

Effects Of Debt Policy In Islamic Perspectives And Capital Structure Implications On Profitability Telecommunication Services Companies In Indonesia

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**Effects Of Debt Policy In Islamic Perspectives And Capital Structure
Implications On Profitability Telecommunication Services Companies
In Indonesia**

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Abstract

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This study purpose is to determine effect of debt policy in Islamic perspective and capital structure implications on profitability telecommunications service companies in Indonesia. A population in this study is data on Indonesia Stock Exchange from 2015 to 2019 which uses annual financial reports. A sample taken by researchers in this study is Data on Financial Position Statements, Profit and Loss and Other Comprehensive Income and Notes on Financial Statements (CALK) Telecommunication Service Companies in Indonesia from 2015 to 2019. A method used in this research is multiple linear regression with approach correlation coefficient. To obtain more accurate results in multiple linear regression analysis, classical assumption testing is carried out so that a results obtained are in a regression equation form. This study results indicate that a Debt Policy in an Islamic Perspective has a moderate effect and is positively correlated to profitability, meaning that an increasing effectiveness debt policy in an Islamic perspective implementation, a profitability growth will increase. Meanwhile, capital structure has a moderate effect and has a negative correlation to profitability, meaning that a greater debt composition compared to capital, profitability higher. It is hoped that this research can contribute to further research that discusses profitability.

Keywords : Profitability, Debt Policy In Islamic Perspective and Capital Structure

A. INTRODUCTION

Business competition on telecommunications industry requires a strong capital structure and ethics regarding Islamic religious norms and applicable laws, which are a basic capabilities that business people must have and will determine a policies that need to be taken to increase profits (Alamsyah, Ramadhani and Azizah, 2020: 62). In Islamic perspective there are two views regarding debt policy, first view allows a budget deficit that is managed with external financing, where a form and mechanism have been harmonized and don't conflict with sharia provisions or principles, from historical factor that cooperates with other parties in a business is allowed, even recommended, for example by using mudharabah, musyarakah, murabahah contracts, etc, compared to debt, debt policy in Islamic perspective is seen as more constructive, proportional and fair in third party capital participation, because there is a sharing profits and risks (profit-loss sharing). Then, second view is that entities or companies aren't allowed to cover budget deficit by committing third party debt, because in preventive considerations that third party debt loan mechanism uses an interest system, whereas in Islamic perspective, interest in any form is either production or consumption and is small or large is expressly prohibited (Kirom, 2018: 208). Companies that have a debt policy in accordance with Islamic law, of course apply capital structure properly because as a company control to manage company's economic resources so that profit or profit also increases and investors, investors and creditors will be happy with this because it is guaranteed, their capital return from every rupiah invested and avoiding triggers backwardness, chaos, and having justice and humanity value (Rahayu and Hari, 2016).

In Islamic perspective, third party debt loans using interest or usury system have been prohibited on argument "*Trade is just like usury; whereas Allah permitteth trading and forbiddeth usury. He unto whom an admonition from his Lord cometh, and (he) refraineth (in obedience thereto), he shall keep (the profits of) that which is past, and his affair (henceforth) is with Allah. As for him who returneth (to usury) – Such are rightful owners of the Fire. They will abide therein.*" (QS. AlBaqarah:275). In his interpretation, a money or goods borrowed must be returned according to loan principal amount, in this case a borrower must pay attention to the maturity date agreed by both parties for repayment without adding to debt amount that must be paid (Andrianto and Firmansyah, 2019: 67).

A company debt policy is very important for investors to their safety in investing their capital which is described on financial position which is a company achievement in managing company's capital effectively and efficiently on efforts

that a company has made to generate profits with a right measuring instrument for measure how much profit is generated from sales and investment income, namely profitability ratio which functions to measure company's success in generating profits so that it can see a prospects, growth and potential for good development a company by relying on its resources (Hery, 2017: 37). In addition, in Islamic perspective, a debt policy for profit has been arranged in such a way because in Islamic law there isn't system interest and usury, but instead uses profit sharing principles, buying and selling, and renting because it's profit orientation for afterlife (Javaid and Alalawi, 2018).

Debt policy in Islamic perspective is closely related to capital management which is needed to balance debt composition with capital as hereafter responsibility which is often referred to as capital structure (Issa, 2020). The capital structure is company's strategy in managing the company's permanent financing consisting long-term or short-term debt and equity, while public companies in Indonesia, especially telecommunications service companies, are still dominated by debt rather than their own capital, making investors hesitant to consider their capital implanted in company, then this is a reflection that there are still many companies that haven't optimized Islamic law even though in a current regulations companies listed on Indonesia Stock Exchange must issue a Sharia IPO to reflect a company responsibilities (Nurmasari, 2019). Capital using debt with ethics Islamic religious norms and applicable law can be said to be a low-cost alternative, because an interest expense incurred is less than a profit earned from debt or loan utilization value, but if a capital structure is dominated debt and avoiding sharia principles will cause a greater risk bankruptcy to a company, while companies that can take advantage their capital that is balanced with sharia principles to record a profit greater than their operating expenses will also generate a large net profit and can be interpreted as being categorized as a healthy or solvency from a financial side, especially in company finances proportion (Fahmi, 2015: 185).

According to Indonesia Stock Exchange President Commissioner, there are four cellular operators that dominate market with Islamic IPO ownership, namely PT Telekomunikasi Tbk (TLKM), PT Indosat Tbk (ISAT), PT XL Axiata Tbk (EXCL) and PT Smartfren Telecom Tbk (FREN) on a basis highest customers come from PT Telekomunikasi Tbk (TLKM) as telecommunication companies leader in Indonesia with 167.8 million numbers, PT Indosat Tbk (ISAT) 64.1 million numbers, PT XL Axiata Tbk (EXCL) 53.9 million numbers and PT Smartfren. Telecom Tbk (FREN) 40 million numbers, which every year

telecommunication companies spend 80 percent capital expenditure on networks (Rudiantara, 2018). There are three basic assets so that telecommunication companies are able to survive with healthy criteria or not at an efficient level return on profit, first is that they must adopt a latest technology but must be able to return capital they have spent. Second, companies must be supported by large capital for expansion and strengthening a networks in order to maintain market capitalization. And thirdly, adaptability in regulatory intensive policies issued midst by a government, therefore telecommunications companies mustn't only be resilient with technology support and capital structure, stability in terms a policy changes is also key, especially in liquid funds effective to use. fulfill debts that are due soon so that telecommunication companies can grow and develop (Sutadi, 2020). Thus, a largest telecommunication company in Indonesia in fact hasn't been able to implement three main capitals that have caused a decrease on net profit, which one is PT Telekomunikasi Indonesia Tbk (TLKM), which instead obtained a debt value on first 9 months 2018 reaching IDR 43.33 trillion finance lease debt with debt value caused a debt owned by PT Telekomunikasi Indonesia Tbk (TLKM) to increase by 41.2 percent compared to same period 2017, debt value increase made PT Telekomunikasi Indonesia Tbk (TLKM) debt to equity ratio (DER) increased to 0.48 times which originally was only 0.34 times, with this incident PT Telekomunikasi Indonesia Tbk (TLKM) formulated a debt policy to manage its debt with a sharia approach reprofiling strategy where this strategy is to anticipate rising interest rates trend for next few years that is to improve debt profile by changing a portion on floating interest debt portion to fixed interest and this effort main objective is to reduce interest expense and issue several fixed interest debt instruments through Medium Term Notes (MTN) issuance (Saragih, 2018). In addition, PT Smartfren Telecom Tbk (FREN), which continues to improve its capital structure by implementing a debt policy with a sharia approach, provides a corporate guarantee for loans from its subsidiary, PT Smart Telecom which uses a debt facility to purchase mobile phones or wireless communication equipment another from China Development Bank Shenzhen Branch with a debt amounting to 1.58 billion RMB or 223 billion USD for a period of six years since agreement was written, namely on January 21, 2020 (Ma'ruf, 2020).

Basically, debt management efficiency with a debt policy in Islamic perspective can increase a company funds that will be used to meet company operational needs so that it must be able to minimize a risks that will be borne by a company, such as the debt policy carried out by PT Telekomunikasi Indonesia

Tbk (TLKM) is a method or a strategy taken by an agency to manage its debt so that a company is able to grow and reduce a company debt burden so that its own capital will be greater than a debt owned by company (Wahyuni, 2017). In financing its operational activities, a company or issuer has two alternative funding options, namely internal and external funding, in which case a debt policy is included as a company financing policy that comes from external sources and besides that a debt policy also functions as a monitoring tool for manager's actions taken in company management, financing decisions through debt in Islamic perspective have limits on how much funds a company will borrow with a certain standard ratios and Islamic principles that are applied to determine company's financial performance health, if a debt ratio passes these provisions, costs will increase rapidly and this will affect company's capital structure (Sudana, 2019: 209). This study is different from previous studies (Nasimi, 2016) and (Bhushan and Mohinder, 2016), namely, model used in this study uses more varied indicators so that the factors that affect company's profitability are seen from each variable indicators.

B. THEORITICAL

In terminology, according to Kariyoto (2018:197) which states that a Debt Policy is a company strategy to achieve its goals by managing its debts more creatively and innovatively. And according to Hanafi and Halim (2016:81) which states that a Debt Policy is a company's strategy in financing decisions that come from external sources. Based on statements experts', it can be concluded that a Debt Policy is a company strategy in order to obtain financing sources for fulfill a company's operational activities. As for accounts payable (Al Qardl), which is to provide a loan to someone in need with an agreement to pay same amount (Kiron, 2018:208). The argument that explains about accounts payable is as follows:

“O you who have faith! When you contract a loan for a specified term, write it down. Let a writer write with honesty between you, and let not the writer refuse to write as Allah has taught him.” (QS. AlBaqarah:282)

“O ye who believe! Profane not Allah’s monuments nor the Sacred Month nor the offerings nor the garlands, nor those repairing to the Sacred House, seeking the grace and pleasure of their Lord. But when ye have left the sacred territory, then go hunting (if ye will). And let not your hatred of a folk who (once) stopped your going to the inviolable place of worship seduce you to transgress; but help ye one another unto righteousness and

pious duty. Help not one another unto sin and transgression, but keep your duty to Allah. Lo! Allah is severe in punishment.” (QS. AlMaidah:2)
“Any qardh form (debt) that takes advantage is usury.” (HR Baihaqi)

Debt (Arabic "al-dayn") according to Ghofur (2020:84) in an Islamic perspective is a mandate that is under others responsibility to be used properly and will be returned to those who gave an mandate, debt can be categorized as al-Mal or al-Hukmi, namely property owned by a creditor, while an assets is in a person who owes it.

On hadith and Al-Quran, Allah and His Messenger have ordered each other to help each other in borrowing matters and borrowing with repaying a loan at exact time agreed upon by both parties, of course with principal return that has been borrowed without any additional requirements (usury) (Huda, 2018:137). According to Andrianto and Firmansyah (2019:67), which states that usury prohibition is stated in the letter Al-Baqarah paragraph 275 which means that *money or goods borrowed must be returned without exceeding an principal amount*, in this case every lender who demands or determines profits aren't legal and even debt repayment by borrower must pay attention to agreed maturity period, such as when a lender provides a longer period when a debt is due or adds debt amount (debt rescheduling) to a debtor which makes this contract classified as usury.

Debt concept which is in accordance with Islamic law according to Sarwat (2019:284) is an Islamic economic concept in a more appropriate form with pawn support (rahn) which can be used for social or commercial purposes, with two options, namely accepting lenders (qardhul hassan) or funders (rabb al-mal) as business partners in mudharabah contract. In the fiqh perspective according to Sarwat (2019:285) there are two views related to debt concept related to budget deficits covered by external financing, namely a first view that entities or companies are not allowed to cover budget deficits by making external financing in third party equity form, this is based on preventive consideration that third party equity participation mechanism uses a interest system, whereas in Islam, interest in any form, whether production or consumption and small or large, is expressly prohibited and still according to Sarwat (2019:285), the second view says that debt is allowed if a conditions are urgent and don't harm all parties with debt anticipation future to fulfill.

Then, a capital structure according to Fahmi (2015:184) is a company's financial proportion form representation, namely between a capital owned by debt total (total liabilities) and self capital (shareholders' equity) which is a source

financing for a company. And according to Sugeng (2017:414) which states that a Capital Structure is company's funding composition from debt and capital elements indicated by debt ratio. Based on statements experts', it can be concluded that a Capital Structure is a description company's financial condition composition between capital originating from debt and equity.

And Profitability according to Kasmir (2015: 114) is a measuring tool to assess entity ability to seek profit in a certain period and provides a measure an entity management effectiveness level as indicated by obtained profit from sales or investment income. And according to Hery (2017:37) which states that Profitability is a ratio used to measure a company's ability to earn profits in its normal business activities. Based on statements experts', it can be concluded that profitability is a means measuring an entity management effectiveness level in earning a profit on its operational activities.

Based on theory according to Sugeng (2017: 52) which states that an effective and efficient investment strategy at company's liquidity elements level can strengthen profitability with ethical mechanisms and Islamic religious norms that must be met. This statement supports research conducted results by Herlina and Winingsih (2016), Wahyuni (2017), Rahayu and Hari (2016), Aliyu and Yusof (2016), and Alpi (2018) which state that there is an Current Ratio effect on Return On Equity with a positive correlation. This means that by increasing Current Ratio, it will increase Return On Equity, meaning that if a company has bigger current assets, it will make it easier for a company to make a profit. And in Islamic perspective statement supports research results that has been conducted by Alamsyah; Ramadhani; and Azizah (2020), Javaid and Alalawi (2018), Issa (2020), and Kirom (2018) which state that entities or companies that apply Islamic concepts in equity participation and debt fulfillment can survive amid a massive economic downturn relatively stable profitability.

Based on theory according to Sudana (2019: 208) which states that a capital structure in managing debt on its own capital can affect an entity's ability to generate profits. This statement supports research conducted results by Hantono (2015), Wahyuni (2017), Nurmasari (2019), Bhushan and Mohinder (2016), Paminto; Setyadi; and Sinaga (2016), Nasimi (2016), and Arif; Hidayat; and Zahroh (2015) which states that there is an effect Debt to Equity Ratio on Return On Equity with a negative correlation. This means that with a decrease in Debt to Equity Ratio, it will increase Return On Equity, meaning that if a company is able to fulfill all its obligations, efficiency level in obtaining profits will increase.

Based on theoretical framework above, researcher assumes that provisional decision (hypothesis) is as follows:

H₁: Debt Policy in Islamic Perspective has an effect on Profitability.

H₂: Capital structure has an effect on Profitability.

C. METHODOLOGY

Research is a collecting process and analyzing data that is carried out systematically (collecting, analyzing and interpreting and summarizing data) and logically to solve problems (Usman and Akbar, 2017: 130). The research method is a scientific method and procedure that is designed systematically and organized to obtain data used to obtain relationship significance between a variables studied so that conclusions will be obtained that will clarify object under study description (Sunyoto, 2016: 126).

The method in this research uses descriptive and verification methods with quantitative techniques. The reason researcher chose descriptive and verification method was due to testing effect of debt policy in Islamic perspective and capital structure on profitability and to test theory by proving hypothesis whether it was accepted or rejected. Meanwhile, research object in this study is Debt Policy in Islamic Perspective, Capital Structure and Profitability. Analysis unit in this research is Profitability in Telecommunication Sub-Sector Service Companies listed on Indonesia Stock Exchange.

According to (Arikunto, 2016: 136) which explains data collection techniques notion is most strategic stage in research, because research main purpose is to produce data. In this study, data collection techniques carried out by researchers were: 1) Documentation is a way obtaining data by analyzing documents, archives, images and electronics. An information obtained is secondary data obtained by collecting information relating to problem to be studied from documents related to research object. In this study, researchers took secondary data from Indonesia Stock Exchange (IDX). 2) Literature study is a data collection method by searching for information through books, magazines, newspapers and other reading sources which aims to form a theoretical basis. Library research is conducted in an effort to obtain theoretical data as a comparison with research data obtained.

According to Sugiyono (2017: 80) population is a generalization area consisting objects or subjects that have certain qualities and characteristics. The population in this study amounted to 6 companies with an annual financial reporting period 5 years so that the total population was 30 annual financial

reports (6 x 5). In order for hypothesis testing to get optimal answers from each variable, it requires variables operationalization. Variable operationalization is needed to determine the types, indicators, and scales variables involved in a research, so that hypothesis testing with data grouping tools can be carried out correctly according to research title (Rukajat, 2018: 62). This study three variables consists, namely Debt Policy in Islamic Perspective (X_1), Capital Structure (X_2) and Profitability (Y). The sampling technique used in this research is using purposive sampling technique with certain considerations according to Helaluddin and Wijaya (2019: 65) are as follows:

- 1) Telecommunication Sub-Sector Service Companies listed on Indonesia Stock Exchange for past 5 years with period 2015-2019 (BAPEPAM Regulation No.Kep-134/BL/2006 Article 2 paragraph (2a)).
- 2) Companies that publish annual financial reports for period 2015-2019 with an unqualified audit opinion (WTP) (BAPEPAM Regulation No.Kep-346/BL/2011 Article 5 paragraph (1)).
- 3) Telecommunication Sub-Sector Service Companies that have Islamic IPO shares (Unaradjan, 2019:114).

Thus a companies that fall into sample criteria are 4 companies with an annual financial reporting period 5 years (2015-2019) so that samples number is 20 (4 x 5) which are considered representative or accessible population representatives with the following criteria has been determined (Ibrahim, 2015: 85).

In this study, researchers used multiple linear regression analysis with a correlation approach using statistical methods using Statistical Product and Service Solutions (SPSS) software version 25. To get more accurate results in multiple linear regression analysis, classical assumptions were tested so that results obtained were in a regression equation form which has Best Linear Unisex Estimator (BLUE) characteristics with a significance level 5% ($\alpha = 0.05$), meaning that if the null hypothesis is rejected (accepted) with a 95% confidence level, then it is likely that drawing conclusions results have 95% truth and this indicates presence (a convincing absence [significant] effect between the two variables). In this case, it is indicated by rejection of H_0 or acceptance of alternatives (H_a).

D. RESULTS AND DISCUSSION

D.1. Results

Table 4.1 shows the direction and estimated value from variables that prove debt policy in Islamic Perspective effect correlation extent and capital structure on profitability.

Table 4.1 Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,010	2,401		,837	,414
1 CR	1,737	,567	,499	3,062	,007
DER	-2,203	,776	-,462	-2,839	,011

a. Dependent Variable: ROE

Notes: Error Degree 5% or 0,05

Source: SPSS Software Version 20 Statistical Results, 2020

Based on output table 4.1 above, a multiple linear regression equation is formed as follows:

$$\hat{Y} = 2,010 + 1,737 X_1 - 2,203 X_2$$

The values contained in above equation can be represented as follows:

- The constant is **2,010**; means that it shows Profitability amount (Y), if Debt Policy in Islamic Perspective (X_1) and Capital Structure (X_2) is 0 (zero).
- The Debt Policy variable regression coefficient (X_1) is **1,737**; This means that if independent variables others are constant and Debt Policy in Islamic Perspective has increased by 1 unit, then dependent variable measured using Profitability (Y) will increase by **1,737**. The coefficient is positive, meaning that there is a positive correlation between Debt Policy in Islamic Perspective (X_1) and Profitability (Y), Debt Policy in Islamic Perspective value higher (X_1) then Profitability higher (Y).
- The Capital Structure variable regression coefficient (X_2) is **-2,203**; This means that if independent variables others are constant (constant) and Capital Structure (X_2) has decreased by 1 unit, then dependent variable measured using Profitability (Y) will decrease by **-2,203**. A negative coefficient means that there is a negative correlation between Capital Structure (X_2) and Profitability (Y), Capital Structure lower (X_2) then Profitability (Y) will increase.

Correlation between Debt Policy in Islamic Perspective and Profitability

Table 4.2 shows between correlation Debt Policy in Islamic Perspective and Profitability, if Capital Structure variable is considered constant, following calculations are used:

Table 4.2 Partial Correlation Coefficient between Debt Policy in Islamic Perspective and Profitability Results

Control Variables		CR	ROE
CR	Correlation	1,000	,596
	Significance (2-tailed)	.	,007
	df	0	17
DER	Correlation	,596	1,000
	Significance (2-tailed)	,007	.
	df	17	0

Notes: Error Degree 5% or 0,05

Source: SPSS Software Version 20 Statistical Results, 2020

Based on output table 4.2 from processing data above, correlation coefficient (R) obtained between Debt Policy in Islamic Perspective and Profitability is 0,596. Value 0,596 according to Sugiyono (2018:274) are in a interval 0,40 – 0,599 including category medium with a positive value. So it can be seen that there is a moderate positive correlation between Debt Policy in Islamic Perspective and Profitability, where Debt Policy in Islamic Perspective higher, then Profitability higher in Telecommunication Sub-Sector Service Companies listed on Indonesia Stock Exchange period 2015-2019.

Correlation between Capital Structure and Profitability

Table 4.3 shows between correlation Capital Structure and Profitability, if Debt Policy in Islamic Perspective variable is considered constant, following calculations are used:

Table 4.3 Partial Correlation Coefficient between Capital Structure and Profitability Results

Control Variables		DER	ROE
DER	Correlation	1,000	-,567
	Significance (2-tailed)	.	,011
	df	0	17
CR	Correlation	-,567	1,000
	Significance (2-tailed)	,011	.
	df	17	0

Notes: Error Degree 5% or 0,05

Source: SPSS Software Version 20 Statistical Results, 2020

Based on output table 4.3 from processing data above, correlation coefficient (R) obtained between Capital Structure and Profitability is -0,567.

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Value -0,567 according to Sugiyono (2018:274) are in a interval 0,40 – 0,599 including category medium with a negative value. So it can be seen that there is a moderate negative correlation between Capital Structure and Profitability, where Capital Structure lower, then Profitability higher in Telecommunication Sub-Sector Service Companies listed on Indonesia Stock Exchange period 2015-2019.

Partial Determination Coefficient

Table 4.4 shows influence contribution partially amount, obtained from Beta value multiplication with Zero-Order:

Table 4.4 Partial Determination Coefficient Results
 Coefficients^a

Model	Standardized Coefficients		Correlations	Partial Coefficient of Determination
	Beta		Zero-order	Partial
(Constant)				
1 CR		,499	,614	30,6%
DER		-,462	-,586	27,1%
Total Effect				57,7%

a. Dependent Variable: ROE

Notes: Error Degree 5% or 0,05

Source: SPSS Software Version 20 Statistical Results, 2020

Based on output table 4.4 from processing data above, provides information on partial determination coefficient testing results between Debt Policy in Islamic Perspective and Capital Structure on Profitability. In table above, It is seen that partially Debt Policy in Islamic Perspective has an effect is 30,6 percent, while Capital Structure has an effect is 27,1 percent, so that other variables not examined by researchers have an effect is 42,3 percent.

Hypothesis Test

Figure 4.1 graph shows, t_{count} and t_{table} processed data value.

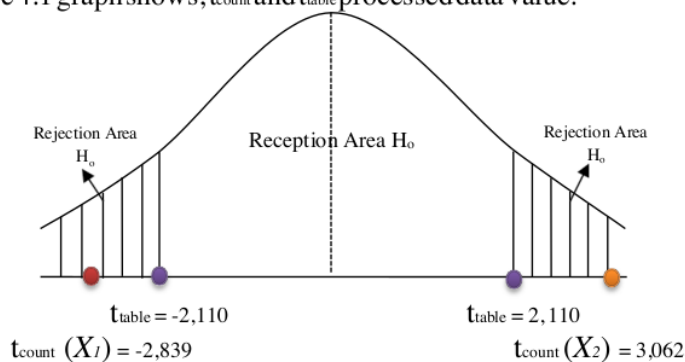


Figure 4.1 Partial Hypothesis Testing Curve Effects of Debt Policy in Islamic Perspective and Capital Structure on Profitability

Table 4.5 shows hypothesis in this study test results.

Table 4.5 Partial Hypothesis Testing between Debt Policy in Islamic Perspective and Capital Structure on Profitability

Model	t _{count}	t _{table}	Sig	A	Information	Conclusion
X ₁ →Y	3,062	2,110	0,007	0,05	Ho rejected	Significant
X ₂ →Y	-2,839	2,110	0,011	0,05	Ho rejected	Significant

Notes: Error Degree 5% or 0,05

Source: SPSS Software Version 20 Statistical Results, 2020

Based on output table 4.5 and Figure 4.1, it is known that t_{count} value obtained by Debt Policy in Islamic Perspective on Profitability is 3,062 and Capital Structure on Profitability is -2,839. This value will be compared with t_{table} value in the t-distribution table. With $\alpha = 0,05$, $df = n - k - 1 \rightarrow df = 20 - 2 - 1 \rightarrow df = 17$, obtained t_{table} value for two-party testing is $\pm 2,110$. From values above, it can be seen that t_{count} value obtained is outside t_{table} value (-2,110 and 2,110). Then, partial hypothesis testing curve above, it can be seen that t_{count} value at rejection area H₀ (t_{count} (3,062) > t_{table} (2,110) and t_{count} (-2,839) < t_{table} (-2,110)) so that according to a criteria for testing hypothesis is rejected H₀ and accepted H_a which means that partially Debt Policy in Islamic Perspective has a positive correlation as well as a significant effect on profitability, but Capital Structure has a negative correlation and a significant effect on Profitability in Telecommunication Sub-Sector Service Companies listed on Indonesia Stock Exchange period 2015-2019.

D.2. Discussion

Effect of Debt Policy in Islamic Perspective on Profitability

These results prove and answer a phenomenon that has been previously stated, namely the increase in losses PT Indosat Ooredoo Tbk (ISAT) in 2018 due to increasing debt due to debt policies that haven't fully implemented Islamic ethics and norms to minimize a risks that will be borne by a company. On other hand, as for an factors that cause a decrease in Profitability other than Debt Policy in Islamic Perspective in Telecommunication Sub-Sector Service Companies, namely company's capital composition imbalance, shareholder returns low management, company expansion low level and company structure proper management low level. This study support results a theory stated by Sugeng

(2017:52) which states that an effective and efficient investment strategy at company's liquidity elements level can strengthen profitability with ethical mechanisms and Islamic religious norms that must be met. And supports previous research that has been conducted by Herlina and Winingsih (2016), Wahyuni (2017), Rahayu and Hari (2016), Aliyu and Yusof (2016), Alpi (2018), Alamsyah; Ramadhani; and Azizah (2020), Javaid and Alalawi (2018), Issa (2020), with Kirom (2018) which shows that Debt Policy in Islamic Perspective has a positive correlation and has a significant effect on Profitability. Because companies that have issued Islamic stocks IPO have certainly obeyed a norms and ethics in Islamic perspective regarding debt and receivable contracts which aim to avoid usury in any profit. As has been regulated in the Dalil and Hadith as follows:

"O ye who believe! Devour not usury, doubling and quadrupling (the sum lent). Observe your duty to Allah, that ye may be successful." (QS. AlImran:130)

"Rasulullah SAW cursed the usury eater who gave, the one who took notes and the two witnesses. He said: they are all the same." (HR. Muslim)

Effect of Capital Structure on Profitability

These results prove and answer a phenomenon that has been previously stated, namely PT Telekomunikasi Indonesia Tbk (TLKM) capital structure in 2018 which is still dominated by debt causing a company to experience a decrease in net profit. On other hand, As for an factors that cause a decrease in Profitability other than Capital Structure in Telecommunication Sub-Sector Service Companies, namely low current funds to cover maturing debts, shareholder returns low management, company expansion low level and company structure proper management low level. This study support results a theory stated by Sudana (2019:208) which states that Capital Structure in managing debt on its own capital can affect ability entity's to generate profits. And supports previous research that has been conducted by Hantono (2015), Wahyuni (2017), Nurmasari (2019), Bhushan and Mohinder (2016), Paminto; Setyadi; and Sinaga (2016), Nasimi (2016), and Arif; Hidayat; and Zahroh (2015) which shows that Capital Structure has a negative correlation and has a significant effect on Profitability.

E. CONCLUSION

Based on research results and discussion ¹ Debt Policy effects in Islamic Perspective and Capital Structure which have implications for Profitability, at this final study a researcher draws conclusion that Debt Policy in Islamic Perspective has a moderate effect and is positively correlated to profitability, meaning that a more effective implementation policy. Debt in an Islamic perspective, profitability growth will increase. Meanwhile, capital structure has a moderate effect and has a negative correlation to profitability, meaning that an greater debt composition compared to capital, profitability higher will be. In order on company's profitability to experience optimal growth, it is necessary to carry out a reprofiling strategy by adopting Islamic law in its Debt Policy so that a company can set strategies and apply Islamic religious ethics and norms in each debt agreement in order to fulfill its short-term obligations with current assets owned optimizing a capital owned so that it will experience an increase in profits. In addition, companies also need to be aware in considering their own capital composition with debt they have in order to streamline profits acquisition from their capital.

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