ANALYSIS OF DEBT POLICY FACTORS ON FIRM VALUE FOR TECHNOLOGY COMPANIES IN IDX

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ABSTRACT
The focus of this research is to understand the components of debt policy that influence firm value. This research is relevant in the context of Sustainable Development Goal (SDG) number 8, which emphasizes inclusive and sustainable economic growth. This is because debt policy can affect a company's financial health, which in turn can affect overall economic growth. This research is quantitative research from secondary data. To meet the criteria for this research, a purposive sampling method was used to sort data from the annual financial data of companies listed on the IDX in the technology sector. The total sample is 60 data from 12 technology sector company objects registered on the IDX for the 2019-2020 period. The method used is the multiple linear regression method and path analysis using SPSS 20. The independent variables used are profitability (ROE), asset structure (FAR), liabilities (CR), and the dependent variable is company value (PVB). Meanwhile, debt policy (DEBT) is an intervening variable. The results of this research found that profitability (R0E) had a significant negative effect on debt policy and company value, asset structure had a significant negative effect on debt policy and firm value, liabilities (CR) had no effect on debt policy and company value. Profitability and asset structure influence company value through debt policy.

Keywords: *Profitability, Liquidity, Asset Size, Debt Policy, Company Value*

1. INTRODUCTION

One of the main sustainable development goals (SDGs) No. 08 is inclusive and sustainable economic growth. Financially healthy companies contribute significantly to sustainable economic growth, so understanding the factors that influence business value is critical to achieving this goal. A company's debt policy is a factor that can influence its value. Debt policy is an important approach in managing company finances and can influence financial performance, risk levels and capital structure.

According to (Nagayu & Mujiyati, 2022) decisions about funding are directly related to a company's choices about how to obtain funds for investment financing and how funding is distributed. Internal funds that have been obtained are saved, and external funds in the form of debt or new shares are used as a source of company funds. Increasing business value will be influenced by the right combination of funding.

According to (Al-Slehat, 2019) factors such as liquidity, profitability, business size, and asset structure influence a firm value. One of the variables related to the source of a company's wealth is the asset structure, which describes current assets and fixed assets. For companies that issue shares on the capital market, the price of shares traded on the stock exchange functions as a tool to measure the value of the company. The firm value of a company is proportional to its share price, which has an impact on increasing the prosperity of the company owner.

Because the debt policy will increase the value of the company, the proceeds from funding will be turned back into capital, so that the company can increase profits and attract investors to invest. Besides that(Ratana & Hermanto, 2023)funding using debt will increase supervision of company management, thereby reducing fraud. Additionally, according to (Widyananda & Jonathan, 2023) firm that have a high value indicate that they have a bright future, which makes investors believe in their long-term expansion.

Based on the description above, the aim of this research is to determine whether there is an influence of debt policy factors on company value in technology sector companies.

2. LITERATURE REVIEW

For literature related to this research, the author uses literature as the theoretical basis used. The author uses research conducted by (Nurita, 2019), (Widyananda & Jonathan, 2023) and (Nurjannah & Purnama, 2021) These three studies examine profitability, liabilities and asset structure on debt policy and profitability. The three objects taken by the three studies were manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) and had a significant impact related to the variables used. The three studies used research with dependent and independent variables, while in this study the author used debt policy as an intervening variable. The author identified that different influences would result in the author's research.

Agency Theory

Agency theory states that there is a conflict of interest between management and shareholders. Management may be tempted to take on more debt than is optimal, because they can gain personal benefits from increased leverage, such as higher bonuses. This can be detrimental to shareholders, because it increases the company's financial risk. Agency theory suggests that it is important for shareholders to have mechanisms to monitor management and ensure that they act in the best interests of the company.

Peking Order Theory

According to Maljuf in (Taufik & Harjito, 2010) pecking order theory means that the company does not have a clear debt-to-value ratio, and the company will prefer to use internal rather than external funding. Additionally, if companies issue securities, they will prefer to use debt rather than equity. Internal and external equity are different.

Firm Value

Firm value can be assessed from how much profitability the company produces. According to (Jihadi et al., 2021) Company value is investors' perception of the company's success. Profitability is a company's ability to generate profits or profits during a certain period. A company that has high profitability means it will retain its profits, so managers do not need additional external funding sources. On the other hand, if a company has low profitability, it is likely that the company will choose additional sources of external funding, namely debt

Profitability

According (Heri, 2017) profitability is a tool to measure a company's ability to generate profits in its normal business activities. Profitability is a company's ability to generate profits or profits during a certain period. A company that has high profitability

means it will retain its profits, so managers do not need additional external funding sources. On the other hand, if a company has low profitability, it is likely that the company will choose additional sources of external funding, namely debt.

Liquidity

According to (Thian, 2022) liquidity is the company's ability to fulfill its obligations or pay short-term debt. Acording (Reschiwati et al., 2020) high liquidity allows the company to pay short-term debt.According to (Tylova & Yan Nyale, 2023) if the company's liquidity increases, the company's value will improve, whereas if liquidity is minimal, the company's value will decrease.

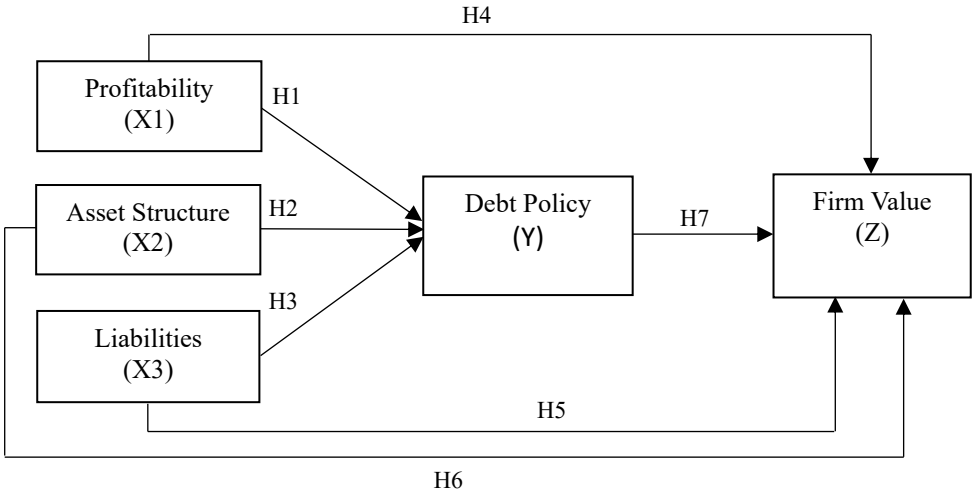
Asset Structure

Asset structure is the assets owned by the company which are used for its operational activities. According to Mulyawan in (Nurjannah & Purnama, 2021) The size of a company's fixed assets can determine the amount of debt used. Companies that have large amounts of fixed assets can use large amounts of debt because these assets can be used as collateral for loans.

Debt policy

According to Puspita & Manik in (Nurjannah & Purnama, 2021) debt policy is a company management decision regarding the size of funding through debt as a form of operational financing for a company. According to (Ratana & Hermanto, 2023) debt policy will increase company value, the proceeds from funding will be turned back into capital. This will increase the company's profits and attract investors to invest because the profit sharing will be high. Funding that uses debt will also monitor company management.

The hypotheses in this research are as follows:



Source: Research data, 2023

Figure 1. Research Hypothesis

3. DATA AND RESEARCH TECHNIQUES ANALISYS

Author uses a quantitative approach which aims to test the analysis of debt policy factors, namely profitability, liabilities and asset structure on debt policy and determine the relationship between these variables on company value and debt policy as an intervening variable in technology sector companies listed on the IDX. 2019-2023. The population used is technology sector companies listed on the IDX which can be accessed on www.idx.co.id.

The sample collection technique used purposive sampling to obtain secondary data in the form of reports of technology sector companies listed on the IDX for the 2019-2023 period with 12 companies and produced 60 research data samples. The data collection technique involves collecting and calculating data in excel and processing it using the SPSS 20 statistical data processing application. Analysis uses multiple linear regression analysis and path analysis in accordance with research (Rahmah & Mintarti, 2021)

Company Value (PBV)
According (Grediani & Dianingsih, 2022) Company value is the price that potential buyers will pay if the company is sold.

$$PBV = \frac{\text{Market Price Per Sheet}}{\text{Book Value Per Sheet}}$$

Debt Policy (DEBT)
Managers use the company's debt policy to obtain financing to run the business and track their actions. According to (Grediani & Dianingsih, 2022) many people use the debt to capital ratio (DER), which is a comparison between total debt and total equity.

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Profitability (ROE)
Profitability is the company's ability to make a profit. Profitability ratios can express investment returns effectively in different funding views. The profitability formula used in this research is as follows.

$$ROE = \frac{\text{Net Profit After Tax}}{\text{Total Equity}}$$

Asset Structure
Asset structure usingfixed asset ratio, also known as fixed asset ratio, is used to measure the accuracy of the asset structure in this study.

$$\text{Asset Structure} = \frac{\text{Fixed assets}}{\text{Total assets}}$$

Liabilities (CR)
Liabilities are the company's ability to pay off its obligations. In this research, the current ratio is used.

$$CR = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

4. RESULTS AND DISCUSSION

During the 2019-2023 research year, samples from 12 technology sub-sector companies from 48 companies on the IDX were selected based on several criteria. Therefore, the number of observations to be studied is 60 observations (5×12).

Multiple Linear Analysis Results
First linear regression test

Table 1. First Linear Regression Test

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,988	4,644		,859	,394
	Profitability	-68,219	29,143	-.310	-2,341	.023
	Asset Structure	30,643	10,364	,389	2,957	,005
	Liabilities	,280	,442	,084	,633	,529
a. Dependent Variable: Debt Policy						
R Square 0.170						
Adjust R Square 0.125						
Source: SPSS output, 2020						

Based on table 1 above, the following regression equation is obtained:
Y = 3.988 – 68.219X1 + 30.643 X2+ 0.280X3 + 0.911

1. The constant result is 3.988, meaning the constant has a positive effect
2. Profitability coefficient (X1) -68,219 indicates a negative influence between profitability (X1) and debt policy (Y)
3. The coefficient (X2) 30,643 indicates a positive influence between asset structure (X2) and debt policy (Y)
4. The coefficient (X3) -0.280 indicates that there is no influence between liabilities (X3) and debt policy (Y)

Results of the second linear regression analysis
Results of the seconf linear regression analysis on table 2.

Table 2. Second linear regression test

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	271,644	465,031		,584	,562
	Profitability	2900.459	3037,739	,056	,955	,344
	Asset Structure	-3135.244	1108.618	-.168	-2,828	,007
	Liabilities	-25,262	44,136	-.032	-.572	,569
	Debt policy	230,812	13,294	,972	17,362	,000
a. Dependent Variable: Company Value						
R-Square 0.857						
Adjusted R Square 0.846						
Source: SPSS Output, 2020						

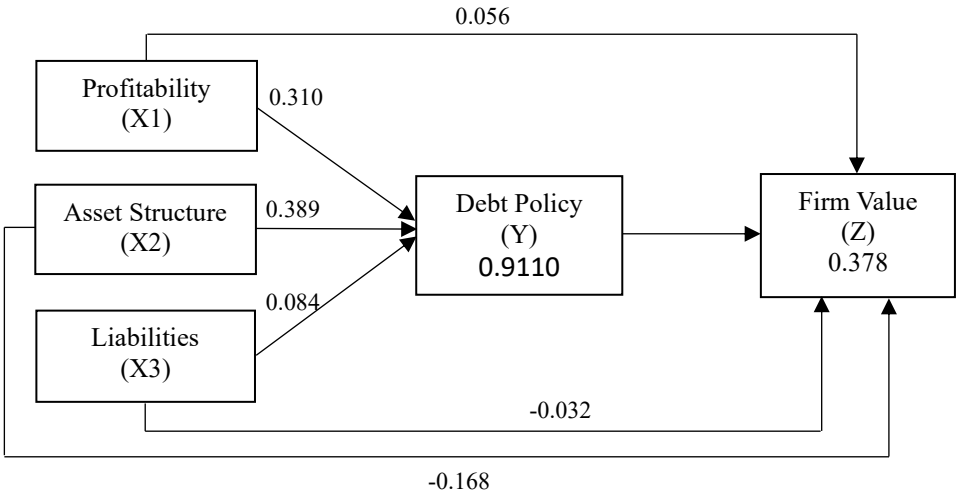
Based on table 1 above, the following regression equation is obtained:

Z = 271.644 + 2900.459X1 – 3135.244X2 – 25.262 X3 + 230.812 + 0.378

1. The constant result is 271,644, meaning the constant has a positive effect
2. Profitability coefficient (X1) of 2900,459 indicates a positive influence between profitability (X1) and firm value (Z)
3. Asset structure coefficient (X2) of 30,643 indicates a negative influence between asset structure (X2) and firm value (Z)
4. Liability coefficient (X3) of -25,262 indicates the influence between liabilities (X3) and firm value (Z)
5. Debt policy coefficient (Y) of 230,812 indicates a positive influence between debt policy (Y) and company value (Z)

Path Analysis

Path analysis is a form of multiple linear regression analysis that is used to test the influence of intervening variables. The variable used in this research is debt policy which is measured using the DEBT ratio as an intervening variable between the relationship between profitability (ROE), asset structure (Fixed Asset Ratio) and liabilities (CR) to company value (PBV).



Source: SPSS Output, 2020

Figure 2. Structural Model

Direct Influence

1. Profitability (ROE) to Firm Value (PBV)
   βROE2 = 0.056
2. Asset structure (FAR) to Firm Value (PBV)
   βPAR2 = -0.032
3. Liabilities (CR) to Firm Value (PBV)
   βCR2 = -0.168
4. Debt policy on Firm Value (PBV)
   βDEBT = 0.972

Indirect Influence

1. Profitability of firm value mediated by debt policy βROE x βDEBT = -0.310 x 0.972 = -0.3013
2. Asset structure on firm value is mediated by debt policy
   βFAR x βDEBT = 0.389 x 0.972 = 0.3781
3. Liabilities on firm value are mediated by debt policy
   βCR x βDEBT = 0.084 x 0.972 = 0.0816

Based on table 1, it can be seen that the profitability has a significant negative effect on debt policy with a significance of 0.023<0.005 and a coefficient of -2.234. R0E shows the relationship between profit and total equity. This research is in accordance with the research conducted (Nurita, 2019),(Nurjannah & Purnama, 2021) which says that profitability affects debt policy.

Asset structure has a significant negative effect on debt policy with a significance of 0.005 (<0.005) and a coefficient of -2.828. This means that the better a company produces profits and has large assets, the more likely the company has to use internal funding within the company and use company assets to borrow capital assets. This is in accordance with previous research by Endang (2019) and (Widyananda & Jonathan, 2023)which concludes that profitability and asset structure have a significant effect on debt policy.

Liabilities have no effect on debt policy with a significance of 0.529 (>0.005) and a coefficient of 0.633. However, this research is the opposite of research (Masril et al., 2021)It is known that the liquidity variable has a negative effect on the company's debt policy. This research is different from research (Nurjannah & Purnama, 2021)

Based on table 2, profitability, which has a negative influence, is not significant on firm value with a significance of 0.344 (>0.005) and a coefficient of -0.955. Profitability shown by Return on equity shows that there is a relationship between profit and total equity. Companies that can generate profits by utilizing their equity well will attract investors to invest in the company thereby increasing the value of the company (Widyananda & Jonathan, 2023). This research is different from research conducted by (Grediani & Dianingsih, 2022) which states that profitability has a significant effect on company value.

Asset structure has a significant negative effect on firm value with a significance of 0.007 (<0.005) and the coefficient-2,828. If the firm value fixed assets is high, its value will decrease. This may happen because the company cannot utilize all its assets properly.

Thus, the firm value fixed assets allows the company to take out more loans, which can have a negative impact on investors. This research was supported by (Endartono et al., 2022). This research is different from the research conducted (Nurita, 2019) which states that asset structure has no effect on firm value.

The liability variable does not have a significant influence on firm value with a significance of 0.569 > 0.005 and a coefficient of -0.57. This indicates that the company has a low liability risk and can use liquidity as a source of financing and does not require external funding sources if it is not currently in need of funding. Investors do not take liquidity into consideration when they make investments, because they do not pay attention to the company's ability to pay off its current liabilities.This research is in accordance with research (Nginang & Yapmi Makassar, 2020) which says that liquidity has no effect on debt policy. The findings of this research are not in accordance with the research findings of Endang (2019) and which states that liabilities have a significant positive effect on debt policy.

The debt policy variable has a significant positive effect on company value with a significance of 0.000 (>0.005) and a coefficient of 17.362. Because the existence of a debt policy will support the high value of the company, the results of the funding will be turned back into capital, so that it can increase the company's profits and from there it can attract investor confidence to invest in the company because the profit sharing will also be high, and also the funding will be sufficient. The results of this study are in accordance with research (Ratana & Hermanto, 2023) which states that debt policy has a significant effect on firm value.

Based on the results of the path analysis, the value of the direct influence of profitability on firm value is 0.056, while the value of the indirect influence of profitability on firm value through the debt policy variable is -0.3013. Total effect profitability on firm value is 0.056 -0.3031, namely -0.2471. This means that indirect value has greater value than direct influence. This shows that indirectly profitability through debt policy has a significant negative influence on firm value.

The value of the direct influence of asset structure on company value is -0.032, while the value of the indirect influence of asset structure on firm value through the debt policy variable is 0.3781. The ttotal influence of asset structure on firm value is -0.032 + 0.3781 = 0.3461. This means that indirectly the asset structure has a greater value than the direct influence. This shows that indirectly the asset structure through debt policy has a significant influence on firm value.

The value of the direct influence of liabilities on company value is -0.168, while the value of the indirect influence of liabilities on firm value through the debt policy variable is 0.0816. So the total influence of asset structure on company value is -0.168 + 0.0816. This means that indirectly the liability has a smaller value than the direct influence. This shows that indirectly liabilities through debt policy do not have a significant influence on firm value.

5. CONCLUSION

This research finds that profitability and asset structure have a significant negative impact on debt policy. In other words, this research is consistent with the greater the profitability of a business and the more assets it has, the lower the likelihood that the business will undertake external funding. This result is in accordance with the peking order theory where companies tend to use internal funding first. Debt policy has a significant positive impact on company value, indicating that the use of debt can increase

firm value. The research results also show that company liabilities do not have a significant impact on firm value, debt policy or firm value. Profitability and asset structure through debt policy have a significant effect on company value. Meanwhile, the influence of liabilities mediated by debt policy has no significant effect.

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