



The Effect of Economic Policy Uncertainty and Leverage on Corporate Risk Taking

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Abstract

This study aims to examine the impact of Economic Policy Uncertainty (EPU) and financial leverage on corporate risk-taking within the food and beverage manufacturing sector. Utilizing a quantitative approach, secondary data from publicly listed manufacturing firms were collected and analyzed using IBM SPSS Statistics. The empirical results reveal that neither EPU nor financial leverage has a statistically significant effect on corporate risk-taking. These findings indicate that food and beverage firms possess inherent defensive operational characteristics, enabling them to sustain consistent risk-taking behavior despite external macroeconomic volatility or changes in debt structures. Practically, this implies that management within this sector can maintain stable strategic decision-making and operational planning even during periods of high economic uncertainty, offering valuable insights for stakeholders navigating corporate finance and risk management.

Keywords: *Economic Policy Uncertainty, Leverage, risk-taking, Food and Beverage manufacturing companies.*

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1. INTRODUCTION

Corporate risk-taking is a critical determinant of a firm's performance and long-term viability (1). When properly managed, prudent risk-taking fosters growth (3), drives innovation, and enhances firm value. Conversely, excessive risk-taking threatens financial stability and can lead to insolvency (4) (Bromiley, 1991; John et al., 2008; Lumpkin & Dess, 1996). A firm's level of risk-taking reflects its investment risk appetite, where a higher degree of risk-taking indicates a greater propensity to undertake high-risk projects (2; Hoskisson et al., 2016; Monios & Bergqvist, 2017). Existing literature indicates that corporate decision-making, particularly investment choices, is governed by external factors, including macroeconomic policies (3), cultural values (5), and political connections (3). Notably, Economic Policy Uncertainty (EPU) acts as a key exogenous driver influencing corporate risk-taking (3). Substantial empirical evidence underscores the adverse impact of economic policy uncertainty. Excessively high interest rates elevate the cost of capital, thereby rendering investment opportunities less attractive (Ozili, 2021). Capital constraints and elevated financing costs compel firms to increase their liquidity holdings (Goodell et al., 2021). Policy uncertainty further induces heightened market volatility, prompting firms to prioritize cash retention over capital investment (Demir & Ersan, 2017). Prior empirical research (6) similarly demonstrates that firms curtail investments during periods of high uncertainty. This contraction occurs because EPU escalates external financing costs, aggravates information asymmetry, and destabilizes corporate profitability (3; 6; Wen et al., 2020).

The multifaceted dynamics of EPU manifested through reduced direct investment, interest rate volatility, elevated cash retention, and information asymmetry directly constrain corporate risk-taking. Under heightened EPU, external financing hurdles and liquidity constraints diminish a firm's capacity to undertake capital-intensive, high-risk projects despite their potential returns (Wen et al., 2020). Consequently, firms adopt a risk-averse posture, shifting toward conservative investment decisions to mitigate corporate failure. Given the profound influence of macroeconomic volatility on managerial behavior, this study investigates the empirical impact of Economic Policy Uncertainty (EPU) on corporate risk-taking within the Indonesian context.

The strategic role and financial constraints of state-owned enterprises (SOEs) have received increasing academic attention. Accordingly, this study examines how Economic Policy Uncertainty (EPU) influences corporate risk-taking within SOEs. Megginson et al. (2014) demonstrate that SOEs typically maintain lower cash holdings due to preferential access to credit from state-owned financial institutions. Such state-backed external financing provides a safety net during financial distress, enabling these firms to pursue social and political objectives alongside commercial goals. Consequently, compared to privately owned firms, SOEs exhibit lower sensitivity to macroeconomic uncertainty (R. R. Chen et al., 2018).

State-owned enterprises (SOEs) exhibit soft budget constraints, enabling them to secure external capital and state assistance during periods of uncertainty. However, such financial backstopping does not necessarily incentivize SOEs to pursue high-risk strategic decisions under Economic Policy Uncertainty (EPU). Macroeconomic policy volatility exerts a less pronounced effect on risk-taking in SOEs because these firms prioritize operational stability and conservative development to fulfill broader socio-economic mandates, such as employment preservation (2). Consequently, SOEs demonstrate a lower propensity for high-risk investments, contributing to lower default rates relative to private firms (Komera, 2014). While calibrated risk-taking drives innovation and corporate performance, excessive risk exposure threatens profitability. Ultimately, alongside macroeconomic policies, cultural values, and political connections, EPU acts as a pivotal exogenous factor shaping corporate risk choices.

Examining Economic Policy Uncertainty (EPU) is critical, as macroeconomic volatility has emerged as a central concern in global and domestic economies—particularly following periods of financial instability, inflationary pressures, and policy shifts. Elucidating how EPU affects corporate risk-taking provides essential insights into managerial behavior under macroeconomic volatility. Within Indonesia, food and beverage (F&B) manufacturing firms play a vital role in driving economic growth, employment, and domestic consumption. Although traditionally classified as a defensive sector, these firms remain exposed to macroeconomic shocks stemming from inflation, interest rate fluctuations, exchange rate volatility, and

regulatory shifts. Empirically, research by Chatjuthamard P. et al. (2019) demonstrates that EPU heightens risk-taking incentives, showing that a one-standard-deviation increase in EPU raises option portfolio vega by 18.88%. Conversely, economic uncertainty, compounded by managerial risk aversion, can induce excessive caution, culminating in sub-optimal risk-taking choices. Furthermore, research by Boubakri, Narjess et al. (2013) provides compelling evidence that state ownership (foreign ownership) is negatively (positively) associated with corporate risk-taking. Similarly, research by Brandon Julio (2009) shows that political uncertainty serves as a primary determinant of corporate financial policy globally. Consequently, examining the interplay between EPU and corporate risk-taking yields critical insights into how firms strategically adapt to uncertain economic environments.

2. LITERATURE REVIEW

2.1 Agency Theory

Agency theory conceptualizes the relationship between owners (principals) and managers (agents), characterized by divergent objectives and risk preferences. This theoretical framework elucidates how agency conflicts and information asymmetries shape corporate risk choices amidst macroeconomic uncertainty and financial leverage:

- a. Principals seek to maximize investment returns, whereas risk-averse agents often exhibit conservative preferences to safeguard managerial security.
- b. Agents possess superior operational information relative to principals, enabling decision-making that prioritizes managerial utility over shareholder wealth maximization.

Elevated Economic Policy Uncertainty (EPU) and financial leverage exacerbate these agency frictions and informational distortions. Under heightened EPU, managers typically adopt a risk-averse posture to preserve short-term operational stability, contrasting with principals' desire to pursue high-return investment opportunities. Concurrently, high leverage amplifies creditor-shareholder conflicts (e.g., risk-shifting or underinvestment), thereby complicating corporate risk governance.

Policy uncertainty generates macroeconomic unpredictability through sudden shifts in taxation, regulatory frameworks, and interest rates, thereby altering managerial behavior through two primary mechanisms:

1. Under heightened EPU, managers exhibit pronounced risk aversion to mitigate operational failure, frequently foregoing value-accretive investment opportunities.
2. Trust Issues: Principals may perceive managers as excessively risk-averse or ineffective in exploiting growth opportunities, thereby intensifying agency friction regarding managerial competence and decision-making alignment. Furthermore, macroeconomic volatility exacerbates information asymmetry, as managers possess superior operational insights relative to owners. Consequently, principals face greater hurdles in verifying whether managerial risk choices align with value maximization.

Ultimately, Economic Policy Uncertainty amplifies principal-agent conflicts, constraining the magnitude of corporate risk-taking in strategic decision-making.

2.2 Contingency Theory

Contingency theory posits that no universal organizational structure or strategic approach is optimal across all contexts. Instead, effective corporate strategies are contingent upon the alignment between external environmental conditions and internal firm characteristics. Within this framework, corporate risk-taking is shaped by the interaction between external environmental dynamism—such as Economic Policy Uncertainty (EPU) and internal financial structures, particularly financial leverage. Consequently, firms with greater organizational adaptability are better positioned to navigate policy volatility and debt obligations, thereby calibrating risk choices to achieve an optimal risk-return trade-off.

Contingency Theory posits that organizational efficacy depends on aligning strategic choices with external environmental conditions (e.g., Economic Policy Uncertainty) and internal capabilities, particularly financial structure and leverage. Exogenous contingency factors—including environmental uncertainty, complexity, and institutional pressures—dictate

strategic performance. Accordingly, the relationship among EPU, leverage, and corporate risk-taking is contingent upon a firm's specific operating context. Elevated Economic Policy Uncertainty exerts pronounced external pressure, constraining a firm's propensity to undertake high-risk strategic initiatives. Under heightened policy volatility, firms typically curtail risk exposure to mitigate operational or financial distress. Conversely, structurally flexible firms—characterized by adaptive management or robust capital structures may leverage macroeconomic uncertainty to capture competitive advantages.

2.3 Risk

Business risk encompasses potential organizational vulnerabilities capable of inducing financial losses, underscoring the necessity to evaluate risk taxonomies, underlying drivers, and mitigation mechanisms (7). Fundamentally, business risk represents adverse contingencies that threaten ongoing operations or future strategic viability (8). Extending to a broader organizational context, enterprise risk encompasses internal and external uncertainties that jeopardize strategic objectives, financial performance, and reputational standing. Consequently, a comprehensive Enterprise Risk Management (ERM) framework enables organizations to safeguard critical assets, optimize stakeholder value, and ensure long-term corporate sustainability.

Categorized by their underlying nature, business risks are delineated into five core dimensions (9):

- 1) Pure Risk: Refers to exposures where the only possible outcome is financial loss without opportunity for gain, such as natural disasters.
- 2) Involves deliberate strategic or managerial choices that encompass both potential losses and upside gains, such as corporate leverage decisions.
- 3) Fundamental Risk: Encompasses widespread, non-discriminatory economic or systemic exposures whose impacts are retained internally rather than delegated to third parties.
- 4) Particular (Special) Risk: Originates from localized, specific events that threaten individual firm operations, such as industrial fires.
- 5) Dynamic Risk: Arises from structural shifts in technology and market environments, as exemplified by firm obsolescence stemming from an inability to adapt to digital transformation.

2.4 Uncertainty

Bloom (2016) posits that measuring economic uncertainty presents significant empirical challenges due to its unobservable nature, as it encapsulates the subjective expectations and future choices of consumers, corporate managers, and policymakers. Furthermore, uncertainty operates across multiple operational scales, spanning macroeconomic phenomena—such as Gross Domestic Product (GDP) growth volatility down to firm-level microeconomic dynamics (11). Gulen & Ion (2016) further contend that uncertainty is particularly pronounced in emerging markets and intensifies markedly during economic recessions. Exogenous geopolitical and macroeconomic shocks, including military conflicts, terrorist events, and global oil price volatility, further exacerbate these uncertainty levels (11).

Broadly, economic uncertainty jeopardizes global investment by elevating risk exposure stemming from unpredictable policy shifts and market volatility within the financial sector (12). Conceptually, policy uncertainty encompasses unforeseen macroeconomic fluctuations and regulatory shifts specifically within fiscal, monetary, and institutional governance—that disrupt corporate decision-making environments. By introducing strategic ambiguity, policy uncertainty critically shapes macroeconomic outcomes, as demonstrated by sluggish growth in economies undergoing heightened policy turbulence.

Economic policy uncertainty (EPU) encapsulates the economic risks stemming from unpredictable future government policies and regulatory frameworks. Consequently, such policy volatility prompts corporate and private actors to defer capital allocation and discretionary expenditures. Fundamentally, EPU manifests through institutional shifts that redefine the regulatory rules governing economic agents. However, proxying EPU particularly via text-based news metrics introduces empirical challenges regarding media source reliability, reporting accuracy, partisan bias, and longitudinal consistency.

3. RESEARCH METHOD

To ensure methodological rigor, the research execution follows a structured, multi-phase procedure encompassing problem identification, conceptual framework development, and empirical estimation.

The initial phase involves systematic problem identification through a comprehensive literature synthesis. This step evaluates prior empirical findings to delineate critical gaps regarding corporate risk-taking behavior under Economic Policy Uncertainty (EPU) and financial leverage. These synthesized insights establish the baseline rationale for the study, which is further contextualized by examining the strategic risk decisions of publicly listed firms.

The second phase constructs the theoretical and conceptual framework. Grounded in corporate risk mitigation and risk-taking paradigms amidst policy uncertainty, this framework integrates the empirical insights identified in the preceding stage. Consequently, it serves as the analytical foundation for designing empirical instruments and structuring econometric models to address the core research objectives.

The third phase involves variable operationalization and hypothesis development. In this stage, data collection protocols and coding metrics are established in alignment with the conceptual framework. Concurrently, testable empirical hypotheses are formulated to examine the structural relationships among EPU, financial leverage, and corporate risk-taking.

The fourth phase encompasses sampling design and secondary data collection. Financial and operational data are retrieved from the official repositories of the Indonesia Stock Exchange (IDX), specifically targeting publicly listed manufacturing firms. The compiled panel dataset is subsequently prepared for quantitative analysis to evaluate empirical relationships.

The fifth phase entails hypothesis testing through econometric estimation. This stage assesses the empirical impact of Economic Policy Uncertainty (EPU) and financial leverage on corporate risk-taking choices, providing the foundation for analytical synthesis and policy implications.

The target population comprises all food and beverage (F&B) manufacturing firms listed on the Indonesia Stock Exchange (IDX) spanning the 2018–2023 observation period. The F&B subsector was selected due to its high market liquidity, substantial investor demand, and strategic economic significance as a defensive industry in Indonesia.

The target population comprises all food and beverage (F&B) manufacturing firms listed on the Indonesia Stock Exchange (IDX) during the 2018–2023 observation period. This subsector was selected due to its substantial market capitalization, high liquidity, and strong investor confidence. Given its systemic economic role and high market sentiment, effective risk management, alongside rigorous risk identification and disclosure, is paramount for firm resilience. A purposive sampling method was employed to select sample firms meeting specific operational and reporting criteria over the six-year period. The resulting empirical sample relies on firm-level secondary panel data extracted from published annual reports and audited financial statements.

The final empirical sample comprises 17 Food and Beverage (F&B) manufacturing firms listed on the Indonesia Stock Exchange (IDX) spanning the 2018–2023 observation period. Sample selection was governed by specific purposive criteria: (1) continuous listing on the IDX throughout the six-year window (2018–2023), and (2) availability of complete, fully disclosed financial statements across all six consecutive years to satisfy the research objectives. Hypotheses are tested using panel regression analysis evaluated at a standard significance threshold of 5% ($\alpha = 0.05$). Diagnostic tests for classical linear regression assumptions were systematically performed to ensure that the parameter estimates fulfill Best Linear Unbiased Estimator (BLUE) properties. Statistical estimations and diagnostic procedures were executed utilizing IBM SPSS Statistics (Version 21).

4. RESULTS AND DISCUSSION

4.1 Results

A manufacturing firm operates as a primary economic entity that transforms raw inputs into marketable finished goods through an integrated value chain encompassing product design, material procurement, industrial production, and distribution. As a critical driver of macroeconomic stability and industrial output, the manufacturing sector fulfills vital societal and market demands. Upon executing an Initial Public Offering (IPO) and listing on a recognized equity market—such as the Indonesia Stock Exchange (IDX)—a manufacturing enterprise transitions from private ownership to a dispersed public equity structure. Consequently, publicly traded manufacturing firms are bound by statutory governance frameworks, necessitating rigorous financial disclosures and operational transparency to protect market participants.

Publicly traded manufacturing firms listed on the Indonesia Stock Exchange (IDX) serve as pivotal drivers of macroeconomic development, contributing significantly to Gross Domestic Product (GDP) expansion, employment generation, and global product competitiveness. Nevertheless, these enterprises operate amidst systemic and structural headwinds that necessitate strategic adaptation and continuous operational innovation.

Within financial economics, risk is conceptualized as the exposure to adverse outcomes, operationally captured through the dispersion or variability of asset returns. Table [X] outlines the empirical risk metrics for the sampled firms across the 2018–2023 observation period, parameterized by equity return volatility (i.e., the standard deviation of stock returns) and corporate financial risk ratios.

Table 1 | Company Trend Analysis

Name of Company	2018	2019	2020	2021	2022	2023
ADES	0,180283489	0,193195503	0,165707804	0,12183	0,096549	0,076194
AISA	0,475344372	0,461976499	0,429228885	0,490124	0,472756	0,466712
ALTO	0,008175176	0,008222518	0,008204524	0,00833	0,008866	0,009227
CAMP	0,035502799	0,033714785	0,032804656	0,031106	0,033174	0,032749
CEKA	0,041267702	0,034628398	0,030791427	0,02842	0,028075	0,025476
CLEO	0,124739285	0,083544017	0,079350947	0,077159	0,058104	0,045302
DLTA	0,063870686	0,068239248	0,079397507	0,074354	0,074441	0,08055
ICBP	0,093263396	0,08280854	0,030941736	0,027147	0,027797	0,026874
INDF	0,048283175	0,048453423	0,028572094	0,026	0,025833	0,024981
GOOD	0,023438176	0,019498637	0,014798621	0,01459	0,013473	0,013291
HOKI	0,086200273	0,077076266	0,072125961	0,066132	80,59692	0,062525
MYOR	0,043967715	0,040627713	0,039108435	0,038833	0,034722	0,032403
PANI	0,005478936	0,006848233	0,008348964	0,03703	0,029174	0,24319
PSDN	0,102383495	0,093555223	0,093324934	0,100974	0,101228	0,470009
ROTI	0,045164282	0,042386129	0,044575888	0,047352	0,048051	0,050317
STTP	0,072498438	0,0661992	0,055308044	0,096349	0,074069	0,054565
ULTJ	0,004127531	0,003102357	0,002061412	0,00238	0,002497	0,002614

Source: Data processed in 2024

- ADES: Shows a significant downward trend in risk from 2018 (0.180283489) to 2023 (0.076194). This may reflect operational stability or reduced volatility in the company's performance.
- AISA: Risk remains relatively high and stable across the period, with little fluctuation, e.g., 0.475 in 2018 and 0.466 in 2023.
- CLEO: Experienced a consistent decrease in risk from 2018 (0.1247) to 2023 (0.0453). This indicates better risk management or a favorable market environment.
- PANI: Seen a sharp increase in 2023 (0.24319) compared to previous years. This could reflect increased uncertainty or company-specific issues

Company with Low Stable Risk:

- Ultra Jaya Milk Industry Tbk (ULTJ) exhibited a consistently low and stable risk exposure throughout the observation window (declining from 0.0041 in 2018 to 0.0026 in 2023), signaling effective operational smoothing within a low-volatility environment.
- Companies with a decreasing risk trend: are GOOD (2018: 0.0234; and 2023: 0.0133) and CEKA (2018: 0.0412; and 2023: 0.0254).
- Companies with Significant Increase in Risk: PANI and PSDN show a sharp increase in risk, such as PSDN increasing from 0.102 in 2018 to 0.470 in 2023.

Within corporate finance, financial leverage operationalizes the extent to which a firm utilizes debt capital to fund its operational activities and asset base, typically proxied by the Debt-to-Equity Ratio (DER) or Debt-to-Asset Ratio (DAR). The empirical analysis below evaluates the capital structure and leverage dynamics of listed Food and Beverage (F&B) manufacturing firms throughout the 2018–2023 observation period.

- High Leverage Ratio: Indicates the company has a significant level of debt relative to its equity or assets. This can reflect an aggressive strategy in financing.
- Low Leverage Ratio: Indicates the company uses more equity than debt, which is often considered more conservative and safe in terms of financial risk

Empirical evaluation of capital structure metrics reveals two distinct leverage trajectories among the sampled Food and Beverage (F&B) entities:

a. Companies with a Declining Leverage Trend

ADES (Aqua Golden Mississippi): Leverage ratio decreased from 0.45 (in 2018) to 0.17 (in 2023). This decrease indicates a significant reduction in the use of debt or an increase in equity. AISA (Three Pillars of Prosperity): Decreased from 2.9 (2018) to 0.48 (2023), indicating debt restructuring or capital efficiency. STTP (Siantar Top): Leverage has decreased significantly from 59.82% (2018) to 11.58% (2023), indicating conservative debt management.

b. Companies with Stable Leverage Trends

ICBP (Indofood CBP): The leverage ratio was relatively stable at around 0.34–0.54 during this period, indicating consistent debt management. INDF (Indofood Sukses Makmur): Stable in the range of 0.45–0.51, reflecting controlled leverage management.

c. Companies with High Leverage and Fluctuating Trends

CLEO (Sariguna Primatirta): Has a high leverage ratio, with the highest value of 31.75% (2020) and large fluctuations during that period. This may be related to aggressive expansion. MYOR (Mayora Indah): In 2018, leverage reached 51%, dropping to 36% in 2023. Despite the decline, this figure remains relatively high.

d. Anomalies or Extreme Volatility

Buyung Poetra Sembada (HOKI): Experienced a transient leverage spike to 48.00% in 2019 before mean-reverting to stable baseline levels in subsequent years, a trajectory likely driven by short-term credit facility utilization or project-specific debt obligations. Prasadha Aneka Niaga Tbk (PSDN): Exhibited severe capital structure imbalance, with its gearing ratio escalating from 65.00% in 2018 to a peak of 94.00% in 2022, prior to moderating to 57.00% in 2023. Such elevated leverage underscores critical exposure to financial distress and default risk, reflecting absolute debt dominance within the firm's capital structure.

4.1.1. Economic Policy Uncertainty (EPU) Index**Table 2 | Index EPU**

2018	2019	2020	2021	2022	2023
0,01740825	0,270875675	0,111929125	0,1261324	0,17298345	0,150007625

Source: World Uncertainty Index for Indonesia (WUIIDN) 2024

Empirical observations reveal pronounced temporal volatility in the Economic Policy Uncertainty (EPU) index across the 2018-2023 observation window. The metric reached its primary peak in 2019 (0.2709) and a secondary elevation in 2022 (0.1729), reflecting heightened exposure to macro-environmental turmoil and exogenous regulatory shifts during these periods. Conversely, the index experienced a sharp contraction in 2020, falling to 0.1119 relative to its 2019 zenith. This downward trajectory appears counterintuitive given the onset of the COVID-19 pandemic in 2020—a juncture characterized by heightened global macroeconomic turbulence. Nevertheless, this empirical moderation may be attributed to the swift implementation of decisive government policy frameworks, which mitigated regulatory ambiguity and suppressed media-driven policy speculation.

Post-2020, the Economic Policy Uncertainty (EPU) index stabilized within a narrow band of 0.1261–0.1729, suggesting that while policy uncertainty persisted, its intensity remained substantially attenuated relative to the 2019 peak. The suppressed EPU level in 2018 alongside this post-2020 regime stability signal a predictable macroeconomic climate one that fosters executive optimism and encourages corporate risk-taking through strategic capital expenditures and long-term asset allocations. The longitudinal trajectory of the EPU index is depicted in Figure below.

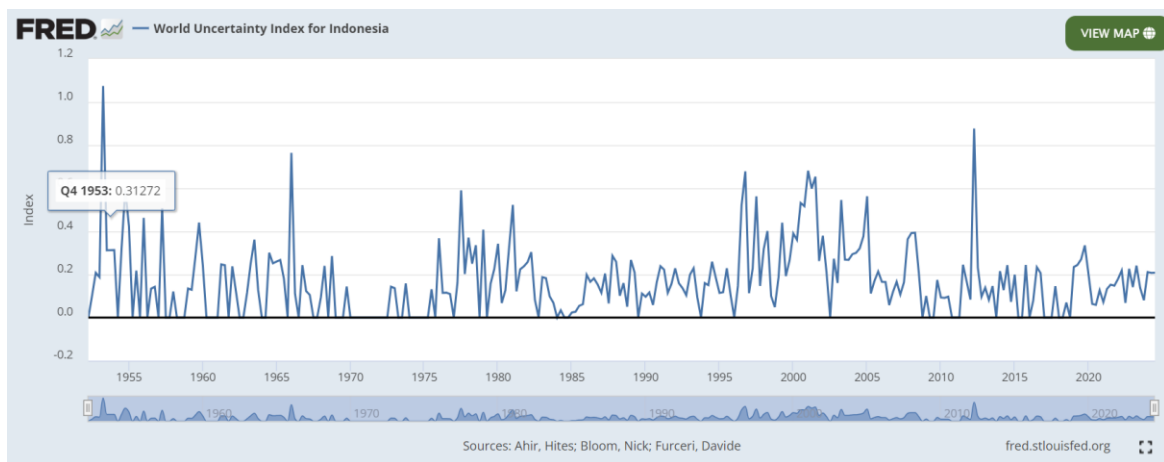


Figure 1. The longitudinal trajectory of the EPU index

4.1.2. Multiple Linear Regression

Table 3 | Results of the multiple regression analysis

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.130	.051		2.528	.013
¹ EPU	-.011	.241	-.005	-.045	.964
Leverage	.022	.089	.025	.250	.803

Source: Data processed in 2025

$$Risk_{i,t} = \alpha + \beta_1 EPU_{i,t-1} + \beta_2 Leverage_{i,t} + \beta_3 Fixasset_{i,t} + \epsilon_{i,t}$$

$$Risk_{i,t} = 0,130 + (-0.011)X_1 + 0.022X_2 + \epsilon_{i,t}$$

Statistical interpretation of the empirical panel regression parameters yields the following econometric insights:

a. (Constant):

1. The value of B = 3.177 indicates that when the EPUindex and Leverage are zero, the average risk-taking is 3.177.
2. The t-value of 9.138 and Sig. of 0.003 ($p < 0.05$) indicate that this constant is statistically significant. From a theoretical standpoint, this result confirms the existence of an autonomous, non-zero baseline level of firm risk-taking intrinsic to the Food and Beverage (F&B) manufacturing sector that operates independently of exogenous macro-policy conditions and internal capital structure choices.

b. EPU index (X1)

1. The regression coefficient ($B = 0.004$) denotes a marginal positive relationship between Economic Policy Uncertainty (EPU) and corporate risk-taking. Holding other variables constant, a one-unit increase in the EPU index yields an economically negligible 0.004-unit increase in risk-taking among sampled F&B firms, reflecting a minimal direct impact.
2. However, the estimate is statistically insignificant ($t = 0.005, p = 0.996$). Consequently, Economic Policy Uncertainty exerts no discernible effect on corporate risk-taking across sampled F&B firms.

c. Leverage (X2)

1. The regression coefficient ($B = -0.067$) reveals an inverse relationship between financial leverage and risk-taking. Holding other variables constant, a one-unit increase in leverage corresponds to a 0.067-unit reduction in corporate risk-taking among sampled F&B firms.
2. The t -value of -1.331 and Sig. of 0.275 ($p > 0.05$) indicate that this relationship is also not statistically significant. Thus, leverage has no significant effect on risk-taking. R (Koefisien Korelasi)

Table 4 | Value of Regression

variable	R	R Square	Adjusted Square
1	.026 ^a	.001	-.020

Source: Data processed in 2025

- a. Predictors: (Constant), Leverage, EPU
- b. Dependent Variable: (Risk-taking)

Statistical Interpretation

- a. R (Correlation Coefficient)
 - R value = 0.026

The multiple correlation coefficient (R) quantifies the combined linear relationship between the specified predictors—Economic Policy Uncertainty (EPU) and financial leverage—and corporate risk-taking.

Values approaching zero signal an absence of linear alignment among the underlying variables. The empirical statistic ($R = 0.026$) denotes an economically negligible joint linear relationship between the explanatory variables and firm risk-taking. Consequently, macro policy uncertainty and capital structure decisions collectively exhibit virtually no linear association with risk-taking behavior across sampled F&B firms.

4.1.3. R-squared (Coefficient of Determination)

- R-squared value = 0.001

The model yields an R^2 of 0.001, explaining only 0.1% of the variance in corporate risk-taking. This near-zero value shows that policy uncertainty and leverage offer negligible explanatory power.

Adjusted R-Square,

- Adjusted R-Square value = -0.020
 - a. Adjusted R-Square is a version of R-Square that accounts for the number of variables in the model and the sample size. This value can be negative if the model does not add significant predictive power.
 - b. This negative estimate confirms that adding these predictors reduces model fit below a basic sample-mean benchmark.

4.1.4. Hypothesis Testing**1) t-Test (Partial)**

Individual parameter significance was evaluated using partial t -tests under standard inference criteria:

Table 5 | Result of Partial Test

Variable	t	Sig	description
<i>EPU (Economic Policy Uncertainty)</i>	-0.045	.964	The hypothesis is rejected
<i>Leverage</i>	0.250	.803	The hypothesis is rejected

Source: Data processed in 2025

- For Economic Policy Uncertainty (EPU), the estimate lacks statistical significance ($t = 0.005, p = 0.996$). Consequently, macro policy uncertainty exerts no discernible effect on corporate risk-taking across sampled F&B firms.
- Similarly, financial leverage yields a statistically insignificant result ($t = -1.331, p = 0.275$). Consequently, capital structure choices exert no discernible influence on corporate risk-taking behavior within the sampled F&B firms.

2) F-Test (Simultaneous)

The joint *F*-test assesses whether the explanatory variables collectively exert a statistically significant influence on corporate risk-taking.

Table 6 | Result of F Test

Variable	F hitung	Sig	Description
<i>EPU (Economic Policy Uncertainty), dan Leverage</i>	0.033	0.968	Does not have a simultaneous effect

Source: Data processed in 2025

Statistical Interpretation of ANOVA (Calculated F-value and Sig.)

- Calculated F-value = 0.033
 - The near-zero *F*-statistic ($F = 0.033$) confirms that macro policy uncertainty and financial leverage jointly offer negligible explanatory power over corporate risk-taking.
 - In sum, the empirical model exhibits negligible explanatory power regarding the joint influence of policy uncertainty and leverage on corporate risk-taking among sampled F&B firms.
- Significance (Sig.) = 0.968
 - The Sig. value = 0.968 ($p > 0.05$) indicates that this regression model is not statistically significant.
 - This means that the combination of independent variables (EPU and Leverage) does not have a significant effect on the dependent variable (Risk-taking).

A probability of 96.8% indicates that the results occurred by chance (there is no real relationship).

4.2 DISCUSSION

The empirical findings demonstrate a negligible linear association between macro policy uncertainty, leverage, and corporate risk-taking across sampled F&B firms. This lack of alignment points to potential non-linearities in how policy uncertainty influences risk behavior. Consequently, these macroeconomic and structural factors hold minimal practical relevance for corporate risk management decisions. This limited explanatory power suggests that corporate risk-taking in the sector is likely dictated by unobserved firm-specific moderators or operational determinants.

The non-linear transmission of Economic Policy Uncertainty (EPU) to risk-taking reflects firm-level heterogeneity in adaptability and local operating conditions. Consistent with De Nicola et al. (2020), corporate responses can be asymmetrical, with select firms escalating risk-taking to capture opportunities during market downturns. Furthermore, staple-goods sectors like F&B typically exhibit low EPU sensitivity due to inelastic product demand (Kim & Lee, 2018). At the firm level, managerial risk perceptions (Cowling et al., 2015) and credit availability (Beck et al., 2005) act as buffers that dampen macro-uncertainty shocks. In the Indonesian context, local regulatory frameworks often supersede aggregate economic shocks as

primary determinants of corporate risk behavior (Asmara et al., 2022).

The statistically insignificant effect of Economic Policy Uncertainty (EPU) underscores the structural resilience of the food and beverage sector against macroeconomic instability. While macroeconomic shocks often depress corporate risk-taking in broader markets (Wen et al., 2020), consumer-staple firms remain largely insulated. This stems from inelastic consumer demand, which renders basic-necessity industries far less sensitive to policy shifts than non-essential sectors (Kim & Lee, 2018). From an Agency Theory perspective, risk-taking in these firms is driven by localized market demands and internal principal-agent incentives rather than national policy uncertainty.

5. CONCLUSION

Corporate risk-taking among sampled F&B firms operates largely independent of financial leverage and macro policy uncertainty. Under heightened uncertainty, firms typically exercise capital structure conservatism, constraining debt expansion and speculative risk. This non-linear transmission reflects an interplay of localized market dynamics, demand inelasticity, managerial risk appetite, and resource availability. Ultimately, corporate risk choices in the sector are contingent on firm-specific operational mechanisms rather than aggregate policy shocks alone.

This insignificant effect implies that macro policy uncertainty primarily governs long-term strategic commitments rather than short-term operational risk exposure. Consequently, firm-internal operational determinants exert a far more pronounced influence on corporate risk behavior than aggregate policy shocks. Furthermore, sampled F&B firms likely employ internal risk-hedging mechanisms that buffer routine operations from broader policy volatility.

The statistical insignificance of leverage implies that corporate risk choices are primarily dictated by operational and market factors such as profitability and demand opportunities rather than capital structure intensity alone. Furthermore, highly leveraged firms frequently implement stringent internal risk-mitigation controls, while sector-wide debt norms in the F&B industry attenuate the perceived risk of financial leverage. Methodologically, this outcome may also reflect restricted cross-sectional variance in debt ratios or unobserved non-linear dynamics in the leverage-risk nexus.

Financial leverage fails to significantly dictate risk-taking in the F&B sector, owing to conservative baseline debt ratios, operational continuity goals, and local regulatory cushioning. Supporting this view, non-financial determinants—such as managerial discretion, market dynamics, and institutional backing override capital structure constraints in driving corporate risk behavior (Beck et al., 2005; Cassar & Holmes, 2003; Tambunan, 2019).

6. LIMITATION AND IMPLICATION

Because macroeconomic indicators like policy uncertainty and leverage often prove empirically irrelevant to actual corporate risk, leadership must pivot their strategic focus toward internal operational levers. To successfully navigate market volatility, firms should institutionalize robust Enterprise Risk Management (ERM) frameworks that prioritize real-time operational assessment and dynamic risk identification. This internal focus directly enhances organizational agility, empowering companies to rapidly reconfigure resources as localized environmental shifts occur. To further buffer against broader economic unpredictability, businesses must actively diversify their operations while simultaneously deploying proactive non-market strategies. By closely aligning with regulatory bodies and key supply chain partners, organizations can effectively dampen policy friction and optimize their strategic decision-making in a turbulent landscape.

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Conflict of Interest Statement:

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.
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