

ABSTRACT

The company's financial management activities become one of the crucial parts in the survival of a company. The activity of finding sources of funds in the form of debt and making decisions are regulated in debt policy. These decisions, the allocation of what percentage of each source of funds, and how long the period is are regulated by regulations.

The purpose of this study is to analyze the effect of non-debt tax shield (NDTS), firm growth, liquidity, and profit volatility whether simultaneously and/or partially towards debt policy in building construction firms listed on Indonesian Stock Exchange period 2016-2020. This study uses panel data regression with fixed effect model to estimate 60 samples from 12 companies selected through purposive sampling.

The results show that NDTS, firm growth, liquidity, and profit volatility simultaneously have a significant effect on debt policy. Partially, firm growth and profit volatility have a positive significant effect on debt policy, while NDTS and liquidity have no significant effect. These findings suggest that Indonesian building construction firms do not consider liquidity and non-debt tax shield as a considerations of increasing or decreasing debt. Moreover, Indonesian building construction firms with strong firm growth and high profit volatility actually have a low proportion of debt. So that the company's management is expected to optimize the company's growth. For investors, it is expected to pay attention to factors such as the company's growth rate and profit volatility as produced by research as a basis for consideration in making investment decisions.

Keywords: Debt Policy, Profit Volatility, Firm Growth, Liquidity, Non-Debt Tax Shield