

The Influence of Profitability and Liquidity on Debt Policy (at the Paper Sub-Sector Manufacturing Companies Listed on the IDX 2020-2023)

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Abstract

The purpose of this study is to determine whether profitability and liquidity affect debt policy in paper sub-sector manufacturing companies listed on the IDX in 2020-2023. Profitability is measured by financial ratios, including Return On Asset (ROA), Return On Equity (ROE), Gross Profit Margin (GMP) and Net Profit Margin (NPM). Liquidity is measured by the Current Ratio (CR) and Quick Ratio (QR). Debt policy is measured by the Debt to Equity Ratio (DER). The population in this study is all paper sub-sector companies listed on the IDX in 2020-2023. The sample of this study was taken based on the Purposive sampling technique with a total sample of 3 companies with 48 data. This study uses multiple linear regression analysis methods with SPSS (Statistical Product and Service Solutions) tools. The results of this study indicate that profitability has a significant effect on debt policy. Liquidity has a significant effect on debt policy. Profitability and Liquidity simultaneously have a significant effect on debt policy.

Keywords: profitability, liquidity, debt policy

INTRODUCTION

The paper industry is an industry that plays an important role in the Indonesian economy. In recent years, the Indonesian paper industry has made a significant contribution to the national economy. The pulp and paper industry has the highest export value, followed by wood commodities and furniture commodities (Forbil Institute, 2017). In 2016, the pulp and paper industry was in seventh place as the largest contributor of foreign exchange in the non-oil and gas sector, reaching USD 3.79 billion. Then there was an increase to USD 7.12 billion in 2018 (Ministry of Industry, 2018). Indonesia's pulp and paper exports also contributed quite high to Gross Domestic Product (GDP) in 2018, reaching 17.6% of the total GDP of the non-oil and gas processing industry, and 6.3% of the total GDP of the processing industry. The number of national pulp and paper industries reached 84 companies with a paper production capacity of 16 million tons/year and pulp production of 11 million tons/year (Ministry of Industry, 2018). The main destination countries for Indonesian paper exports include the United States, Australia, Japan, Malaysia and China.

The decline in paper export volume in several countries is mainly related to the problems faced by the Indonesian paper and pulp industry, namely the imposition of a trade remedy policy by the United States related to dumping practices and subsidies for Indonesian coated paper products. Trade remedy is a trade policy that

can be used by the government to protect domestic industries due to the impact of a surge in imported products. This instrument is an instrument permitted by the World Trade Organization (WTO) which can be used to protect domestic industries due to unfair trade practices from a country. Trade remedy instruments include anti-dumping action and countervailing duty measures. Anti-dumping action or Anti-Dumping Import Duty (BMAD) is the imposition of additional import duties on imported products whose export selling prices are believed to be lower than the normal selling prices in the exporting country, causing losses to the domestic industry. Counter Vailing Duties (CVD) or anti-subsidy measures are actions by increasing import duties because the exporting country provides subsidies to exported products, for example input subsidies or credit so that the export price of the product is cheaper than domestic products.

Debt policy is a policy carried out by management in order to obtain sources of financing for the company from debt, so that it can be used to finance the company's operational activities. Debt policy also functions as a monitoring mechanism for managerial actions taken in managing a company. Brigham and Houston (2011:78) debt policy is "A policy regarding decisions taken by a company to run its operations using debt or financial leverage". Management must carefully analyze the decision on the company's debt policy. This is because although borrowing debt can help the company optimize its operational activities, debt can also cause bankruptcy for the company. Debt policy is measured by the Debt to Equity Ratio (DER).

Profitability is a company's ability to generate profit in a production period. The profitability ratio helps companies to determine the level of effectiveness of the company's management as a whole. This level of effectiveness is indicated by the size of the profit level obtained by the company in sales or investment. The better the profitability ratio of a company, the better the company's ability to make a profit. Debt policy is influenced by profitability, when profitability decreases companies tend to use more debt for company funding, both for operational activities and investment.

Liquidity according to Hasan et al. (2022) is "the ability to meet all obligations that must be paid off immediately in a short time". Some examples of short-term corporate debt are taxes, accounts payable, dividends, and others. Companies that have a high level of liquidity tend to increase debt borrowing because the company still has good credit capacity. The liquidity ratio is measured by the Current Ratio. High liquidity indicates that the company is able to immediately repay its debts. This gives creditors confidence to be able to repay loans, so that the higher the liquidity, the higher the debt policy used by the company.

From the problems and various data above, the researcher wants to prove again whether the problem has an impact on paper companies in Indonesia in 2020-2023 through profitability and liquidity on Debt Policy. The formulation of the research problem is 1.Does profitability have a partial effect on debt policy in paper sub-sector manufacturing companies listed on the IDX in 2020-2023?, 2.Does liquidity have a partial effect on debt policy in paper sub-sector manufacturing companies listed on the IDX in 2020-2023?and 3.Do profitability and liquidity have a simultaneous effect on debt policy in paper sub-sector manufacturing companies listed on the IDX in 2020-2023?

LITERATURE REVIEW

Signaling Theory

This theory is a way for companies to give investors an idea of how a company is managed (Brigham and Houston, 2015:517). Signaling Theory explains that companies that have good quality will provide market signals, therefore the market is expected to be able to distinguish quality companies (Asmeri et al., 2022). Signals effectively separate strong companies from weak companies (so that strong companies can provide their type of signal to the market). It is expensive for a weak company to imitate the actions taken by a strong company (Megginson, 2010:493).

Profitability

The profitability of a company can be assessed in various ways depending on the profit and assets or capital that will be compared with each other. According to Kasmir (2019:114) the profitability ratio is a ratio to assess the company's ability to seek profit or profit in a certain period.

According to Pirmatua Sirait (2017:139) the definition of Profitability is the company's ability to obtain comprehensive profits, converting sales into profits and cash flow. This ratio can also provide a measure of the level of effectiveness of company management which can be shown from the profit obtained from sales or from investment income. According to Prihadi (2020:166) profitability is the ability to generate profits. According to Budi Raharjo (2021:88) profitability is the company's ability to generate profits from its sales, often indicated by the profit margin.

Liquidity

Liquidity indicates the company's ability to meet its financial obligations that must be met immediately, or the company's ability to meet financial obligations when billed (Munawir in Satriana, 2017:18). Wild, et.al in Fatmawati (2017:22) said that liquidity refers to the company's ability to meet its short-term obligations. Short term is conventionally considered a period of up to one year. This is associated with the company's normal operating cycle, which includes the purchasing, production, sales and billing cycles.

According to Lukman Syamsuddin (2019:22), Liquidity is an indicator of a company's ability to pay short-term financial obligations when due by using its current assets. Liquidity is not only concerned with the overall state of a company's finances, but also with its ability to convert certain current assets into cash.

Debt Policy

According to Hasni (2019:10), Debt policy is a funding policy sourced from external sources that describes the long-term debt owned by the company to finance the company's operations. Determination of debt policy is related to capital structure because debt is a composition in the capital structure. A company is considered at risk if it has a large portion of debt in the capital structure, but conversely if the company uses small or no debt at all, the company is considered unable to utilize additional external capital that improves the company's operations.

According to Kasmir (2016:12) debt policy is a policy used to measure the extent to which a company's activities are financed by debt. A company is considered at risk if it has a large portion of debt in its capital structure, but

conversely if the company uses little or no debt, the company is considered unable to utilize additional external capital that improves the company's operations.

Conceptual Framework

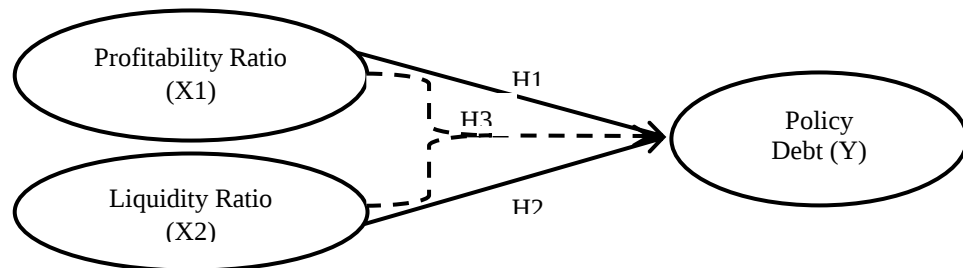


Figure 1 Conceptual Framework

Hypothesis

- H1 : Profitability has a significant partial effect on debt policy in paper sub-sector manufacturing companies listed on the IDX in 2020-2023.
- H2 : Liquidity has a significant partial effect on debt policy in paper sub-sector manufacturing companies listed on the IDX in 2020-2023.
- H3 : Profitability and liquidity simultaneously influence debt policy in paper sub-sector manufacturing companies listed on the IDX in 2020-2023.

RESEARCH METHODS

This research uses a quantitative research approach, namely research related to numbers that are analyzed using statistical techniques to analyze the results. According to (Sugiyono, 2018:13) Quantitative method is research based on the philosophy of positivism, used to research certain samples or populations, data collection using research instruments, data analysis is quantitative or statistical, with the aim of testing predetermined hypotheses. This method is used to analyze data presented in the form of numbers, namely those related to the level of Profitability, Liquidity and debt policy through the profitability ratio, liquidity and debt policy in paper sub-sector manufacturing companies listed on the IDX for the 2020-2023 period.

This type of research uses the correlation method, namely a quantitative data analysis method that aims to determine whether or not there is a relationship between two or more variables. In addition, this research is also included in causal associative research, because it aims to determine the causal relationship between 2 or more variables, namely the independent variable to the dependent variable.

This research was conducted at the Indonesia Stock Exchange by studying and taking the financial report data needed in this study, namely financial position report data and profit and loss reports in paper sub-sector companies listed on the IDX in 2020-2023 via the internet media accessed on the site www.idx.co.id.

In this study, the dependent variable (Y) is debt policy while the independent variables (X1) are profitability and (X2) liquidity.

The population used in this study is manufacturing companies. paper sub sector listed on the Indonesia Stock Exchange for the period 2020-2023 as many as 6 companies. Population is an area consisting of objects/subjects that have certain quantities and characteristics determined by researchers to be studied and then conclusions drawn (Sugiyono, 2019:127).

The technique used in sampling is the purposive sampling technique. Purposive Sampling is a sampling method in which the drawing of samples is based on certain criteria. The criteria used are: in the Paper Sub-Sector companies listed on the Indonesia Stock Exchange during the 2020-2023 period, in the Paper Sub-Sector companies listed on the Indonesia Stock Exchange and have published complete annual reports during the research period, namely 2020-2023 and in the Paper Sub-Sector published annual reports and had complete data required during the 2020-2023 research period.

Table 1 Sample List

No	Stock Code	Company name
1	ALDO	Alkindo Naratama Tbk
2	INTD	Inter Delta Tbk
3	SWAT	Sriwahana Adityakarta Chemicals Tbk

(Data processed, 2024)

The data collection technique used by the author to collect the data needed in the study is documentation, namely obtaining data by reviewing company documents related to financial reports. The data obtained is in the form of financial position reports and profit and loss reports.

Data analysis techniques which is used to prove the truth is by quantitative method, regression method, classical assumption method, hypothesis test and determination test. Regression method regression with the following formula:

$$Y = \alpha + \beta_1 x_1 + e_i \quad \text{And} \quad Y = \alpha + \beta_2 x_2 + e_i$$

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 +$$

(Source: Sugiyono, 2016)

Hypothesis testing is done using the calculated t and calculated f values. The partial influence test of the independent variable on the dependent variable uses the t test. The criteria used are if the calculated $t > t$ table and significance < 0.05 , then the hypothesis is accepted. This t test is used to determine the influence hypothesis. profitability (X1) liquidity (X2) against Company Values (Y) partially. The F test is used to test the simultaneous influence and accuracy of the model using the F test and the p value < 0.05 . If the calculated $F > F$ table and the p values < 0.05 , then the hypothesis stating that the independent variables have a simultaneous influence is accepted and the formulated research model is correct. The F test is used to determine the hypothesis that there is an influence profitability (X1) liquidity (X2) against Company Values (Y) simultaneously.

The coefficient of determination (R^2) is used to determine how much percentage of the influence of the independent variable on the change in the dependent variable. The value of the coefficient of determination (R^2) is 0 to 1. If

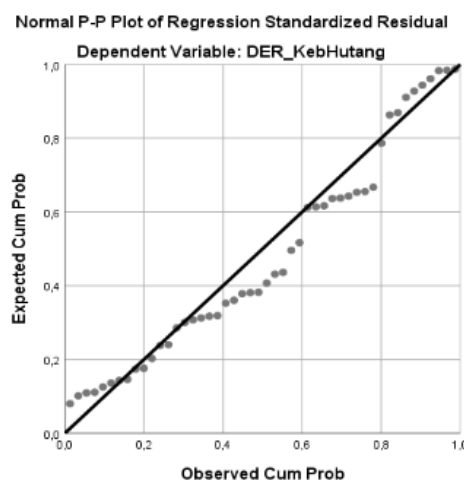
the value of (R^2) is equal to 0, it indicates that there is no relationship between the independent variable and the dependent variable.

RESULTS AND DISCUSSION

Classical Assumption Test

Data normality test is used to test whether in the regression model the interfering variables or residuals are normally distributed or not. Good research data is data that has a normal or near-normal residual value distribution, if the data is not normally distributed then the statistical test becomes invalid for small sample sizes. The results of the normality test can be seen in the table below:

Figure 2 Normality Test Results



(Source: Processed data, 2024)

Based on the image above and getting the results that the data is spread around the diagonal line and follows the diagonal line, then the regression model is normally distributed and meets the normality assumption.

Multicollinearity test is used to see whether the regression model finds a relationship between independent variables. A good regression model is one that has no influence between independent variables with a tolerance value > 0.10 and a VIF value < 10 . The results of the multicollinearity test can be shown in the table below:

Table 2 Normality Test Results

Variables	Tolerance	VIF	Conclusion
Profitability (X1)	0.987	1,014	Free from symptoms of Multicollinearity
Liquidity (X2)	0.987	1,014	Free from symptoms of Multicollinearity

(Source: Processed data, 2024)

Based on the results of the multicollinearity test in table 2, it shows that the profitability variable (X1) has a tolerance value of 0.987 greater than 0.10 ($0.987 > 0.10$) and the VIF value on the profitability variable 1.014 is smaller than 10.00 ($1.014 < 10$). So it can be concluded that the profitability variable is free from

multicollinearity symptoms. The liquidity variable (X2) has a tolerance value of 0.987 greater than 0.10 ($0.987 > 0.10$) and the VIF value on the liquidity variable 1.014 is smaller than 10.00 ($1.014 < 10$). So it can be concluded that the liquidity variable is free from multicollinearity symptoms.

According to Ghazali (2018:137) the heteroscedasticity test aims to test whether in a regression model there is an inequality of variance from the residuals of one observation to another. A good model is a model that does not experience heteroscedasticity. Heteroscedasticity does not occur if the significance value is > 0.05 . Conversely, heteroscedasticity occurs if the significance value is < 0.05 (Ghozali, 2018:142). The following are the results of the heteroscedasticity test through the scatterplot graph:

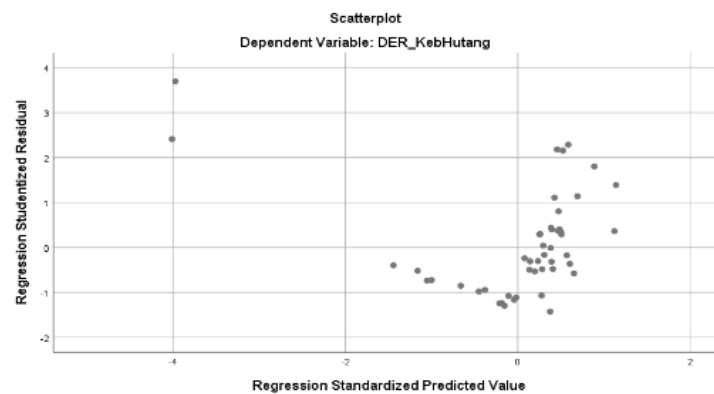


Figure 3 Heteroscedasticity Test Results

(Source: Processed data, 2024)

Based on Figure 3, it can be seen that the distribution of points occurs randomly, in other words, there is no pattern spreading up, down right and left. The data points do not form any pattern. It can be concluded that the regression equation is free from heteroscedasticity symptoms.

Autocorrelation symptoms can be detected by conducting a Runs Test used to see whether the residual data occurs randomly or not (systematically). If the significance value is less than 0.05, it means that the null hypothesis is rejected, so it can be concluded that the residual is not random or there is autocorrelation between the residual values. The autocorrelation results can be seen in the following table:

Table 3 Autocorrelation Test Through Durbin-Watson

Runs Test	
	Unstandardized Residual
Test Value ^a	-,13238
Cases < Test Value	24
Cases $\geq$ Test Value	24
Total Cases	48
Number of Runs	10
Z	-4,231
Asymp. Sig. (2-tailed)	,000

(Source: Appendix 4 processed data, 20224)

Based on the results of the autocorrelation test in table 3, it is known that the Criteria in the Runs Test is a significance value > 0.05 , so it is free from autocorrelation symptoms. The Asymp.Sig value is 0.000 which is smaller than 0.05 ($0.000 < 0.05$), so it can be interpreted that there are autocorrelation symptoms.

Partial Testing (t-Test)

Profitability Against Debt Policy

Based on statistical calculations using the SPSS 25 program contained in regression analysis below this:

$$\begin{aligned} Y &= \alpha + \beta_1 X_1 + e_i \\ Y &= 0.922 + 0.469 X_1 + e_i \\ R &= 0,388 & R^2 &= 0,151 \\ S &= 0.006 \\ \text{count} &= -2,858 & t_{\text{table}} &= 1.677 \end{aligned}$$

Liquidity Against Debt Policy

Based on statistical calculations using the SPSS 25 program contained in regression analysis below this:

$$\begin{aligned} Y &= \alpha + \beta_2 X_2 + e_i \\ Y &= 0.984 + 0.011 X_2 + e_i \\ R &= 0,500 & R^2 &= 0,250 \\ S &= 0.000 \\ \text{count} &= -3,920 & t_{\text{table}} &= 1.677 \end{aligned}$$

Simultaneous Testing (F Test)

Profitability and Liquidity Against Debt Policy

Based on statistical calculations using the SPSS 25 program contained in the regression analysis below:

$$\begin{aligned} Y &= \alpha + \beta_{X_1} + \beta_{X_2} + e_i \\ Y &= 1.068 - 0.404 X_1 - 0.010 X_2 + e_i \\ R &= 0,601 & R^2 &= 0,361 \\ F_{\text{count}} &= 12,714 & F_{\text{table}} &= 3.20 \\ S &= x_1 0.145 & x_2 & 0.003 \end{aligned}$$

Hypothesis Testing

Based on the results of the regression model analysis of Profitability and Liquidity on Debt Policy, the results of the hypothesis testing can be seen as follows:

Table 4 Hypothesis Testing Results

Hypothesis	R2	count	table	Sig	Information
$X_1 \rightarrow Y$	0.151	-2,858	1,677	0.006	Significant
$X_2 \rightarrow Y$	0.250	-3,920	1,677	0,000	Significant
$X_1, X_2 \rightarrow Y$	R2	Fcount	Ftable	<u>0,000</u>	Significant

0.4361 12,714 3.20

(Source: Processed data, 2022)

Based on Table 4 can explain the results of hypothesis testing as follows:

The First Hypothesis (H1) is accepted as seen from the $t\text{-value} > t\text{-table}$ of $-2.858 > 1.677$ and Profitability $>$ significance level ($0.006 > 0.05$) indicating that the Profitability variable (X1) partially has a significant effect on Debt Policy in Paper Sub-Sector Manufacturing Companies Listed on the IDX in 2020-2023 with an R2 value of 0.151 in other words, Profitability has a 15.1% effect on Debt Policy while the remaining 84.9% is influenced by other factors.

Hypothesis Two (H2) is accepted as seen from the $t\text{-value} > t\text{-table}$ of $-3.920 > 1.677$ and Liquidity $>$ significance level ($0.000 < 0.05$) indicating that the Liquidity variable (X2) partially has a significant effect on Debt Policy in Paper Sub-Sector Manufacturing Companies Listed on the IDX in 2020-2023 with an R2 value of 0.250 in other words Profitability has a 25.0% effect on Debt Policy while the remaining 75.0% is influenced by other factors.

Hypothesis Three (H3) is accepted as seen from the Fcount value $>$ Ftable of $12.714 > 320$ and Variables X1 and X2 $>$ significance level ($0.145 < 0.05$ and $0.003 < 0.05$) indicating that the variables Profitability (X2) and Liquidity (X2) simultaneously have a significant effect on Debt Policy in Paper Sub-Sector Manufacturing Companies Listed on the IDX in 2020-2023 with a determination coefficient of R2 of 0.361, in other words, Profitability has a 36.1% effect on Debt Policy while the remaining 63.9% is influenced by other factors not explained in this study.

Discussion

Influence Profitability to Debt Policy The results of this study are in line with the theory put forward by Kasmir (2019:114) the profitability ratio is a ratio to assess the company's ability to seek profit or profit in a certain period. This is indicated by the profit generated from sales and investment income. Profitability describes the company's ability to earn profit through all the company's capabilities and existing sources such as sales activities, cash, capital, number of employees and number of branches.

The results of this study support the theory of Pirmatua Sirait (2017:139) which states that profitability is the company's ability to obtain comprehensive profits, converting sales into profits and cash flow. In addition, the theory of Prihadi (2020:166) profitability is the ability to generate profits. And Budi Raharjo (2021:88) profitability is the company's ability to generate profits from its sales, often indicated by profit margin. With a high level of company profitability, the company still has the ability to use external funding sources even though the company's debt policy level is getting worse.

This indicates that a high level of Profitability in a company can worsen the company's Debt Policy. This situation occurs because companies with profitable financial performance are more likely to utilize internal funds derived from profits, rather than relying on debt. Instead, they may rely more on internal capital obtained from profits that have been withdrawn, which is sufficient to support operational activities. However, companies with high levels of profitability still have the ability to use external funding sources along with their ability to repay debt (Lestari and Lisiantara, 2024:1288).

The results of this study are in line with the research of Nazula Nur Aminah and Eni Wuryani (2021) entitled "The Effect of Institutional Ownership, Company Size, Profitability on Debt Policy in Manufacturing Companies in the Food and Beverage Sub-Sector on the IDX 2014-2018". This study uses a purposive sampling technique, namely the selection of samples with predetermined criteria obtained 48 companies that have met the criteria. The data analysis method used in the study is quantitative research with multiple linear regression analysis as a test tool. The results of this study state that Profitability has an effect on Debt Policy. And this study is also supported by Vivi Novita Sari (2020) entitled "The Effect of Profitability, Liquidity, Asset Structure and Dividend Policy on Debt Policy at PT. Toba Pulp Lestari listed on the Indonesia Stock Exchange for the 2015-2020 period". Profitability in this study is measured by Return On Assets (ROA). This study uses purposive sampling technique, namely the selection of samples with predetermined criteria and obtained 15 samples from 17 companies. The results of this study indicate that Profitability has a positive effect on Debt Policy.

The results of this study are not in line with the research of Irwan Rutlan, et al. (2024) entitled "The Effect of Profitability, Liquidity and Asset Structure on Debt Policy in Manufacturing Companies". This study uses secondary data, with the method used being multiple linear regression analysis. The population in this study were food and beverage companies listed on the Indonesia Stock Exchange in 2016-2020. The sampling technique in this study was non-probability random sampling with convenience sampling technique, with a sample size of 14 companies. The results of this study partially show that profitability has an effect but is not significant on debt policy. In addition, this study is also not in line with the research of Sella Nurmasita, et al. (2023) entitled "The Effect of Profitability and Liquidity on Debt Policy in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2019-2022". The sampling method in this study used purposive sampling technique so that a sample of 31 companies was obtained. Based on the results of the research conducted, it can be seen that the profitability variable partially has a negative and significant effect on debt policy.

The results of this study do not strengthen previous research conducted by Husna Dinda Lestari and G Anggana Lisiantara (2024) entitled: "The Effect of Profitability and Liquidity on Debt Policy in the Manufacturing Sector of Companies Listed on the Indonesia Stock Exchange for the 2020-2022 Period (Food and Beverage Sub-Sector)" which shows that Profitability does not have a significant effect on the Debt to Equity Ratio (DER) which indicates that high Profitability (ROA) in a company can reduce the company's Debt to Equity Ratio (DER). Where profitable financial performance tends to utilize internal funds from profits rather than relying on debt and does not always take on large amounts of debt. Instead, they may rely on internal capital obtained from profits that have been withdrawn to support operations. Companies with high levels of profitability still have the ability to use external funding sources along with their ability to repay their debts.

The results of this study do not support previous research conducted by Ferdicky Aditama Santosa, et al. (2023) conducted a study entitled: "Profitability, Liquidity, Company Size and the Effect of Sales Growth on Debt Policy in the Food and Beverage Sector of Sub-Sector Companies Listed on the Indonesian Stock

Exchange in 2016-2021." Which shows that profitability has no effect on debt policy. The pecking order theory (POT) in Ferdicky Aditama Santosa, et al. (2023) explains that successful businesses usually take small loans. This is not because the debt ratio they want is low, but because they do not need a lot of external funds. As a result, the profitability factor has a negative impact on debt policy. Businesses with significant debt use and poor profitability levels. On the other hand, profitable businesses tend to need less debt to finance their daily operations.

Based on the results of the research that has been conducted, there is a comparison of the profitability results of the three Paper Sub-Sector Manufacturing companies listed on the Indonesian Stock Exchange in 2020-2023, namely PT. Alkindo Naratama Tbk (ALDO), PT. Inter Delta Tbk (INTD) and PT. Sriwahana Adiyakarta Kimia Tbk (SWAT). Of the three companies, the one with the highest average profitability value for four years is PT. Alkindo Naratama Tbk (ALDO). The company is one of the Paper Sub-Sector Manufacturing companies, especially in producing paper tubes for the textile industry and producing other products such as paper cores, hexcells, edge protectors, paper boxes and paper bags that apply the environmentally friendly principle of "eco-friendly packaging". In this study, the highest profitability indicator was in 2021 with Gross Product Margin (GPM) which had a high average profitability. GPM is a measurement ratio to determine the company's gross profit from the sale of each of its products. The higher the GPM, the more the company is able to produce efficiently.

This means that the higher the profitability obtained, the less the company's debt policy in operational activities will be, because high profitability will provide an indication of good company prospects so that it can trigger investors to increase stock or capital investment. Meanwhile, to increase net profit, one of the efforts can be made by increasing the company's sales. That way, the company will be able to attract investors to invest their capital in the company.

The Influence of Liquidity on Company Value

Based on the results of this study, it shows that the liquidity variable has a significant effect on debt policy. Therefore, it can be concluded that the second hypothesis in this study is accepted. This finding shows that there is a significant influence between the Liquidity variable and the Current Ratio and Quick Ratio benchmarks on Debt Policy in Paper Sub-Sector Manufacturing Companies Listed on the IDX in 2020-2023.

This indicates that there is an inverse relationship between liquidity and debt. If the company has high liquidity, it will reduce the debt policy to increase capital from debt sources to parties outside the company. A high level of liquidity in a company can pay short-term liabilities when they fall due by using its current assets.

The results of this study support Munawir's theory in Satriana, (2017:18) which states that Liquidity shows the company's ability to meet financial obligations when billed. According to Lukman Syamsuddin (2019:22) liquidity is not only related to the overall condition of the company's finances, but also related to its ability to convert certain current assets into cash. And also supported by the theory of Wild, et.al in Fatmawati (2017:22) who said that liquidity refers to the company's ability to meet its short-term obligations. The short term is conventionally considered a period of up to one year. This is associated with the company's normal operating cycle, which includes the purchasing, production, sales and billing cycles.

The results of this study are in line with the research of Muhammad Handeriyana (2020) entitled "The Effect of Profitability and Liquidity on Debt Policy in Pulp and Paper Sub-Sector Companies Listed on the Indonesia Stock Exchange for the 2010-2020 Period". The sample taken was 10 companies with a purposive sampling technique. The analytical tools used include descriptive analysis and Panel Data Regression analysis. Using the regression significance test (F test) and the regression coefficient significance test (t test) as a Hypothesis test. In data processing using Eviews 11 SV. Based on this study, it shows that the Liquidity (CR) variable has a positive and significant effect on Debt Policy.

And this research is in line with the research of Ninta Katharina, et al. (2021) entitled "The Influence of Managerial Ownership, Institutional Ownership, Profitability, Liquidity and Company Size on Debt Policy in Manufacturing Companies listed on 101 Indonesia Stock Exchanges for the period 2017-2019". The population in this study was 169 manufacturing companies and 38 companies met the criteria. The data analysis technique used was multiple regression analysis with SPSS version 21. The results of this study indicate that liquidity partially affects debt policy, while managerial ownership, institutional ownership, profitability and company size do not affect debt policy. The conclusion is that only liquidity affects debt policy.

The results of this study are not in line with the research of Sella Nurmasita, et al. (2023) with the title: "The Effect of Profitability and Liquidity on Debt Policy in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2019-2022." Where partially the liquidity variable has a significant negative effect on debt policy. The results of this study do not strengthen previous research conducted by Vivi Novita Sari (2020) with the research title "The Effect of Profitability, Liquidity, Asset Structure and Dividend Policy on Debt Policy in PT. Toba Pulp Lestari listed on the Indonesia Stock Exchange for the period 2015-2020" which shows that Liquidity has no effect on Debt Policy with a significance value of $0.133 > 0.05$. Liquidity does not have a significant effect on debt policy, because the liquidity of a company is not a direct factor that can be used as a consideration by management or the company to use debt as financing for the company's operational activities and is not a direct factor for creditors in giving their trust to the company to provide debt by looking at the company's liquidity level.

Based on The results of the research that has been conducted are a comparison of the liquidity results of the three Paper Sub-Sector Manufacturing companies listed on the Indonesian Stock Exchange in 2020-2023, namely PT. Alkindo Naratama Tbk (ALDO), PT. Inter Delta Tbk (INTD) and PT. Sriwahana Adiyakarta Kimia Tbk (SWAT). Of the three companies, the one with the highest average liquidity value for four years is PT. Inter Delta Tbk (INTD). INTD is an industry that is closely related to film, including photo film processing, the printing equipment manufacturing industry and general trade in the field of film equipment, microfilm, chemicals for photos and films and electronic equipment. Currently, INTD is the sole distributor and official representative of Kodak products in Indonesia, namely obtaining the right to sell, process and provide repair services for photographic equipment, films and cameras produced by Kodak. In this study, the highest liquidity indicator was in 2022 with a Current Ratio (CR) which had a high average profitability. Current Ratio (CR) is a measurement ratio to measure a company's ability to pay short-term obligations or debt. The higher the Current Ratio (CR) level means the company does not need to take on new debt because it

has enough liquidity to finance operations and investments. A high Current Ratio can have a positive impact on a company's debt policy by reducing dependence on debt and increasing credit credibility.

This means that the influence of liquidity on debt policy can be seen as a sign of management prudent financials and good risk management, but they need to be balanced with policies that ensure the company does not miss out on growth opportunities that can add value to shareholders. It is important for companies to balance high liquidity with efficient use of leverage to maximize growth and shareholder value. Stock investors tend to value stability and good risk management, but they also look for growth that can provide higher returns.

The Influence of Profitability and Liquidity on Debt Policy

Based on the research results, it shows that the profitability and liquidity variables are simultaneously influential and significant to the Debt Policy variable, where the F-count value of profitability and liquidity is higher by $12.714 > 3.20$ from the F-table value. This means that the company's ability to generate high profits for shareholders is reflected in high profitability so that it can affect the debt policy of the Paper Sub-Sector Manufacturing Company. Likewise with liquidity, the higher the level of liquidity, the lower the company's debt policy. The company will be able to pay short-term debts and its operational activities with internal funds which will ultimately have an impact on the stability of the company's performance, especially the Paper Sub-Sector Manufacturing Company.

The results of this study support Hasni's theory (2019:10), Debt policy is a funding policy sourced from external sources that describes long-term debt owned by the company to finance the company's operations. Determination of debt policy is related to capital structure because debt is a composition in the capital structure. A company is considered at risk if it has a large portion of debt in the capital structure, but conversely if the company uses small or no debt at all, the company is considered unable to utilize additional external capital that improves the company's operations. The results of this study also support Kasmir's theory (2016:12) debt policy is a policy used to measure the extent to which a company's activities are financed by debt. A company is considered at risk if it has a large portion of debt in the capital structure, but conversely if the company uses small or no debt at all, the company is considered unable to utilize additional external capital that improves the company's operations.

The results of this study strengthen the research of Irwan Rutlan, et al. (2024) entitled "The Effect of Profitability, Liquidity and Asset Structure on Debt Policy in Manufacturing Companies" which states that together profitability, liquidity and asset structure have a significant effect on debt policy in public companies for the sector engaged in the food industry which has been listed on the Indonesia Stock Exchange for the period 2019-2023. Companies with high levels of profitability and liquidity will reduce the company's debt policy in operational activities, because high profitability and liquidity will provide an indication of good company prospects so that they can trigger investors to increase stock or capital investment.

Overall, profitability and liquidity simultaneously influence debt policy creating complex dynamics in corporate financial decision-making. For investors, the ideal combination is high liquidity and profitability as it indicates stability and healthy growth potential. However, each combination has different implications for

risk and return potential, which affect investment decisions and market sentiment towards the company.

Conclusion and Suggestions

Based on the results of the data analysis that has been carried out in this study, it can be concluded that Profitability has a significant effect on debt policy in Paper Sub-Sector Manufacturing Companies on the IDX in 2020-2023, Liquidity has a significant effect on debt policy in Paper Sub-Sector Manufacturing Companies on the IDX in 2020-2023 and Profitability and Liquidity simultaneously have a significant effect on debt policy in Paper Sub-Sector Manufacturing Companies on the IDX in 2020-2023.

Based on the discussion of the research on "The Effect of Profitability and Liquidity on Debt Policy in Paper Sub-Sector Manufacturing Companies Listed on the IDX in 2020-2023", the researcher has several suggestions, namely Companies need to continue to optimize their financial management to improve profitability and liquidity, investors are advised to diversify their investment portfolios by considering companies that have a healthy combination of liquidity and profitability and for further researchers it is recommended to expand the research variables by including other factors such as capital structure, company size, and macroeconomic conditions that may affect debt policy. In addition to the paper manufacturing sub-sector, researchers can also focus on other sectors to see if similar or different results emerge, so as to provide more comprehensive insights and broader generalizations.

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