

## Economic Policy Uncertainty and Firm Performance: ASEAN Manufacturing Firms

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### ABSTRACT

This study aims to determine whether economic policy uncertainty (EPU) affects company performance. As a form of novelty in investigating the relationship between EPU and financial performance, the focus of this study is on the role of corporate debt. The data for this study were obtained using the method purposive sampling from the financial reports of manufacturing companies in the ASEAN region for the period 2018 to 2023. Data analysis was carried out using the panel data regression analysis method through the Eviews12 application. Based on the results of the analysis, it was found that EPU had a significant effect on leverage company and company performance. then it was found that leverage which is proxied by Debt to Capital Ratio (DCR) has a significant influence on company performance. Furthermore, DCR can mediate the influence of EPU on company performance. In addition, debt restructuring was also found to be unable to moderate the influence of EPU on company performance.

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## **INTRODUCTION**

Over the past few years, the economic environment in which companies operate has been faced with a number of events that have caused uncertainty. Starting from the US-China trade war, the COVID-19 pandemic, the Russian invasion of Ukraine, to the energy and food crisis. The impacts caused by these events include the worsening of a number of adverse economic trends (Bekkers & Schroeter, 2020; Naseer et al., 2023; Pereira et al., 2022).

Several events in recent years have had a broad impact, even reaching a regional scope, for example ASEAN (The Association of Southeast Asian Nations) (Aslam, 2019; Chong et al., 2021). It is known that from 2018 to 2023, ASEAN's economic growth experienced significant fluctuations with the lowest point of 3.3% and the highest point of 5.7% (ASEANstats, 2023).

The government adjusts various policies when economic uncertainty occurs. Thus, policy uncertainty occurs. With policy uncertainty, a number of financial and operational decisions of companies will be disrupted. This will affect future economic results (Al-Thaqeb & Algharabali, 2019; Gulen & Ion, 2016).

Research conducted by Baker et al. (2016) succeeded in forming an index that aims to measure uncertainty. This index is called the economic policy uncertainty index (EPU). This index initiated the development of various literature related to economic policy uncertainty. Furthermore, this index was further developed in research conducted by Ahir et al. (2022). This study succeeded in developing an index called the World Uncertainty Index (WUI). This index provides a measure of economic uncertainty that can be compared between countries.

The economic policy uncertainty index has been used in various studies, one of which is related to its impact on companies. Examples of this research are research on the impact of economic policy uncertainty on company performance (Iqbal et al., 2020), company investment (Gulen & Ion, 2016), company leverage (Schwarz & Dalmácio, 2020), cash holdings (Demir & Ersan, 2017), mergers and acquisitions (Bonaime et al., 2018), and financing costs (Li et al., 2018).

Based on previous studies, we believe that further research is needed on the impact of economic policy uncertainty. This is because most previous studies tend to examine the direct influence of EPU. In fact, there are still many parameters that can be used to clarify the influence of economic policy uncertainty on companies, especially company performance.

This study aims to explain the relationship between economic policy uncertainty and corporate performance, both directly and indirectly. In this case, the researcher will focus on the role of corporate debt through two variables, namely variables such as leverage, debt restructuring. The focus on corporate debt will be a form of novelty.

The research data was obtained from the financial reports of ASEAN manufacturing companies for the period 2018 to 2023. Through panel data analysis, it was found that EPU had a significant effect on leverage and company performance. then it was found that leverage proxied by DCR had a significant effect. Furthermore, DCR can mediate the effect of EPU on company

performance. In addition, debt restructuring was also found to be unable to moderate the effect of EPU on company performance.

## LITERATURE REVIEW

### *Economic Policy Uncertainty Index*

Economic policy uncertainty (EPU) is a concept developed by Baker et al. (2016). EPU is an index created based on newspaper articles. EPU was formed with the aim of determining the impact of economic policy uncertainty. However, the measurement developed by Baker et al. has limitations in the form of data that tends to focus on developed countries and most of the data began in the 1990s. However, research related to the EPU index was carried out again by Ahir et al. (2022). This study succeeded in developing an index called *World Uncertainty Index* (WUI). This index is formed by tracking uncertainty worldwide through analysis of country reports from *Economist Intelligence Unit*. This index provides a measure of economic uncertainty that can be compared across countries.

### *Corporate Leverage*

*Leverage* The company is defined as a measure that compares the debt owned by the company in its capital structure. The ratio *leverage* or debt ratio, provides an overview of how high the level of debt a company sets in its business activities (Bruce, 2020). In this case, the results of the ratio analysis *leverage* will show the size of the financing carried out by the company through debt (Kasmir, 2016).

### *Corporate Debt Restructuring*

Corporate debt restructuring is a form of agreement, agreement or decision where the lender provides leniency to the debtor because the debtor is in a state of financial difficulty. Debt restructuring can also be interpreted as an effort to overhaul debt payments by setting lighter terms compared to the debt payment terms before the debt restructuring process was carried out (Kamaludin & Usman, 2024).

### *Company performance*

Company performance is the financial performance of a company in a certain period. Financial performance can also be interpreted as a form of achievement or accomplishment by a company expressed in monetary value in the company's financial statements. The term company performance is often used to refer to the results of a company's operations during a certain period and can usually be obtained from the company's financial statements, either from the balance sheet, profit and loss or cash flow (Callahan et al., 2007).

### *The Relationship between EPU, Leverage, and Company Performance*

In a situation of economic policy uncertainty, companies tend to avoid risk by taking mitigation measures. In response to this uncertainty, companies choose to lower their ratios *leverage* and adopt a more conservative capital structure to reduce the potential for financial distress. This approach is in line with the

principles of risk compensation theory (*risk compensation theory*). In addition, economic uncertainty is also associated with increased debt costs, meaning that companies face greater difficulty in accessing financing during periods of economic uncertainty. As a result, the ratio *leverage* companies tend to experience a decline (Makololo & Seetharam, 2020; Schwarz & Dalmácio, 2021; Wang, 2023).

High volatility in economic policy forces companies to be more careful in every decision making (Chatjuthamard et al., 2020). In such a situation, companies will need additional information to make the right decision. In response, companies tend to increase cash reserves as a precautionary measure, which in turn can reflect a decrease in investment opportunities and lower returns on assets. This indicates that corporate investment will decrease as uncertainty increases (Goodell et al., 2021; Gulen & Ion, 2016). On the other hand, increasing economic uncertainty also makes investors more alert and react quickly, which leads to a decrease in investment in the company. This decrease in investment will ultimately have an impact on decreasing corporate performance, given the direct relationship between the level of investment and profitability results (Iqbal et al., 2020).

Based on this description, it can be concluded that economic policy uncertainty affects the ratio *leverage* company. During times of uncertainty, the ratio *leverage* companies tend to decline, which means that the funding available to support the company's operational activities is also reduced. This decrease in funding will ultimately reduce the company's performance. Therefore, it can be concluded that the ratio *leverage* The company acts as a channel that connects the influence of economic policy uncertainty on company performance.

Thus, the following hypothesis is formulated:

H1: EPU has a significant effect on *leverage* company

H2: EPU has a significant effect on company performance

H3: *Leverage* can mediate the relationship between EPU and company performance.

### ***The Relationship between EPU, Debt Restructuring, and Company Performance***

Policy uncertainty can increase debt risks, such as increasing information asymmetry between borrowers and creditors, as well as increasing the risk of default. As a result, debt financing becomes less attractive, and companies tend to try to reduce their debt ratios (Zhang et al., 2015). In addition, under conditions of uncertainty, companies will generally show a more risk-averse attitude (Wang, 2023). This encourages companies to negotiate with creditors to adjust their debt structure. Debt restructuring is one of the mechanisms used by companies to strengthen financial stability. Companies that restructure their debt often experience a decrease in the risk of bankruptcy, which is very important to ensure long-term sustainability and growth. Ultimately, this step can contribute to efforts to improve company performance (Akbar et al., 2022; Luo et al., 2022).

Thus, the following hypothesis is formed:

H4: Debt restructuring can moderate the effect of EPU on firm performance.

Based on several variable relationships stated previously, the following research framework was formed:

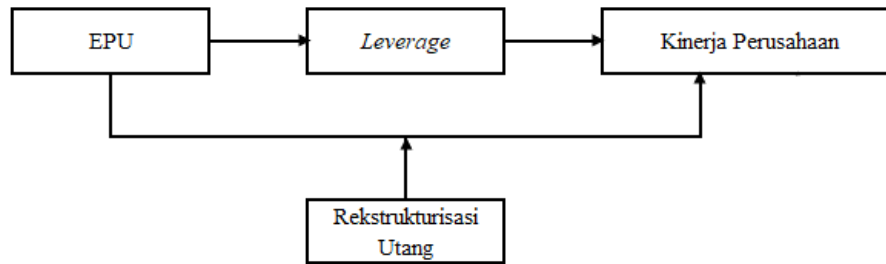


Figure 1. Conceptual Framework

## METHODOLOGY

### *Measurement of Variables*

#### 1. EPU Index

The EPU index was first developed by Baker et al., (2016). However, researchers decided to use the index developed by Ahir et al., (2022). This is due to the limitations of the EPU index developed by Baker et al. (2016). Data related to the index developed by Ahir et al. (2022) can be downloaded from the website (worlduncertaintyindex.com).

#### 2. Leverage Company

*Leverage* The company is proxied by the debt to asset ratio (DAR) and debt to capital ratio (DCR). The formula for DAR and DCR is as follows:

$$DAR = \frac{\text{Total debt}}{\text{Total asset}}$$

$$DCR = \frac{\text{Total debt}}{(\text{Total debt} + \text{Total asset})}$$

#### 3. Debt restructuring

Debt restructuring is measured by looking at the company's history in the financial statements or annual reports. In this case, companies that qualify as samples are investigated to find out whether the company has carried out debt restructuring or not within the specified period. Debt restructuring here includes every type of restructuring. If the company restructures, it is given a value of 1, if not, it is given a value of 0.

#### 4. Company performance

Company performance is proxied by return on assets (ROA), return on equity (ROE), and net profit margin (NPM). The formulas of the three proxies are as follows:

$$ROA = \frac{\text{Net Profit (Loss)}}{\text{Total Asset}}$$

$$ROE = \frac{\text{Net Profit (Loss)}}{\text{Total Equity}}$$

$$NPM = \frac{\text{Net Profit (Loss)}}{\text{Revenue}}$$

### ***Sampling Method***

This study uses balanced pooled data. In this case, the research population is all manufacturing companies within the scope of The Association of Southeast Asian Nations (ASEAN) region. The research sample will be taken using the purposive sampling method with the criteria of manufacturing companies that issue financial reports in the period 2018 to 2023, and the issuance of these financial reports is carried out consecutively.

### ***Analysis Method***

The method used for hypothesis testing in this study is the panel data regression analysis method. However, before conducting the hypothesis test, the researcher will first conduct descriptive statistics, model selection tests and classical assumption tests. The analysis tool used to assist in the implementation of this analysis is the Eviews12 application.

### ***Descriptive Statistics***

In this study, there are several statistical analyses presented. The analysis is the mean, median, minimum, maximum, standard deviation (SD), total data value (sum), and number of data (observations).

### ***Model Selection Test***

In this study, model selection is carried out through 3 tests, namely the chow test, Lagrange multiplier test, and hausman test. The chow test aims to determine the best model between the common effect model approach or the fixed effect model approach that will be used to perform panel data regression. The basis for decision making in the chow test is seen from the cross-section probability F value, namely if the cross-section probability F value is more than 0.05, then the model chosen is the common effect model approach, however, if the cross-section probability F value is less than 0.05, then the model chosen is the fixed effect model approach.

Lagrange multiplier test aims to determine the best method between the common effect model approach or the random effect model. The decision making is done by looking at the Breusch-Pagan probability value, namely if the Breusch-Pagan probability value is less than 0.05, then the selected model is the random effect model approach, but if the Breusch-Pagan probability value is greater than 0.05, then the selected model is the common effect model approach.

Hausman test interpreted as a test to choose the best model between the fixed effect model and the random effect model. The decision making is done by looking at the random cross-section probability value, namely if the random cross-section probability value is less than 0.05, then the model chosen is the fixed effect model approach, but if the random cross-section probability value is more than 0.05, then the model chosen is the random effect model approach (Savitri et al., 2021).

### ***Classical Assumption Test***

In pooled data, the classical assumption test includes 2 tests, namely multicollinearity and heteroscedasticity tests (Gujarati, 2021; Verbeek, 2017; Wibisono, 2005). Given that each test is carried out partially, the classical assumption test is heteroscedasticity. Data is said to be good if the probability value of the variable in the heteroscedasticity test is greater than 0.05. If data does not pass these criteria, then the data needs to be retested by looking at the residual graph. Data is said to pass the heteroscedasticity test if the graph displayed is in the range of -500 to 500 (Napitupulu et al., 2021).

### ***Hypothesis Testing***

The analysis method in this study is divided into 2 types of hypothesis tests, namely the t-test and the F-test. In the t-test, the independent variable is considered to have an influence on the dependent variable if the t-test results show a value greater than the T-table and the significance value obtained is less than 0.05. While the F-test is intended for the goodness of fit test. In this case, it is shown the proportion of variation in the dependent variable that can be explained by the independent variable.

This study also applies the Sobel test. This Sobel test is intended to determine the indirect effect of EPU on company performance. The formula for the Sobel test is as follows:

$$Z = \frac{ab}{\sqrt{(b^2 SE_a^2) + (a^2 SE_b^2)}}$$

Information:

- a =Independent regression coefficient on mediation
- b =Regression coefficient of mediation on dependent
- SEa =Standard error of a
- SEb =Standard error of b

### ***Robustness Test***

Test robustness conducted through re-testing related to the research framework and data used, but adding a number of control variables. In this case, there are several control variables that will be added. These variables are divided into 2 categories, namely macroeconomic variables and company variables. The controlled macroeconomic variables are the inflation rate which is measured by looking at changes Consumer Price Index (CPI) for year n in each country, the interest rate measured by looking at the average annual interest rate in year n, and the interest rateforeign exchangeby looking at the annual average of foreign exchange rates in year n against each country's currency. Meanwhile, the controlled company variables are company size (size) which is measured by determining the logarithmic value oftotal assetsat the end of each year, investment is measured by capital expenditures shared total assets, working capital which is measured by subtracting current assets with current liabilities.

**RESEARCH RESULT**

**Statistical Test**

In Table 1, there are two panels displayed. Panel A refers to the main variables of this study, namely economic policy uncertainty (EPU), debt restructuring (DR), interaction variables between EPU and DR (IV), leverage proxied debt to asset ratio (DAR) and debt to total capital ratio (DCR), proxy company performance return on assets (ROA), return on equity (ROE), and net profit margin (NPM).

Panel B refers to the variables added for the test robustness. These variables are the inflation rate (IF), interest rate (IR), and interest rate (IR) foreign exchange (FX), investment (INV), company size (SIZE), and working capital (WC).

**Model Selection Test**

Table 2 presents a number of models used in analyzing the relationship between research variables.

Table 1. Descriptive Statistics

Variable	Mean	Median	Minimum	Maximum	SD	Sum	Observations
<i>Panel A</i>							
EPU	0.15	0.13	0.00	0.40	0.10	33.39	222
DR	0.13	0.00	0.00	1.00	0.34	29.00	222
IV	0.03	0.00	0.00	0.40	0.08	5.70	222
DAR	0.48	0.51	0.13	0.76	0.12	106.62	222
DCR	0.30	0.30	0.06	0.62	0.09	67.27	222
ROA	0.07	0.04	-0.32	3.10	0.23	15.01	222
ROE	-0.04	0.04	-2.36	1.45	1.11	-9.77	222
NPM	0.06	0.04	-1.67	8.88	0.65	12.54	222
<i>Panel B</i>							
IF	0.03	0.02	-0.01	0.06	0.02	5.79	222
IR	0.03	0.03	0.00	0.06	0.02	6.76	222
INV	0.04	0.03	0.00	0.55	0.06	9.99	222
Size	20.35	19.96	15.26	28.65	1.98	4518.10	222
FX	6.2E+03	4.9E+01	1.3E+00	2.4E+04	9.1E+03	1.4E+06	222
WC	-1.8E+09	5.8E+07	-4.1E+11	4.4E+09	2.8E+10	-4.1E+11	222

Table 2. Model Selection Test

Variable	Analysis Model				
	DAR	DCR	ROA	ROE	NPM
EPU	REM	FEM	CEM	CEM	REM
DR			CEM	CEM	REM
IV			CEM	CEM	REM
DAR			CEM	CEM	REM
DCR			CEM	FEM	FEM

**Heteroscedasticity Test**

Table 3, presents the results of the heteroscedasticity test conducted on the variables used. In the table, it can be seen that there are 4 variables that do not

pass the criteria, namely economic policy uncertainty (EPU), *debt to total capital ratio (DCR)*, *debt to total capital ratio (DCR)*, And *return on equity (ROE)*. Thus, the 4 variables are retested but focus more on the residual graph against the dependent variable produced. The results of the test are shown in graphs 1 to 4 on *appendix*. Based on the graph, it is concluded that all variables used in this study escape the symptoms of heteroscedasticity.

Table 3. Heteroscedasticity Test

Variable	P-value ABS (Residual)				
	DAR	DCR	ROA	ROE	NPM
EPU	0.413	0.253	0.030	0.000	0.116
DR			0.963	0.452	0.991
IV			0.613	0.184	0.989
DAR			0.861	0.333	0.773
DCR			0.065	0.001	0.000

### Hypothesis Testing

This study consists of two stages of testing, namely the t-test and the F-test. For the t-test, the t-table value used is 1.97. This value is based on research data with a significance level of 0.05. In this study, the t-test was conducted in two stages. First, the researcher tested the direct influence of EPU on *leverage*. The results of this test are as shown in Table 4.

Based on Table 4, it can be seen that EPU has a negative coefficient, namely -0.079 and -0.127 against *leverage* which is proxied by DAR and DCR with a significance level of 0.046 and 0.006.

Table 4. t-test 1

Variable	DAR			DCR		
	Coefficient	T-Statistic	P-Value	Coefficient	T-Statistic	P-Value
EPU	-0.079	-2.009	0.046	-0.127	-2,756	0.006

Furthermore, in the second stage, a test was conducted on the direct influence of EPU, debt restructuring, interaction variables, and corporate leverage on corporate performance. The results of the test are as shown in Table 5.

Table 5. t-test 2

Variable	ROA			ROE			NPM		
	Coefficient	T-Statistic	P-Value	Coefficient	T-Statistic	P-Value	Coefficient	T-Statistic	P-Value
EPU	0.402	2.572	0.011	-1.507	-2.013	0.045	1.194	2.618	0.010
DR	-0.008	-0.163	0.871	-0.303	-1.374	0.171	-0.041	-0.301	0.764
IV	0.130	0.639	0.524	-2.050	-2.143	0.033	0.131	0.219	0.827
DAR	-0.072	-0.563	0.574	-0.352	-0.576	0.566	-0.024	-0.063	0.950
DCR	-0.358	-1.988	0.048	-4.601	-3.579	0.000	-3.118	-3.840	0.000

In Table 5, it is found that EPU has a significant influence with p-values of 0.011, 0.045, and 0.010 on company performance proxied by ROA, ROE, and NPM. In this case, the influence given by EPU on ROA and NPM is a positive influence of 0.402 and 1.194, while ROE is a negative influence of -1.507.

Furthermore, it is seen that the interaction variable (IV) has a significant negative effect with a coefficient of -2.050 and a significance of 0.033 on ROE. This indicates that debt restructuring can weaken the effect of EPU on the company's ROE. However, overall, neither debt restructuring (DR) nor IV can provide a significant effect on the three proxies of company performance.

In addition, it is seen that the company's leverage proxied by DAR and DCR cannot fully affect the company's performance proxied by ROA, ROE, and NPM. In the results, it is seen that DCR negatively, namely -0.358, -4.601, and -3.118, affects the company's performance with a significance level of 0.048 and less than 0.00. Meanwhile, DAR was found to have no effect.

Next, the results of the test are reused to test the indirect effect. In this case, the Sobel test was conducted, and the following results were obtained:

Table 6. Sobel Test Results

Variable	Sobel Test		
	T-statistic	Std. Error	P-value
EPU--> DAR--> ROA	0.543	0.011	0.587
EPU--> DAR--> ROE	0.553	0.050	0.580
EPU--> DAR--> NPM	0.063	0.030	0.949
EPU--> DCR--> ROA	1,574	0.028	0.116
EPU--> DCR--> ROE	2,091	0.270	0.037
EPU--> DCR--> NPM	2.140	0.179	0.032

Table 6 shows the results of the Sobel test. In the table, it can be seen that DCR can have a positive influence, namely 2,091, and 2,140) EPU on two of the three company performance proxies with a significance of less than 0.05. However, on the other hand, DAR cannot have this influence.

After conducting the t-test, the researcher continued the testing by conducting the F (goodness of fit) test. The results of this test are as shown in Table 7.

Table 7. F Test Results

Variable	R-squared				
	DAR	DCR	ROA	ROE	NPM
EPU	0.01442	0.02486	0.025	0.014	0.029
DR			0.000	0.004	0.000
IV			0.002	0.016	0.000
DAR			0.001	0.041	0.000
DCR			0.018	0.115	0.134

Based on Table 7, it can be seen that the independent, moderating, and intervening variables that influence the independent variables can explain the independent variables in the range of 0.01 to 0.13.

### Robustness Test

Based on Table 8, it can be seen that all the results of the analysis conducted both before and after the robustness test show the same conclusion. Thus, it is stated that each variable used is declared robust.

Table 8. Test Results *Robustness*

Variable	ROA			ROE			NPM		
	Coefficient	T-Statistic	P-Value	Coefficient	T-Statistic	P-Value	Coefficient	T-Statistic	P-Value
EPU	0.400	2.125	0.035	-3.077	-3.549	0.001	1.101	2.024	0.044
DR	0.006	0.131	0.896	-0.258	-1.175	0.241	-0.013	-0.094	0.925
IV	0.148	0.723	0.471	-1.964	-2.065	0.040	0.193	0.327	0.744
DAR	-0.117	-0.804	0.422	-0.031	-0.046	0.964	0.125	0.298	0.766
DCR	-0.949	-3.388	0.001	-1.959	-2.201	0.029	-2.690	-3.311	0.001

## DISCUSSION

EPU has a significant impact on leverage (Table 4) and firm performance (Table 5). The significant impact of EPU on firm performance can be explained through the perspective of market structure theory and signaling theory. EPU has the potential to reduce the level of competition, because some firms may choose to withdraw from the market due to increased perceived risk. This decrease in the level of competition provides an opportunity for firms that remain to gain a larger market share, which in turn can increase their profitability. The dynamics of the interaction between supply and demand in such market conditions tend to benefit firms that are more resilient to uncertainty, allowing them to leverage their operational strengths to achieve better results.

In addition, investors who tend to be more selective will focus more on investing in companies that are able to survive well amidst uncertainty. This condition can increase the amount of equity owned by the company. Economic uncertainty also encourages companies to be more careful in every decision making. In response to this, companies tend to increase the amount of cash available (Demir & Ersan, 2017). The increase in cash will be followed by

strengthening equity capital reserves. As a result, this increase in equity reserves has the potential to reduce the company's return on equity (ROE) (Table 5).

On the other hand, the significant negative effect of EPU on corporate leverage (Table 4) can be explained through the classical trade-off theory and risk compensation theory. When economic policy uncertainty increases, companies will face higher risks associated with debt, such as the risk of default and the potential for information asymmetry between debtors and creditors (Schwarz & Dalmácio, 2021; Zhang et al., 2015). This increase in debt risk causes companies to assess that the benefits obtained from using debt are no longer commensurate with the costs that must be borne. Thus, debt becomes a less attractive option for companies.

Debt restructuring was found to have no effect on company performance (Table 5). This finding is possible by referring to the trade-off theory. In the trade-off theory, companies need to have a balance between the benefits and costs of debt. Thus, debt restructuring will only have an impact on company performance if there is a material change in balance. If the company carries out neutral or non-substantial debt restructuring, then this will not reach a significant new equilibrium point.

However, in Table 5, it can be seen that the interaction variable (IV) has a significant negative effect on ROE. This significant effect indicates that the company may experience losses when restructuring debt. One of the main problems in the debt restructuring process is the potential for pending debt, which arises when the company has a high level of debt, thus hampering its ability to invest in profitable projects. This condition can lead to a decrease in investment, because the company prioritizes debt payments over growth opportunities, which ultimately has implications for decreased profitability (Jordà et al., 2022). In addition, companies that restructure debt often experience a reduction in equity, where the value of equity is eroded because the company prioritizes debt obligations over returns to shareholders (Ghosh, 2019). Therefore, the benefits that the company should have obtained from conditions that are able to survive or achieve a better position amidst the uncertainty of economic policy on ROE will be reduced due to debt restructuring.

*Leverage* companies proxied by DAR do not have a good influence on company performance (Table 5). This is because the company may have been at the optimal DAR ratio. Thus, an increase or decrease in the ratio does not have a significant effect on company performance. This also causes the leverage of companies proxied by DAR to not be an intervening variable in the influence of EPU on performance (Table 6). This condition is in accordance with the trade-off theory.

On the other hand, DCR shows a significant negative effect on company performance (Table 5). This is due to the existence of certain ratio limitations on DCR, where a ratio that exceeds the optimal threshold can cause a decrease in profits (Zulkipli et al., 2019). This condition is related to the increased risk faced by the company when the DCR ratio increases. In addition, based on the pecking order theory, companies with high debt levels will bear greater costs compared to companies with lower debt, which in turn reduces the company's profitability.

This factor explains why DCR can function as an intervening variable in the relationship between EPU and company performance (Table 6).

## CONCLUSION AND RECOMMENDATIONS

This study aims to investigate the effect of economic policy uncertainty (EPU) on company performance. In this case, two variables that proxy corporate debt, namely corporate leverage and debt restructuring, are included in the analysis as a form of novelty and to obtain deeper results and understanding. This study obtained various results. EPU was found to have a significant effect on corporate leverage and corporate performance. Then, it was found that leverage proxied by DCR had a significant effect on corporate performance. Furthermore, DCR can mediate the effect of EPU on corporate performance. In addition, it was also found that debt restructuring cannot moderate the effect of EPU on corporate performance.

## ADVANCED RESEARCH

Our study has limitations. We suggest some solutions that can be applied to future research related to these limitations. First, future research can use different samples. This study obtained research data from large manufacturing companies and market leaders. Instead of doing the same thing, future research can do something different by using samples in the form of companies with smaller values and sizes such as micro, small, or medium companies. This may provide different results and conclusions. Second, some variables used in this study have R-squared below 10%. This signals for future research to be able to use different variable proxies. There are so many proxies that can be used to replace the proxies used in this study in explaining research variables. For example, the company's leverage variable has several other proxies, debt service coverage ratio, short-term debt to total assets, debt to equity ratio and long-term debt to total assets

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