DEVOTION
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Debt Policy Study with Economic and Non-Economic Approach (A Modigliani Miller Theory Testing with Mixed Method Approach)

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ABSTRACT

This research aims to test debt policy with economic and non-economic approaches and to test the Modigliani-Miller theory. This research uses a mixed method approach by first conducting interviews to obtain qualitative data, followed by quantitative data collection through surveys. The data are then analyzed using descriptive techniques and presented in tables to describe data on Debt Policy Studies with Economic and Non-Economic Approaches. The findings show that debt (UT) has a significant negative influence on the prosperity of the company (MK), indicated by a negative coefficient value. This aligns with the opinion of Modigliani and Miller (MM), who argue that companies can increase their value if they use as much debt as possible (in a tax situation), although this view invites criticism and objections from practitioners. However, one of these objections arises from the assumptions used by MM in their analysis. This demonstrates that the company must consider how to repay the debt, which is consistent with the Qur'an, Surah An-Nisa, verse 29, and highlights that debt has a significant effect on the company's profit. In line with this conclusion—that debt negatively influences the prosperity of the company, while also affecting the company's profit—it is expected that entrepreneurs continuously monitor and evaluate their business activities, particularly the way company management handles debt control.

INTRODUCTION

Debt, according to the general definition in the Great Dictionary of the Indonesian Language, has two main meanings: (1) money borrowed from others, and (2) the obligation to repay what has been received. Meanwhile, according to PSAK 57, liabilities (debts) are the current obligations of the entity arising from past events whose settlement can result in the outflow of the entity's resources that contain economic benefits (Demerjian, 2011). In general, debt is one of the funding aspects used by companies in their operational activities, and almost all companies rely on debt in carrying out their operations (Geelen, 2024). Short-term liabilities, which are debts that need to be settled soon, include obligations such as trade payables and tax liabilities (Podolianchuk, Plakhtii, & Gudzenko, 2019). In accounting terms, liabilities are recognized if there is a present obligation arising from past events, and their settlement results in the outflow of economic benefits (Szarucki, Kurek, & Górowski,

2022). Long-term liabilities, such as bonds and long-term loans, are obligations that need to be paid over a period longer than one year (Huefner, 1999). The management of liabilities is crucial for maintaining the financial stability of the company and ensuring its operational continuity (Firmansyah, 2019). Effective liability management contributes to ensuring the financial health of organizations and the sustainability of their operations (Sadjiarto, 2011).

Over time, debt has become a common practice for both companies and individuals, serving as a fundamental aspect of financing in modern economies (Liu et al., 2022). In fact, debt constitutes a significant portion of Indonesia's state budget structure, reflecting its essential role in national fiscal policy (Narjono, 2025). Modern economic activities are almost entirely facilitated by debt, encompassing expenditures from basic necessities to secondary and tertiary goods, including automobiles, electronic devices, and residential housing (Bartscher, 2025). This widespread reliance on debt is not limited to corporations; households also utilize credit to manage consumption, often leading to increased household debt levels (Batomen, 2021). There exists a societal assumption that without debt, one may lack access to certain goods and services, influencing both consumer behavior and financial decision-making (Roth, 2022). In Indonesia, the government's fiscal policy has historically leaned towards expansionary measures, often resulting in budget deficits that are financed through both domestic and foreign debt (Wartoyo et al., 2024). However, the sustainability of such debt practices is a topic of ongoing debate, with some studies indicating that excessive reliance on debt can lead to economic vulnerabilities (Jalles, 2024).

However, the question arises: can additional debt to the company provide added value or vice versa? This debate began with the writings of Franco Modigliani and Merton Miller in 1958 regarding the theory of corporate capital structure. Capital structure refers to the comparison between debt and capital used to fund a company's activities. According to Modigliani and Miller, capital structure is irrelevant in influencing a company's value, known as the Modigliani-Miller irrelevance theory.

The theory has been criticized for assuming a perfect capital market, where there are no transaction fees, personal and corporate taxes, and an information-efficient market. Due to much criticism, in 1963, Modigliani and Miller published a second theory of the structure of capital taking into account taxes. The effect of taxes on debt makes companies that use debt tend to increase the value of the company because the interest cost on debt can reduce pre-tax profits and lower the company's tax burden.

Debt can also be leverage for companies, where the amount of share capital is fixed, but profits increase due to business expansion using debt. To increase the value of the company, the company can borrow as much as possible for expansion. However, it is necessary to realize that increased debt also carries the risk of

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bankruptcy. Too much debt increases the risk of a company, as interest costs are fixed costs that must be paid. In the event of a disruption to revenue, the company's cash flow will struggle to cover fixed costs, which can lead to short-term liquidity risks, and even bankruptcy if it drags on.

In addition, increased debt can also increase the cost of share capital due to increased risk and higher borrowing costs. Companies with too much debt will face higher interest costs when taking on additional debt, which can ultimately hurt the company's value. From these problems, the question arises whether debt is good or bad for the company, based on the Modigliani-Miller theory. Therefore, the author is interested in conducting scientific research entitled "*Debt Policy Study with Economic and Non-Economic Approaches (A Modigliani Miller Theory Testing with Mixed Method Approach)*."

The problem that occurs today is that many entrepreneurs consider debt as a natural thing to develop their business, but on the other hand, many entrepreneurs also fall bankrupt because of debt. Therefore, research on debt policy with economic and non-economic approaches is very necessary to uncover the real facts. Based on this, the formulation of the problem in this study is whether larger debt has a significant effect on the company's profit and whether larger debt has a significant effect on the prosperity of entrepreneurs.

Recent studies on debt policy and capital structure continue to show diverse perspectives. For example, Bui and Nguyen (2020) examined firms in Vietnam and found that debt positively influenced firm value up to an optimal level, but excessive leverage reduced profitability, supporting the trade-off theory. Meanwhile, Ghasemi and Ab Razak (2020) emphasized that in emerging economies, the relationship between debt and firm performance is nonlinear, with external economic shocks amplifying bankruptcy risks. Both studies, however, primarily emphasize financial indicators and ignore non-economic dimensions such as entrepreneurs' welfare and decision-making behavior.

The purpose of this study is to test debt policy with economic and non-economic approaches and to test the Modigliani-Miller theory using a mixed method approach. This research provides theoretical benefits by providing knowledge about the application of Modigliani-Miller theory to lecturers and students, as well as an understanding of the relevance of the application of the theory in the current millennial era. In addition, this research also provides an overview to the general public that one way to develop a business is through debt. The practical benefit of this research for entrepreneurs is to contribute thinking in decision-making and knowledge on how to develop a business with debt. For financial institutions, this research provides knowledge about typical entrepreneurs who need funding and becomes a consideration in making funding decisions. For researchers, this research

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can add knowledge and insight as well as offer an exercise in the application of accounting science. For others, this research contributes useful literature for readers and parties who want to conduct further research.

RESEARCH METHOD

The research employed a quantitative approach, involving data processing, presentation, calculations to describe data, and hypothesis testing using statistical tests (Siregar, 2012: 205-206). This approach was based on the philosophy of positivism and focused on a specific population or sample by collecting data through research instruments at the tax office. Quantitative research uses numerical data analyzed statistically to test hypotheses derived deductively and verified empirically (Margono, 2013). Thus, this method aimed to test predetermined hypotheses using instruments that produced quantitative data.

The study examined the influence of debt on the prosperity of entrepreneurs from economic and non-economic perspectives. It began by reviewing relevant theories, identifying problems, and testing hypotheses based on field data. The quantitative data collected were analyzed to assess relationships among variables.

The study's variables were measurable constructs providing a concrete picture of the phenomenon studied, using an ordinal scale based on rank or level, typical of the Likert scale. The dependent variables (Y) included company profit (Y1) and entrepreneur prosperity (Y2). The independent variable (X) was debt (X1), posited to influence the dependent variables according to Modigliani-Miller theory, which states that companies using debt capital have higher value due to tax benefits.

Primary data were collected via questionnaires from members of the Community Without Usury WhatsApp group, comprising 200 entrepreneurs in East Java. Due to time and cost constraints, purposive sampling selected 20 entrepreneurs who had been operating for more than five years and carried debt, representing 10% of the group.

Data analysis involved the Likert scale with five points from strongly disagree to strongly agree to measure respondents' answers. Collected data were analyzed using Partial Least Squares (PLS) software to test the effects of debt on company profits and entrepreneur prosperity. Analytical procedures included descriptive statistics, data quality assessments, classical assumption tests, and hypothesis testing to evaluate the influence of debt on the studied variables.

RESULT AND DISCUSSION
Research Instrument Feasibility Test

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This study conducted an instrument test of 20 respondents to get an idea of the quality of the instruments that will be used as field research instruments. The purpose to be achieved from the testing of the research instrument is to determine whether the research instrument has been correctly understood by the respondent, so that if the reliability test and validity test do not meet the conditions determined based on the reliability and validity test criteria, then the list of questions will be reviewed and improvements will be made to the question items that are the source of the distribution of respondents' answers that are not in line with the answers that are should be given. Testing the reliability level of the research instrument is carried out using the Cronbach procedure, while to test the validity of the instrument is carried out using the Cronbach's Alpha test procedure.

This study conducted a reliability test on 20 respondents to get an idea of the quality of the research instruments to be used. This study uses the Cronbach Alpha statistical test to see internal consistency with an effort to test to get an assessment of the inter-item correlation condition of the indicator that reflects that the construct has a consistent value distribution (Ghozali, 2014), expressed as the reliability of the instrument if the Cronbach Alpha value is at least 0.70. Based on the distribution of cronbach alpha values above, it shows that the cronbach alpha value of UT is 0.974, MK is 0.950, and Lb is 0.857 greater than 0.70, so that all constructs included in this study on the test of 20 respondents are declared reliable.

Partial Least Square (PLS) Analysis Results

The PLS test is an analysis method that is not based on many assumptions. The data does not have to be normally distributed, with a scale of nominal categories, ordinals, intervals to ratios. PLS can be used to confirm theories and explain the existence or absence of relationships between latent variables. In the processing of Partial Least Square (PLS) it is carried out in two stages (Tenenhouse et al (2004);, Henseler et al (2009).

The first stage is to test the measurement model. The Outer-model measurement model, which is a model that specifies the relationship between latent variables and their indicators or it can be said that the outer model defines how each indicator relates to its latent variables.

a. Constructing the reliability of research instruments based on Cronbach Alpha, Rho_A, and composite reliability (Ringle et al., 2014).

b. Construct the validity of the construct relationship and its indicators through the stages of Fornell-Larsker discriminant validity testing (Fornell-Larscker, 1988), testing through cross-loading procedures (Chin et al, 2003), and validity testing using the heterotrait-monotrait ratio procedure (Henseler et al, 2015).

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The second stage is the testing of regression models known as inner-models, which is to carry out a number of regression statistical test procedures, by obtaining a number of information as follows.

(a) Goodness of Fit, which is the feasibility of a research model based on information based on communality and correlation (Tenenhouse et al (2004).

(b) Conduct a feasibility test of the research model by obtaining a predict relevance (Q2) value, as developed by Stone (1974) and Geiser (1974).

(c) Conducting hypothesis testing by obtaining a significance value on the path coefficient to answer the research objectives based on the SEM PLS testing posedur (Henseler et al, 2009), Hair et al (2010).

(d) Conducting evaluation by testing indirect effects as an important part of mediation testing by considering the role of effect size (Cohen (1988).

Outer-model Testing Stage

Reliability Test of Research Instruments

This study uses SmartPls software as a support to obtain the results of outer-model analysis to measure at the first level the position of the relationship between the construct and its indicator. The first stage of testing is to evaluate the level of reliability of research instruments based on three test procedures, namely (a) cronbach Alpha, (b) rho_A, (c) composite reliability and (d) convergence validity through the distribution of AVE values. The four components of the test are presented in table 1.

Table 1. Research Reliability Test Results

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
UT	0,974	0,975	0,980	0,907
MK	0,950	0,950	0,911	0,778
LB	0,857	0,895	0,964	0,869

Source: Processed from PLS

Based on Table 1 the distribution of Cronbach Alpha values for all constructs is greater than 0.70, meaning that it has the conditions as a reliable research construct. The next measurement concept is derived from the Dillon-Goldstein procedure known as rho_A obtained from the composite reability calculation based on the Dillon-Goldstein rho procedure (Wertz et al. 1974), which states that a construct is declared reliable if the rho index is above 0.70 and an unreliable construct if the rho_A index is below 0.70. Based on Table 4.2, the distribution of rho_A value is above 0.70, thus strengthening the previous Cronbach Alpha results on the belief that the research instrument is reliable.

The next search for reliability criteria was obtained from the distribution of composite reliability values which was also in line with the two steps of the previous

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test procedure with a value distribution above 0.70 which strengthened support for the feasibility position of research instruments that have consistency of internal relationships. The conclusion of the reliable instrument was further strengthened by obtaining the minimum required average variance extracted (AVE) value of 0.50 (Hair et al, 2010), which at the same time provided a guarantee that the scattered loading factor reflected the construct of the convergence validity study, all AVE values of the construct were greater than 0.70, so that it can be concluded that all instruments used in this study are reliable.

Validity Test of Research Instruments

The final stage of outer-model testing is to find out if the research instrument can be declared valid, so that it can be passed on to the level of inner-model analysis. When the test has obtained information that the research construct has met the reliability requirements, it must be traced whether the consistency of the internal relationship of the research construct that has been obtained through the reliability test also has the consistency of the value externally. To test the stability of the measurement of the research instrument based on the consistent measurement pattern, it is necessary to carry out validity testing, which is carried out based on three test procedures, namely evaluating the results of estimating the path coefficient parameters and their significance level. The test results of the above procedure are presented in Table 2.

Table 2. Results of the Cross-loading Validity Test

	UT	MK	LB
X1.1	**0,895**	0,272	0,073
X1.2	**0,770**	0,148	0,022
X1.3	**0,896**	0,221	0,144
X1.4	**0,760**	0,206	0,149
X1.5	**0,900**	0,101	0,102
X1.6	**0,751**	0,02	-0,037
Y1.1	0,104	**0,778**	0,026
Y1.2	-0,053	**0,849**	0,139
Y1.3	0,095	**0,910**	-0,083
Y1.4	0,47	**0,886**	0,043
Y1.5	-0,166	**0,722**	0,202
Y1.6	0,459	**0,919**	0,171
Y1.7	0,316	**0,716**	0,11
Y1.8	0,185	**0,984**	0,048
Y1.9	-0,047	**0,825**	0,135
Y1.10	0,088	**0,924**	0,166
Y1.11	0,066	**0,906**	0,125
Y2.1	0,368	0,625	**0,984**
Y2.2	0,27	0,115	**0,793**
Y2.3	0,403	0,682	**0,795**
Y2.4	0,045	0,013	**0,892**

Source: Processed from PLS

The next validity measurement procedure is based on cross-loading (Chin et al, 2003), with the test results as shown in Table 2 Based on the cross-loading method, a construct is declared valid discriminant if the inner-loading factor of each construct is more than 0.7, it can be seen that all the loading values are more than 0.70. This means that all construct indicators are valid. Based on the evaluation of the research instrument through validity testing, it is determined that the valid research instrument can be fulfilled, so that this research has been based on the belief that the research instrument used is valid discriminant. Based on the results of the evaluation of the research instruments, the estimated path value of the research model used was obtained, presented in Figure 1.
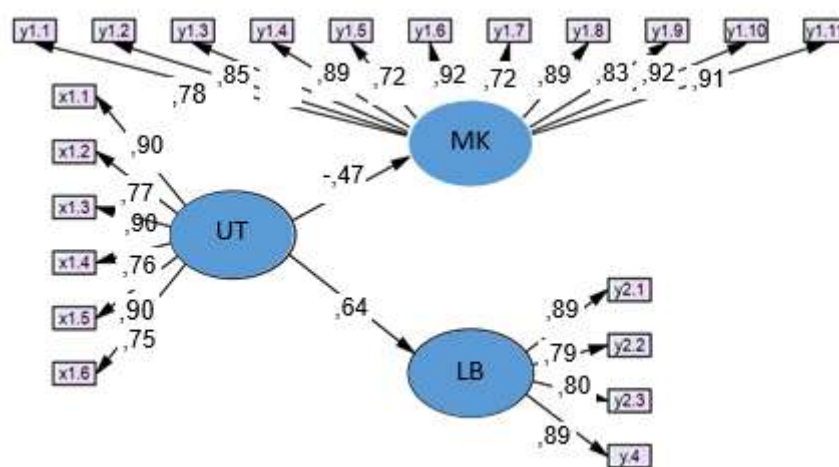

Figure 1. Results of Estimated Research Path

Testing Inner-model Research

This study utilizes the PLS-SEM method to estimate the relationship between constructs based on the results of outer-model analysis that has been declared to be reliable and valid. Based on the results of these outer-model tests, the data analysis information obtained is used as a guideline to be forwarded to the level of use of regression statistical methods, so that it can be used as a reference in predicting the influence of independent variables on dependent variables, as well as the success rate of the use of statistical methods in presenting the best estimation model to be improved to research recommendations (Bagozzi and Yi, 2012; Weston and Gore, 2006). The PLS-SEM used in this study is sourced from SmartPLS.

PLS_SEM presents an R^2 determination coefficient that provides information on how much variation in values from independent variables can impact changes in dependent variables included in this study. If the R^2 value is equal to or greater than 0.75%, then it can be considered substantially that the role of independent variables is sufficient as a predictor of changes in the value of the dependent variables included in the research model. However, if the value of $R^2 = 0.50$ is obtained, then it can still

be seen that the information presented by the independent variable is moderate, but if it is smaller than R2 = 0.50, then the variation in the value of the dependent variable that can be explained by the independent variable becomes very weak (Hair et al., 2011).

The results of the analysis of the R2 Adjusted value obtained from the calculation results show a diverse distribution. Table 4.4 presents the results of the calculation obtained by utilizing SmartPLS software, obtained the result of R2 Adjusted for Debt (UT) of 0.810, corporate prosperity (MK) of 0.983 and corporate profit (LB) of 0.765. Thus, the variation in the value of the dependent variables MK and LB as dependent variables can be adequately explained by the exogenous variables that affect them. Analyzing the two dependent variables separately is necessary to ascertain the role that the next dependent variable exhibits, apart from the dependent variable of the equation. This is done to evaluate whether there is an opportunity for the next dependent variable to clarify the research model to be stronger, adequate or weak (Cohen, 1988). The following is the adjusted R2 value of each variable:

Table 3. R2 value adjusted

	R Square Adjusted
UT	0,810
MK	0,983
LB	0,765

Source: processed from PLS results

Table 3 also includes the R2 value adjuste it can be concluded that the addition of constructs is still possible in the future, which is in line with the finding that the R2 value can still be improved by more exogenous variables to increase the variation of values to be higher than the two endogenous variables of the R2 value.

The results of the analysis presented in Figure 4.1 can be described in more detail in Table 4.5, to see the position of significance in the direct effect in the direction of the research objectives that have been prepared previously. Table 4.5 presents the results of the analysis of the direct effect significance test along with the P-value. Based on Table 4 it turns out that from as many as five research objectives compiled as direct effect relations, as many as two insignificant hypotheses with a P-value greater than 5% were obtained.

Table 4. Path Coefficient and Significance Analysis Results

		Original Sample Estimate	Mean of subsamples	Standard Deviation	T Statistics	P Values
UT ->	**MK**	-0,468	-0,483	0,059	7,986	0,009
UT ->	**LB**	0,642	0,662	0,072	8,917	0,003

Source: Processed from PLS results

Based on table 4 above, it can be seen that the P values of UT are 0.009 with a coefficient value of -0.468, with a negative coefficient value. When compared to the value of 0.009<0.05, it means that UT has an effect on MK, with a negative coefficient value this shows that UT's influence on MK is significantly negative

Meanwhile, the value of UT's P values to LB is 0.003 with a coefficient value of 0.642, when compared to the value of 0.003<0.05. This means that UT has a significant effect on the Constitutional Court, with a magnitude of influence of 0.642 or 64.2%. With a positive coefficient value, the effect of UT on LB is significantly positive.

Hypothesis Testing

Testing Hypothesis 1, namely the influence of Debt (UT) on the prosperity of the company (MK) was successfully answered, with a prediction parameter of -0.468. The results of the study showed that the t-value of the calculation was 7.986 with bootstrapping methods to 500 samples, the t table was obtained of 1.96 It turned out that the t value of the calculation result was 7.986 which was greater than the t table = 1.96. Thus, the statement that debt (UT) has a negative impact on the prosperity of the company (MK) can be supported by this research. Hypothesis 2 testing, namely the effect of debt (UT) on company profit (LB) was successfully answered, with a prediction parameter of 0.642. The results of the study showed that the t-value of the calculation was 8.917 with a bootsrtapping sample of 500, obtained t table of 1.96 It turns out that the t value of the calculation result is 8.917 which is greater than the t table = 1.96. Thus, the statement that debt (UT) has a positive impact on company profit (LB) can be supported by this research.

Discussion

The Influence of Debt on Company Prosperity

In the first part of the discussion of this research, a comparison between the opinions of the sources and the results of the PLS analysis will be seen. This comparison is carried out to analyze the results of the research findings, in order to obtain an overview of the influence between variables that contribute significantly to the formation of variables and research analysis models.

The penalty findings show that debt (UT) has a significant negative influence on the prosperity of the company (MK), with a negative value coefficient. This is in accordance with the opinion of Modigliani and Miller (MM) who show that companies will be able to increase their value if they use as much debt as possible (in a tax situation), certainly inviting criticism and objections from practitioners. However, it can be seen that one of these objections is due to the assumptions used by MM in their analysis. From the results of interviews from the sources used as a reference in the research, among others:

Gaddafi (goat's milk ice cream entrepreneur) said that:

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"One of the bad habits of debt as conveyed by the Prophet Saw, is restlessness at night and humiliation during the day. Anxious when the payment is due there are no funds, anxious thinking about what to convey to the debtor, anxious thinking about everything that may happen. Humiliated during the day, when we cannot pay in installments or pay off, we are billed via SMS, wa, telegram, phone or even ask to meet in person, which allows us to be read, heard and known by others, to make us ashamed. Because being disturbed and humiliated certainly makes our emotions unstable, the effect certainly leads to the people around us. Family harmony is disturbed, brotherhood between others can be strained. In conclusion, debt cannot give happiness to oneself".

In addition, Gaddafi also said that:

"One of the bad habits of debt is to start lying. When invited to meet those who owe the skills used, they usually lie, saying they are out of town even though they are at home, saying they are sick even though they are healthy, saying they have no money even though they are there but for other more urgent needs and so on. Because they don't know when there is a Rizqi to pay off or pay off debts, the trick used is usually to spread false promises. "Tomorrow when I get my salary, I will definitely pay, but when the salary is waited, I will not transfer or come". Lying and making false promises are the characteristics of hypocrites which in Islam's view are forms of wickedness that bring the wrath of Allah SWT. So you can conclude for yourself, whether by being in debt it increases devotion to Allah or vice versa".

Teddy (a culinary entrepreneur) said that:

"Not at all. I once thought like that, but the fact is that debt makes our property seem big when in fact there is still a monthly obligation to pay the debt. So that the large property is basically not ours 100% because there are still debts that must be paid. It's true that business seems to be growing rapidly, but it's all based on debt that is not our real property."

Meanwhile, the results of the analysis with the PLS program, it can be seen that debt (UT) has a negative influence on the prosperity of the company (MK). The results of this study support the research conducted by Ria (2012) which shows that by using debt, there will be interest payments and have an impact on tax savings paid by the company.

Based on the results of the analysis, interviews with sources, and previous research that is a reference in this study, it can be assumed that debt can have a negative impact on the prosperity of the company, because the company must think about how to pay off the debt, this is in accordance with the Qur'an surah An-Nisa' verse 29 which means: "O you who have believed, do not eat each other's property in a wrong way, except in the way of business that is done happily among you. and do not kill yourselves, for Allah is Most Merciful to you."

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Abu Hurairah (may Allah be pleased with him) said that the Prophet (peace and blessings of Allaah be upon him) said:

"Whoever takes the property of a person (who owes money) with the intention of paying it (returning), then Allah Subhanahu wa Ta'ala will pay it for him. And whoever takes it to consume it, Allah Subhanahu wa Ta'ala will destroy it." From the Qur'an and the words of the prophet, it can be understood that debt is a mandate on the shoulders of the debtor that has just been fulfilled (paid off) by paying it. This shows that this research is not in accordance with the opinion of Modigliani and Miller, because debt is a mandate that must still be repaid.

The Effect of Debt on Company Profits

The findings of the study show that debt has a significant positive influence on company profits. When compared to the results of interviews with the sources:

Gaddafi said that: "This kind of mindset is very wrong, because when a person gets business capital from debt, it is not necessarily the profit he gets. Because first, business capital is certainly spent on the main needs in entrepreneurship, for example, an etawa goat milk ice cream entrepreneur like me, will definitely spend capital to buy raw materials for etawa goat milk from farmers, buy equipment to process it into ice cream, buy other raw materials such as flour and fruit for complements and buy packaging and other financing. It does not necessarily bring in profits because it is not certain who orders and payments are. Precisely one thing that must be paid is the debt installment. This will be a definite burden that in the future will make us heavy and can fall into bankruptcy"

Teddy said that:

"Not at all. I once thought like that, but the fact is that debt makes our property seem big when in fact there is still a monthly obligation to pay the debt. So that the large property is basically not ours 100% because there are still debts that must be paid. It is true that business seems to be growing rapidly, but it is all based on debt that is not our real property".

The results of this study do not agree with the speakers such as Teddy who said that the property we have is not 100% our right, because there are still debts that we must pay off. Likewise, Gaddafi said that when a person gets business capital from debt, it is not necessarily the profit he gets, because first of all, business capital is certainly spent on the main needs in entrepreneurship and the debt must still be repaid.

In the Qur'an, Surah An-Nisa' verse 29, which means: "O you who have believed, do not eat each other's property in a wrong way, except in the way of business that is done happily among you. and do not kill yourselves, for Allah is Most Merciful to you."

Whereas Shaykh Shalih Al-Fauzan (hafizhahullah) said:

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"It should be noted that the additional that is forbidden to take it in debt is a required addition. (For example), as someone says, 'I give you a loan on the condition that it be returned with an additional amount and so, or on the condition that you give me your house or a shop, or you give me something.'

This shows that debt should not be added at the time of debt repayment, because it has been forbidden in the Qur'an.

This study does not support the research conducted by Vera and Mayasari (2018), which stated that there is no significant effect of debt on net profit. This research is also not in accordance with the opinions of the sources who say that debt makes our wealth seem large when in fact there is still a monthly obligation to pay the debt. So that the large property is basically not ours 100% because there are still debts that must be paid.

Based on the results of the analysis, the opinions of the sources and the previous research that became the reference in this study, it can be assumed that this research is different from the opinions of the sources and previous research that became a reference. The results of the study show that debt affects the company's profit

Limitations of this study

This study has the limitations of methodology and theoretical concepts to build predictions on the role of corporate debt in the future. This research activity needs to conduct studies with data sources and methodologies qualitatively and quantitatively, so that the behavior and character of partner entrepreneurs can be mapped in a more dynamic framework covering a longer period of time, so that changes in the dynamics of entrepreneur behavior can be mapped in a more concrete and valid manner.

This study uses questionnaire data in this research period in 2019, so the possibility of changes in entrepreneurs' behavior on a number of factors that can change weakens or strengthens capabilities cannot be analyzed, so it is necessary to conduct further research on the same theoretical model in the coming year, to answer the possibility of changes in the character of the partner entrepreneurs.

CONCLUSION

This study found that debt significantly influences both company profitability and entrepreneur prosperity, with excessive debt risking sustainability while optimal debt use supports growth, reflecting the principles of accountability and fairness in the Qur'an (surah An-Nisa' verse 29). These findings reaffirm the relevance of revisiting the Modigliani-Miller theory in Indonesia by integrating economic and non-economic aspects of debt policy. The results emphasize the need for entrepreneurs to balance risk and growth when managing debt and for companies to engage in strategic

financial planning to ensure long-term viability. Future research could enhance this analysis by including behavioral finance perspectives, cross-industry comparisons, and longitudinal data to better capture the evolving impact of debt policies, thereby offering deeper theoretical insights and practical guidance for entrepreneurs, financial institutions, and policymakers.

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