JONHARIONO Research, Publisher and Consulting Institute
Published by: Jonhariono Research, Publication, and Consulting Institute
ProBisnis : Journal of Management
Journal homepage: www.jonhariono.org/index.php/ProBisnis

The Effect of Free Cash Flow, Liquidity and Company Growth on Debt Policy and Profitability as Moderating Variables in Mining Sector Companies Listed on the Indonesia Stock Exchange for the 2017-2021 Period

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ARTICLE INFO

Article history:

Received Oct 9, 2023
Revised Oct 20, 2023
Accepted Oct 28, 2023

Keywords:

Free Cash Flow,
Liquidity,
Company Growth,
Debt Policy,
Profitability

ABSTRACT

This study aims to determine the effect of free cash flow, liquidity, and company growth on debt policy with profitability moderating the independent variables in mining sector companies listed on the Indonesian stock exchange in 2017-2021. Debt policy is very important for managers in companies that are expanding. The total population of this study is 49 companies and the sample in this study was 19 companies x 5 years of research 95 observations. The analytical technique used in this research is descriptive test, classic assumption test which consists of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test, multiple linear regression test and moderated regression analysis (MRA). The results showed that the free cash flow has no effect on debt policy, liquidity has an effect on debt policy, company growth has no effect on debt policy, in mining sector companies listed on the Indonesian stock exchange for the 2017-2021 period. Meanwhile, for the Moderated Regression Analysis (MRA) test, the results show that profitability does not moderate the effect of free cash flow on debt policy, profitability does not moderate the effect of liquidity on debt policy, and profitability does not moderate the effect of company growth on debt policy in companies listed on the Indonesian stock exchange for the period 2017-2021.

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1. INTRODUCTION

Competition in the business world is getting tougher along with increasing innovation. This requires the company to have a competitive advantage. Competitors must implement strategies and policies in accordance with the Company's Terms. One of the policies that must be considered is the fund policy. Managers must consider the consequences of their chosen source of funds. This is because different funding sources have different risks. The source of company funds can be seen from the company's internal (internal source) and external *(external source)* (Mufidah, Mia Nur and Fahrurrozi., 2019). Internal funding sources can be retained earnings, but external funding sources commonly used by companies are debt. Debt has a significant impact on the company because it is not only a source of funding for expansion, it is a mechanism that can be done to reduce agency conflict. Based on *pecking order theory* (Abubakar, Dwi Yuniarti., Daat, Sylvia Christina and

Sanggenafa, Mariolin. A, 2020).companies prioritize internal sources of company funds to develop business, compared to external funds. However, not all companies can meet all their needs with the sources of funds they have. With this situation, the company seeks outside funding to meet the company's needs.

Debt policy is a decision chosen by executives as an effort to obtain funding from outside the company to fund their operational activities (Syachdilla, Rekada Mayang, 2022). However, improper debt policies can pose considerable risks to the company. Therefore, there is a need for factors that affect the company's debt policy. A company's debt policy minimizes the amount of risk it has to bear from the amount borrowed from its increased debt. The higher the amount of debt, the higher the risk of bankruptcy because the principal and interest on the debt are higher. If the company takes a loan to fund the company and does not pay the debt, then the company will be at risk. The following is an example of financial data on debt policies in mining companies listed on the Indonesia Stock Exchange for 2017-2021:

Table 1. Financial Data Debt Policy as *Debt to Equity Ratio* of Mining Companies on the Stock Exchange Indonesia Year 2017-2021

	Emit	***Debt to Equity Ratio***				
		2017	**2018**	**2019**	**2020**	**2021**
1	CHURCHYARD	0,665	0,641	0,811	0,614	0,701
2	ITMG	0,418	0,487	0,366	0,369	0,386
3	MYOH	0,326	0,327	0,309	0,170	0,166
4	PTBA	0,593	0,485	0,416	0,420	0,489
5	TOBA	0,992	1,327	1,402	1,653	1,422
Average		0,598	0,653	0,660	0,645	0,632

Source : data processed, 2023

From Table 1 it can be concluded that the average *value of debt to equity ratio* in mining companies listed on the Indonesia Stock Exchange in 2017-2021 experienced unstable or fluctuating levels. This shows that in 2017-2019 it has increased with a high DER value, indicating that the company is still in a bad condition. Meanwhile, the Average *Debt to Equity Ratio* decreased in 2020 and 2021. *Debt to Equity Ratio* is a ratio used to assess debt with equity. In other words, to find out how much equity to be used as debt collateral (Fauziah, Nanda Luthfi and Fortune, Goddess, 2022). The following is an example of financial data on debt policies in mining companies listed on the Indonesia Stock Exchange for 2017-2021:

Table 2. Financial Data Debt Policy as *Debt to Equity Ratio* of Mining Companies on the Stock Exchange Indonesia Year 2017-2021

	Emit	***Debt to Equity Ratio***				
		2017	**2018**	**2019**	**2020**	**2021**
1	CHURCHYARD	0,665	0,641	0,811	0,614	0,701
2	ITMG	0,418	0,487	0,366	0,369	0,386
3	MYOH	0,326	0,327	0,309	0,170	0,166
4	PTBA	0,593	0,485	0,416	0,420	0,489
5	TOBA	0,992	1,327	1,402	1,653	1,422
Average		0,598	0,653	0,660	0,645	0,632

Source : data processed, 2023

From Table I.2, it can be concluded that the average *value of debt to equity ratio* in mining companies listed on the Indonesia Stock Exchange in 2017-2021 experienced unstable or fluctuating levels. This shows that in 2017-2019 it has increased with a high DER value, indicating that the company is still in a bad condition. Meanwhile, the Average *Debt to Equity Ratio* decreased in 2020 and 2021. *Debt to Equity Ratio* is a ratio used to assess debt with equity. In other words, to find out how much equity to be used as debt collateral (Amiliyah, Desi Nur., 2019).

Free Cash Flow is a amount of cash that can be taken without jeopardizing the company's ability to operate and generate cash flow in the future (God, Dwi. Fredian. Mahsuni, Abdul Wahid. and Junaidi, 2019). *Free cash flow* can be used to pay down debt, buy back shares, and pay dividends or hold them for future growth opportunities. Market pressure will encourage managers to distribute *free cash flow* to shareholders (Nurkholik, and Khasanah, Kharirotul., 2022).The higher the Company's free cash flow can be said to be healthy, because the available cash flow affects the company's debt policy. So in this case when free cash flow increases because the company does not survive, it means that the company is less active in maximizing free cash flow, or the company is less strong in working on projects that have profits, therefore the existing cash is still very much piled up because the company has little benefit in debt.

The following is an example of *free cash flow* financial data on mining companies listed on the Indonesia Stock Exchange in 2017-2021:

Table 3. Free Cash Flow Financial Data on Mining Companies at Indonesia Stock Exchange 2017 2021

No	Emit	***Free Cash Flow***				
		2017	**2018**	**2019**	**2020**	**2021**
1	CHURC HYARD	0,0461	0,0026	0,0100	0,0524	0,0134
2	ITMG	0,1098	0,0183	0,1175	0,0111	0,0147
3	MYOH	0,0937	0,1123	0,3875	0,2700	0,2988
4	PTBA	0,1955	0,0425	0,1309	0,0652	0,0103
5	TOBA	0,0403	0,0333	0,1813	0,1047	0,0718
	Average	0,0970	0,0104	0,1654	0,0797	0,07056

Source: data processed, 2023

From Table I.3, it can be concluded that the average value of *free cash flow* in mining companies listed on the Indonesia Stock Exchange in 2017-2021 experienced unstable or fluctuating levels. This shows that companies tend to prioritize using *free cash flow* funds for investment and operational purposes. Liquidity shows the company's ability to pay short-term maturing debts (obligations), or a ratio to determine the company's ability to finance and meet debt obligations at the time of collection (Kasmir, 2016). Companies can use current ratios to measure their liquidity levels by comparing their current assets and liabilities. The higher the liquidity, which means the company has the ability to pay off its debts immediately. Then the creditor will believe in providing loans to the company. If instead the company has a low rate, this company is in an illiquid state.

The following is an example of *Current Ratio* financial data on mining companies listed on the Indonesia Stock Exchange for 2017-2021:

Table 4. Financial Data on Liquidity *as Current Ratio* of Mining Companies on the Indonesia Stock Exchange for 2017-2021

No	Emit	***Current Ratio***				
		2017	**2018**	**2019**	**2020**	**2021**
1	CHURC HYARD	2,55	1,96	1,71	1,51	2,08
2	ITMG	2,43	1,96	2,01	1,97	2,70
3	MYOH	2,84	3,47	3,28	6,30	6,71
4	PTBA	2,52	2,31	2,48	2,15	2,42
5	TOBA	1,52	1,22	0,91	0,73	1,74
Average		2,372	2,184	2,078	2,532	3,13

Source: data processed, 2023

From Table 4, it can be concluded that the average *value of the current ratio* in 2017 was 2.372, in 2018 it decreased to 2.184 and in 2019 to 2.078 decreased. The average *current ratio* in 2020 was 2.532 and in 2021 it increased to 3.13. So it shows that the company is unstable in paying its debts or the company's financial condition is not healthy. In addition to *free cash flow* and liquidity, the company's growth also affects debt policy. This opinion shows that high-growth companies tend to influence the Company's debt policy. The growth of a company plays a very important role in

determining the amount of debt used to finance the company. Companies with good positive profit growth require a lot of investment from various components of assets.

Several previous studies mentioned the effect of free cash flow, liquidity, and company growth on debt policy with profitability as a moderating variable, namely, the first study was conducted by Fauziah (2022) the results of the study said that *free cash flow*, institutional ownership, and managerial ownership influence debt policy. Meanwhile, the company's growth has no effect on debt policy. The second subsequent research was conducted by Sari et al (2021) the results of the study said that the size of the company did not have a significant effect on debt policy, the growth of the company had a significant effect on debt policy, while profitability strengthened the influence of company size on debt policy, and the third subsequent research Putri et al (2021) the results of the study said that business risk affects policy Debt, corporate growth and institutional ownership cannot affect debt policy, while profitability can strengthen the relationship of business risk and institutional ownership to debt policy. Profitability cannot moderate a company's growth towards debt policy.

This research is a replication or modification of Isnaeni's (2022) research entitled "The Effect of Asset Structure, Liquidity, *Free Cash Flow,* and Business Risk on Debt Policy with Profitability as a Moderation Variable". The variables used in this study are *Free Cash Flow*, Liquidity, and Company Growth and Profitability as Moderating Variables. The difference between previous research and current research, where previous research uses asset structure variables and business risk while current researchers do not use Asset Structure and Business Risk, but use Company Growth. The reason researchers use company growth is to see the company's development in funding its debt, and also because according to Sari et al (2021) the company's growth has a significant effect on debt policy and profitability. And the second difference lies in companies listed on the IDX, namely previous researchers using Property and Real Estate (2016-2020), while researchers now using mining companies on the IDX (2017-2021).

Debt policy is one of the important parts of a company's funding policy. Debt policy is a policy taken by the management of the company. According to Riyanto (2016) explained that the Debt Policy is a very important decision in the company, one part of the company's funding policy and is taken by the management in order to obtain financing resources for the company so that it can be used to finance the company's operational activities. The determination of debt policy is related to the capital structure because debt is one of the compositions in the capital structure.

Hanafi (2016) defines companies as risky if the portion of debt is small or not at all so that the company is considered unable to use external capital bonuses that can increase company operations. In measuring debt policy, the author uses a leverage ratio or solvency ratio. According to Kasmir (2016) states that "*Leverage Ratio* (Solvency Ratio) is a ratio used to measure the extent to which company assets are financed with debt". So from the calculation results state that companies that have a high solvency ratio, this will have an impact on the risk of large losses.

Profitability

This ratio shows a measure of the level to which the effectiveness of a company's management is obtained from profits generated from sales as well as from investment income. According to Sutrisno (2016) is the result of the wisdom taken by management. The profit ratio to measure how much the level of profit shows the better management in managing the company. Profitability is a factor that deserves a lot of attention because the business must be in a profitable state in order to survive. Without profit, it is difficult for companies to take capital from outside. Profitability is the company's ability to earn profits during an accounting period related to sales and certain assets. The resulting profitability can be used as an evaluation tool by management to improve company performance in the next period (Haryanto, and Putri, Astin Prastiwi., 2021). The profitability ratio measures the company's ability in the form of profit and economic value of sales, assets, net, and own capital.

Free Cash Flow

According to (Sari, Princess Indah., 2021). *Free cash flow* is the remaining financing from all activities that generate present value and discounted capital costs. Disagreements between managers and shareholders are triggered by free cash flow that could actually be distributed to

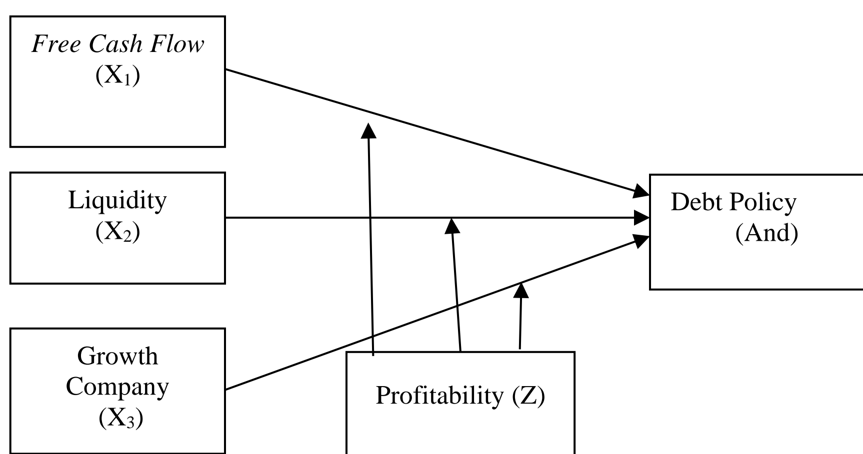
creditors or shareholders for investment of working capital or property. *Free cash flow* says that a high level of debt will be paid to investors (shareholders, shares, and debt owners). According to Brigham and Houston (2018), free cash flow is proxied as free cash flow owned by the company which is intended to be distributed to shareholders or distributed to creditors outside the cash flow used by the company to run its operations and is also used as an indicator to measure the company's ability to return shareholders' profits.

Liquidity

Brigham and Houston (2018) liquidity ratios provide an overview of a company's ability to pay debts due in one year. The liquidity ratio describes the relationship between a company's liquid funds and other current assets and current liabilities. According to Harahap (2017), the liquidity ratio describes the company's ability to settle short-term obligations. This ratio can be found through sources of information about working capital, namely items of current assets and current debt. Meanwhile, according to Fahmi (2014) *the current ratio* is a commonly used measure of companies or short-term solvency, the ability of a company to meet debt needs when it matures. This ratio is a ratio whose purpose is to measure the company's ability to pay off short-term financial obligations that are due on time or at the time of collection using its current assets (Fadhila, Farah., Setiadi, Iwan and Mulyati, Henny., 2021).. A company with a high ratio indicates that the company has excess cash or other short-term assets. The current ratio can also provide an overview of the company's ability to raise money to meet its obligations.

Company Growth

Company *growth* is an illustration of how business development is carried out in the current period compared to the previous periode (Sari, Princess Indah., 2021). Company growth reflects the growth of resources in the form of assets owned by the company and is measured by the difference in the total value of assets per year. Based on *the pecking order theory*, companies use internal funds first, and after external funds (debt). However, fast-growing companies use more debt as a source of financing than slow-growth companies. Companies with high growth rates will do well for expansion with borrowed funds in the form of funds from external in the form of loans (debt). Increased growth and increased operating income strengthened outside confidence in the company. When outside trust (creditors) in the company increases, debt becomes greater than equity (own capital). Asset growth is the average growth of a company's wealth. If the company's initial assets are quantitatively fixed, it means that the company's final assets will increase if there is a high increase in assets. And vice versa.



In this frame of mind, it can be described that there is a relationship between *Free Cash Flow*, Liquidity and Company Growth on Debt Policy, with Profitability as a moderation variable in optimizing company debt.

Research Hypothesis

H_1: *Free cash flow* affects debt policy in Mining Sector companies listed on the Indonesia Stock Exchange in 2017-2021

H_2: Liquidity affects debt policy in Mining Sector companies listed on the Indonesia Stock Exchange in 2017-2021

H_3: Company growth affects debt policy in Mining Sector companies listed on the Indonesia Stock Exchange in 2017-2021

H_3: Profitability moderates the effect of *free cash flow* on debt policy in Mining Sector companies listed on the Indonesia Stock Exchange in 2017-2021

H_5: Profitability moderates the effect of liquidity on debt policy in Mining Sector companies listed on the Indonesia Stock Exchange in 2017-2021

H_6: Profitability moderates the effect of company growth on debt policy in Mining Sector companies listed on the Indonesia Stock Exchange in 2017-2021

2. RESEARCH METHOD

This research is an associative research with a quantitative approach. Causal associative research is a research formulation whose nature is to ask and find out the relationship between two or more variables. The location of this research was conducted on mining companies listed on the Indonesia Stock Exchange (IDX). Thus, researchers use data in the form of company financial statements provided by the Indonesia Stock Exchange in the 2017-2021 period. Data obtained from Indonesia Stock Exchange Jalan Ir. H. New Juanda No. A5-A6, North Sumatra Representative by referring to the data contained on the official IDX website (www.idx.co.id and www.bei.co.id). The population in the study is Mining Sector companies listed on the IDX in 2017-2021 totaling 49 companies (www.idx.co.id). The research sample is determined based on *purposive sampling* which means the selection of samples based on certain criteria. It can be known that the number of samples that meet the above criteria is 19 mining companies, so the number of observations made in this study is 95 observations of mining companies listed on the IDX 2017-2021. The data collection technique carried out is a documentation technique, namely by collecting, recording, and reviewing *free cash flow* data, liquidity, company growth, debt policy and profitability obtained from the annual financial statements of Mining Sector companies listed on the IDX for the 2017-2021 period.

3. RESULTS AND DISCUSSIONS

Descriptive Statistical Test Results

Table 5. Descriptive Statistical Test Results

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
Debt Policy	95	,88	280,89	7193,05	60,92449
Free Cash Flow	95	0,1124	0,9188	40,8421	153,07556
Liquidity	95	1,22	9,22	184,85	150,576
Company Growth	95	0,1	53,51	1208,73	118,4119
Profitability	95	0,33	49,83	923,12	115,2255
Valid N (listwise)	*95*				

Source: data processed, 2023

1. In the Debt Policy variable proxied as (DER) has a total data (N) of 95, then the minimum value of 88 is found in PT Bayan Resources Tbk (BYAN) in 2020 and for a maximum value of 280.89 contained in PT Aneka Tambang Tbk (ANTM) in 2017 and has a standard deviation of 60.92449 for the 2017-2021 period in mining companies.
2. The *Free Cash Flow* variable has a total data (N) of 95, then the minimum value of 0.1124 is found in PT Samindo Resources Tbk (MYOH) and for the maximum value of 0.9188 contained in PT Cita Mineral Investindo Tbk (CITA) in 2018 and has a standard deviation of 153.07556 for the 2017-2021 period in mining sector companies.
3. In the Liquidity variable proxied as (CR) has a total data (N) of 95, then the minimum value of 1.22 is found in PT Toba Bara Sejahtera Tbk (TOBA) in 2018 and for a maximum value of 9.22

contained in PT Harum Energy Tbk (HRUM) in 2019 and has a standard deviation of 150.576 for the 2017-2021 period in mining sector companies.

4. In the Company's Growth by being proxied as (*Growth*) has a total data (N) of 95, then the minimum value of 0.1 is found in PT Aneka Tambang Tbk in 2017 and for a maximum value of 53.51 contained in PT Merdeka Copper Gold Tbk (MDKA) in 2018 and has a standard deviation of 118.4119 for the 2017-2021 period in mining sector companies.
5. In Profitability, proxied as (ROA) has a total data (N) of 95, the minimum value of 0.33 is found in PT Golden Energy Mines Tbk (GEMS) in 2021 and for a maximum value of 49.83 found in PT Bayan Resaources Tbk (BYAN) in 2021 and has an estándar deviation of 115.2255 for the 2017-2021 period in mining sector companies.

Classical Assumption Test
Data Normality Test

Table 6. Kolmogorov Smirnov Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		95
Normal Parameters[a,b]	*Mean*	,0000000
	Std. Deviation	,51402976
Most Extreme Differences	*Absolute*	,080
	Positive	,080
	Negative	-,049
Test Statistic		,080
Asymp. Sig. (2-tailed)		,163[c]

Source :d ata processed, 2023

Based on the results carried out on the data normality test with *Kolmogorov-Smirnov*, the Asymp value was obtained. *A sig* of 0.163 is greater than a value of 0.05, thus it can be concluded that the data is normally distributed.

Multicollinearity Test

Table 7. Multicollinearity Test Results

Model	**Collinearity Statistics**	
	Tolerance	BRIGHT
1. Free Cash Flow	,900	1,111
2. Liquidity	,964	1,038
3. Company Growth	,904	1,106
4. Profitability	,830	1,204

a. *Dependent Variable*: Debt Policy

Source : data processed, 2023

Based on table IV.3, it can be said that there are no variables that show the *Tolerance* value such as *Free Cash Flow* of 0.900, Liquidity of 0.964, Company Growth of 0.904, and Profitability of 0.830 which means that the *tolerance* value can be met. Then it shows the VIF value of *Free Cash Flow* of 1,111, Liquidity of 1,038, Company Growth of 1,106, and Profitability of 1,204 which means the VIF value is more than 10.0 which means the VIF value is met.

Heteroscedasidity Test

Table 8. *Glejser* Test Results

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Itself.
	B	Std. Error	Beta		
(Constant)	5646.229	684.448		8.249	,000
Free Cash Flow	.077	.226	.035	.339	,735
Liquidity	-5.169	2.223	-.234	-2.325	,062
Company Growth	-.008	.292	-.003	-.026	,979
Profitability	-6.682	3.048	-.238	-2.192	.071

a. Dependent Variable: Abs_Res

Source : data processed, 2023.

Referring to Table IV.4, it can be observed that the significance value (Sig) for each variable is as follows: for *Free Cash Flow* (X1) is 0.735, for liquidity (X2) is 0.062, for company growth (X3) is 0.979, and for profitability (Z) is 0.071. Since all these values exceed the threshold of 0.05, according to the criteria in the Glejser test, it can be concluded that there is no indication of heteroscedasticity in the regression model

The Effect of *Free Cash Flow* on Debt Policy

Based on statistical analysis, it shows that there is no significant effect between *free cash flow* and debt policy. Results obtained from table IV. 9 there are significant values of 0.417 > 0.05. So the hypothesis is not accepted, with this free cash flow does not affect the size of the debt policy in companies in the mining sector listed on the Indonesia Stock Exchange (IDX). *Free* cash flow is proxied as free cash flow owned by the company which is intended to be distributed to shareholders or distributed to creditors outside the cash flow used by the company to run its operations and is also used as an indicator to measure the company's ability to return shareholders' profits (Nurkholik, and Khasanah, Kharirotul., 2022).

However, this is in line with the results of research conducted by (Setiawan et al., 2020), Rezki and Anam (2020) which states that *Free Cash Flow* has no effect on debt policy. This means that the company dominates the financing of business activities with capital sourced from internal. Rising debt creates constraints on cash flow and costs; as finances improve, managers will only issue new, larger debt if they are optimistic about the company's ability to meet its debt in the future. So this is very contrary to the results of research conducted by Amiliyah (2019) which states that *free cash flow* has a positive influence on debt policy (Nurfitriana, Anisa dan Fahrurrozi, 2018). Where the greater the free cash flow in a company, the greater the use of debt, otherwise if the *free cash flow* in controlling is unstable then debt is chosen for a source of capital so as to reduce agency conflicts between management and shareholders. Differences in previous research where there are companies and periods that have been used by researchers. In previous research, (Kristina, Anita., Prihatiningsih and Kusmargiani, Ida Savitri, 2019). used the BUMN Go Public company sector in the 2015-2019 period. Meanwhile, in the previous study, Rezki and Anam (2020) used the *food and beverage* company sector listed on the Indonesia Stock Exchange for the 2013-2017 period. Meanwhile, researchers used the mining company sector in the 2017-2021 period (Hanafi, Mamduh. M. and Abdul Halim, 2016).

The Effect of Liquidity on Debt Policy

Based on statistical analysis, it shows that there is a significant influence between liquidity and debt policy. Results obtained from table IV. 9 there are significant values of 0.000 > 0.05. So the hypothesis is accepted, with this liquidity affects the size of the debt policy in companies in the mining sector listed on the Indonesia Stock Exchange (IDX) (Brigham, Eugene F. and Joel F. Houston, 2018). This is in accordance with *the pecking order theory,* which states which companies would prefer internal financing and debt relief. Thanks to its liquidity, the company can minimize business risk through debt, by reducing the level of debt above its ability to pay its short-term obligations. The Current Ratio is a comparison between current assets (assets that can be converted into money in a short time) and current liabilities (debt that matures in a short time). This is in line with Kristina's

research (2019), which states that liquidity affects debt policy. That is, a company that has a high Current Ratio does indicate that the company has sufficient current assets to pay off its short-term debt (Andy, A., Angeline, G., Roberto, Y., Wijaya, H., &; Febrianty, L, 2022).

By having a high current ratio, a company has more assets that can be used to pay its debts, thus generally describing the company's ability to meet its financial obligations in the short term. So this is very contrary to the results of research conducted by Isnaeni (2022) which states that liquidity has no influence on debt policy (Astuti, Nita and Nuraini, Luthfi, 2021). Company liquidity is not a direct factor that may be considered by management or the company to use debt to finance company operations and is not a direct factor that allows creditors to build trust in a company that is indebted by looking at the liquidity of a company. Differences in previous research where there are companies and periods that have been used by researchers. In the previous research, Kristina et al (2019) used PT Jasa Marga Tbk in the 2009-2018 period. Meanwhile, in the study, researchers used the mining company sector for the 2017-2021 period.

The Effect of Company Growth on Debt Policy

Based on statistical analysis, it shows that there is no significant influence between company growth and debt policy. Results obtained from table IV. 9 there are significant values of 0.633 > 0.05. So this hypothesis is not accepted, with this the company's growth does not affect the size of the debt policy in companies in the mining sector listed on the Indonesia Stock Exchange (IDX). Based on *the pecking order theory*, companies use internal funds first, and after external funds (debt). Asset growth is the average growth of a company's wealth. If the company's initial assets are quantitatively fixed, it means that the company's final assets will increase if there is a high increase in assets. And conversely, if asset wealth is high with high wealth growth, it means that the initial wealth is low.

But this is in line with the results of research conducted by Fauziah and Rejeki (2022), Nurfitriana and Fachrrozie (2018) which states that Company Growth has no effect on debt policy. That is, the company will still choose funding sources that have lower loan interest and rely on using internal funds. When a company needs more money to grow, it issues new shares at a lower cost than debt. So this is very contrary to the results of research conducted by Saputra (2017) which states that company growth has an influence on debt policy. Differences in previous research where there are companies and periods that have been used by researchers. In the previous research, (Fahmi, Irham., 2014). used property, *real estate* and building construction sector companies on the IDX in the 2017-2019 period. Meanwhile, Nurfitriana and Fachrrozie's research (2018) used consumer goods sector companies on the IDX in the 2012-2016 period. Meanwhile, in the study, researchers used the mining company sector for the 2017-2021 period

Profitability moderates the effect of *free cash flow* on debt policy

Based on statistical analysis shows that profitability is not able to have an influence between *free cash flow* and debt policy. Results obtained from table IV. 11 there is a coefficient value of MRA test result 1 there is a negative value in the results of *unstandardized coeficients* valued at -0.007 and has an insignificant value of 0.541 > 0.05. So the hypothesis is not accepted, with this profitability is not able to moderate the effect of *free cash flow* on debt policies in companies in the mining sector listed on the Indonesia Stock Exchange (IDX). Profitability is a fund owned by a company that can be used to make investments or distributed to shareholders. The free cash flow that a company has generated is very large can create a conflict between the goals of managers and shareholders. Shareholders managers do not always act in the interests of shareholders, so there is a need for an oversight mechanism so that the goals between the two parties are aligned. Therefore, supervision can lead to agency costs. The cost of agency fees can be reduced by using debt. The higher the cash flow and profitability in the community shared with shareholders, the higher the debt policy The high free cash flow combined with profitability causes the company to take on large amounts of debt because the debt is used to finance the cost of representation. This decision aims to minimize unnecessary misuse of fund management.

But this is in line with the results of research conducted by Saputra (2021), which states that profitability does not moderate the effect of *free cash flow* on debt policy. This is very contrary to the opinion of Setiawan et al (2021) which states that profitability is able to moderate *free cash flow* to

debt policies. Differences in previous research where there are companies and periods that have been used by researchers. In the previous study, (Myers, S.C dan Majluf, N.S, 2021). used pharmaceutical sector companies on the IDX in the 2015-2020 period. Meanwhile, the researchers used the mining company sector for the 2017-2021 period.

Profitability moderates the effect of liquidity on debt policy

Based on statistical analysis shows that profitability is not able to have an influence between liquidity and debt policy. Results obtained from table IV. 13 there is a coefficient value of MRA test result 2 there is a negative value in the *results of unstandardized coeficients* valued at -0.014 and has an insignificant value of 0.289 > 0.05. So the hypothesis is not accepted, with this profitability is not able to moderate the effect of liquidity on debt policy in companies in the mining sector listed on the Indonesia Stock Exchange (IDX). Profitability plays a role in amplifying the impact of liquidity on debt policy. The existence of high profitability shows that the company has a stable financial position and can meet its needs with its own capital, but based on the results of statistical tests, this profitability cannot meet business needs. increase the influence of liquidity on debt policy. This result is inconsistent with hierarchical theory. According to this theory, companies that have high liquidity and high profitability must also use small amounts of debt because the company has sufficient internal capital to finance its needs. Thus, This will allow the company to reduce its current debt level. Therefore, profitability can be used to reduce the effect of liquidity on debt policy.

But this is in line with the results of research conducted by Isnaeni (2021), which states that profitability does not moderate the effect of liquidity on debt policy. This is very contrary to the opinion of Andy et al (2022) which states that profitability is able to moderate *liquidity* against debt policy. Differences in previous research where there are companies and periods that have been used by researchers. In previous research, (Ghozali, Imam, 2018). used real estate property sector companies on the IDX in the 2015-2020 period. Meanwhile, the researchers used the mining company sector for the 2017-2021 period (Fitriyani, Ulfi Nihayah dan Khafid, Muhammad., 2019)

Profitability moderates the influence of company growth on debt policy

Based on statistical analysis shows that profitability is not able to have an influence between the growth of the company and the debt policy. Results obtained from table IV. 13 there is a coefficient value of MRA test result 3 there is a negative value in the *results of unstandardized coeficients* valued at -0.009 and has an insignificant value of 0.436 > 0.05. So the hypothesis is not accepted, with this profitability is not able to moderate the influence of company growth on debt policies in companies in the mining sector listed on the Indonesia Stock Exchange (IDX). Profitability can indicate the high and low profitability of a business (Isnaeni, Holy Nimah., 2021). The high profit of a company can indicate that the company is experiencing growth. The high rate of business growth will force the business to have sufficient capital. Therefore, the company needs more capital to run its business. One of the sources of business financing comes from debt. Creditors are more likely to trust companies with steady growth or growth when making loans, because the risks associated with such loans are low. Provide peace of mind to creditors when providing loans in the form of debt. Because if a company wants to grow fast and profitable, large funds are needed to grow fast and profitable, thus adding debt policies to the company to expand expansion and cover representation costs.

Profitability cannot increase debt policy when the growth value is high, and profitability cannot decrease debt policy when the growth value is low.(Mufidah, Mia Nur and Fahrurrozi., 2019) But this is in line with the results of research conducted by), which states that profitability does not moderate the influence of company growth on debt policy. This is very contrary to the opinion of Nurfitriana et al (2018) which states that profitability is able to moderate the company's growth towards debt policy. Differences in previous research where there are companies and periods that have been used by researchers. In previous research, Mufidah and Fachrurrozi (2021) used manufacturing companies on the IDX in the 2015-2019 period. Meanwhile, the researchers used the mining company sector for the 2017-2021 period.

4. CONCLUSION

The results of this study show that *Free Cash Flow*, and Company Growth do not affect Debt Policy, while Liquidity affects debt policy in Mining companies listed on the IDX for the 2017-2021 period. Profitability cannot moderate *Free Cash Flow*, Liquidity, Company Growth against Debt Policy in Mining sector companies listed on the IDX for the 2017-2021 period.

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