

DEBT POLICY SUPPORTS GROWTH BUMN KARYA

Muhamad Sohibul Karib ^{1*}, Anita Roosmawarni ², Marista Oktaviani ³

^{*1} Faculty of Economics and Business, Muhammadiyah University of Surabaya

² Faculty of Economics and Business, Muhammadiyah University of Surabaya

³ Faculty of Economics and Business, Muhammadiyah University of Surabaya

Abstract. This research aims to determine the influence of Asset Tangibility, Net Profit Margin and Company Growth on the Debt Policy of BUMN Karya companies for the 2013-2022 period. This research is quantitative in nature with the data source used is secondary data. This research method uses multiple linear regression analysis with Saturated Sampling techniques . Data management uses the EViews 10 program tool with the best Fixed Effect Model (FEM) test results. The results of this research are that Tangibility Assets partially has a negative and insignificant effect, while Net Profit Margin partially has a significant negative effect. However, this is different from company growth, which partially has a significant positive effect on debt policy. Simultaneously, the results obtained show that Asset Tangibility, Net Profit Margin and Company Growth influence Debt Policy. The results of data processing show a coefficient of determination of 88.97%, which means the influence it has is quite significant.

Keywords : Asset Tangibility, Net Profit Margin , Company Growth, Debt Policy.

1. INTRODUCTION

Developing a company's business in a rapidly developing economic era, the company requires quite large funds. The role of managers is very important, especially in making major company decisions, one of which is operational decisions related to funding. One important decision is debt policy, because debt has an impact on the company's funding sources (Widanti & Utomo, 2021) .

Debt policy is used to regulate how company activities are financed with debt. Debt policy has an important decision to see the company's ability to see how much the company is financed by debt because it will greatly influence the company's operational activities (Arafah et al., 2021) .

The State-Owned Enterprise Company (BUMN) Karya, which operates in the construction and infrastructure sector, is the focus of attention regarding the amount of debt recorded in the financial report in the first quarter of 2023, which is as follows:

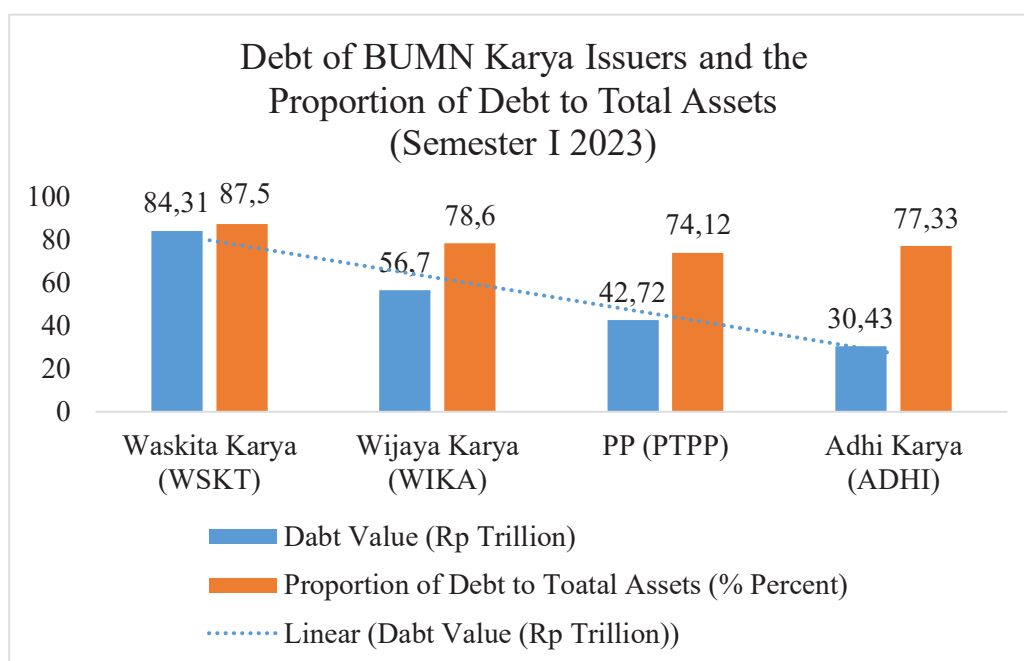


Figure 1. 1Debt of BUMN Karya Issuers and the Proportion of Debt from total assets

Data source: (Ahdiat, 2023)

Based on the graph above, it is evident that companies that are members of BUMN Karya are very dependent on debt to finance the company's operational activities. It is known that at the end of the first semester of 2023, at the end of the first semester of 2023, PT Waskita Karya Tbk (WSKT) was revealed to have total liabilities or debts of IDR 84.31 trillion, which is equivalent to 87.5% of total assets reaching IDR 96.32 trillion. . This amount has increased from the position on December 31 2022 which was recorded at IDR 83.98 trillion. On the other hand, PT Wijaya Karya Tbk (WIKA) also faces similar challenges. WIKA's total debt in the first quarter of 2023 reached IDR 56.7 trillion or the equivalent of 78.6% of total assets of IDR 72.17 trillion. Meanwhile, PT Pembangunan Perumahan Tbk (PTPP) is also facing a significant debt burden. PTPP's total debt reached IDR 42.72 trillion or the equivalent of 74.12% of total assets of IDR 57.64 trillion. Meanwhile, PT Adhi Karya Tbk (ADHI) is also not immune from debt pressure. ADHI's total debt reached IDR 30.43 trillion or equivalent to 77.33% of total assets of IDR 39.35 trillion.

Managers choose to implement a debt policy for company operational costs by considering several factors. The first factor is asset tangibility or tangible assets, net profit margin and company growth (Adinda Putri, 2021; & Hidayat et al., 2023) .

Tangibility of Assets In debt, it is one of the main things that is used as collateral given by the company to the debtor in the form of assets (tangibility). Tangibility Assets refer to the proportion of company assets that are physical or tangible, such as land, buildings, construction equipment, and others (Sari & Setiawan, 2021) .

Net Profit Margin measures how large a percentage of net profit is obtained from each sale. Companies with high net profit margins have more internal financing options such as retained earnings and income from company operations to support company growth (Rachmi & Kartiko, 2022) .

The growth of a company plays an important role as a support for determining the capacity to use debt in financing a company. Management's funding needs will usually make a decision regarding the use of debt, because the use of debt can provide cost savings compared to issuing new shares (Sari & Setiawan, 2021).

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

1. Agency Theory

Jansen & Meckling, (1976) and Scott, (2015) state that agency theory concerns the contractual relationship between two parties, namely the principal and agent, where the company owner or investor appoints an agent as management who manages the company on behalf of the owner. The principal gives authority to management to make decisions related to company operations.

2. Packing Order Theory

According to Myer's (1984) Pecking Order Theory states that companies tend to use internal funds first before using debt, so that the level of net profit margin can influence the choice between using debt or internal funds (Natalia, 2020) .

3. Debt policy

Debt policy is a policy taken by management to obtain the funding sources needed by the company which are used to fund company operations (Aini et al., 2021) . The company's debt policy also functions as a monitoring mechanism for managers' actions taken in managing a company (Arafah et al., 2021) .

In this research, the formula used to measure debt policy is the Debt to Asset Ratio (DAR) (Andhani, 2019) . The following is the formula for calculating the Debt to Asset Ratio (DAR).

$$DAR = \frac{\text{Total Hutang}}{\text{Total Aset}}$$

Source : (Susanti & Windranto, 2020)

4. Asset Tangibility

Tangibility Assets is the result of a comparison between fixed assets and total assets. The more guarantees issued, the easier it is for the company to obtain debt. Tangibility Assets which are proportioned to fixed assets/total assets will be able to influence company decisions (Sari & Setiawan, 2021) .

The formula used in calculating Asset Tangibility is:

$$\text{Tangibility of Assets} = \frac{\text{Aset Tetap}}{\text{Total Aset}}$$

Source: (Sari & Setiawan, 2021)

5. Net Profit Margin

Net Profit Margin measures how large a percentage of net profit is obtained from each sale . This ratio shows the level of net profit to net sales as well as shows the efficiency of costs incurred by the company. This ratio also measures the effectiveness of company management in managing assets to generate company profits (Laksmiwati et al., 2022)

The formula used in calculating Net Profit Margin is:

$$\text{NPM} = \frac{\text{Laba Bersih}}{\text{Penjualan}}$$

Source: Brigham & Houston, (2008)

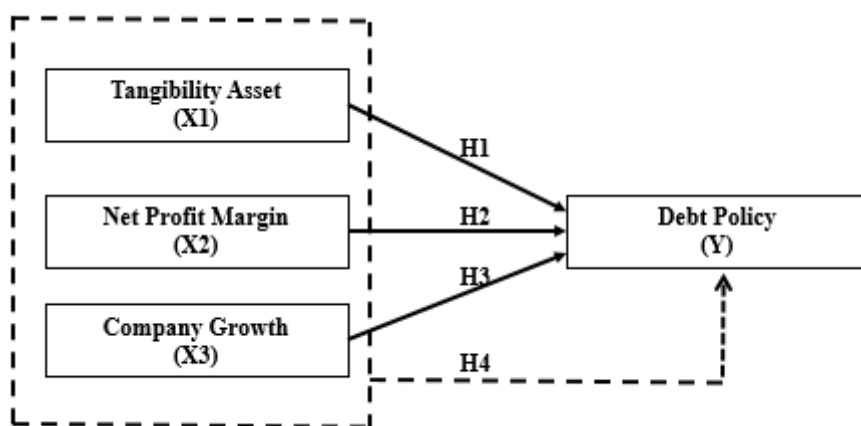
6. Company Growth

Company growth refers to the increase or decrease in total assets owned by the company. This can include growth in sales, profits, assets, or overall company size. Company growth can affect various aspects of the company, including debt policy . Company growth will tend to require large funds to develop its business. Management's funding needs will usually take a decision in the use of debt (Sari & Setiawan, 2021; Veronica, 2020) . This can be measured with the formula, namely:

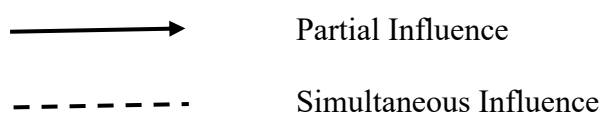
$$\text{Profit Growth} = \frac{\text{Laba bersih } n - \text{Laba bersih } (n-1)}{\text{Laba bersih } (n-1)}$$

Source: Carlin & Purwaningsih, (2022)

2.1 Hypothesis



Information:



Based on the explanation above, the researcher tried to formulate a hypothesis as follows:

Researchers partially suspect that Asset Tangibility, Net Profit Margin and Company Growth have an influence on the debt policy of BUMN Karya companies for the 2013-2022 period. Furthermore, the researcher suspects that simultaneously Asset Tangibility, Net Profit Margin and Growth influence the Debt Policy of BUMN Karya companies for the 2013-2022 period.

3. RESEARCH METHODS

This research is a type of quantitative research. The data analysis method uses multiple linear regression. The data processing technique used in this research is econometric views software (e-views 10). The type of panel data in this research uses a balanced panel, with each cross section having the same number of time series observations, namely 4 companies operating in the construction and infrastructure sector, PT Waskita Karya (Persero) Tbk. PT Wijaya Karya (Persero) Tbk. PT Pembangunan Perumahan (Persero) Tbk, and PT Adhi Karya (Persero) Tbk with a total of 10 years of time series data (2013-2022).

4. RESULTS AND DISCUSSION

4.1 Results

1. Partial Test (T-Statistics)

The following are the t statistical results in table 4.1 as follows:

Table 4. 1**T-statistical test results**

| Variables | Coefficient | Std. Error | t-Statistics | Prob. |
|-----------|-------------|------------|--------------|--------|
| C | 1.131663 | 0.096844 | 11.68542 | 0.0000 |
| X1 | -0.831879 | 0.491236 | -1.693440 | 0.0998 |
| X2 | -7.121742 | 0.844488 | -8.433207 | 0.0000 |
| X3 | 0.473473 | 0.031124 | 15.21229 | 0.0000 |

source: EViews 10 output results (processed data, 2024)

1. The Influence of Asset Tangibility on Debt Policy

Based on statistical calculations, the probability value obtained is $0.0998 > 0.05$, it can be concluded that asset tangibility has no significant effect on debt policy. The hypothesis which states that asset tangibility partially influences the debt policy of BUMN Karya companies for the 2013-2022 period is rejected.

2. Influence of Net Profit Margin on Debt Policy

Based on statistical calculations, the probability value obtained is $0.000 < 0.05$, it can be concluded that Net Profit Margin has a significant effect on debt policy. The hypothesis which states that Net Profit Margin partially influences the debt policy of BUMN Karya for the 2013-2022 period is accepted.

3. The Influence of Company Growth on Debt Policy

Based on statistical calculations, the probability value obtained is $0.000 < 0.05$, it can be concluded that company growth has a significant effect on debt policy. The hypothesis which states that company growth partially influences the debt policy of BUMN Karya for the 2013-2022 period is accepted.

2. Simultaneous Test (F-Statistics)

The following are the results of the f statistical test in table 4.2:

Table 4. 2**F test results with fixed effect model**

| | |
|--------------------|-----------|
| R-squared | 0.889741 |
| Adjusted R-squared | 0.869694 |
| SE of regression | 0.398834 |
| Sum squared resid | 5.249263 |
| Log likelihood | -16.14171 |
| F-statistic | 44.38258 |
| Prob(F-statistic) | 0.000000 |

source: EViews 10 output results (processed data, 2024)

The results of the F test in table 4.2 show that together the independent variables have a simultaneous effect on the dependent variable. Based on the probability significance showing that the probability value is $0.0000 < 0.05$, it can be concluded that asset tangibility, net profit margin, and company growth simultaneously (simultaneously) influence debt policy.

4.2 Discussion

1. The Influence of Asset Tangibility on Debt Policy

Based on the results of the hypothesis test, it can be seen that asset tangibility has a negative effect because it has a coefficient value of -0.831879 , indicating that there is a negative or opposite relationship between asset tangibility and debt policy. This shows that if the asset tangibility variable increases, the value of the debt policy will decrease. On the other hand, if it decreases, there will be an increase in the value of the debt policy. Apart from that, the significant value shows a probability figure of $0.0998 > 0.05$, which means that asset tangibility has no significant effect on debt policy.

2. Influence of Net Profit Margin on Debt Policy

Based on the results of the hypothesis test, it appears that the net profit margin has a negative effect because it has a coefficient value of -7.121742 , indicating that the net profit margin has a negative effect on debt policy. This shows that if the net profit margin variable increases, the value of the debt policy will decrease. On the other hand, if it decreases, there will be an increase in the

value of the debt policy. Apart from that, the significant value shows a probability figure of $0.000 < 0.05$, which means that the net profit margin has a significant effect on debt policy.

In state-owned companies Karya Net Profit Margin reflects the company's efficiency and profitability, this is in line with the Pecking Order Theory that companies are more interested in using internal funds to finance operational and investment activities such as retained earnings and income from company operations to support company growth . So that a high Net Profit Margin means more internal funds will be used for operational activities.

3. The Influence of Company Growth on Debt Policy

Based on the results of the hypothesis test, it appears that company growth has a positive effect because it has a coefficient value of 0.473473, indicating that there is a positive or unidirectional relationship between company growth and debt policy. This shows that if the company's growth variable increases, the value of the debt policy will increase. On the other hand, if it decreases, there will be a decrease in the value of the debt policy. Apart from that, from the significant value showing a probability figure of $0.000 < 0.05$, it can be concluded that company growth has a significant effect on debt policy.

In BUMN Karya companies, company growth refers to the increase or decrease in total assets owned by the company. This can include growth in sales, profits, assets, or overall company size. Company growth can affect various aspects of the company, including debt policy. A high growth rate will increase the number of assets needed so that more funds are needed to meet the assets. This is in line with agency theory which can be explained through the dynamics of the relationship between the owner as principal and management as agent. Agency theory provides a view of how the different interests and incentives between principals and agents can influence decisions and actions within a company, including debt policies.

5. CONCLUSION

The results of this research are that Tangibility Assets partially has a negative and insignificant effect, while Net Profit Margin partially has a significant negative effect. However, this is different from company growth, which partially has a significant positive effect on debt policy. Simultaneously, the results obtained show that Asset Tangibility, Net Profit Margin and Company Growth influence Debt Policy.

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