Proceedings of 1st National Conference of Tourism and Economics Creative, Baiturrahmah University, Padang, Indonesia, 26 June 2024

ISBN 9798 88722 1274 *ISSN 2829 8438*

The Effect of Profitability, Liquidity, and Company Size on Debt Policy in Food and Beverage Companies Listed on the Stock Exchange for the 2018-2022 Period

Yefri Reswita, Muhibbul Fikri Arman
Faculty of Economics and Business, Baiturrahmah University, Padang
yefrireswita@fekon.unbrah.ac.id

Syukri Lukman, Rahmat Febrianto, Fajri Ardianto
Department of Management, Andalas University, Indonesia

ABSTRACT

This study aims to examine the Influence of Profitability, Liquidity, and Company Size on Debt Policy. Based on the results of the hypothesis testing conducted in this study, it can be concluded that partially profitability has a significant positive effect on debt policy with a calculated t_{value} of 6.326 > t_{table} 1.661 and a significant 0.00 < 0.05 so that the H1 hypothesis can be accepted. Liquidity has a significant positive effect on debt policy with a $_{t\text{-value of}}$ 4.455 > t_{table} 1.661 and a significant 0.000 < 0.05 so that the H2 hypothesis can be accepted. The size of the company has a positive and significant effect on the debt policy where the value of $t_{is\ calculated}$ 4.597 > t_{table} 1.661 and is significant by 0.00 < 0.05 so that the H3 hypothesis is accepted. Profitability, Liquidity, and Company Size simultaneously had a positive and significant effect on debt policy with a value of 41.759 > table 2.70 and a significant 0.000 < 0.05 so that the H4 hypothesis could be accepted. Therefore, it can be concluded that Profitability (X_1), Liquidity (X2), and Company Size (X3) simultaneously have a positive and significant effect on Debt Policy (Y) obtained the value of the determination coefficient written R_{Square} of 0.579, it can be explained that the magnitude of the proportion of the influence of profitability, liquidity, and size The company's debt policy was 57.9% while the remaining 42.1% was influenced by other factors outside the variables used in this study.

Keywords: Profitability, Liquidity, Company Size, and Debt Policy

INTRODUCTION

In the current era of globalization, the economy in Indonesia is increasingly advanced, which is marked by many businesses that are developing such as MSMEs, Firms, CVs, Limited Liability Companies, and so on. The number of businesses that are developing today, especially in the form of Limited Liability Companies, will certainly increase economic growth. Economic growth in Indonesia is now very strong and stable because it is influenced by the business sector to continue domestic demand, including the development of government infrastructure in the regions. At this time, the growing business continues to show positive growth, mainly due to the influence of companies engaged in the processing, services, and property and construction industries. However, as time goes by, many companies are not ready to face the industrial revolution 4.0 caused by a lack of investment in technology so that there are companies that are less competitive with companies that understand the industrial revolution 4.0. Every effort in developing a business is carried out in several ways so that the business developed can be maintained, one of which is by making the business in the form of a Limited Liability Company. A business that is in the form of the company will facilitate its operational activities such as finding investors, marketing products, becoming suppliers, and finding sources of funds to external parties of the company.

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Every company in carrying out its operational activities needs a source of funds, where there are two sources of funds, namely from the company's internal and external companies. The company in determining funding must be able to determine how much funds will be used from internal sources and the company's external sources must be appropriate in making funding decisions, because each funding source has different financial risks, including debt that threatens the company's liquidity. The company considers debt as the last alternative in funding. The company must be able to make decisions in obtaining the source of funds needed to finance the company's operational activities by making a debt policy.

Before determining debt policy, there are factors that affect the use of debt, including institutional ownership factors, asset structure factors, profitability factors, and company growth factors (Destriana & Yeniatie, 2010). Profitability is an indicator of a company's performance, whether the company has carried out operational activities efficiently (Astuti & Yadnya, 2019). Profitability is measured using *Return on Asset* (ROA), which is a tool used to measure the level of ability and success of a company in obtaining profits through sales and investments in a certain period using sources owned by the company such as assets, capital, or company sales (Novitasari & Viriany, 2019), This research is in line with Aldi (2022) which states that profitability has a positive effect and significant to debt policy. Liquidity is the ability of a company to fulfill all current liabilities with its current assets. A company that has a high current ratio means that it has enough current assets to return its current debts, providing an opportunity to get ease in obtaining funds from investors (Bartoholomeus et al.,, 2021). For company managers who have a high *Current Ratio*, it is considered good, even for creditors, the company is seen as in a strong state, which means that the company is increasingly able to return its current debts with its current assets. Companies that have a large amount of fixed assets can use large amounts of debt because these assets can be used as collateral for loans (Hanafi, 2015). The larger the total assets, the larger the size of a company. Large companies need considerable capital to support their operations, and an alternative to achieve this is to use foreign capital if the capital itself is insufficient. The size of a company is the size of a company which can be expressed by total assets (Suryani, 2020).

Food and beverage companies are one of the manufacturing companies engaged in the food and beverage industry. Food and beverage companies in Indonesia are currently growing quite rapidly, this can be seen in the number of companies listed on the IDX. The development of food and beverage companies due to the increasing population growth will also increase the demand for food and beverages. Food and Beverage Companies listed on the IDX on the IDX for the 2018-2022 period, on average, food and beverage companies in their operational activities use more debt than their capital. When compared to *the leverage* theory, it is a theoretical comparison that proposes the ratio of debt to capital that is ideal for the company, where the debt ratio in the *leverage* theory is 60% and capital is 40% (Fahmi, 2020:75). When comparing the average DER ratio of Food and Beverage Companies for the 2018-2022 period with *the theory of leverage*, that is, on average, the debt policy of food and beverage companies still uses a lot of debt compared to the company's capital in carrying out its operational activities.

Food and Beverage Companies listed on the IDX for the 2018-2022 period have increased from year to year. A good *Retrun On* Asset (ROA) is 5% or more. This means that on average, the *Retrun On Assets* (ROA) of Food and Beverage Companies listed on the IDX for the 2018-2022 period can be said to be good because it is above 5%. To see the financial risk of a company, it can compare *Retrun On* Asset (ROA) with interest rates. Food and Beverage Companies listed on the IDX for the 2018-2022 period averaged a *Retrun On Asset* (ROA) above the interest rate. The liquidity of Food and Beverage Companies listed on the IDX for the 2018-2022 period when viewed in theory *is a good Current Ratio* (CR), which is with a ratio of 100% or more, but it would be good to have a *Current Ratio* (CR) with a ratio above 150%. A good *Current Ratio* (CR) ratio is above 150% because not all current assets can be used as cash, which is an obstacle for companies in managing their current assets (Kasmir, 2021:135). On average, *the Current Ratio* (CR) of Food and Beverage Companies listed on the IDX for the 2018-2022 period can be said to be good because it is above 150%. A good company size is with a percentage of 20% or more on average *firm size.* Food and Beverage Companies on the Indonesia Stock Exchange for the 2020-2022 Period are above 20%. This shows that Food and Beverage Companies on the Indonesia Stock Exchange for the 2018-2022 period are on average healthy

ISBN 9798 88722 1274 *ISSN 2829 8438*

companies, have good performance, and are able to generate good profits from the assets in the company. Based on the above phenomenon and description, the researcher is interested in conducting a study entitled "**The Influence of Profitability, Liquidity, and Company Size on Debt Policy Listed on the Indonesia Stock Exchange for the 2018-2022 Period".**

Research Objectives

Based on the introduction above, the objectives of this study are as follows:

1. To find out the effect of profitability on debt policy in Food and Beverage Companies listed on the IDX for the 2018-2022 Period.
2. To find out the effect of liquidity on debt policy in Food and Beverage Companies listed on the IDX for the 2018-2022 Period.
3. To find out the effect of company size on debt policy in Food and Beverage Companies listed on the IDX for the 2018-2022 Period.
4. To determine the simultaneous influence of profitability, liquidity, and company size on debt policies in Food and Beverage Companies listed on the IDX for the 2018-2022 Period.

Literature Review

Financial Management

Financial management is important for a company in managing the company's finances to make it easier for the company to make policies for the future. According to Sadikin (2020:2), financial management is an action taken by a company to control the company's finances effectively and efficiently. It can be understood that financial management is an act of managing a company's finances by trying to find and manage finances effectively and efficiently in realizing the company's goals. In financial management, there are financial statements in the company, namely financial balance sheet statements, profit and loss statements, cash flow statements, equity change reports, and notes on financial statements (Siswanto:2021:3).

Debt Policy

According to Fahmi (2020:187), debt policy is a policy related to the use of debt as a source of corporate funding that is carefully made so that the company achieves its goals. Meanwhile, according to Kasmir (2021:348), debt policy is a policy used to measure the extent to which the company's activities are financed with debt. Debt policy is an action taken by the company's management to finance the company's operations by utilizing debt as capital. According to Siswanto (2021:29), debt policy is influenced by several factors consisting of institutional ownership, company growth, asset structure, profitability, liquidity, *Non-Debt Tax Shield* (NDT). To calculate the debt policy in the Company, it can be calculated by the *Debt to Equity* Ratio (DER), *Debt to Asset Ratio* (DAR), and *long-term debt to equity ratios.*

Proftability

According to Kasmir (2021:196), profitability is a ratio used to assess a company's ability to make a profit. Meanwhile, according to Sadikin (2020:125), explaining profitability is the company's ability to generate profits with existing assets in obtaining profits such as sales, cash, capital, and so on. Therefore, profitability can be understood as a company's ability to be measured in the form of a ratio to show the company's success in obtaining profits or profits by utilizing certain sales, assets, and capital in a certain period. To calculate profitability in a company, you can use ratios, namely *Gross Profit Margin* (GPM), *Net Profit Margin* (NPM), *Return on Asset* (ROA), and *Return on Asset* (ROE).

Liquidity

According to Darmawan (2020:118), defining liquidity is a form of business carried out by a company in fulfilling its short-term debts. According to Kasmir (2021:130), explaining liquidity is the ability of a company to

ISBN 9798 88722 1274 *ISSN 2829 8438*

fulfill its short-term obligations within a certain time, both from within and outside the Company. So it can be understood that liquidity is the ability of a company to pay off its short-term obligations by utilizing its current assets. To calculate liquidity, ratios such as *Quick Ratio* (QR), *Current Ratio* (CR), and *Cash Ratio can be used.*

Company Size

According to Handini (2022:18), company size is a value that shows the size or size of a company in various ways, namely seen from total assets, total sales and market capitalization, company size is a reflection of the total assets owned by the company. according to Nurkholik (2022), company size is a classification scale that can be classified as measured by total assets, share value per share, and others. So it can be understood that company size is a scale or value that groups a company into large or small categories in various ways. The size of the Company can be calculated using *Natural Logarithms* (Ln. total assets).

METHOD

This type of research is quantitative descriptive which refers to the calculation and analysis of data in the form of numbers contained in financial statements, then calculations are carried out on the data. The population in this study is all Food and Beverage Companies listed on the Indonesia Stock Exchange for the 2018-2022 period totaling 29 companies. The sample in this study was measured using *a non-probablity sampling technique,* which is a sampling technique with each population not having the same chance to be sampled. The determination of samples in the study with *non-probablity sampling* techniques using *the purposive sampling* method means the determination of samples with certain criteria, namely 1). Food and Beverage Companies listed on the IDX for the 2018-2022 Period. 2). Food and Beverage Companies listed on the IDX for the 2018-2022 Period that suffered losses. 3). Food and Beverage Companies listed on the IDX for the 2018-2022 Period that are incomplete publish financial statements. Data collection techniques in This study collects secondary data, namely collecting financial statements of Food and Beverage Companies listed on the IDX for the 2018-2022 Period from each company's website and the IDX website.

RESULTS AND DISCUSSION

Classic Assumption Test Normality Test Results

The normality test is a test to see whether the distributed residue values are normal or not. If the residue is normally distributed, then the research data is good (Ghozali, 2018:161). To measure the normality test, the *Kolmogorov-Smirnov* (K-S) test can be used. The normality test has the following test criteria:

1. If the significant value > 0.05 or 5%, it means that the data is normally distributed
2. If the significant value < 0.05 or 5%, it means that the data is not distributed normally.

The following are the results of the normality test using *the Kolmogorov-Smirnov* test presented in the table below Ini:

Table 1: Normality Test

		Unstandardized Residual
N		95
Normal Parametersa,b	Mean	.0000000
	Std. Deviation	.37162686
Most Extreme Differences	Absolute	.119
	Positive	.119
	Negative	-.054
Kolmogorov-Smirnov Z		1.161
Asymp. Sig. (2-tailed)		.135

ISBN 9798 88722 1274 *ISSN 2829 8438*

Source: SPSS Data Processing, 2024

Based on the table above, it is known that the significance value of *Asymp. Sig*. (2-tailed) of 0.135 > 0.05, then it can be concluded that the variable data in this study is normal, where *Asym Sig.* (2-tailed >0.05 so that the data can be said to be normally distributed.

Multicollinearity Test Results

The multicollinearity test aims to test whether the regression model finds a correlation between independent variables. If in the test it turns out that a conclusion is obtained that the independent variables are bound to each other, then the test cannot be carried out to the next stage.

The basis of analysis used in the multicollinearity test is as follows:

a. If the tolerance is > 0.1 and the VIF is < 10, then multicollinearity does not occur.
b. If the torelance < 0.1 and the VIF > 10, multicollinearity occurs.

The following are the results of the normality test using the multicollinearity test presented in the table below:

Table 2: Multicollinearity Test

Type		Unstandardized Coefficients		Standardized Coefficients	Collinearity STatistics	
		B	Std. Error	Beta	Tolerance	VIF
1	(Constant)	2.119	.166			
	X1 Profitability	4.704	.744	.450	.913	1.095
	X2 Liquidity	.069	.015	.327	.857	1.167
	X3 Company Size	3.046	.663	.324	.932	1.073

Source: SPSS Data Processing, 2024

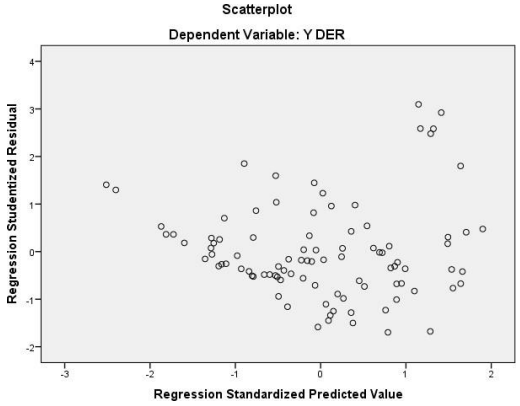
Heteroscedasticity Test Results

The heteroscedasticity test is carried out to test whether in a regression model there is an inequality of variance (data dispersion) from one observation to another. The symptoms of heteroscedasticity will result in a doubt on the results of a regression analysis carried out. So to detect heteroscedasticity, we can see the presence or absence of certain patterns on the scatterplot chart, on the basis of analysis:

a. If it forms a certain pattern that is regular (wavy, widening, then narrowing), it indicates heteroscedasticity.
b. If there is no clear pattern and the dots spread above and below the number 0 on the Y axis then there is no heteroscedasticity.

The following are the results of the heteroscedasticity test presented in the table below:

Autocorrelation Test Results



Source: SPSS Data Processing, 2024

Figure 1

ISBN 9798 88722 1274 *ISSN 2829 8438*

Heteroscedasticity Test Results

ISBN 9798 88722 1274 *ISSN 2829 8438*

The autocorrelation test aims to find out whether there is a correlation between the data described based on time. If autocorrelation occurs, it can be said that the correlation coefficient obtained is less accurate. The autocorrelation test was performed using *the Durbin-Watson* test (D-W), with a rate = 5%. When D-W is located between -2 to +2 then there is no autocorrelation. The following are the results of the autocorrelation test presented in the table below:

Table 3: Autocorrelation Test

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.761a	.579	.565	.37770	.864

Source: SPSS Data Processing, 2024

Multiple Linear Regression Analysis

Table 4: Results of Multiple Linear Regression Analysis

Coefficientsa

Type		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	2.119	.166	
	X1Profitability	.704	.744	.450
	X2 Liquidity	.069	.015	.327
	X3 Company Size	3.046	.663	.324

Source: SPSS Data Processing, 2024

Based on table 4.10 of the results of the multiple linear regression analysis above, the following equation is obtained: Y = 2.119 + 0.704X1 + 0.069X2 + 3.046 X3

Based on the above equation, several things can be concluded, namely as follows:

1. Based on the multiple linear regression equation above, it can be seen that the value of the constant is 2.119, if the free variable = 0, then the value of the debt policy is 2.119.
2. The value of the regression coefficient of the profitability variable (X1) is 0.704, meaning that profitability has a positive direction . This shows that for every increase in the profitability of one unit, the debt policy will increase by 0.704,
3. The value of the regression coefficient of the liquidity variable (X2) is 0.069, meaning that profitability has a positive direction. This shows that for every increase in liquidity of one unit, the debt policy will increase by 0.069.
4. The value of the variable regression coefficient of company size (X3) is 3.046, which means that the company size has a positive direction. This shows that for every increase in the size of a single company, the debt policy will increase by 3,046.

Hypothesis Test Test t (partial)

The purpose of the T test is to see the extent of the partial influence of the independent variable on the bound variable (Sugiyono, 2022:223). This test was carried out to see the influence of each independent variable (X1, X2, X3) partially on the dependent variable. The following are the results of the t-test (partial) presented in the table below:

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Table 5: t-Test Results (Partial)

Coefficientsa

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.119	.166		12.775	.000
	X1Profitability	4.704	.744	.450	6.326	.000
	X2 Liquidity	.069	.015	.327	4.455	.000
	X3 Company Size	3.046	.663	.324	4.597	.000

Source: SPSS Data Processing, 2024

Based on the table above, it can be interpreted as follows:

1. The profitability variable (X1) with a tcal value of 6.326 and a value of (Significant = 0.000 <0.05) with (df= n-k, then n= number of respondents, k= number of research variables) df= 95-4=91, then a table of 1.661 is obtained. This means that H1 is accepted by H0 and rejected by H0, so it can be concluded that the profitability variable has a positive and significant effect on the debt policy of Food and Beverage Companies listed on the IDX for the 2018-2022 period.
2. The liquidity variable (X2) with a tcal value of 4.455 and a value of (Significant = 0.000 <0.05) with (df= n-k, then n= number of respondents, k= number of research variables) df= 95-4=91, then t_{table} of 1.661 is obtained. This means that H2 is accepted $H_{0\ and}$ rejected, so it can be concluded that the liquidity variable has a positive and significant effect on the debt policy of Food and Beverage Companies listed on the IDX for the 2018-2022 period.
3. The variable of company size (X3) with a tcal value of 4.597 and a value of (Significant = 0.000 <0.05) with (df= n-k, then n= number of respondents, k= number of research variables) df= 95-4=91, then a table of 1.661 is obtained. This means that H3 is accepted by $H_{0\ and}$ rejected, so it can be concluded that the variable of company size has a positive and significant effect on the debt policy of the Food and Beverage Company
listed on the IDX for the 2018-2022 period.

Test F (Simultaneous)

The F test aims to see if independent variables simultaneously affect dependent variables (Sugiyono, 2022:277). The F test was carried out to see the influence of all independent variables together on the bound variables. The criteria for the F test are if $F_{is\ calculated} > F_{table}$ and the significant value < 0.05, it means that the variables X1, X2, and X3 together (simultaneously) have a significant effect on the dependent variable (Y). The following are the results of the F (simultaneous) test presented in the table below:

Table 6: Test Results F

ANOVAa

Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.872	3	5.957	41.759	.000b
	Residual	12.982	91	.143		
	Total	30.854	94			

Source: SPSS Data Processing, 2024

Based on table 4.12, the results of the F test show that the result of Fcal is 41,759 and the F_{table} has a value of 2.70 which means Fcalculate > Ftable with a probability value of 0.000 < 0.05. Thus, H0 was rejected and H4 was accepted, which shows that the independent variables, namely profitability, liquidity, and company size, have a positive and significant effect simultaneously on the dependent variable, namely debt policy.

ISBN 9798 88722 1274 *ISSN 2829 8438*

Coefficient of Determination Test

The determination coefficient test aims to determine how much profitability, liquidity, and company size contribute to debt policies in food and beverage companies listed on the IDX for the 2018-2022 period. The following is a table about the results of the R-Square test:

Table 7: R Square Test Results

Model Summaryb

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.761a	.579	.565	.37770	.864

Source: SPSS Data Processing, 2024

DISCUSSION

The Effect of Profitability on Debt Policy

The results of the t-test research are known that the significance value is 0.000 < 0.05, while the calculation is 6.326 and (df = n-k, n= number of samples, k = number of research variables) df = 95-4 = 91, then t_{table} 1.661 is obtained where the t-count >$_{table}$ or 6.36> 1.661 so that it can be concluded that profitability has a positive and significant influence on the dependent variable of debt policy, H1 is accepted H_0 is rejected. The results of this study are also supported by previous research conducted by Amara & Mudjianti (2024) which means that profitability has a positive and significant effect on debt policy. However, the results of this study are not in line with Hasdians & Ramelan (2023) which states that profitability has a negative and significant effect on debt policy. Profitability in this study is measured using *the Return On Asset* (ROA) ratio, so it can be concluded that ROA has a significant influence on debt policy as measured by *the Debt to Equity Ratio*. This means that if a company's ROA increases, the company's DER will increase because it can increase the company's credibility which allows easier access to loans .

The Effect of Liquidity on Debt Policy

The results of the t-test research are known that the significance value is 0.000 < 0.05, while the calculation is 4.455 and (df = n-k, n= number of samples, k = number of research variables) df = 95-4 = 91, then t_{table} 1,661 is obtained where the ttable > calculation or 6,326> 1,661 so that it can be concluded that liquidity has a positive and significant influence on the dependent variable of debt policy, H2 is accepted H0 is rejected. The results of this study are also supported by previous research conducted by Nurmasita (2023) which stated that liquidity has a positive and significant effect on debt policy. Therefore, it can be concluded that the liquidity variable partially has a positive and significant effect on debt policy. The results of this study are not in line with Sari and Pradita (2021) who stated that liquidity has a negative and significant effect on debt policy. The higher the liquidity of a company, the higher the company's debt policy will increase. This happens because the company is able to pay off its short-term obligations well and the company will certainly need additional funds because not all of the company's current assets can be used as cash to pay off its short-term obligations. The liquidity in this study is calculated using *the Current Ratio* (CR), so it can be said that CR has a significant influence on DER. The higher the CR of a company, the higher the company's DER will increase.

The Effect of Company Size on Debt Policy

The results of the t-test research are known that the significance value is 0.000 < 0.05, while the tcount is 4.597 and (df = n-k, n= number of samples, k = number of research variants) df = 95-4 = 91, then t_{table} 1,661 is obtained where tcount > ttable or 4,597> 1,661 so that it can be concluded that the size of the company has a positive and significant influence on the dependent variable of debt policy, so H3 is accepted H0 is rejected. The results of this study are supported by Nurjanah & Purnama (2021) which states that company size has a positive and significant effect on debt policy. The results of this study are also in line with Aminah & Wiryani (2021) who stated that company size has a positive and significant effect on debt policy. The larger the size of a company, the higher the company's

ISBN 9798 88722 1274 *ISSN 2829 8438*

debt policy will be. The size of a large company also has large assets so that when the company uses the alternative of borrowing capital from a third party, it can issue bonds because the company can guarantee its assets. Thus, creditors will believe that because the company's assets are collateral, they will use debt policies in investment and expansion.

The Simultaneous Influence of Profitability, Liquidity, and Company Size on Debt Policy

The results of the F test showed that the result of Fcal was 41.759 and the F_{table} was worth 2.70 which means that Fcal > Ftable with a probability value of 0.000 < 0.05. Thus, $_{H0}$ was rejected and H4 was accepted, which shows that the independent variables, namely profitability, liquidity, and company size, have a positive and significant effect simultaneously on the dependent variable, namely debt policy. Research conducted by Tarigan & Martina (2022) stated that profitability, liquidity, and company size simultaneously have a positive and significant effect on debt policy in Mining Companies listed on the IDX for the 2017-2021 Period. The results of this study are in line with Rahmi (2024) who stated that simultaneously profitability, liquidity, and company size have a positive and significant effect on debt policy.

CONCLUSION

Based on the results of the research and the multiple linear regression equation regarding the influence of the independent variables of profitability (X1), Liquidity (X2), and Company Size on the dependent variables of Debt Policy (Y), it can be concluded that:

1. The profitability variable has a positive and significant effect on debt policy in Food and Beverage Companies listed on the IDX for the 2018-2022 period.
2. Liquidity variables have a positive and significant effect on debt policy in Food and Beverage Companies listed on the IDX for the 2018-2022 period.
3. The variable of company size has a positive and significant effect on debt policy in Food and Beverage Companies listed on the IDX for the 2018-2022 period.
4. Independent variables, namely profitability, liquidity, and company size, have a positive and significant effect simultaneously on the dependent variable, namely debt policy in Food and Beverage Companies listed on the IDX for the 2018-2022 period.

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