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FINANCE

The Moderating Role of CEO Characteristics in the Relationship between Financial Conditions and Corporate Debt Policy

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ABSTRACT

Purpose: This study investigates the influence of firm financial characteristics—reflecting asymmetric information—on corporate debt policy, while also examining the moderating role of CEO characteristics within the framework of upper echelon theory.

Method: The sample consists of 60 non-financial firms listed on the Indonesia Stock Exchange (IDX) during 2013–2022, selected through purposive sampling. Panel data regression analysis with moderating variables was employed to assess how CEO characteristics interact with internal financial indicators.

Result: Results show that liquidity (current ratio) and profitability (return on equity) have a significant negative effect on companies' debt-to-equity ratio, indicating that more liquid and profitable firms rely less on external debt. Tangible assets do not significantly influence debt-to-equity ratio. Among CEO characteristics, only tenure significantly moderates the relationship between profitability and debt-to-equity ratio, highlighting the strategic role of experienced CEOs in financing decisions.

Practical Implications for Economic Growth and Development: The findings suggest that capital structure decisions are shaped jointly by internal financial conditions and leadership traits. Firms with stable financial profiles, guided by experienced CEOs, are more likely to establish optimal debt policies, enhancing resilience during economic shocks, safeguarding employment, and improving competitiveness—ultimately supporting broader economic growth.

Originality/Value: This study contributes by integrating asymmetric information theory and upper echelon theory into a unified analytical model. By revealing how CEO characteristics moderate the impact of financial conditions on debt policy, it offers deeper insight into the complex dynamics of strategic financing decisions.

Keywords: *Company's Financial Characteristics, Debt Policy, CEO Characteristics*

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INTRODUCTION

A capital structure policy is a strategic plan adopted by a company to manage its sources of financing. The capital structure itself refers to the composition of equity and debt used to finance the company's operations and growth. Decisions regarding capital structure have substantial implications for a company's risk profile and profitability. A considerable body of prior research has investigated various explanatory variables that influence a company's capital structure policy.

Most studies have focused on variables derived from the pecking order theory (POT) and the trade-off theory (TOT) to explain why companies use debt financing. For example, see (Rao et al., 2023), (Güner, 2016), and (Rehan et al., 2023). According to the trade-off theory, companies must balance the benefits of debt—such as tax shields from interest payments—against its costs, which include bankruptcy risk and interest expenses. This perspective suggests that firms attempt to identify an optimal capital structure that maximizes firm value by carefully weighing these opposing effects. In contrast, the pecking order theory proposes that companies follow a preferred hierarchy of financing: starting with internal funds (e.g., retained earnings), then external debt, and finally issuing new equity as a last resort. This order reflects the belief that issuing debt can send positive signals to investors regarding the firm's financial health, whereas issuing equity may be perceived negatively. The asymmetric information theory further explains that when managers possess superior information about the firm's condition relative to external parties, they are more likely to rely on internal funds or debt rather than equity.

Variables within POT that have been empirically shown to influence a firm's capital structure decisions include profitability, asset tangibility, firm size, firm age, growth opportunities, liquidity, non-debt tax shields, cash flow ratios, and return on equity. For instance, (Rao et al., 2023) found that POT-related factors are especially significant among manufacturing firms compared to service firms. Similarly, (Al-Ahdal et al., 2022), in a study of 85 non-financial firms in the Gulf Cooperation Council (GCC) countries from 2009–2016, found that return on assets (profitability) and firm size negatively affected debt policy, supporting POT. Conversely, market value added, return on capital employed, and Tobin's Q were found to have a significant positive relationship with corporate debt policy, supporting TOT.

Beyond these financial perspectives, recent studies have employed the upper echelon theory to examine the influence of CEO characteristics—including gender, age, and tenure—on corporate capital structure decisions. Examples include (Matemilola et al., 2018) and (Wang et al., 2021). Research by (Ciappei et al., 2023) and (Goyal et al., 2019) further explores the impact of gender diversity in top management on financial decisions. The upper echelon theory posits that organizational outcomes and strategic choices are shaped by the experiences, values, and demographic characteristics of top executives. Specifically, (Matemilola et al., 2018) found that the tenure of top management positively correlates with firms' use of debt, as measured by both total debt and long-term debt ratios. In contrast, (Wang et al., 2021) observed that firms led by female executives are less inclined to rely on internal financing and debt.

The novelty of the present study lies in its integrated theoretical approach: combining asymmetric information theory and upper echelon theory within a single research framework. Previous research typically focused on explaining capital structure decisions from either a financial perspective or a managerial perspective. By merging these perspectives, this study aims to provide a more comprehensive understanding of how both firm-specific financial characteristics and CEO attributes jointly influence capital structure policy. The findings may have practical implications for listed companies on the Indonesia Stock Exchange (IDX), particularly regarding the importance of considering CEO characteristics—such as gender diversity—in strategic financial decision-making.

Specifically, this study has two primary objectives: (1) to examine the effect of internal financial conditions (proxied by liquidity, profitability, and asset tangibility) on firms' debt policy; and (2) to investigate whether CEO characteristics (proxied by gender, tenure, and age) moderate the relationship between internal financial conditions and corporate debt policy.

Hypotheses Development

Liquidity and Corporate Debt Policy

The pecking order theory posits that companies are more inclined to satisfy their financing needs sequentially: first utilizing internal sources such as retained earnings, then turning to debt, and finally resorting to equity issuance. Firms with higher liquidity levels are thus expected to prioritize internal funds rather than external borrowing. Internal financing is generally perceived to involve lower information costs and reduced risk compared to external funding sources such as debt and equity (Bashir et al., 2020). Bashir et al. (2020) further emphasized that liquidity—alongside other factors such as firm age and risk profile—plays a significant role in shaping the choice between short-term and long-term debt. Their findings suggest that companies must carefully manage liquidity to achieve an optimal capital structure. The influence of liquidity on operational efficiency is also notable. James (2023), in a study of firms listed on the Nairobi Stock Exchange, found that companies with lower operational efficiency—often stemming from inadequate liquidity—tend to resort to external financing to sustain their operations. This dynamic highlights the cyclical nature of liquidity and debt: insufficient liquidity can necessitate higher debt levels, which in turn may worsen liquidity constraints. Similarly, Salim and Susilowati (2020) found that liquidity ratios negatively affect total debt levels, indicating that firms with greater liquidity are more likely to fund operations internally rather than incurring additional debt. Complementing these insights, Asiedu (2021) examined firms in Nigeria and identified a negative relationship between liquidity ratios and debt ratios, suggesting that firms with robust liquidity positions are less dependent on debt financing, thereby influencing their overall capital structure. Drawing from these empirical findings and theoretical underpinnings, this study proposes the following hypothesis:

H1: Liquidity has a negative effect on the company's debt policy.

Profitability and Corporate Debt Policy

Companies with higher profitability ratios typically generate greater retained earnings. According to the pecking order theory, firms with higher profitability are more likely to utilize these internal funds to finance investment and operational activities before seeking external sources of capital. Consequently, highly profitable firms tend to have lower levels of debt, as they can meet their funding requirements internally. Empirical evidence supports this theoretical perspective. For instance, Sanga (2023), in a study of Indonesian pharmaceutical firms, found that companies with higher profitability levels tend to maintain lower debt ratios because they are able to finance their operations using internally generated funds. These findings align with the notion that profitable firms are less dependent on external financing, given their capacity to produce sufficient cash flows to cover operational and investment needs. This preference for internal capital can also result in more conservative debt policies among highly profitable firms. Septiani (2023) further demonstrated that greater profitability is associated with reduced reliance on debt, suggesting that effective corporate governance structures may encourage firms to prioritize internal funding sources over debt financing. Drawing from both theoretical and empirical insights, this study proposes the following hypothesis:

H2: Profitability negatively affects the company's debt policy.

Tangible Asset and Corporate Debt Policy

Tangible fixed assets often serve as collateral for firms seeking external financing. Companies that hold a greater proportion of tangible fixed assets generally find it easier to access debt financing, as lenders perceive these assets as a safeguard that mitigates lending risk. The presence of tangible assets as collateral can also enable firms to secure loans at relatively lower interest rates. According to the pecking order theory, when external financing is

necessary, firms tend to prefer debt over equity issuance because debt is associated with lower information costs and lower perceived risk. The availability of substantial tangible fixed assets can further reduce the risk perceived by lenders, ultimately lowering the cost of debt. Empirical evidence supports this theoretical perspective. Abbadi (2019), in a study of Jordanian industrial firms, identified a significant relationship between the volume of tangible assets and the adoption of conservative financial policies. This finding suggests that firms with substantial tangible assets are more likely to maintain moderate debt levels, reflecting a cautious approach rooted in the security these assets provide to creditors. Tangible assets thus serve as a safety net, encouraging lenders to offer more favorable borrowing terms. Similarly, Rohaizan et al. (2021) emphasize that firms with greater tangible asset values often exhibit greater financial stability, as these assets can be liquidated to generate cash during periods of financial distress. This liquidity aspect becomes particularly critical during economic downturns, where the ability to convert tangible assets into cash can help reduce the risks associated with higher leverage. As a result, tangible assets play an important role in supporting debt financing strategies, allowing firms to optimize their capital structure while pursuing growth opportunities. The role of tangible assets as collateral is also particularly significant for small and medium-sized enterprises (SMEs). Kokeyeva and Адамбекова (2019) argue that firms with higher levels of tangible assets are more likely to take on greater debt, as these assets can be pledged to secure loans. This relationship is especially relevant for SMEs, which often face difficulties accessing capital markets and therefore depend heavily on tangible assets to obtain external financing. Based on these theoretical arguments and empirical findings, this study proposes the following hypothesis:

H3: Tangible fixed assets have a positive effect on the company's debt policy.

CEO Characteristics and Corporate Debt Policy

The upper echelon theory, introduced by Hambrick and Mason (1984), posits that the personal characteristics and experiences of top executives can significantly influence a company's strategic decisions, including its capital structure policy. CEO characteristics such as age, gender, work experience, tenure, and education are among the most studied dimensions in this context. Age can shape a CEO’s risk preferences and willingness to take on debt. Younger CEOs are often perceived as more inclined to pursue aggressive financial strategies, including higher debt usage, reflecting a greater tolerance for risk. In contrast, older CEOs, drawing on their accumulated experience, may prefer more conservative debt policies, especially when liquidity ratios are low, to safeguard financial stability (Mo et al., 2019).

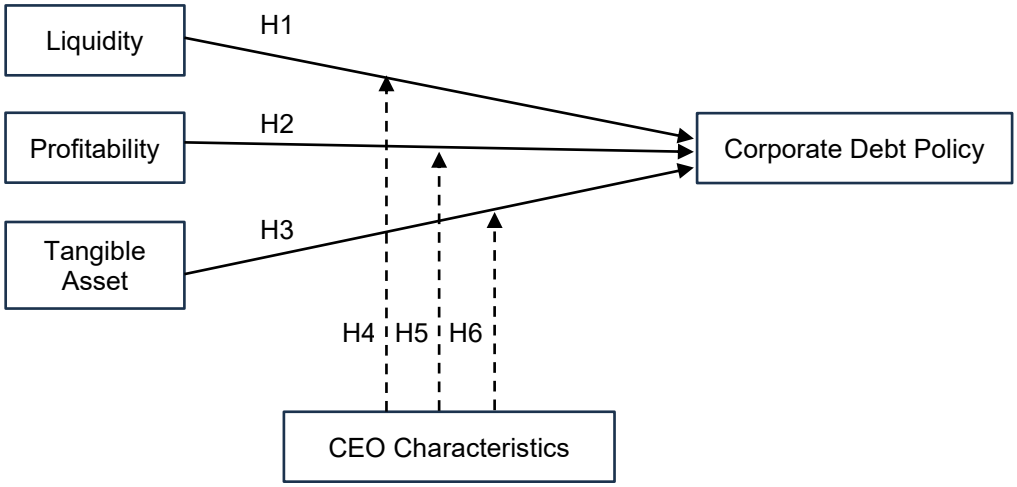
Work experience and tenure also play a role in shaping financial strategies. CEOs with longer industry experience and extended tenure are likely to have a deeper understanding of industry dynamics and financial risk, which can lead to more stable and cautious debt policies (Abdullahi, 2020). Conversely, newly appointed CEOs may be more inclined to take risks and increase leverage to establish their leadership and achieve growth targets, particularly if they view the firm's liquidity position as adequate. Gender differences further enrich this perspective. Studies indicate that male CEOs may pursue more aggressive debt strategies, even when liquidity or profitability ratios are low, reflecting higher risk-taking tendencies (Han et al., 2019; Almulhim, 2023). Female CEOs, on the other hand, are often associated with more conservative financial policies, particularly when liquidity or profitability is constrained, suggesting a stronger preference for financial prudence (Almulhim, 2023).

The moderating effect of CEO characteristics on the relationship between liquidity ratios and debt policy has been highlighted in several studies. For instance, Han et al. (2019) found that female CEOs, facing lower liquidity, may adopt a conservative approach, reducing debt levels to avoid additional financial risk. Male CEOs, in contrast, may continue to rely on debt financing despite lower liquidity, pursuing more aggressive growth strategies. Profitability ratios also interact with CEO characteristics. Research by Almulhim (2023) suggests that female CEOs tend to adopt more conservative debt policies when profitability is low, whereas male CEOs may be more willing to increase leverage to finance expansion during profitable

periods. Similarly, CEOs with longer tenure and extensive experience may prefer to limit debt accumulation even when profitability is high, prioritizing long-term financial health over short-term gains (Abdullahi, 2020). Younger or newly appointed CEOs may instead see favorable profitability as an opportunity to increase debt for growth initiatives. Tangible fixed assets, as collateral, can also interact with CEO characteristics in shaping debt policy. CEOs with higher risk tolerance—often younger, male, or newly appointed—may be more likely to leverage the firm's tangible assets to secure higher debt levels. In contrast, older, female, or longer-tenured CEOs may adopt a more cautious approach, balancing the use of tangible assets with concerns about financial risk and long-term stability. Based on these theoretical and empirical insights, this study proposes the following hypotheses:

H4: CEO characteristics moderate the effect of liquidity on debt policy.
H5: CEO characteristics moderate the effect of profitability on debt policy.
H6: CEO characteristics moderate the effect of tangible fixed assets on debt policy.

Figure 1. Research Framework



Source: Developed by the authors (2024)

METHOD

This research adopts a quantitative paradigm. Quantitative research is characterized as a formal, objective, rigorous, deductive, and systematic approach aimed at generating and refining knowledge for problem-solving (Mohajan, 2020). It relies on systematic observation and description of the characteristics or properties of objects or events to identify relationships between independent variables (predictors) and dependent variables (outcomes) within a given population (Mohajan, 2020). The population of this study consists of all non-financial companies listed on the Indonesia Stock Exchange (IDX) during the period 2013–2022. The exclusion of financial sector companies is based on the rationale that their capital structure significantly differs from that of non-financial firms; specifically, financial institutions tend to maintain higher debt ratios as part of their core operational model of collecting and distributing funds.

This study employs a nonprobability sampling technique, specifically using purposive sampling, to select the research sample. The criteria for inclusion are as follows: (1) companies must have been continuously listed on the IDX from 2013 to 2022; (2) companies must have complete financial statement data throughout the research period to capture financial condition variables; (3) companies must provide complete annual reports over the study period to obtain data on CEO characteristics; (4) financial statement data must be reported in Indonesian rupiah; (5) companies must not have undertaken significant corporate

actions, such as mergers or acquisitions, during the research period that could materially affect their financial condition or capital structure; and (6) the CEO must have held the position for at least five consecutive years to minimize potential bias in the analysis. The study utilizes secondary data, including financial statements and annual reports, which are collected from data providers, specifically the official IDX website (idx.co.id) and stockbit.com. The independent variables examined are the liquidity ratio (X1), profitability ratio measured by return on equity (ROE) (X2), and tangible fixed assets (X3). The dependent variable (Y) is the debt ratio (DER). CEO characteristics—namely gender, age, and tenure—are included as moderating variables.

Table 1. Variables Measurement

No.	Variable	Indicator	Measurement
1	Liquidity (X1)	Current Ratio (CR)	Total Current Assets / Total Current Debt
2	Profitability (X2)	Return on Equity (ROE)	Net Profit / Total Equity
3	Tangible Assets (X3)	Log of Tangible Assets (TA)	Natural logarithm (Ln) of total tangible assets
4	Corporate Debt Policy (Y)	Debt-to-Equity Ratio (DER)	Total Debt / Total Equity
5	CEO Gender (Z1)	Gender Dummy	Dummy variable: 1 = female CEO; 0 = male CEO
6	CEO Age (Z2)	CEO Age	Final year as CEO during research period – Year of birth
7	CEO Tenure (Z3)	CEO Tenure	Final year as CEO during research period – Initial year appointed as CEO

Source: Compiled by the authors (2024)

This study employs multiple linear regression with panel data, utilizing the fixed effects estimation method. The analysis also incorporates pure moderation by including CEO characteristic variables—specifically gender and tenure—as moderating variables, represented as dummy variables. According to Hartono and Sugiyanto (2018), panel data regression combines cross-sectional data and time series data, enabling the analysis of a larger dataset that captures both individual differences across entities and temporal dynamics over time. This approach makes it possible to observe whether the pattern of relationships between variables changes over the research period. In the context of regression analysis, dummy variables are categorical variables assigned values of 0 or 1 to indicate the absence or presence of a specific characteristic or effect that may influence the dependent variable (Hartono & Sugiyanto, 2018). Dummy variables are particularly useful for grouping data into mutually exclusive categories. Furthermore, as explained by Hartono and Sugiyanto (2018), dummy variables can also be used interactively with independent variables to test moderation effects. Such interaction terms help identify subgroup effects or capture whether the relationship between an independent variable and the dependent variable varies across categories defined by the dummy variable.

RESULT AND DISCUSSION

Descriptive Statistics

Table 2 presents the descriptive statistics of CEO gender among the 60 non-financial companies listed on the Indonesia Stock Exchange (IDX) during the 2013–2022 period. The results show that 86.67% of the companies are led by male CEOs (52 companies), while 13.33% are led by female CEOs (8 companies). Furthermore, Table 2 indicates that the average debt-to-equity ratio (DER), which reflects the company's debt utilization, is lower

among companies with female CEOs, at 0.89. In contrast, companies with male CEOs have a higher average DER of 1.28. This suggests that firms led by female CEOs tend to adopt more conservative debt policies compared to those led by male CEOs.

Table 2. Distribution of CEO Characteristics and Average Debt-to-Equity Ratio

CEO Gender	Mean Debt-to-Equity Ratio (DER)	Number of Companies
Male	1.28	52
Female	0.89	8

Source: Processed data (2024)

Table 3 presents the descriptive statistics of CEO tenure and age in relation to the company's debt utilization rate (DER). The results show that companies led by CEOs with longer tenure (more than 20 years) have a higher average DER of 1.42, compared to those led by CEOs with shorter tenure (less than 20 years), which have an average DER of 1.08. Additionally, Table 3 indicates that older CEOs (over 58 years old) are associated with higher average debt utilization rates than younger CEOs (under 58 years old). This pattern suggests that both longer tenure and higher age among CEOs may be linked to a greater tendency to utilize debt in corporate financing.

Table 3. Distribution of CEO Age, CEO Tenure, and Average Debt-to-Equity Ratio

CEO Characteristics	Mean Debt-to-Equity Ratio (DER)
CEO Tenure	
Less than 20 years	1.08
More than 20 years	1.42
CEO Age	
Under 58 years old	1.15
Over 58 years old	1.31

Source: Processed data (2024)

Model Selection

Since this study employs panel data regression, it is necessary to first conduct the Chow test and Hausman test to determine whether the appropriate estimation method is the fixed effects model (FEM) or the random effects model (REM). Table 4 presents the results of the Chow test, while Table 5 shows the results of the Hausman test.

Table 4. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.251243	(59, 537)	0.0000
Cross-section Chi-square	313.707709	59	0.0000

Source: Processed data (2024)

Table 5. Hausman Test Result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	11.570874	3	0.0090

Source: Processed data (2024)

The Chow test results indicate a probability value of 0.0000, which is below the significance level of 0.05. Therefore, the fixed effects model (FEM) is preferred over the common effects model. Furthermore, the Hausman test results show a probability value of 0.0090, which is also below 0.05. This result further confirms that the fixed effects model (FEM) is the appropriate estimation technique compared to the random effects model (REM). Based on these tests, this study proceeds with panel data regression using the fixed effects model (FEM).

Classical Assumption Tests

According to Napitupulu et al. (2021), when the fixed effects model (FEM) or common effects model (CEM) is selected, it is necessary to conduct classical assumption tests, specifically multicollinearity and heteroscedasticity tests. Table 6 presents the results of the multicollinearity test, while Table 7 shows the results of the heteroscedasticity test.

Table 6. Multicollinearity Test Result

Variable	CR	ROE	TA
CR	1	-0.498	-0.201
ROE	-0.498	1	0.068
TA	-0.201	0.068	1

Source: Processed data (2024)

Based on the results in Table 6, the correlation coefficients between CR and ROE (-0.498), CR and TA (-0.201), and ROE and TA (0.068) are all below the threshold of 0.85. This indicates that the panel data regression model is free from multicollinearity (Napitupulu et al., 2021), suggesting no significant correlation among the independent variables: liquidity, profitability, and tangible assets.

Table 7. Heteroscedasticity Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.508132	1.892815	0.796767	0.4259
CR	-6.93E-05	0.002321	-0.029852	0.9762
ROE	-0.381159	0.649224	-0.587100	0.5574
TA	-0.038489	0.069158	-0.556534	0.5781

Source: Processed data (2024)

The heteroscedasticity test results in Table 7 show that the significance values for liquidity (CR), profitability (ROE), and tangible assets (TA) are all greater than 0.05, with values of 0.9762, 0.5574, and 0.5781, respectively. These results indicate that the regression model does not suffer from heteroscedasticity, supporting the validity of the model assumptions.

Hypotheses Testing

Direct Effect

Table 8 presents the results of testing the main model of this study, which examines the effect of liquidity, profitability, and tangible assets on corporate debt policy.

Table 8. Direct Effect Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.153281	3.112364	1.013147	0.3114
CR	-0.006956	0.003817	-1.822549	0.0689
ROE	-2.807619	1.067523	-2.630033	0.0088
TA	-0.065670	0.113717	-0.577492	0.5638

Source: Processed data (2024)

Table 8 shows that liquidity (CR) has a negative and statistically significant effect on corporate debt policy at the 10% level (coefficient = -0.006956; p = 0.0689), while profitability (ROE) also has a negative and statistically significant effect at the 5% level (coefficient = -2.807619; p = 0.0088). In contrast, tangible assets (TA) do not have a significant effect on debt policy (coefficient = -0.065670; p = 0.5638). These results indicate that higher liquidity and profitability are associated with lower levels of debt utilization, whereas tangible assets do not significantly influence the company's debt decisions.

Moderating Effect

Table 9 presents the results of testing the moderating effects of CEO characteristics (proxied by gender, tenure, and age) on the relationship between liquidity, profitability, and tangible assets and the company's debt policy.

Table 9. Moderating Effect Test Result (CEO Characteristics)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CR*GENDER	-0.020666	0.029045	-0.711509	0.4771
ROE*GENDER	0.488360	3.202533	0.152492	0.8789
TA*GENDER	-0.012772	0.463044	-0.027583	0.9780
CR*TENURE	-0.000396	0.000484	-0.818790	0.4133
ROE*TENURE	-0.441475	0.134149	-3.290925	0.0011
TA*TENURE	-0.020339	0.014333	-1.418995	0.1565
CR*AGE	0.001194	0.001239	0.963866	0.3356
ROE*AGE	-0.073640	0.122262	-0.602311	0.5472
TA*AGE	0.022416	0.014246	1.573473	0.1162

Source: Processed data (2024)

Table 9 shows that only the interaction between profitability (ROE) and CEO tenure has a statistically significant effect on the company's debt policy (coefficient = -0.441475; p = 0.0011). All other interaction terms—representing CEO gender and CEO age as moderators—have p-values greater than 0.05, indicating that they do not significantly moderate the relationship between liquidity, profitability, or tangible assets and the company's debt policy.

Discussion

Liquidity and Corporate Debt Policy

Hypothesis 1 in this study is accepted. The results of this study are in line with previous research (Bashir et al., 2020; James, 2023; Salim & Susilowati, 2020; Martini et al., 2021; Asiedu, 2021). Bashir et al. (2020) emphasized that liquidity significantly influences the choice between short-term and long-term debt. James (2023), in a study of companies listed on the Nairobi Stock Exchange, reveals that companies with low operational efficiency, often due to inadequate liquidity, are forced to seek external financing to maintain operations. This

relationship highlights the cyclical nature of liquidity and debt: poor liquidity can lead to increased debt levels, which can further exacerbate liquidity challenges.

The findings of Salim and Susilowati (2020) reinforce this idea, suggesting that liquidity ratios can have a negative impact on total debt levels, implying that companies with higher liquidity may prefer to finance operations through internal means rather than by incurring additional debt. Similarly, Martini et al. (2021) found that liquidity has a negative and significant effect on capital structure in the food and beverage sector, suggesting that companies in this industry may adopt conservative debt policies to maintain liquidity. Asiedu (2021) also identified a negative relationship between liquidity ratios and debt ratios among Nigerian companies. These findings suggest that companies with strong liquidity positions may be less likely to rely on debt financing, thus affecting their overall capital structure.

Profitability and Corporate Debt Policy

Hypothesis 2 in this study is accepted. The profitability of the company has a significant negative effect on the company's debt policy. The results of this study are in line with research by Sanga (2023) and Septiani (2023). Research by Sanga (2023) on Indonesian pharmaceutical companies supports this theory, showing that companies with higher levels of profitability tend to maintain lower levels of debt due to their ability to finance operations through internal funds. These findings are consistent with the idea that profitable companies are less reliant on external financing, as they can generate sufficient cash flow to meet their operational needs. As a result, the tendency to leverage internal capital rather than debt can lead to more conservative debt policies among highly profitable companies. Septiani (2023) also shows that greater profitability correlates with reduced debt consumption, suggesting that an effective governance structure can encourage companies to prioritize internal financing over debt.

Tangible Assets and Corporate Debt Policy

Hypothesis 3 in this study was rejected. The company's tangible assets do not have a significant effect on the company's debt policy. Tangible assets are not only used as collateral but also help improve the financial stability of the company. This is evident from previous research findings, which remain diverse. Kokeyeva and Адамбекова (2019) argue that companies with a high level of tangible assets are more likely to incur significant debt, as these assets can be used as collateral for loans. This relationship is particularly relevant for SMEs, which often face challenges in accessing capital markets and therefore rely heavily on tangible assets to secure financing.

Research by Abbadi (2019) on Jordanian industrial companies shows that there is a significant relationship between the size of tangible assets and the adoption of conservative financial policies, indicating that companies with substantial tangible assets are more likely to maintain lower debt levels. An investigation by Koperunthevy (2023) of Sri Lankan companies revealed a significant negative relationship between the solvency ratio and total debt, suggesting that companies with higher levels of tangible assets may opt for lower debt levels due to the perceived security these assets provide. These findings suggest that while tangible assets can facilitate borrowing, they may also lead companies to adopt more conservative debt policies, as firms may prefer to rely on their asset base rather than incur additional debt.

CEO Characteristics as the Moderator on the Relationship Between Liquidity and Corporate Debt Policy

Hypothesis 4 in this study is rejected. The characteristics of the CEO do not moderate the influence of liquidity on the company's debt policy. Several previous studies have explained that governance, the power (control) possessed by the CEO, and the CEO's psychological factors can also affect the company's debt policy. Research by Sheikh (2024) shows that

strong CEOs can manipulate corporate influence to extract personal benefits, suggesting that governance mechanisms play an important role in moderating the relationship between CEO characteristics and debt policy. In companies with strong governance frameworks, the influence of CEO characteristics on debt policy can be reduced, leading to more balanced and prudent financial decision-making. These findings underscore the importance of considering the context of governance when examining how CEO characteristics interact with liquidity ratios to shape debt policy.

In addition, psychological traits associated with CEO characteristics, such as overconfidence and risk aversion, can further complicate this relationship. Banerjee et al. (2018) highlighted how overconfident CEOs may prefer long-term debt financing to reduce liquidity risk, suggesting that psychological factors can significantly influence financial strategy. This behavior may be particularly pronounced in situations where liquidity ratios are low, as overconfident CEOs may underestimate the risks associated with high leverage. In contrast, more cautious CEOs may prioritize liquidity and adopt a conservative debt policy, reflecting a more risk-averse approach to financial management.

CEO Characteristics as the Moderator on the Relationship Between Profitability and Corporate Debt Policy

Hypothesis 5 in this study is partially accepted. Only the tenure of the CEO has been proven to moderate the influence of profitability on the company's debt policy. The results of this study are in line with research by Abdullahi (2020). Abdullahi (2020) highlights that longer-tenured CEOs often show more stability in their financial strategies, which can influence how profitability ratios affect debt decisions. CEOs with extensive experience may be more likely to adopt a conservative debt policy, especially when profitability ratios are high, as they may prioritize long-term financial health over short-term gains. In contrast, newly appointed CEOs may take a more aggressive stance in leveraging debt to build their leadership reputation and drive growth, particularly if they view profitability ratios as sufficient to support higher leverage. These dynamics suggest that CEO tenure can moderate the relationship between profitability and debt policy, with leaders who have longer tenures potentially encouraging a more cautious approach to debt accumulation.

CEO Characteristics as the Moderator on the Relationship Between Tangible Assets and Corporate Debt Policy

Hypothesis 6 in this study is rejected. The characteristics of the CEO do not moderate the influence of tangible assets on the company's debt policy. This is because asset-based decisions tend to be objective, rational, and guided by market mechanisms and the company's internal policies. CEOs typically have more influence on dynamic aspects of financial policy, such as liquidity and profitability, but have little or no influence on more stable relationships, such as that between tangible assets and debt. Additionally, there is still very limited research that examines the relationship between CEO characteristics and tangible assets.

CONCLUSION

This study integrates the perspectives of asymmetric information theory and upper echelon theory to explain the determinants of corporate debt policy. Specifically, it employs the liquidity ratio (current ratio), profitability ratio (return on assets), and tangible assets as proxies for the company's internal conditions, which reflect the level of information asymmetry within the firm. Additionally, CEO characteristics—namely gender, tenure, and age—are examined as moderating variables representing the upper echelon theory perspective. These CEO characteristics are positioned to moderate the influence of internal company conditions on the determination of debt policy. The results indicate that both liquidity (current ratio) and profitability (return on equity) have a significant negative effect on the company's debt-to-

equity ratio. In contrast, tangible assets do not significantly affect the company's debt policy. Furthermore, among the CEO characteristics, only CEO tenure is found to moderate the influence of profitability and tangible assets on the company's debt policy.

These findings provide valuable insights for future research into factors affecting corporate debt policy. In addition, the results can inform investors, enabling them to make more informed investment decisions by considering internal corporate conditions—particularly the level of uncertainty—and the debt policies adopted by firms. Different CEOs may adopt varying approaches to managing debt risk. Companies can use these insights to align financial strategies with leadership profiles. Accordingly, boards of directors should consider CEO characteristics when formulating financial policies, including debt policy, to ensure alignment with the firm's overall financial condition. An appropriate debt policy, moderated by CEO characteristics, can help increase investment in productive projects, thereby contributing to broader economic growth. Given the limitations of this study, future research is encouraged to include a larger number of industrial sectors to enhance the generalizability of the findings. Further studies could also incorporate additional variables from a corporate governance perspective, as well as control variables such as firm size and industry type, to provide a more comprehensive understanding of the determinants of corporate debt policy.

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