ABSTRACT

The policy debt through DER in manufacturing firms in each manufacturing industry experienced significant changes over the period 2008 to 2010. This research was conducted to examine the effect of profitability, liquidity, sales growth, company growth, and firm size on company's debt policy. The objective of research was to know magnitude of profitability, liquidity, sales growth, company growth, and firm size impact on debt policy in companies listed on Indonesian Stock Exchange.

Sampling method used in this study was purposive sampling method, which was based on certain criteria. Samples that match with the criteria of this research were 131 manufacturing companies on the Indonesian Stock Exchange in the period 2008 – 2010. The analysis used was multiple regressions, to see whether the independent variables influence the dependent variable jointly or individually, preceded by assumption of classical test for normality, heteroscedasticity test, test of multicollinearity and autocorrelation. Hypothesis testing was using F test and t test.

The results of the data analysis or the regression indicate that the simultaneous profitability, liquidity, sales growth, company growth, and firm size affect debt policy. Partially variables that significantly influence the lending policies are profitability, liquidity and firm size. While sales growth and company growth variables did not significant influence the company's debt policy. The magnitude of the coefficient of determination (Adjusted R Square) was equal to 0.298. This means that the dependent variable was 29.8% debt policy can be explained by the five independent variables, while the remaining 70.2% was explained by the variable debt policy or other reasons outside the model.

Keywords: debt policy, profitability, liquidity, sales growth, company growth, firm size.