The Effect of Asset Structure and Agency Costs on Debt Policy with Profitability as an Intervening Variable

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Abstract. The data for this study were gathered from the annual financial statements of food and beverage companies listed on the New York Stock Exchange using a purposive sampling technique that fits the research criteria. The research was conducted over a five-year period, with as many as 70 data points collected from 14 food and beverage sub-sector businesses. This study employs a variety of linear analytic techniques in conjunction with secondary data types. The study's findings indicate that asset structure and agency costs have a concurrent effect on profitability, and that asset structure, agency costs, and profitability all have a concurrent effect on leverage. Asset structure has a detrimental effect on profitability but a beneficial effect on leverage. Agency costs have a negative effect on profitability but a good effect on leverage. Leverage is adversely affected by profitability. The research demonstrates that organizations that focus on asset structure and agency expenses can overcome debt policies and boost profitability.

Keywords: Asset Structure, Agency Cost, Profitability and Leverage.

A. INTRODUCTION

Digital transformation is considered to have a positive impact on increasing investment and productivity, as well as creating a competent workforce in the food and beverage sub-sector entities that can support and facilitate activities in the industry (Ministry of Industry, 2019). Food and beverage sub-sector companies until the third quarter of 2019 still recorded good growth, such as Nippon Indosari Corpindo Tbk (ROTI) with net sales in the third quarter also increasing 24.05% from IDR 1.98 trillion to IDR 2.46 trillion. Furthermore, profit during the period also increased from 70.2 billion rupiah to 176.85 billion rupiah, an increase of 151.93%. Until the first semester, it is known that investment in this sub-sector reached up to IDR. 31 trillion, but of this amount foreign investment was also recorded at US$ 700 million until the first semester (Dwijayanto, 2019; Hermanto, 2017).

The greater the debt policy (leverage) while the total assets do not change can cause the company's debt to be even greater. The greater the total debt, the greater the monetary risk or the possibility of an entity's failure to repay a loan with a higher interest rate (Ramadhan & Putri, 2020). The most critical criterion that enterprises in the food and beverage subsector must consider is the availability of sufficient capital. Aspects of capital structure are inextricably linked to business operations and financial difficulties encountered by well-run and developing businesses, provided management has adequate money to support business expansion and working capital requirements (Santosa, 2020; (Brigham & Houston, 2011)). However, with the company's internal sources of funds becoming increasingly limited in developing the company's business, management must also obtain different external funding such as through bank loans and the capital market (Horvathova et al., 2018; Brigham & Houston, 2011).
Profitability is the strength possessed by an entity to earn profits by using all the assets of the company. Increasing profits and increasing company value are closely related to the welfare of shareholders, therefore these goals are very important to maintain the survival of the company, improve employee welfare, improve product standards and quality, and increase profits for the company (Yanti & Darmayanti, 2019; Delcoure, 2007). The profitability of a company in the food and beverage industry can show profits in the company and company performance, and can also show whether or not the company’s prospects in the future (Syahzuni, 2019; Sanil et al., 2018).

An entity that has a high asset structure will tend to decide to use debt more to fund its capital needs (Devi et al., 2017). Assets owned by food and beverage sub-sector companies will have an influence on the company and relationships with other parties, because assets can be used as collateral that can provide loans to companies so that food and beverage sub-sector companies with lots of assets will find it easier to get loans from creditors (Andika & Sedana, 2019; Surjandari, 2020).

Agency costs can arise if the implementation of the manager or agent is not in accordance with the wishes or wishes of the shareholders, in this case it can also occur in the food and beverage sub-sector companies. Managers as part of those who have responsibility for managing the company, mostly prefer to try and do something that will maximize their interests and override the interests of shareholders, so that it can cause agency problems. In agency matters, the interests of shareholders and the interests of management are different, so that it can result in agency costs for the food and beverage company (Sudrajat, 2020; Buvanendra, 2017; Santosa, 2020).

Several earlier studies have examined the effect of financial success and innovation on leverage, as demonstrated by the Indonesian food and beverage subsector (Santosa, 2020; Graham et al., 2015). The findings indicate that company size and quality structure have a beneficial effect on leverage.Profitability, innovation, and technology, on the other hand, have a negative effect on the debt ratio, whereas agency expenses have no effect on leverage. Except for agency costs, all findings support the premise. However, this study differs in that it includes profitability as an intervening variable, demonstrating that profitability can enhance or diminish the indirect effect of asset structure and agency costs on leverage.

The purpose of this study is to find out how asset structure and agency costs affect debt policy mediated by the intervening variable, namely profitability. Then in this study, this study takes the population of entities with industrial sub-sectors of basic necessities and food or food and beverages on the Indonesia Stock Exchange (IDX) for the period from 2015 to 2019. It is hoped that this research can also contribute to organizational management science and can provide improving the performance of manufacturing companies in the food and beverage industry sub-sector.

B. LITERATURE REVIEW

1. Relationship between Asset Structure and Agency Costs on Profitability

High profitability can make investors interested in investing their funds in the company and managed by management by paying agency fees so that agency problems do not occur. The company's profits are used by investors in assessing the company's ability to be seen from the level of use of assets and other resources (Brigham & Houston, 2011; Dewi & Abundati, 2019). Companies usually have fairly large fixed assets which can make the expected operational results even greater so that the company will finance these operational results to generate profits (Andika & Sedana, 2019; Sutomo, 2020). In the company there are also costs that can arise as a result of conflicts between fund owners and managers. This can increase agency costs and can also reduce agency costs if there is an increase in the
company's operational efficiency (Astakoni & Nursiani, 2020; Hermanto, 2021). Previous research has stated that asset structure has a positive effect on profitability (Rahmawati & Mahfudz, 2018). Previous research has stated that agency costs have a negative effect on profitability (Nobanee & Abraham, 2021; Syah et al., 2020).

H1: Asset structure and agency costs show that there is an effect on profitability

2. Relationship between Asset Structure and Profitability

Entities with a good asset structure must have quite large assets, where a large asset structure can also make the company's profitability higher (Siregar & Fahmi, 2018; Lukman, 2021). The asset structure can be the ability to finance the company's operations as a driver to generate profits. The larger the asset structure ratio, the better because it represents the availability of cash, assets, and reserves, which are the most liquid assets, relative to the total amount of assets (Syahzuni, 2019; Lukman, 2020). The previous research stated that the result of asset structure affecting profitability was not significantly positive (Rahmawati & Mahfudz, 2018).

H2: Asset structure has a positive effect on profitability

3. Relationship between Agency Costs and Profitability

The separation of functions between investors and management makes investors want to know more information related to share capital invested and managed by management to assess the company's opportunities in the future from the company's profitability growth (Astakoni & Nursiani, 2020; Hermanto, 2018). Firm profitability and the variables that affect profitability occupy most of the corporate financial management literature, where agency costs come from conflicts between shareholders and managers who have different interests on the internal side of the company (Salehi et al., 2021; Lukman, 2021). Differences in the interests of shareholders and managers can cause conflicts, therefore the shareholders must have a way to monitor and minimize these differences in interests, namely the existence of agency costs. Previous researchers stated that agency costs have a negative effect on profitability (Nobanee & Abraham, 2017).

H3: Agency costs have a negative effect on profitability

4. Relationship between Asset Structure, Agency Costs and Profitability on Leverage

According to the trade-off theory, strong profitability suggests the use of debt in enterprises with a high asset-to-asset ratio, and high debt levels can also result in an increase in agency costs (Umdiana & Claudia, 2020). The asset structure of the business, the higher the fixed assets, the greater the utilization of internal capital, resulting in a lower reliance on foreign capital than previously, and therefore leverage is below its optimal level (Santosa, 2020). Stable agency costs can enable management to make more reasonable and quantifiable leverage decisions in pursuit of a healthy debt-to-equity ratio (Vijayakumaran & Vijayakumaran, 2019).

The debt policy's (leverage) limited influence is due to the magnitude of the company's profits and the quantity of equity sources secured by the company (Qusibah & Yusra, 2019). Earlier studies indicated that asset structure has a beneficial influence on leverage (Santosa, 2020; Arif & Karmila, 2019). According to prior studies, agency expenses have a detrimental influence on leverage (Vijayakumaran & Vijayakumaran, 2019; Indrati et al., 2021). In prior research, profitability was shown to have a negative and significant effect on leverage (Prieto & Hwan, 2019).

H4: Asset structure, agency costs, and profitability show that there is an effect on leverage
5. **Relationship between Asset Structure and Leverage**

   With the cost of debt, creditors tend to want collateral to lend their funds, this is because large companies with large asset compositions can more easily receive loans, so that this can increase the company's capital structure (Umdiana & Claudia, 2020). When an organization has a higher proportion of tangible assets, its asset valuation becomes more controllable, and the problem of knowledge spatiality becomes less of an issue. Thus, as the proportion of tangible assets increases, management reduces its reliance on debt.

   This means that managers base their debt policies on fixed asset positions. This policy is prompted by management’s proclivity for exploiting and creating new debt choices in order to minimize the company’s commitments (Lim, 2012). Increased asset structure (increased non-current assets) can boost the utilization of internal capital, reducing the need for external capital and thereby keeping leverage below the optimal level (Nurjanah & Purnama, 2020). According to past research, asset structure has a beneficial effect on debt policy (leverage) (Santosa, 2020).

   **H5**: Asset structure has a positive effect on leverage

6. **Relationship between Agency Cost and Leverage**

   As debt levels rise, agency expenses drop, to the point where agency costs have little effect on firm leverage (Kyriazopoulos, 2017). Additionally, agency costs in the business sector are transparent and adhere to the norms of good corporate governance, which are often steady and reducing, encouraging management to make more reasonable and quantifiable leverage choices in pursuit of a healthy debt-to-debt ratio (Salehi et al., 2021). Previous research indicates that agency fees have a detrimental influence on leverage (Vijayakumaran & Vijayakumaran, 2019).

   **H6**: Agency costs have a negative effect on leverage

7. **Relationship between Profitability and Leverage**

   The relationship between profitability and leverage is demonstrated by exchange theory. This is because strong profitability demonstrates the usage of debt and may create an incentive for businesses to gain tax relief on interest payments (Pramana & Darmayanti, 2020). Profitable businesses will have less reliance on external finance. A bigger profit margin enables management to obtain the majority of its internal finances from retained earnings before resorting to external sources of funding such as loans (Sumani et al., 2020). This demonstrates that the larger the profit margin and the more equity sources secured, the lower the debt component and thus the more favorable the debt policy (leverage) (Qusibah & Yusra, 2019). Previous research stated that profitability has a negative effect on debt policy (Prieto & Hwan, 2019).

   **H7**: Profitability has a negative effect on leverage

C. **METHOD**

   The type of measurement used in this study is to measure the causal relationship (explanatory causality) between the dependent variable, the independent variable, and the intervening variable in the quantitative method using linear regression, autocorrelation test, heteroscedasticity test. Then use a hypothesis test consisting of f-test, t-test, adjusted R^2 test, and path analysis test. The data for this study were gathered through a purposive sample strategy from manufacturing enterprises in the basic necessities and food or food and beverage industry subsectors on the IDX between 2015 and 2019. The following criteria were used to select sample data for this study: food and beverage subsector companies that have been consistently listed on the Indonesia Stock Exchange (IDX) until 2021, entities that did
not record profits in their annual financial statements between 2015 and 2019, entities that did not record profits in their annual financial statements between 2015 and 2019, entities that did not IPO during the 2015-2019 study period, and entities that did not IPO during the 2015-2019 study period. In this study, data in the form of yearly financial reports were gathered through the IDX's official website and the official websites of each company in the food and beverage subsector. The study sampled 16 companies from a total population of 34, with the objects being the basic necessities and food or food and beverage industries from 2015 to 2019. Thus, the overall sample size for this study is 70 (14 companies with 5 years of observation).

D. RESULT AND DISCUSSION

1. Descriptive Statistics Test

The Asset Structure (AST) variable has a minimum value of 9.10 percent, a maximum value of 70.00 percent, an average value of 48.5214 percent, and a standard deviation of 16.28437 percent, according to the results of descriptive statistical tests. The Agency Costs (AGC) variable has a mean of 85.7686 percent and a standard deviation of 11.96433 percent. It has a minimum value of 54.00 percent, a maximum value of 98.40 percent, an average value of 85.7686 percent, and a standard deviation of 11.96433 percent. Profitability, as measured by Return on Assets (ROA), ranges from 0.10 percent to 53.00 percent, with an average of 10.9129 percent and a standard deviation of 10.36035 percent. The dependent variable is leverage, as measured by the Debt to Equity Ratio (DER), which ranges from 16.40 percent to 177.00 percent, with an average of 86.5857 percent and a standard deviation of 45.36851 percent.

2. Normality test

A research utilizing the Kolmogorov Smirnov test determined that the data had a significance value of 0.200, which is greater than 0.05, indicating that the data had a normal distribution. The significance level for the data is 0.200, which is greater than 0.05, indicating that the data follows a normal distribution. The data then have a significance level of 0.200, which is greater than 0.05, indicating that they are also normally distributed.

3. Autocorrelation Test

In this study, using the Durbin Watson (DW) test with the provisions of dU < DW < 4-dU, it is concluded that there is no autocorrelation. The test results in table 4.3 show that the DW result is 1.733, which is higher than the dU value of 1.5937 and lower than (4-dU) = 2.4063. The test results in table 4.9 obtained the results of DW which is 1.768 which is higher than the dU value of 1.5937 and lower than (4-dU) = 2.4063. Then the test results in table 4.15 obtained the results of DW which is 1.730 which is higher than the dU value of 1.6563 and lower than (4-dU) = 4-1.6563 = 2.3437. From the test results of each table, it is concluded that there is no autocorrelation in this study.

4. Multicollinearity Test

The provisions of the test results are seen from the tolerance value greater than 0.10 and the Variance Inflation Factor (VIF) value less than 10. The test results obtained that the tolerance value of the asset structure variable and agency costs is the same as 0.962 > 0.10 and the VIF value of the variable asset structure and agency costs are the same at 1.039 < 10. Then the test results from table 4.16 have tolerance values of 0.642 (AST), 0.285 (AGC) and 0.226 (ROA) > 0.10 and a VIF value of 1.557 (AST), 3.508 (AGC) and 4.426 (ROA) < 10. Based on these results, it is concluded that multicollinearity does not exist in this study.
5. Heteroscedasticity Test

Using the Scatterplot method with the condition that the resulting image is in the form of scattered points, and does not form a certain pattern in the graph so that there are no symptoms of heteroscedasticity. The test results display a graph with the dots located spread out and do not look like a certain pattern, so it is concluded that there is no indication of heteroscedasticity.

6. Simultaneous Test (Test f)

From the results of the three regression tests, the significance result is 0.000, which means the value is below 0.05, meaning that there is a simultaneous effect. In Table 4.5, it is concluded that the asset structure and agency costs affect leverage simultaneously. From the results it can be concluded that the asset structure and agency costs affect profitability simultaneously. Then it is concluded that the asset structure, agency costs and profitability affect leverage simultaneously.

7. Partial Test (t Test)

Table 1. T-test

<table>
<thead>
<tr>
<th>Model</th>
<th>Partial Test (t Test)</th>
<th>Beta</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Asset Structure → Leverage</td>
<td>0.027</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Agency Fee → Leverage</td>
<td>0.050</td>
<td>0.000</td>
</tr>
<tr>
<td>II</td>
<td>Asset Structure → Profitabilitas</td>
<td>-0.028</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Agency Fee → Profitabilitas</td>
<td>-0.130</td>
<td>0.000</td>
</tr>
<tr>
<td>III</td>
<td>Asset Structure → Leverage</td>
<td>0.024</td>
<td>0.003</td>
</tr>
<tr>
<td></td>
<td>Agency Fee → Leverage</td>
<td>0.032</td>
<td>0.184</td>
</tr>
<tr>
<td></td>
<td>Profitability → Leverage</td>
<td>-0.137</td>
<td>0.377</td>
</tr>
</tbody>
</table>

Source: Data Proceed

Table 1 above shows the individual influence of the independent variable on the dependent variable if it has a significance result of <0.05. In model I there is an asset structure and agency costs with the same significance result, namely 0.000, which means that there is an individual influence on leverage. In model II there is an asset structure and agency costs with the same significance result, namely 0.000, which means that there is an individual influence on profitability. Then in model III there is a profitability of 0.377 which means it does not affect individual leverage.

8. Adjusted Test $R^2$

If the value is close to 1, the independent variable will have a strong influence on explaining the dependent variable. However, if it is close to 0, the independent variable will have a weak influence to explain the dependent variable. It appears that the value obtained is 0.538, which means that the asset structure and agency costs provide an explanation of the leverage of 53.8%. It can be seen that the asset structure and agency costs provide an explanation of the profitability of 0.761 (76.1%). Then in table 4.19 the structure of assets, agency costs and profitability provides an explanation of the leverage of 0.535 (53.5%).
9. Path Analysis

The path analysis test is used to determine how strong the intervening variable can mediate the independent variable on the dependent variable provided that if the result of the indirect effect is greater than the direct effect, then the intervening variable is considered capable of mediating. Figure 1. shows that the indirect effect is lower than the direct effect between asset structure and leverage, namely \((-0.342 \times -0.211) = 0.072\) which is smaller than 0.526, which means that profitability cannot mediate. Then, between agency costs and leverage, it can be seen that the value of indirect influence < direct influence is \((-0.747 \times -0.211) = 0.158\) which is smaller than 0.442, which means that profitability cannot mediate.

Based on the 3 (three) criteria according to Baron and Kenny (1986) in table 5.1, the first regression shows that the asset structure and agency costs have a significant effect on leverage so that the first criterion is met. The second regression is that the asset structure and agency costs have a significant effect on profitability as an intervening variable so that the second criterion is met. Meanwhile, in the third regression, it is seen that the asset structure significantly affects leverage but the coefficient value decreases compared to the first regression, agency costs do not significantly affect leverage, and profitability does not have a significant impact on leverage so that the last criteria are not met. It can be concluded that if one of the criteria is not met, then profitability is not able to mediate the relationship between asset structure and agency costs on leverage.

10. Multiple Linear Regression Analysis

It can be seen based on the calculation results from the statistical software used, so that the following equation is obtained:

\[
2.754_{\text{DER}} = -1.538 + 0.027_{\text{AST}} + 0.050_{\text{AGC}} + 1.139_{\text{E1}}
\]

The first regression equation shows that the constant is -1.538 if the independent variable is considered a constant then the leverage is 2.754. The coefficient of asset structure increases by 0.027 if the asset structure changes by 1% it will increase leverage by 0.027. The coefficient of agency costs increases by 0.050 if the agency costs change 1% will increase leverage by 0.050.

\[
16.771_{\text{ROA}} = 15.666 - 0.028_{\text{AST}} - 0.130_{\text{AGC}} + 1.263_{\text{E2}}
\]

The second regression equation shows that the constant is 15.666 if the independent variable is considered a constant then the profitability is 16.771. The coefficient of asset structure decreases by 0.028 if the asset structure changes by 1% it will reduce profitability by 0.028. The coefficient of agency costs decreases by 0.130 if the agency costs change 1% will reduce profitability by 0.130.

\[
3.18_{\text{DER}} = 0.607 + 0.024_{\text{AST}} + 0.032_{\text{AGC}} - 0.137_{\text{ROA}} + 2.654_{\text{E3}}
\]
The third regression equation shows that the constant is 0.607 if the independent variable is considered a constant then the leverage is 3.18. The coefficient of profitability decreases by 0.137 if the profitability changes by 1% it will reduce leverage by 0.137.

11. Effect of Asset Structure and Agency Costs on Profitability

Based on the results of the f test, the results state that the asset structure and agency costs simultaneously affect the profitability of the basic needs and food or food and beverage industries listed on the Indonesia Stock Exchange in 2015-2019. This supports previous studies which state that asset structure and agency costs have an influence on profitability (Nobanee & Abraham, 2017; Rahmawati & Mahfudz, 2018). High profits can make investors interested in investing in companies that will be managed by management through payment of agency fees, so that agency problems do not occur. In a company because there can be conflicts between shareholders and managers, costs can also occur. This will increase agency costs, and if the company's operational efficiency increases, agency costs can also be reduced. Investors use earnings in the company to assess the company's ability as seen from the level of use of assets with other resources. Companies usually have fairly large fixed assets, which can make the expected operating results greater so that the company can provide funds for the results of these operations to generate profits.

12. Effect of Asset Structure on Profitability

According to the t-test results, the asset structure has a detrimental effect on the profitability of food and beverage companies listed on the IDX between 2015 and 2019. The asset structure has a detrimental effect on profitability, which means that as the asset structure increases, profitability decreases. This does not support previous research which states that asset structure positively affects profitability (Rahmawati & Mahfudz, 2018). Companies with large asset structures will find it easy to increase profits because the company will not experience difficulties in funding to fund their operations. Companies with a high asset structure will also tend to use large amounts of debt. When the company uses more debt, the company will also face the risk of bankruptcy and decreased profitability due to excessive interest payments.

13. Effect of Agency Costs on Profitability

The results of the t-test above show that agency costs have a negative effect on the profitability of the basic needs and food or food and beverage industries listed on the IDX in 2015-2019. Which means that if agency costs increase, profitability can decrease. This supports previous research which states that agency costs have a negative effect on profitability (Nobanee & Abraham, 2017). Firm profitability and the variables that affect profitability occupy most of the corporate financial management literature. Agency costs come from differences in interests between shareholders and managers as an internal part of the company. Differences in interests between shareholders and managers can cause conflicts, so shareholders must have a way to monitor and minimize these differences in interests, namely agency costs.

14. Effect of Asset Structure, Agency Costs and Profitability on Leverage

Based on the results of the f test, the results show that the asset structure, agency costs, and profitability simultaneously affect the leverage of the food and beverage sub-sector companies listed on the IDX in 2015-2019. This supports previous research which states that asset structure, agency costs, and profitability have an influence on leverage (Prieto & Hwan, 2019; Santosa, 2020; Vijayakumaran & Vijayakumaran, 2019). A larger company's asset
structure is likely to obtain more external capital in the form of debt (bonds) and the issuance of new shares because it has asset guarantees, reputation, more significant expansion of business continuity, and high bargaining power. Stable agency costs will encourage company management to make more rational and measurable leverage choices in accordance with the goal of a healthy debt scale relationship. The small impact of the debt policy is caused by the large company profits and the many sources of equity obtained by the company. Profitability affects debt policy negatively. This shows that when profitability increases, the decision of general management will reduce the use of debt so that management prefers internal funding to increase its capital requirements. When internal funding is insufficient to meet the capital requirements for working capital, capital expenditures and business expansion, management will use debt.

15. Effect of Asset Structure on Leverage
According to the t-test results above, the asset structure has a positive effect on the leverage of companies in the basic necessities and food or food and beverage industries that were listed on the IDX in 2015-2019. This means that if the asset structure becomes more complex, the leverage will also get more complex. This finding corroborates prior studies indicating that asset structure has a beneficial effect on leverage (Santosa, 2020). When a business has a high proportion of tangible assets, it makes asset value easier to manage and mitigates the problem of information asymmetry. As a result, the share of tangible assets grows, management will lessen its reliance on debt. This means that management bases debt policies on the position of fixed assets, with management being more cautious in utilizing and developing innovative debt solutions to minimize firm debt. Due to the complex structure of the acquired assets (the greater the proportion of non-current assets), the degree of utilization of internal owned capital will increase as well, reducing the need for foreign capital and lowering leverage below the ideal level.

16. Effect of Agency Costs on Leverage
According to the t-test results, agency costs have a favorable influence on the leverage of companies in the basic necessities and food or food and beverage industries that are listed on the IDX from 2015 to 2019. This indicates that if agency expenses rise, leverage will rise as well. This contradicts prior research indicating that agency costs have a detrimental influence on leverage (Vijayakumaran & Vijayakumaran, 2019). The agency expenses of an industry or company sector that is transparent and adheres to sound corporate governance norms are typically steady and declining. Stable agency costs will assist management in making more sensible and quantifiable leverage decisions based on a healthy debt ratio target. The company will offer higher rewards to management who use debt effectively and efficiently. So that the company can overcome the use of leverage if it is too high for the company which can result in increased risk that must be borne by third parties.

17. Effect of Profitability on Leverage
Profitability has a negative effect on the leverage of the basic necessities and food or food and beverage sectors listed on the IDX in 2015-2019, according to the t-test results. Profitability has an inverse relationship with leverage, which means that when profitability improves, leverage may decrease. This finding corroborates prior studies indicating that profitability has a detrimental influence on leverage (Prieto & Hwan, 2019). Profitability increases enable management to obtain the majority of its internal capital from retained earnings before resorting to external funding sources like debt. This means that companies with high margins will be less dependent on external capital. This shows that the higher the
profit margin of a company, the more internal capital it receives and therefore the less debt that affects its debt policy.

E. CONCLUSION

From the discussion of the previous results, it is found that asset structure and agency costs simultaneously affect profitability, and asset structure, agency costs and profitability also simultaneously affect leverage. Profitability is negatively impacted by asset structure, while leverage is positively impacted. Agency costs have a detrimental effect on profitability but a beneficial effect on leverage. Then profitability has a detrimental effect on leverage. Profitability, as an intervening variable, has no effect on the link between asset structure and agency costs associated with leverage. Thus, profitability can be employed as an independent variable to impact debt policy decisions in Indonesia, particularly in the basic necessities and food or food and beverage industrial sector.

REFERENCES


