

Debt Management and its Impact on Profitability and Company Value



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ABSTRACT: This research was conducted to analyze debt management and its impact on profitability and company value. The number of companies or sample in this study was 75 companies. All research objects are non-financial companies listed in the Kompas 100 Index. Data analysis was performed with the Kruskal-Wallis Test. This study found that different debt management can produce different profitability or debt management negatively affects profitability. However, differences in debt management do not cause differences in company value or debt management does not affect company value.

KEYWORDS: debt management, profitability, company value

I. INTRODUCTION

The source of funds available to the company can come from equities and liabilities. Equities are a source of funds that come from investors as company owners. Apart from investors, equities can be obtained from company profits in the form of retained earnings. Equities should be the first source of funds used by a company. Because, equities are a low-risk source of funds. Even the source of retained earnings funds is a source of funds that are easy to obtain and cheap in cost, because these funds are already in the company.

In addition to equities, another source of funds is liabilities. Liabilities are a source of funds from suppliers and creditors. The source of funds from suppliers arises caused of purchases on credit. This source of funds does not explicitly incur a financial cost. So, it is referred to as free liabilities. While the source of funds from creditors is often known as debt.

The role of foreign debt as a source of funds for private companies, especially non-financial corporations, in Indonesia can be seen in Table 1. Total debts in 2017 were USD 131.28 million and the amount continued to increase until 2020 to USD 164.46 million. Within 3 years there was an increase of 25.27 percent. Total debt in 2021 was slightly smaller than debt in 2020. This decline continued in 2022, bringing total debt to USD 160.88 million. If the total debt in 2022 is compared to 2017, the total debt increased by 22.55 percent. The growth of total debt in non-financial private corporations shows that debt is a source of funds that continue to be needed. Thus, debt has an important role to finance the company's operations and investment.

Table 1 Total Foreign Debts (in million USD)

Year	2017	2018	2019	2020	2021	2022
Total	131.28	144.20	154.05	164.46	163.41	160.88

Source: Bank of Indonesia

Debt is used to finance the operations and investment of a company. The use of this debt is expected to increase the company's profits. The debt is used to take available opportunities and is expected to add to profits. Because, these opportunities cannot be taken if the company does not have sufficient funds to finance these operations or investments. Thus, the use of debt is expected to increase the company's profitability and ultimately the corporate value also rises.

In addition to debt is expected to increase profitability and corporate value, debt incurs financial burden in the form of debt interest and principal. The debt burden must be paid every period in accordance with the agreement of the debt agreement. This burden is a fixed cost that can increase the company's financial risk. Companies that will take on debt must consider well the amount of debt interest compared to the return obtained from the use of the debt. Debt is feasible if the company can use the debt to generate a return more than the interest expense of the debt. Therefore, companies must be careful in taking sources of debt funds because failure to pay the interest and principal can lead to bankruptcy.

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In the income statement, debt interest reduces the company's profits. Although, debt interest can be used as a deduction from income tax payments, it can decrease a company's profitability. Therefore, companies must be wise in taking debt. So that optimal debt levels can increase the company's profitability.

In addition, the amount of debt determines the performance of the capital structure or debt level of a company. This performance can be a consideration for investors about the condition of the company. Large amounts of debt pose great financial risks as well. Conversely, financial risk is low if the company's debt is small. Thus, investors give low value to companies that have a lot of debt and high value to companies with small debt. The valuation of these investors results in company value.

This study distinguishes debt management or capital structure measured by debt level into three groups, namely small, medium, and high. Profitability and corporate value will be compared among the three debt level groups. This is done to analyze the difference in profitability and corporate value between debt levels. Based on this discussion, the research questions proposed in this study are:

1. Are there different rates of profitability for different debt levels?
2. Are there different company values for different debt levels?

This study used the average difference test to answer these two questions. This test is different from other studies. Other studies use regression as an analytical technique.

II. LITERATURE REVIEW AND CONCEPTUAL MODEL

A. Debt Management

Debt is a source of funds that come from creditors. Debt incurs payment obligations, interest and principal, from debtors to creditors. Based on the period of payment, debt can be divided into two, namely current liabilities and long-term debt (Gitman and Zutter, 2015). Brigham and Houston (2019) distinguish between liabilities and debt. Liabilities are payment obligations that do not incur interest charges. Meanwhile, debt is a payment obligation that incurs interest expenses. Current liabilities are obligations that must be repaid immediately for a period of less than one year. Current debt is the obligation to repay, both interest and principal, within a maximum of one year. Meanwhile, long-term debt is debt whose repayment is in the long term, which is more than one year (Weygandt et. all, 2018). Debt can be obtained from domestic and foreign money markets.

Debt is used to finance the company's operations and/or investments. The use of this debt is expected to increase the company's profitability. Furthermore, the increase in profitability is also expected to be able to increase company value. Therefore, debt must be managed properly. Good or optimal debt management can increase profitability and company value. Debt can be used to drive a company's growth (Esperanca et all, 2003, p. 78). Indicators used for debt management can be in the form of (1) total debt to total assets, (2) total assets to total capital, and (3) times-interest earned.

B. Profitability

Profitability is the company's ability to make a profit. The company always tries to make a profit by using all its assets. In addition, the company must also optimize the mix of financing sources used. There are five indicators that can be used to measure the level of profitability (Brigham & Houston, 2019), namely (1) operating margin, (2) profit margin, (3) return on total assets, (4) return on common equity, and (5) return on invested capital.

Debt management can affect a company's profitability. Optimal debt management can increase profitability. Research from Gill and Mathur (2011, p. 3) found that there is a positive relationship between debt and profitability. Another study (Puspita and Siswanti, 2021) and research by Algifari et all (2022) found that capital structure affects profitability. The results of this study are also supported by Astawinetu et all (2023, p. 3342) which concludes that debt management or leverage has a positive effect on profitability. Some of these studies show that increased leverage (debt level) can increase profitability.

However, the results of research that are different from the research above also exist. Research from Zeng (2018, p. 305) found that debt is not positively related to profitability. This research shows that variations in debt management do not affect variations in profitability. Any amount of total debt of a company does not affect the profitability rate. Meanwhile, research by Valipour and Moradbeygi (2011, p. 139) concluded that debt and profit quality have a negative and meaningful relationship. This research shows that the higher the company's debt level, the smaller the company's profitability. The level of leverage turns out to hinder profitability (Ghardallou, 2022, p. 859).

From some of the studies above show different findings. Debt management (debt level) can have a positive or negative effect or no effect at all on profitability. Based on the results of these different findings, this study was carried out, so that the hypothesis proposed in this study is:

H1: There are different profitability rates for different debt levels.

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C. Company Value

As is known that company value (stock price) will always change at any time, up or down. There are several factors (variables) that affect the value of the company, namely internal factors and external factors of the company (Husnan, 2015, p. 175). All investors determine the share price or value of a company from external factors that ultimately affect all companies (Scoot Besley and Eugene Brigham, 2005, p.19).

According to Brigham and Joel F. Houston (2019, p. 11) the factors that determine stock prices (company value) are managerial measures, economic environment, taxes, and political climate. Then these factors affect the company's cash flow and risk, which ultimately determines the stock price and the intrinsic value of the stock. Based on the two opinions above, it can be concluded that external factors are the main factors that affect the stock price (company value). These external factors include: Economic conditions, government laws and regulations and the environment of competitors both at home and abroad. In addition, public health conditions in general are also part of external factors that affect their income and consumption patterns.

However, internal factors of the company are also important factors that affect the stock price (company value). Internal factors of the company are shown by the company's performance in managing the company which among others can be seen from the liquidity, activity, profitability, and leverage of the company published on the Indonesia Stock Exchange. Investors also look at the company's prospects in investing in company shares.

The value of the company is equal to the market value of the debt plus the market value of the stock, but if the market value of the debt is considered constant, then the value of the company can be interpreted as equal to the market value of the stock. As stated by Sartono in the normative purpose of the company is to improve the welfare of shareholders. The welfare of shareholders will increase if the market price of their stocks increases (Sartono, 2017, p. 9). Sudana M. (2011, p. 20) states that company value can be measured in several ways, namely (1) price earning ratio; (2) dividend yield; (3) dividend payout ratio; and (4) market to book ratio.

Some research on the effect of debt management on company value is discussed as follows. Al-Nsour and Al-Muhtadi (2019, p. 73), in their research, found that the debt ratio has a significant influence on market value (company value) with the direction of position. Other studies have also found that capital structure has a positive effect on company value (Hirdinis, 2019, p. 174), capital structure has a direct effect on company value (Sudiyatno et al, 2020, p. 769), capital structure has a positive effect on company value (Felicia et al, 2022, p. 2644). The results of this study are also supported by findings from Prakoso et al (2022) and Marlina and Arisudana (2022). All the studies conclude that debt management has a positive influence on company value. This means that if the debt level rises, the company value also rises.

Other studies have found that capital structure negatively affects company value (Yasin and Studiviany, 2021, p. 516). This research shows that the higher the company's debt level drives a decrease in company value. Meanwhile, the results of different studies (Nursetya and Hidayati, 2020, p. 67) found that capital structure has no effect on company value.

The results of the above research show the reality that debt management has a different influence on company value. This fact encourages the need to re-examine the effect of debt management on company value. Thus, the hypothesis proposed in this study related to the influence of debt management on company value is:

H2: There are different company values for different debt levels.

III. RESEARCH METHOD

A. Variable Indicators

This research is a causality study, which is research that examines the influence of independent variables on dependent variables. Debt management is an independent variable. Profitability and company value are dependent variables.

The indicator of debt management is total debt to total assets (TDTA). The formula of TDTA is total debt divided by total assets. This TDTA shows the debt level of the company under study. The higher the TDTA, the greater the total debt of a company.

The profitability of a company is measured by return on assets (ROA), return on equity (ROE) and basic earning power (BEP). ROA is a comparison between earnings after tax and total assets. This value shows the ability of a company to generate after-tax earnings with total assets used in operations. A high ROA indicates the company's ability to utilize high total assets as well as generate net income.

ROE is a comparison between net income and total equities. ROE shows the ability of a company to generate net income. The higher the ROE, the greater the company's ability to generate net income with total equities invested.

BEP is a comparison between earnings before interest and tax with total assets. BEP shows the ability of a company to utilize total assets to generate net operating income. This BEP shows the company's ability to generate profits from the company's main operations. This profit excludes other income and expenses outside the company's main operations and ignores its capital structure. The higher the BEP, the greater the company's ability to generate net operating income with its total assets.

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Company value uses price-earning ratio (PER) and market to book value ratio (MBR) indicators. PER is a comparison between the market price of common stock and earnings per share. PER shows the investor's assessment of the net income earned by a company. The higher the PER of a company (within a certain limit), the higher the investor's appreciation of the company's profit performance. Meanwhile, MBR is a comparison between the market value of common stock and the book value of the stock. A high MBR indicates a high appreciation from investors for the company's book value.

B. Research Objects

Companies that are the object of this study are companies included in the Kompas 100 Index. This index consists of 100 companies listed on the Indonesia Stock Exchange. Among the requirements of companies that can be included in the Kompas 100 Index are that they must have high liquidity, have a large market capitalization value, and have good fundamentals and performance.

The sampling technique used in this study was purposive sampling. The requirements of the companies sampled are (1) non-financial companies and (2) financial data available for 5 years of observation. Of the 100 companies in the Kompas 100 Index, there are 86 non-financial companies and 14 financial companies. Among the 86 non-financial companies, there are 11 companies with financial data less than 5 years old. Thus, the number of samples in this study is 75 non-financial companies.

C. Data Analysis

The data used in this study is financial data obtained from secondary sources. All data were taken from the financial statements of 75 non-financial companies that were the object of research. The observation period is for 5 years, from 2018 to 2022.

Data from the financial statements is used to calculate the ratio of all variable indicators. Next, the average value per year of all ratios is calculated based on the value of each ratio for five years. The average value of this ratio shows the average financial performance per year of each company.

All indicator data are tested for normality to determine the form of distribution of the data. The normality test of all data is using the Kolmogorov-Smirnov test and the Shapiro-Wilk test. If the data is normally distributed, the hypothesis test is carried out using parametric statistics. Conversely, if the data are not normally distributed, hypothesis testing is performed using non-parametric statistics.

IV. DISCUSSIONS

A. Description of Research Results

All financial data for each research variable indicator is the average data obtained during five years of observation. Thus, each company has one value for each indicator. As there are 75 companies that are the object of research, the amount of data for each indicator is 75.

Table 2 shows the descriptive values for each research indicator. The mean value shows the average value of the entire data (n = 75). Standard error indicates a standard deviation from the average value. Smaller bound shows the predicted lowest mean value of the population using a confidence interval of 95 percent. While upper bound is a prediction of the highest mean value of the population with a 95 percent confidence interval.

Table 2: Descriptive Statistics

Indicator	Mean	Standard Error	Smaller Bound	Upper Bound	Minimum	Maximum	Range
TDTA	0.2731	0.0210	0.2312	0.3149	0.0003	0.7168	0.7165
ROA	0.0648	0.0080	0.0488	0.0808	-0.0533	0.3537	0.4070
ROE	9.0915	8.9583	-8.7582	26.9412	-0.1718	672.0000	672.1718
BEP	0.1009	0.0093	0.0825	0.1194	-0.0127	0.4448	0.4575
PER	39.2294	9.0421	21.2125	57.2463	-17.0021	541.1647	558.1668
MBR	5.2351	2.4430	0.3673	10.1029	0.0788	180.1244	180.0456

Source: SPSS Output

The minimum value is the minimum data value used in the analysis. The maximum value is the highest data entered in the analysis. The difference between the maximum value and the minimum value results in a range value. The smaller the value of this range indicates the smaller the variation of the data used in the analysis. Conversely, the greater the range value indicates the more varied the data of the object of study. This means that the company's performance is very varied.

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A.1. Debt Management

There are two indicators of debt management (capital structure), namely total debt to total assets (TDTA) and total debt to total equity (TDTE). To distinguish debt management between companies used TDTA. The data shows that the lowest value of TDTA value is 0.0003 or 0.03 percent (see Table 2). This value is very low, which means that for five years the Company had almost no debt as a source of financing. Meanwhile, the highest TDTA value was 0.7168 or 71.68 percent. This value indicates that the source of funds from the debt used is very high.

Based on debt level ratio (TDTA) data showing the capital structure ratio, all companies (75 companies) are divided into three classes (groups), namely small, medium, and high. The class width for each class is calculated by the following formula: the highest value (H) minus the lowest value (L) and the result divided by the number of classes (3). Based on the available data, class width = $(0.7168 - 0.0003)/3 = 0.2388$. Thus, a frequency distribution can be made as in Table 3.

The data shows that the most companies in this research (45.33%) have debt at the medium level. Companies that have a small debt level are 41.33 percent and companies that are included in the high level are 13.33 percent of all research objects.

Table 3 Distribution of Frequency

Level	Classes	Frequency	Proportion
Small	0.0003 up to 0,2391	31	0.4133
Medium	0.2392 up to 0.4780	34	0.4533
High	0.4781 up to 0.7168	10	0.1333
Total		75	1.0000

Source: Data processed

The average values for all research variable indicators differentiated by debt level are shown in Table 4. All average indicator values between debt levels look different. Therefore, these values must be tested to show the difference between them.

Table 4 Average Value for Each Indicator

Debt Level	ROA	ROE	BEP	PER	MBR
Small	0.1029	21.8252	0.1322	25.4283	2.4689
Medium	0.0433	0.1127	0.0826	54.0690	8.7419
High	0.0198	0.1450	0.0662	31.5581	5.2351

Source: SPSS output

A.2. Profitability

Profitability is the ability of a company to make a profit by using all of assets owned and sources of funds used. Indicators for profitability are ROA, ROE, and BEP. The ROA for 75 companies moved from minus 5.33 percent to 35.37 percent with an average of 6.48 percent. The ROE moved from minus 17.18 percent to 67,200 percent with an average of 909.15 percent. Meanwhile, the smallest BEP is minus 1.27 percent to 44.48 percent with an average of 10.09 percent (see Table 2).

The average profitability values for each different debt level are shown in Table 4. The average ROA of the 31 companies included in the small debt level was 0.1029 or 10.29 percent. Thirty-four companies classified as medium debt level have an average ROA of 4.33 percent and an average ROA of 1.98 percent for 10 companies included in the high debt level. The average value of ROE and BEP which are classified as three different debt levels can also be seen in Table 4. In absolute terms, the profitability rate for each debt level is different. However, these differences will be tested to determine their significance (meaningfulness).

A.3. Company Value

Company value shows investors' assessment of a company's performance in relation to the market price of the company's common stock. The company value indicators used in this study are PER and MBR. PER shows the investor's assessment of the net income generated by a company. The five-year average PER of the 75 companies that were the object of this study moved from minus 17.0021 times to 541.1647 times with an average of 39.2294 times (see Table 2). Meanwhile, the average value of MBR moved from 0.0788 times to 180.1244 times with an average of 5.2351 times.

The average value of PER and MBR for each debt level can be seen in Table 4. The average value of PER for small debt level is 25.4283 times, for medium debt level is 54.0690 times, and 31.5581 times for high debt level. The PER value for each debt level looks different. However, these differences must be tested for significance.

The average value of MBR for each debt level also looks different. The average MBR for small debt level is 2.4689 times. The average MBR for medium debt level is 8.7419 times and 5.2351 times for high debt level. This difference in MBR values must also be tested for significance.

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B. Normality Test

The first step before the data is analyzed, it must be tested for normality. This test is used to determine the normality of data and select statistical analysis methods that can be used. If the data is normally distributed, the statistical analysis method used is parametric statistics. However, if the data is abnormally distributed, the statistical analysis method used is non-parametric statistical.

The results of the normality test by using SPSS software are shown in Table 5. Table 5 shows that the normality tests used are the Kolmogorov-Smirnov test and the Shapiro-Wilk test. To assess the normality of the data used Sig value or p-value. The data is normally distributed if it has a Sig value greater than 0.05 (the selected significance level). Conversely, data is not normally distributed if it has a Sig value smaller than or equal to 0.05.

There are six variable indicators that are tested for normality. The results of the Kolmogorov-Smirnov test show that only TDTA indicators have Sig values above 0.05 (i.e. 0.200), while Sig values for other indicators have values below 0.05. Thus, only TDTA indicator data is normally distributed and other indicator data is not normally distributed.

Meanwhile, the results of the Shapiro-Wilk normality test show that none of the indicator variables have a Sig value above 0.05. Thus, all indicator variable data are not normally distributed.

Based on the results of the normality test, it was decided that all data were not normally distributed. Thus, the statistical analysis method used is non-parametric statistics.

Table 5 Test of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
TDTA	.081	75	.200*	.955	75	.010
ROA	.118	75	.011	.916	75	.000
ROE	.526	75	.000	.094	75	.000
BEP	.128	75	.004	.876	75	.000
PER	.329	75	.000	.457	75	.000
MBR	.408	75	.000	.186	75	.000

*. This is a smaller bound of the true significance.

a. Lilliefors Significance Correction

Source: SPSS Output

C. Hypotheses Test

The hypothesis test used is a difference test. This difference test is used to determine the difference in the value of research variable indicators between different debt levels. As shown in Table 4, the value of each indicator for different debt levels is different. However, the difference must be tested to determine the level of significance of the difference in value. The difference in value is real if the difference is statistically significant.

Data from all study indicators were not normally distributed (see normality test). Thus, the statistical analysis used is a non-parametric statistic, namely the Kruskal-Wallis Test. This test is used for an average test when there are three or more levels.

The results of the Kruskal-Wallis test with SPSS are shown in Table 6. The average value of the indicator is stated differently (significantly) if it has Asymp. Sig. (p-value) is less than 0.05. But if the Asymp Sig value is greater than 0.05, then the difference between the average values for different debt levels is insignificant. In other words, the average value is no different.

Table 6 Kruskal-Wallis Test

	Test Statistics ^{a,b}				
	ROA	ROE	BEP	PER	MBR
Kruskal-Wallis H	24.847	12.120	11.554	.285	.650
df	2	2	2	2	2
Asymp. Sig.	.000	.002	.003	.867	.723

a. Kruskal Wallis Test

b. Grouping Variable: CLASS

Source: SPSS output

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C.1. Different Test for Profitability

As mentioned in the previous discussion, hypothesis 1 proposed is: "There are different profitability rates for different debt levels". Table 4 shows that the average ROA for small debt levels is 0.1029; medium debt level is 0.0433; and the high debt level is 0.0198. The average ROE for the small level was 21.8252; medium level is 0.1127; and the high level is 0.1450. Meanwhile, the BEP value for the small level is 0.1322; for medium level is 0.0826; and for the high level is 0.0662. The average value of such different profitability must be tested for significance.

The results of the Kruskal-Wallis test for the ranking difference test are shown in Table 6. This table shows that the Asymp Sig value for the ROA indicator is 0.000; for ROE is 0.002; and for BEP it is 0.003. These three Asymp Sig values are smaller than 0.05. This shows that the average value for the three indicators is different for each debt levels or capital structures.

To determine the difference in profitability for different debt levels, the average profitability value for each debt level is sorted along with all the data used in the analysis. The order of profitability is shown in Table 7. The greater the rank value means the greater the profitability rate. Conversely, the smaller the rank value indicates the lower the profitability.

Table 7 Ranks

Debt Level	ROA	ROE	BEP	PER	MBR
Small	52.58	48.00	48.15	36.45	39.16
Medium	29.68	29.18	31.43	38.85	38.44
High	21.10	37.00	28.90	39.90	32.90

Source: SPSS output

The average ROA for small debt level (capital structure) is 52.58; ROA for medium debt level is located at rank 29.68; and ROA for high level is at rank 21.10. This shows that the ROA for the small level is the highest among the three debt levels. The average ROA for small debt level is 0.1029 or 10.29 percent, for medium debt level is 0.0433, and 0.0198 for high debt level (see Table 4). Among these three ROAs, the different (significantly) ROA is the ROA for small debt levels. This ROA is different from the ROA for medium debt level and for high debt level. Meanwhile, ROA for medium level and high level is not different, even though their ROA values and rank positions are different. This shows that capital structures with little debt can generate higher ROA than capital structures with medium and high debt levels.

Similar conditions also occur for ROE and BEP indicators. Capital structure with small debt level produces ROE and BEP greater than capital structure with medium debt level and high debt level. Meanwhile, ROE and BEP for the other two capital structures (medium and high debt level) are relatively equal. Although, the ROE and BEP values for both debt levels are different.

The above explanation shows that hypothesis 1 which states that there are different profitability rates for different capital structures is acceptable. This shows that different capital structure (debt management) strategies are capable to produce different profitability. In other words, debt management has a negative effect on profitability rate. The findings of this study are the same as or support previous studies, namely the research of Valipour and Moradbeygi (2011, p. 139) and Ghardallou (2022, p. 859), which states that capital structure negatively affects profitability.

C.2. Different Test for Company Value

In addition to profitability, this study also wants to know and analyze the effect of differences in debt level (debt management) or capital structure with company value. Thus hypothesis 2 proposed is: "There are different company values for different debt levels". As explained earlier, the indicators for company value are PER and MBR. The results of the Kruskal-Wallis Test, as shown in Table 6 show that the Asymp Sig values for PER are 0.867 and 0.723 for MBR. Both values are greater than 0.05. This means that the difference in PER and MBR values (see Table 4) and rank (see Table 7) between the three debt levels is meaningless. In other words, the PER and MBR values for the three debt levels are relatively the same. Thus, hypothesis 2 which states that there are different company values for different debt levels is unacceptable. The difference in PER and MBR values between different debt levels is not significant or just a coincidence. This finding concludes that debt management has no effect on company value. The results of this study support the research of Nursetya and Hidayati (2020, p. 67) which concludes that capital structure has no effect on company value.

V. CONCLUSION

The discussion above concludes that debt management of various companies that are the object of research varies from having no debt to very large debts. Most companies have medium debt, followed by companies with small debt. Few companies have high level debt. This shows that the most company managers apply prudent debt management.

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Debt management shown by debt level can affect the Company's profitability. Different debt management can produce different profitability. Capital structures with less debt can generate higher profitability compared to capital structures with more debt. This implies that additional sources of debt funds can decrease profitability. This decrease in profitability is caused by debt interest expenses that increase as the amount of debt increases. Therefore, the Company must be careful in utilizing debt to finance the Company's operations and investments.

But differences in debt level (debt management) are not able to produce differences in company value. The difference in PER and MBR values between different debt levels is not significant. That is, company values that differ between debt levels are statistically not different or the same. Mathematically, there is no direct relationship between debt level and company value (stock price). Company value is more determined by investors on the overall performance of the Company and the prospects of a Company in the future. This shows that investors do not consider the company's debt management in conducting stock transactions, either when they sell or buy a stock.

VI. LIMITATIONS

This research uses a sample of 75 non-financial companies included in the Kompas 100 index. Thus, this study may not yet describe the relationship and influence between research variables for various companies that are not in the Kompas 100 index. In addition, research variables and observation periods in this study are also limited. Therefore, suggestions that can be given related to the findings of this study are:

1. Every company should not take a large source of debt funds.
2. Every investor should pay attention to the performance of the capital structure and profitability of a company when buying or selling shares of the company.
3. We recommend that further researchers increase the number of companies as research objects.
4. We recommend that researchers consider other variables in their research.

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