



Debt is Not Always Bad Even in Difficult Economic Conditions

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ABSTRACT

The problem faced by the company is the use of debt that is not according to plan. The purpose of this study is to determine whether debt policy affects company performance. This study was conducted on manufacturing sector companies listed on the Indonesia Stock Exchange in 2018–2023 with a population of 296 companies, the sample used was 73 companies for six years. Thus, the number of samples used in this study was 438. The company performance variable is proxied by (ROE) while the independent variables in this study are debt policy proxied by (DER and DER*KE), investment decisions (KI), managerial ownership (MNJR), and economic conditions (KE). The data analysis method uses multiple linear regression methods with SPSS software version 26. The results of the study show that the debt policy variable (DER) has a negative and significant effect on company performance (ROE) and the debt policy variable*economic conditions (DER*KE) has a positive and significant effect on company performance (ROE). This means that when economic conditions are supportive, companies that use debt to finance operational activities or business expansion tend to experience increased performance. Funds obtained from debt can be used for investment, new product development, or market expansion. Proper use of debt can increase a company's return on equity (ROE), as long as the rate of return on the investment financed by debt is higher than the cost of debt. Timing the debt decision is crucial. In improving economic conditions, companies can take advantage of low interest rates and increase production capacity.

INTRODUCTION

Manufacturing companies are one type of business company. As a business company, the company has short-term and long-term goals. The short-term goal is to gain profit to enrich the owner's assets. While the long-term goal of the company is not only to gain profit, but also to develop the company's value in order to compete and survive with its competitors in the midst of the competition. The company's value can also show the market's perception of the company, market perception can decrease or increase demand (Subardini, 2018). Thus, the company must determine the value and analyze the aspects that can increase the company's value. Building company value is equivalent to building market trust, which can help the company grow.

Company performance gives a good signal to investors to invest their capital in the company. Company value as the most important goal for investors and becomes an indicator for the market to assess the company in a comprehensive manner (Irawati & Hardiastuti, 2016). Each information about the company's condition is more sensitive to market response. Meanwhile, for creditors, company performance is related to the level of liquidity, which is an element that provides a perspective on the level of the company's ability to repay loans that will be given by creditors. Companies with high values basically have the potential to carry out obligations than companies with low values (Gustiandika & Hadiprajitno, 2014).

Low company value is a market response that is more underestimating or pessimistic about the company's performance to gain profit. Because the market price as a description is based on various management decisions and policies, it can therefore be stated that the company's value is the impact of management behavior (Suharli, 2006). Creditors and investors can be more confident in investing or providing funds for the company by seeing that the company's value is increasing and is followed by a stabilization of the increase experienced in each period. Seeing this situation, the company can obtain the convenience and benefits of external funding in financing business development and investment projects (Sormin, 2021). The company's value can be seen from the company's profitability, because the size of the company's profitability can affect the company's value. Profitability is the ratio in evaluating the company's ability to make a profit in a period. Good company prospects show high profitability, companies with high levels of profitability of course have shares that are favored by investors, thus investors can respond positively and the company's performance increases (Lumoly et al., 2018).

One of the factors that influence company performance is the company's debt policy. Debt policy is a company decision regarding the extent to which the company uses debt as a source of funding. Debt policy can be used to create company performance targets. Management of debt use must be according to plan because it has a sensitive impact on the rise and fall of company performance. Determination of the composition of the company's debt which is getting higher at a certain level, so that the company's value increases, but if the

debt level exceeds the determination of the proportion of debt by the company, the company's value decreases (Pertwi et al., 2016).

When a company's DER is below 1, it means that the company's equity is greater than its debt, companies with DER below 1 tend to be more financially stable, because they have smaller debt obligations. When a company's DER is above 1, it means that the company's debt is greater than its equity. This indicates that the company is using more debt in its financing. Although debt can provide benefits in the form of tax savings and allow companies to generate more profits by using less funds from internal sources, companies with DER above 1 tend to have higher risks in difficult economic situations.

According to Fahmi (2018), the company's capital structure describes the comparison between the amount of debt and equity capital used by the company as a source of financing. Managers must be careful in making funding decisions for companies related to determining the capital structure, because this decision can affect the company's performance and in achieving the goal of optimizing the welfare of its shareholders. The theory of capital structure began with Modigliani & Miller's research (1958), namely in conditions of no taxes and no transaction costs, the capital structure does not affect the company's performance. Then Modigliani & Miller (1958) gave leeway to one of the assumptions regarding corporate tax, namely if there is corporate tax, the use of debt will increase the company's performance.

Other factors that affect company performance are investment decisions, investment activities are expected to generate large profits for the company. Investment decisions depend on the amount of funding sources available in the company, which come from external financing and internal financing (Erosvitha & Wirawati, 2016). In addition to profitability, another important factor in improving company performance is the ownership structure. Based on the agency theory presented (Jensen & Meckling, 1976), management is described as an agent and shareholders as principals. Then the following factor that affects the value of the company is economic conditions, theoretically economic conditions can be shown by fundamental analysis. Fundamental analysis is the analysis of financial data, market share, and business cycle data related to the company's internal conditions and external factors related to the business entity, such as government policies, interest rates, inflation, and others (Erosvitha & Wirawati, 2016).

Several large manufacturing companies in Indonesia that have defaulted and been declared bankrupt, such as in 2020, PT Tiga Pilar Sejahtera Food Tbk (AISA) the company was declared bankrupt after failing to pay debts of IDR 15 trillion. The cause of AISA's bankruptcy was being entangled in short-term debt and low revenue from operational activities. Previously in 2018, PT Sariwangi Agricultural Estate Agency (SAEA) was declared bankrupt because it was unable to pay installments on its debt to Bank ICBC Indonesia. It is known that Sariwangi's total debt to Bank ICBC at that time reached US\$ 20,505,166 or around IDR 317 billion. Then there was PT Nyonya Meneer in 2017 which was also declared bankrupt because it was unable to pay debts of IDR 252 billion.

The phenomenon of manufacturing companies defaulting occurs when a company is unable to pay its debts or financial obligations at a predetermined time. This can occur due to various factors, such as poor financial performance, excessive debt, improper cash management, market instability, or unexpected regulatory changes. When a company defaults, it can trigger a domino effect in the wider economic sector. Creditors and investors can suffer significant financial losses, and financial markets can experience turmoil. It can also lead to greater economic losses, such as job losses and asset declines. This problem becomes acute because the use of increasing debt can increase the risk of default and even higher bankruptcy risk (Margaritis & Psillaki, 2010).

Based on the above, the author is intrigued to find out at what economic conditions, companies can utilize debt where the debt can improve company performance. The results of the study indicate that in certain economic conditions, the use of debt as a source of funding can have a positive and significant impact on company performance. This means that when economic conditions are supportive, companies that utilize debt to finance operational activities or business expansion tend to experience increased performance.

In good economic conditions, debt can be a catalyst for growth for a company. Funds obtained from debt can be used for investment, new product development, or market expansion. Proper use of debt can increase a company's Return on Equity (ROE), provided that the rate of return on the investment financed by debt is higher than the cost of debt. The right timing in making debt decisions is crucial. In improving economic conditions, companies can take advantage of low interest rates and increase production capacity.

Companies need to have good debt management to avoid the risk of default. Companies must conduct careful risk analysis before making debt decisions. Companies need to maintain financial flexibility to deal with changing economic conditions. Companies should also not rely too much on debt as the sole source of funding. The use of debt can be an effective strategy to improve company performance, but it must be done carefully and considering existing economic conditions. Companies need to have a good understanding of the risks associated with debt and design the right financial strategy to manage debt effectively.

THEORETICAL REVIEW

The main purpose of establishing a company is to increase the value of the company, this must be a concern and taken into account by the company to ensure it. The increase in company value is achieved if there is cooperation between management and other parties (shareholders or stakeholders) in making financial decisions that aim to optimize working capital. Manufacturing companies listed on the IDX are companies that currently dominate. This creates tight competition between each manufacturing company, this competition occurs due to the current economic conditions plus the large number of companies in this sector.

In the 1970s, agency theory developed, namely in 1976 in the book by Meckling and Jensen. The substance based on this theory explains the relationship between the principal as the owner of the company and his agent, namely the management as a professional who is trusted to manage the company, but in that case there is a differentiation of interests on each party in making company policies and decisions, thus giving rise to potential agency problems (Saputra et al., 2022). Agency theory explains that management's interests are often at odds with the interests of shareholders, thus giving rise to conflict. This conflict is often because management tries more to prioritize personal interests than the interests of the company, thus increasing the costs that the company must pay and reducing the profits that shareholders want to receive.

Brigham & Houston (2011) argue that, Signaling or signal is an action that will be carried out by the company to provide an illustration (signal) to investors regarding management decisions or company conditions. The signal in question can be in the form of information regarding several things that have been implemented by the company's management in achieving its goals and market expansion. The substance based on this theory has the assumption that the company seeks to provide information to external parties regarding its conditions to minimize the presence of irregular information, thus external parties can better understand the company's situation. it is like a signal that external parties want to respond to which is expected to minimize doubts, thus not causing an underestimation of the company's prospects. Signaling theory also states that companies always strive to send signals in the form of good news or positive information to shareholders or investors through the use of disclosure procedures, for example from the annual report media. The information conveyed by management also has the aim of increasing management credibility in the eyes of the public, thus there is an award in the form of additional incentives based on shareholders.

Brigham & Houston (2011) explained that the trade-off theory describes companies that replace tax use based on debt financing with problems from bankruptcy opportunities. The determination of the target is determined according to the suitability of bankruptcy costs and tax benefits. The trade-off theory generally explains that the maximum use of debt by a company is through paying attention to the harmony of bankruptcy costs and tax benefits due to the debt in the company. The basic principle of the trade-off theory shows that companies must consider the level of debt and its effect on the company's bankruptcy risk (Megawati et al., 2021).

Brigham & Houston (2009) argue that, the value of the company is the price that consumers can afford if the company is sold. According to Irawati (2016) stated that the value of the company is the most important concept for investors because the value of the company is a measure of how the market evaluates the company in a comprehensive manner. The value of the company can describe the value of assets in the company, for example securities. The opinion of Harjito & Martono (2014) states that shares are a valuable asset of a

company. Companies that go public become a measure of the value of a company is the stock price which is a reflection of the agreed price and is a reflection of a company. However, if the company has not gone public, the value of a company is measured based on the present value of the amount of cash flow received in the current period and the expected cash flow to be obtained in the future.

Debt policy is one of the company's policies in financing and running the company's operational activities obtained from external funding sources. Debt policy is a policy that determines how much the company's funding needs are funded by debt. The use of debt can provide benefits for the company, namely in the form of tax savings. On the other hand, the use of debt can also increase costs for the company, namely in the form of bankruptcy costs if the company cannot pay its debts (Herawati, 2012). Bankruptcy costs arise due to the existence of loan interest by creditors and installment payment obligations. According to Amiryana & Atmini (2008), debt interest and installment payments can result in financial distress because the company's cash flow cannot pay it. In addition, an interesting phenomenon that has developed in Indonesia reveals that the trend of debt use in recent years has continued to increase. Meanwhile, the company's performance shows a non-linear growth trend (Raharja, 2014). In theory, it is stated that companies with large cash flows do not limit the use of external funding sources (debt). The impact of large debt on funding decisions increases the company's leverage and fixed costs. Therefore, according to the trade-off theory, the company's performance in the future will decline.

Investment decisions are the most important aspect of a company's financial function, where if the investment decisions determined by the company are high, then the company's opportunity to get a high level of return or return is higher. Because if a company has a high investment decision, it can influence investors' views on the company, thus increasing demand for the company's shares. Pertiwi et al (2016) stated that if investors' interest in investing in their company is high, then the investment decision can increase the value of the company.

Managerial ownership is the ownership of shares by the company's management who have an active role in decision-making in the company concerned (El-Haq, et. al., 2019). Managers will have a share of shares in the company so that they will not make decisions that are detrimental to shareholders because they have an impact on the manager's prosperity. Managerial ownership that does not affect company performance indicates that the company is unable to maximize the managerial ownership in the company. Therefore, the higher the managerial ownership, the more significant the impact on increasing company performance.

The company's goal with managerial ownership is to be able to make the use of company assets more efficient and is expected to act as a preventive measure against waste or profit manipulation by management so that the policies taken will be in accordance with the company's initial goal of optimizing the company's value. Managerial ownership needs to be increased because the results of the study show that the managerial ownership variable has an effect on company performance.

Economic conditions are good, smooth, or stagnant economic conditions (Junaedi & Salistia, 2020). The economy in this country shows growth over time, where the growth in question is in line with the era of economic globalization, resulting in increasingly tight competition in companies that make each company compete to improve its performance to achieve the desired goals (Junaedi & Salistia, 2020). The current economic conditions are influenced by the COVID-19 pandemic.

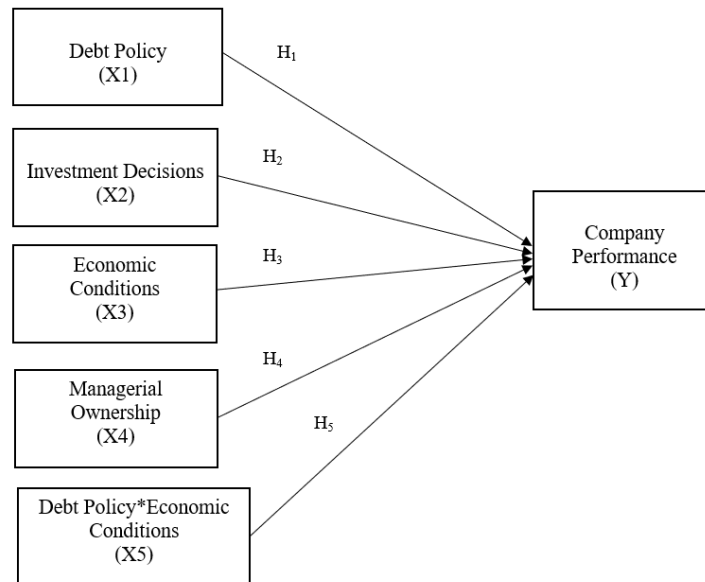


Figure 1. Conceptual Framework

From the above framework, temporary answers are obtained from previous studies that are relevant to this study, including:

H1: Debt policy has a positive effect on company performance.

H2: Investment decisions have a positive effect on company performance.

H3: Economic conditions have a positive effect on company performance.

H4: Managerial ownership has a positive effect on company performance.

H5: Debt policy*Economic conditions have a positive effect on company performance.

METHODOLOGY

This research is quantitative with descriptive statistics. The purpose is to provide a description or depict systematically, accurately and factually about the facts, nature and correlation between research phenomena. The quantitative method is carried out based on hypothesis testing which aims to find empirical results related to the objectives of this study in the form of how debt policy, investment decisions, economic conditions, managerial ownership structure, and debt policy * economic conditions affect the performance of companies listed on the IDX in 2018 - 2023.

The population studied is a public company in the manufacturing sector and lists its shares on the IDX, while the sample is part of the population

determined for the research object. In the selection of sampling through purposive sampling which aims to limit the selection of samples based on the criteria that the author wants to use. The criteria for manufacturing companies that are not included in the sample are determined based on the following criteria: 1. Manufacturing companies that are not listed consecutively in 2018 - 2023, 2. Companies that do not report financial statements consecutively in 2018 - 2023, and 3. Manufacturing companies that do not use the Rupiah currency, 4. Manufacturing companies that do not have financial statements ending on December 31, and 5. Manufacturing companies that do not have managerial ownership data for the period 2018 - 2023. So that the number of samples used is 73 companies multiplied by the year of research, which is 438 samples.

This study will use secondary data and will be conducted on manufacturing sector companies that have been listed on the IDX in 2018 - 2023. This study aims to test whether Debt Policy, Investment Decisions, Economic Conditions, Institutional Ownership Structure, and Debt Policy * Economic Conditions affect Company Performance, so the data analysis method will be carried out using the Multiple Linear Regression method with SPSS 26 software.

The tests conducted in this study start from descriptive statistical tests, which provide an overview of each variable in the study through population data or samples obtained. Testing will be carried out using the independent sample T test. Classical Assumption Test consisting of Normality test, Multicollinearity test, Heteroscedasticity test, and Autocorrelation test. Next, there is a multiple linear regression analysis test, this test is carried out to show the influence of independent variables: Debt Policy, Investment Decisions, Economic Conditions, and Managerial Ownership on Company Performance as its dependent variables. This study also uses the DER*KE variable to test the impact of debt policy*economic conditions on company performance, so the regression equation is:

$$ROE = a + b_1 DER + b_2 KI + b_3 KE + b_4 MNJR + b_5 DER*KE + e$$

With:

ROE : Return on Equity (Company Performance)

a : Constants

b₁, b₂, b₃, b₄, b₅, b₆ : Regression coefficient of independent variables

DER : Debt Policy

KI : Investment Decisions

KE : Economic Conditions

MNJR : Managerial Ownership

e : Standar Error

And finally there is a hypothesis test whose purpose is to prove the influence of the independent variable on the dependent variable partially with the assumption that other variables are constant. The hypothesis testing of this study uses SPSS software.

RESULTS

This chapter contains the results of descriptive statistics, Independent Sample T test, classical assumption testing and multiple linear regression analysis which will be aimed at providing answers to the problems of this research. This method is used to determine the effect of debt policy, investment decisions, profitability, institutional ownership and economic conditions on the value of manufacturing companies listed on the IDX in 2018 - 2021.

Descriptive Statistics

Descriptive statistics is data analysis carried out by describing the research object through sample or population data that has been collected at the beginning without the intention of making a general conclusion.

Table 1 Results of Descriptive Statistical Tests for Each Year 2018 - 2023

Variables	Number of Samples	Minimum	Maximum	Mean	Std. Deviation
DER (X ₁)	438	-17.623	54.980	1.439	3.812
KI (X ₂)	438	0.009	0.910	0.342	0.179
KE (X ₃)	438	0.000	1.000	0.333	0.471
MNJR (X ₄)	438	0.000	0.778	0.099	0.155
DER*KE (X ₅)	438	-17.623	22.025	0.489	1.982
ROE (Y)	438	-19.472	4.905	-0.004	1.081

From the table above, it can be seen that in the observation period of 2018-2023, the mean value for the debt policy variable (DER) is 1.439 or 143.9%, this value is smaller than the standard deviation of 3.812 indicating that the data on the DER variable is unstable or there is a deviation because the mean value is smaller than the standard deviation value. The lowest value of the DER variable is -17.623 owned by Intraco Penta Tbk. (INTA) in 2019 and the highest value of 54.980 is owned by Wicaksana Overseas Internation (WICO) in 2023 where the WICO company has a debt of 54.980 times the company's total equity.

From the table above, it can be seen that in the observation period of 2018-2023, the lowest value of the KI variable was 0.009 owned by Alakasa Industrindo Tbk (ALKA) and the highest value of 0.910 was owned by Tanah Laut Tbk (INDX) in 2023. The mean value for the KI variable is 0.342 and the standard deviation value is 0.179, which means that the data on the KI variable is stable or there is no deviation because the average value is greater than the standard deviation value.

From the table above, it can be seen that in the observation period of 2018-2021 the lowest value of the KE variable was 0.000 and the highest value was 1.000. For the mean value (average) for the KE variable, it is 0.333 and the standard deviation value is 0.471, which means that the data on the KE variable is unstable or there is a deviation because the average value is smaller than the standard deviation value.

From the table above, it can be seen that in the observation period of 2018-2023, the lowest value of the MNJR variable was 0.000 owned by Mahkota Group

Tbk. (MGRO) and the highest value was 0.778 owned by Saranacentral Bajatama Tbk. in 2018 to 2023. The mean value for the MNJR variable is 0.099 and the standard deviation value is 0.155, which means that the data on the MNJR variable is unstable or there is a deviation because the mean value is smaller than the standard deviation value.

From the table above, it can be seen that in the observation period of 2018-2023 the lowest value of the DER*KE variable was -17.623 owned by Intraco Penta Tbk. (INTA) and the highest value was 22.025. The mean value for the DER*KE variable is 0.489 and the standard deviation value is 1.982, which means that the data on the DER*KE variable is unstable or there is a deviation because the average value is smaller than the standard deviation value.

From the table above, it can be seen that in the observation period of 2018-2023, the lowest value of the ROE variable was -19.472 owned by Wicaksana Overseas International (WICO) in 2023 and the highest value was 4.905 owned by Waskita Beton Precast Tbk. (WSBP) in 2020. The mean value for the ROE variable is -0.004 and the standard deviation value is 1.081, which means that the data on the ROE variable is unstable or there is a deviation because the average value is smaller than the standard deviation value.

Classical Assumption Test

From the classical assumption test, the following results were obtained, the normality test carried out with the Kolmogorov-Smirnov (KS) test obtained a significance value of 0.000 which means < 0.05 , this indicates that the data is not normally distributed. The multicollinearity test results obtained the tolerance value of all independent variables showed a value of > 0.1 and the VIF value of all independent variables showed results < 10 so it can be seen that in the regression model there are no symptoms of multicollinearity among the independent variables. From the heteroscedasticity test tested with a scatter plot graph, it shows that the points are spread above and below zero on the Y axis and do not resemble a clear pattern. So the conclusion is drawn if the regression model does not have symptoms of heteroscedasticity or can be said to be homoscedastic. This test can also be carried out with the Glejse test with the results of the significance value of the regression equation with the independent variables KI and MNJR showing results above 0.05, the conclusion is that there are no symptoms of heteroscedasticity while for the variables DER, KE, and DER*KE show results below 0.05 so that the conclusion is that there are symptoms of heteroscedasticity. And from the Autocorrelation test, the results are obtained if the DW value is 1.038 which means $dU < DW < 4-dU$ ($1.825 > 1.038 < 2.129$) so it can be concluded if there are symptoms of autocorrelation.

Multiple Linear Regression Analysis Results and Hypothesis

After the classical assumption test is carried out, a multiple linear regression analysis will be carried out, the aim of which is to determine the influence between

independent variables (DER, KI, KE, MNJR, DER*KE) on the dependent variable (ROE).

Table 2 Multiple Linear Regression Analysis

Variabel	Predicted Sign	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Sig./2
		B	Std. Error	Maximum			
(Constant)	+	0.410	0.063		6.534	0.000	0.000
DER	+	-0.280	0.008	-0.988	-36.543	0.000	0.000
KI	+	-0.025	0.142	-0.004	-0.179	0.858	0.429
KE	+	-0.230	0.059	-0.100	-3.923	0.000	0.000
MNJR	+	-0.336	0.164	-0.048	-2.053	0.041	0.020
DER*KE	+	0.221	0.016	0.404	14.074	0.000	0.000
a. Dependent Variable: ROE							
<i>F</i> _{hitung}	275,695						
Sig. F	0,000						
<i>R Square</i>	0,761						
<i>Adjusted R Square</i>	0,759						

Debt to equity ratio is a ratio that tests the level of debt that can be covered by its own capital, the company increases the use of debt if the benefits of using debt are higher than the interest costs that must be paid, but if the benefits of using debt are lower than the benefits that the company will get to minimize the amount of debt. In accordance with the results of the analysis, it shows that DER negatively affects the company's performance, so that if DER increases, the company's performance will decline, and vice versa. This condition occurs because the company studied has a large debt, causing its capital costs to be high, exceeding the tax benefits it wants to obtain, while the company's sales do not show a large increase. In the manufacturing sector, a high debt policy (Debt-to-Equity Ratio/DER) can have a negative impact on the company's performance (Return on Equity/ROE). This is evident from the results of the descriptive analysis which shows that the DER value <1 means that the company is still in a very good condition in using debt for company activities. With these conditions, the company has good solvency, is able to repay its debts/obligations either in the form of short-term or long-term.

Investment decisions are related to the placement of funds owned by the company in existing fixed assets. With investment in the form of maintenance or addition of fixed assets, it will open up opportunities for the company to increase production or obtain the opportunity to obtain large profits in the future. In accordance with the results of the analysis, it shows that if the investment decision negatively affects the company's performance, which means that if the investment decision increases, the company's performance will decrease, and vice versa.

If the company has the right investment decision on fixed assets, the company will get maximum performance, so it will give a positive signal to its investors which will later increase the stock price and value of the company. Companies that are able to maximize investment activities can also generate

maximum profits. Data analysis shows that in the midst of a pandemic, companies continue to invest. Investment decisions made by adding fixed assets or renewing obsolete assets are still implemented as one of the management policies to maintain and increase production capacity so that the company is able to add value to the company.

Managerial ownership is the percentage of shares that come from management. Managerial ownership can function as a party that supervises the company. Based on the results of the analysis, it shows that if managerial ownership negatively affects company performance, then if managerial ownership increases, company performance will also increase, and vice versa. If institutional ownership is greater, the use of company assets will be more efficient and is expected to prevent waste by management. In addition, the presence of investors from management will make management more careful in seeking loans because large debts can cause the company to have difficulty paying (default) and eventually go bankrupt.

Economic conditions are good, smooth or stagnant economic conditions. Based on the results of the analysis, it shows that economic conditions have a negative impact on company performance, meaning that manufacturing companies in economic conditions hit by COVID-19 are unable to adapt and survive in carrying out their business activities. However, economic conditions during COVID-19 require companies to have the right policies and strategies in carrying out company activities. This is done so that companies are ready and able to survive in the face of the current uncertain economy. The company's ability to survive in various economic conditions can affect company performance. Economic conditions in the midst of the COVID-19 pandemic have a negative impact on companies. This is because companies experience a high level of inconsistency related to the impacts caused by COVID-19, both physically and financially. This has caused many companies to reduce their production activities. The suppression of production capacity is due to and influenced by a number of factors, including a decrease in demand which has led to the closure of factories, slowing down the delivery time of goods from suppliers which then puts pressure on the supply chain, thus causing cash flow constraints which cause the need for additional working capital.

The Influence of Debt Policy on Company Performance

The first hypothesis related to the effect of debt policy (DER) on company performance (ROE), Hypothesis H1, namely debt policy positively affects company performance. The results of the analysis show that debt policy has a negative and significant coefficient value, so the first hypothesis (H1) is rejected. The results obtained are also in accordance with previous studies conducted by (Wulandari, Latfillah, & Muninghar, 2019), (Tasmil, Malau, & Nasution, 2019), (Dewi, Cipta, & Kirya, 2015) and (Azzahra & Nasib, 2019) that debt policy or debt to equity ratio (DER) has a negative effect on financial performance because the greater the level of company debt will reduce the financial performance of a company or the potential for profit is not large. Management within the company in making policies to carry out funding from debt must be very careful. Judging from the results of the study which shows that debt policy does not affect company

performance, which means that funding from debt cannot increase company performance. This shows that if the debt policy implemented by the company is very large, it will result in high interest burdens. In addition to the interest burden, the cost of debt capital will also increase considering that the party providing the loan will charge higher interest as a form of compensation for the high risk of bankruptcy. Companies that cannot pay their responsibilities will be threatened with liquidation, so company management must be careful in implementing debt policies in order to minimize the risks that can occur.

The effect of debt policy*economic conditions on company performance (ROE) from the analysis results shows that KU*DER has a positive and significant coefficient value on company performance. A positive effect shows that the use of debt in certain economic conditions for company activities can have a positive effect in the future. Conversely, a negative effect shows that the use of debt in certain economic conditions negatively affects company performance in the future. In the manufacturing sector, a combination of the right debt policy and favorable economic conditions can have a positive impact on company performance (Return on Equity/ROE). Some of the reasons are leverage, increased investment, cost efficiency, increased demand, and access to new markets.

The Influence of Investment Decisions on Company Performance

The second hypothesis is related to the influence of investment decisions (KI) on company performance (ROE), Hypothesis H2, namely investment decisions have a positive influence on company value. The results of the analysis show that investment decisions have a negative coefficient value and are not significant to company performance, so the second hypothesis (H2) is rejected. Investment decisions that influence company value show that companies can optimize investment activities carried out, so the profits generated are in accordance with what investors want. So that the greater the investment decision will significantly affect the increase in company performance.

The company certainly has a long-term business and to realize it must be implemented the right plan with investment is one way. The purpose of company management in investing in fixed assets of course has a basis in order to maintain and increase production capacity that can increase company profits and ultimately will increase the value of the company. Investment decisions on fixed assets must continue to be made by the company's management because there tends to be depreciation in fixed assets, especially in equipment and machines that need to be anticipated so that production capacity is maintained and in the long term will be able to increase profitability so that the company's value will increase.

The company's value can increase with a number of investment expenditures made by management in the future, this is relevant to signaling theory if the investment decision that is determined will give a positive signal.

The company hopes that with its investment decision, investors will be interested in investing in the related company, so it can increase the stock price which can show the company's value indicator. The company's external conditions such as inflation and economic growth also affect the results of investment decisions that have been implemented by the company, if the investment is

implemented when economic growth is slow, the return on investment will be less than optimal and vice versa.

In this study, the investment made by the company is measured based on the investment in the company's fixed assets which in its meaning is a type of long-term investment. The highest investment was made by Tanah Laut Tbk with the proportion of investment in fixed assets being 91% of its total assets and the lowest investment was made by Alakasa Industrindo Tbk with the proportion of investment in fixed assets being 8% of its total assets. In the manufacturing sector, inappropriate investment decisions can have a negative impact on the company's performance (Return on Equity/ROE). Some of the reasons are unprofitable investments, inefficient capital allocation, increased risk, decreased liquidity, and high maintenance costs.

The Influence of Economic Conditions on Company Performance

The third hypothesis tests the effect of economic conditions (EC) on company performance (ROE), Hypothesis H3, namely economic conditions have a positive effect on company performance. The results of the analysis show that economic conditions have a negative and significant coefficient value on company performance, so the fifth hypothesis (H3) is rejected. The results obtained are relevant to the research conducted by Nurmasari (2020), Zhang et al., (2020) with the results that economic conditions have a negative and insignificant effect on company value.

Uncertain economic conditions require every company to always be ready to face them even in extreme conditions. Like when the world was hit by the COVID-19 virus, this caused the Indonesian IHSG to decline quite drastically. Of course, this decline is also inseparable from investor sentiment who view that the Indonesian government is not serious about handling COVID-19, so that when the health crisis hit and these sentiments existed, investors preferred to withdraw their funds from the capital market, so of course the stock price decreased so that the company's value also decreased. This caused the stock price to fall or even now the stock price performance is not as good as when the pandemic had not hit. However, in this study, even though economic conditions have a negative influence, the worse the economic conditions can reduce the company's value.

Companies certainly have mature strategies in dealing with bad economic conditions. Strategies that can be used include product and market diversification and adopting digital and automation in their production processes. The readiness of these companies is what makes companies able to survive in the midst of the current bad economic conditions.

In addition, the government also continues to implement various policies to restore the economic conditions in Indonesia. Government policies in dealing with the pandemic conditions start from increasing domestic consumption, increasing business activities and maintaining economic stability.

Macroeconomic conditions can significantly affect the performance of manufacturing companies, especially on Return on Equity (ROE). Some of the reasons are decline, supply chain disruption, interest rate increases, currency depreciation, political and economic uncertainty.

The Influence of Managerial Ownership on Company Performance

The fourth hypothesis tests the effect of institutional ownership (MNJR) on company performance (ROE), Hypothesis H4, namely managerial ownership positively affects company performance. The results of the analysis show that managerial ownership has a negative and significant coefficient value on company performance, so the fourth hypothesis (H4) is rejected. Managerial ownership that does not affect company performance shows that the company owner who acts as company management is still unable to optimize company performance.

In this study, the largest managerial ownership is carried out by Saranacentral Bajatama Tbk. which is 78%, which means that the managerial owns 78% of the total shares outstanding and the lowest managerial ownership is carried out by Mahkota Group Tbk. which is 0.000003% (very small) of the total shares outstanding. In the manufacturing sector, high managerial ownership can have a negative impact on company performance (Return on Equity/ROE). Some reasons that can be the cause are lack of supervision, excessive risk taking, short-term focus, and lack of accountability.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the research and discussion that have been carried out in the previous chapter, the conclusions of this research are:

1. The results of the study show that if the debt policy variable (DER) negatively affects company performance (ROE), it means that if the debt policy increases, the company's performance will decrease. This indicates that the debt policy must be implemented properly in order to produce positive and increasing company performance. Do not let the debt policy that is implemented burden the company or even plunge the company into bankruptcy.
2. The results of the study show that the investment decision variable (KI) negatively affects company performance (ROE), meaning that if the investment decision increases, the company's performance will decrease. This indicates that investment decisions need to be managed and implemented properly in order to produce positive and increasing performance.
3. The results of the study show that the economic condition variable (EC) negatively affects company performance (ROE), meaning that if economic conditions increase, company performance will decrease. This can be caused by several factors, namely a decrease in demand, disruption of the supply chain, an increase in interest rates, and a decrease in the value of the currency.
4. The results of the study show that the managerial ownership variable (MNJR) negatively affects company performance (ROE), meaning that if managerial ownership increases, company performance will decrease. This indicates that even though management ownership is relatively high, it does not guarantee that the company's performance will run effectively and efficiently, which can improve company performance.
5. The results of the study show that the variable debt policy*economic conditions (DER*KE) has a positive influence on company performance (ROE). The results obtained indicate that the debt policy implemented by the company at certain economic conditions has a positive and significant impact

on company performance, so that company management is expected to be able to take advantage of this opportunity well and prudently.

In accordance with the discussion and conclusions, the author can convey a number of suggestions, namely:

1. For further researchers, this research is expected to be used to conduct further research on the factors that influence company performance.
2. Regarding the research results that show the negative impact of debt policy (DER) on company performance (ROE), it is suggested that manufacturing companies need to carefully consider the potential negative impact of DER before deciding to increase their debt levels. Effective debt management and efficient use of capital are essential to maintaining profitability and increasing ROE in the manufacturing sector.
3. Regarding the research results that show the negative impact of investment decisions (KI) on company performance (ROE), it is recommended that manufacturing companies need to conduct a careful analysis before making investment decisions. Companies need to consider the risks and potential returns of each investment and ensure that the investment is in line with their business strategy. Effective management and proper decision making are essential to minimize risk and increase ROE in the manufacturing sector.
4. For companies, if they want to invest, they should first conduct research related to information that has been published by the company that will be used as a guideline in making investment decisions. In this case, prospective investors must pay attention to the company's performance as seen through the description of funding policies, investment activities, profitability and the company's share ownership structure from year to year to gain trust in the company that it has better prospects in the future and is worthy as a place to invest.
5. Regarding the research results that show the negative impact of economic conditions (EC) on company performance (ROE), the author suggests that manufacturing companies need to monitor economic conditions carefully and take anticipatory steps to minimize the negative impact of poor economic conditions.
Market diversification, effective risk management, and product innovation are some of the keys to increasing the resilience of manufacturing companies to economic shocks and maintaining stable ROE. Some companies may have stronger resilience to economic shocks, such as companies that produce basic necessities or companies that have a strong market share.
6. Regarding the research results that show a negative effect of managerial ownership (MNJR) on company performance (ROE), the author suggests that manufacturing companies with high managerial ownership need to ensure that their managers act ethically and responsibly. The board of commissioners and shareholders need to carry out effective supervision of managers and ensure that they make the best decisions for the benefit of the company. Good corporate governance is essential to minimize the risks associated with high managerial ownership and increase ROE in the manufacturing sector.

7. Regarding the research results that show a positive effect of debt policy*economic conditions (DER*KE) on company performance (ROE), the author suggests that manufacturing companies need to carefully consider the combination of debt policy and economic conditions when making investment decisions. Strategic use of debt and operations in countries with favorable economic conditions can increase ROE and improve profitability. However, it is important to manage financial risks well and ensure that the company has the ability to repay its debts.
8. For the government, it is hoped that it can issue appropriate policies to encourage funding from debt so that companies can grow, develop, and be able to improve their performance so that it will increase the trust of investors to invest their capital in companies which can ultimately increase the value of a company.

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