt to Equity Ratio on Profitability

This study finds that Debt to Equity Ratio has no effect on Profitability, so the second hypothesis is rejected. This is because high Profitability does not guarantee that the company will pay off its short-term debt on time and improve the company's quality.

The Effect of Debt to Asset Ratio and Debt to Equity Ratio on Profitability

The analysis shows that Debt to Asset Ratio and Debt to Equity Ratio have a positive and significant effect on Profitability, so the third hypothesis is accepted. This is because Debt to Asset Ratio and Debt to Equity Ratio are strong indicators to see how much Profitability a company can generate in its operations.

CONCLUSION AND RECOMMENDATION

Based on the analysis results, it can be concluded that the proxy Debt to Asset Ratio (DAR) shows a Beta value of -0.280 with an alpha value (α) of 0.057. This indicates that the alpha value is greater than the alpha level of 0.05 (α > 0.05), so H1 is rejected, meaning that DAR has no positive and significant effect on profitability. The proxy Debt to Equity Ratio (DER) shows a Beta value of 0.086 with an alpha value (α) of 0.065. This indicates that the alpha value is greater than the alpha level of 0.05 (α > 0.05), so H2 is also rejected, meaning that DER has no positive and significant effect on profitability in the study of Media &

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Entertainment Industry Sector companies listed on the Indonesia Stock Exchange for the years 2022-2024.

And Simultaneous Analysis the proxies Debt to Asset Ratio and Debt to Equity Ratio show a Beta value of 0.062 with an alpha value (α) of <0.001. This indicates that the alpha value is smaller than the alpha level of 0.05 (α < 0.05), so H3 is accepted, meaning that simultaneously, DAR and DER have a significant positive effect on profitability.

The limitation of this study is that it only uses the variables Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER), and profitability, so the information obtained may not be comprehensive enough. For future researchers, it is expected to conduct further research using different financial ratios that are not included in this research model or by adding other independent variables that are suspected to affect profitability, such as company value, company size, Long Term Debt to Equity Ratio, liquidity, and so on.

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