

The Influence of Institutional Ownership, Dividend Policy, Profitability, and Company Sizes on Debt Policy



Bambang Leo Handoko, Rizky Nurviadin

Abstract: *In some public companies, sometimes the shareholders were also becomes management, this situation is called institutional ownership. The aim to our research is acquired empirical result regarding effect of management stock owner on the company, dividend policy, returns on asset and company total asset on liability to total asset. Our research focus is on public companies which listing in Indonesia Stock Exchange along 5 consecutive years (2014 until 2018). Data collection used purposive sampling method by using 17 companies meet the criteria and take as sample. We use financial data acquired from stock exchange website. We used ordinary least square statistical analysis using statistical software to test our hypothesis. This study concluded that institutional share, dividend payment procedure, and company total asset have negative and not significant impact on company liabilities. Otherwise, profitability affect in opposite direction and significant to company liabilities.*

Keywords : *debt, policy, institutional, ownership, dividend, profitability, firm, size*

I. INTRODUCTION

Bank Indonesia in [1] states that credit growth in Indonesia in 2016 slowed from 10.5% in 2015 to 7.9%. By sector, credit growth in the manufacturing industry sector declined in line with the declining demand for exports of Indonesian products. In addition, in line with slowing lending, bank credit / Non-Performing Loan (NPL) risk tends to increase throughout 2016, although it is still far below the safe limit of 5%. The gross NPL ratio of banks in 2016 increased from 2.5% to 2.9% in 2015. In each sector, the increase in NPL was driven by the weakening of corporate revenues in the trade and industry sectors which affected the ability to repay loans (www.bi.go.id).

The increase in non-performing loans (NPLs) shows the level of bad loans from loans being higher. This will make creditors, especially banks, to be more careful and tighten the credit system, so that companies that can borrow funds are companies that meet the criteria.

Revised Manuscript Received on December 30, 2019.

* Correspondence Author

Bambang Leo Handoko*, Accounting Department, Faculty of Economics and Communication, Bina Nusantara University, Jakarta, Indonesia, 11480. Email: bambang.handoko@binus.edu

Rizky Nurviadin, Accounting Department, Faculty of Economics and Communication, Bina Nusantara University, Jakarta, Indonesia, 11480. Email: risky_nurviadin@yahoo.com

© The Authors. Published by Blue Eyes Intelligence Engineering and Sciences Publication (BEIESP). This is an [open access](https://creativecommons.org/licenses/by-nc-nd/4.0/) article under the CC-BY-NC-ND license <http://creativecommons.org/licenses/by-nc-nd/4.0/>

Therefore, companies need an appropriate debt policy, which meets the criteria desired by creditors, including banks, so they can get loans and use them for company operations, and in the end the company can continue to compete.

In the development of the business world today, the establishment of a company has a variety of objectives. Some say that the company focuses on achieving maximum profit or maximum profit. Some say the company aims to prosper the interests of its owners, and some are of the opinion that companies must be able to achieve the welfare of society as a social responsibility. From all these opinions, it can be concluded that the company wants to achieve one goal which is to bring wealth to company itself (value of firm). Therefore, the business will always develop its operations; both in terms of sales and production. However, not every single entity has sufficient funds to carry out development operations. Therefore, debt is one of the solutions to the company's inability to fund the development of its operations.

The funding policy concerns activities undertaken to obtain funds and use these funds to achieve company goals. Funds owned or obtained by the company are used as capital to support its business activities. One of the company's funding policies is the strategy to gain financing support from liabilities. The use of this debt will be interpreted by outsiders about business sooth in pay obligations in the future or the company's business risk. Evaluation by outsiders will certainly affect the value of the company. One form of funding that can be taken to meet needs is debt. Debt policy is a company's decision to obtain funds from third parties to invest. The business liability regulation was policy taken by board of director in purpose for obtain funding sources (funds) from third parties in order for business daily acts and have an influence on disciplining management behavior. Debt will reduce agency conflicts and increase company value. Increasing debt will increase leverage thereby increasing the likelihood of financial difficulties or bankruptcy. Bankruptcy concerns drive management to be efficient, thereby improving agency costs. Debts force companies to pay principal debt and interest, thereby reducing free cash flow and reducing management incentives to behave satisfactorily[2]. The agency conflict is a conflict of inequality of interests between management and shareholders. The shareholders only care about the systematic risk of the company's shares while management cares about the risk of the company as a whole. This way of minimizing conflicts of interest between shareholders and management can be done by establishing a supervisory mechanism that can align related interests.



The Influence of Institutional Ownership, Dividend Policy, Profitability, and Company Sizes on Debt Policy

The supervision mechanism causes a cost, namely agency cost [3]. Agency costs are costs that are used to monitor management actions and prevent unwanted management decisions.

The amount of debt from each company is different in accordance with the respective company management policies. Debt policy can be measured using a leverage ratio, namely the Debt to Total Asset ratio (DTA), by comparing the business total liabilities with business overall asset. Liability / Total Assets was ratio used to measure how much the total assets of a company are financed with debt.

According to [4] there are four reasons why companies prioritize debt over equity when external funding is needed. First, the market suffers losses due to asymmetry between management and the market, management tends to be interested in issuing new shares when they are overpriced while outstanding cause current stock to decline. Next, debt and shares both require transaction costs for the company, but debt transaction costs are smaller than shares. Third, companies get tax benefits by issuing debt securities, these tax benefits are obtained by the company because of the interest costs that can be charged as a deduction from taxable income. Forth, management control is greater in the presence of new debt than new shares. Meanwhile, this study will examine the effect of institutional ownership, profit sharing rules, profit/margin, and company asset on liabilities.

II. THEORETICAL BACKGROUND AND HYPOTHESIS

A. Trade-off Theory

Based on [5] Trade-Off was combination of previous thoughts, where companies balance the benefits of funding with debt (favorable tax treatment) with the cost of bankruptcy and higher interest rates. The trade-off theory proposed by [6] explained that a company has an optimal level of debt and seeks to adjust the level of debt in the direction of the optimal point when the company is at a level of debt that is too high (over levered) or too low (under levered).

According to [5] argues that this theory is a development of MM theory that considers the tax benefits obtained from the use of debt. The existence of tax benefits, causing the value of the company will be influenced by capital structure. Capital costs in debt in the form of interest and tax profits derived by companies using liabilities cause a trading between main costs and tax profits obtained by the company [7]. The higher the proportion of debt used, the higher the share price. This is because shareholder returns are paid from income after tax, while debt owner returns are paid from income before tax. The use of debt results in after tax income available to shareholders to be greater than if the company did not use debt.

According to [8] shows business total asset has affect positively company equity matters, that large companies more easily get loans and also easy access to the capital market. In addition, creditors also provide restrictions in lending, creditors will more easily provide debt to large companies with the assumption that large companies have a relatively small chance of bankruptcy. Therefore, creditors will feel safer lending to large companies; debt is also more widely

used in companies that have high profits to benefit from the use of taxes.

B. Debt Policy

The company uses its assets in carrying out its business activities, such as production and sales. A common characteristic of assets is the ability to provide benefits or benefits in the future, which in this case is the receipt of money (cash inflow). Liabilities are claims against assets, i.e. all existing debt and bonds.

[9] argue that trade off theory illustrates the decision of the company's debt-equity controversy between the protection of interest tax and the cost of financial problems, if there is income tax, then the use of liabilities raised business value because interest is a cost that reduces tax payment (tax deductible expense). However, Modigliani and Miller's opinion did not consider financial distress and Agency cost. Business experienced tax that almost high gain larger liabilities than regular one. However, if business over do it, they can face danger of bankruptcy and high agency costs. Thus an increase of liability higher business value, but at some point will reduce the value of the company.

The debt policy basically becomes the policy used to determine the value of the company. The company's debt policy is an act of company management by using capital that comes from debt. This is closely related to the capital structure chosen by the company.

C. Institutional Ownership

Top management people which also shareholder has authority to board of directors action in managing earnings. Certain percentages of stock owner of business are able to influence making of financial and annual report. [10] said company value would be higher if the company was owned by a financial institution sponsored by a bank. This explains that the bank, as the owner of the company, will carry out its monitoring function better and investors believe that the bank will not expropriate the company's assets. In addition, if the company is owned by banks, if the company faces financial problems, the company will be easier to get an injection of funds from the bank.

On our research, top management owner of stock proxies using a ratio that compares ownership own by themselves with overall stock of a company circulating in the market.

[11] and [12], found management who own stocks affect positively to debt policy, when [13] conclude opposite result, which is not significant.

H1: institutional ownership influences debt policy

D. Dividend

Dividends are basically part of company profits that will be distributed to company owners or investors. Dividend regulation regulate how much the company's revenue will be given to shareholders, which are reinvested or retained in the company [14]. [15] also states that dividend financing to shareholders will reduce the source of funds controlled by management, thereby reducing the power of management. The higher the dividend paid to shareholders, the smaller the free cash flow in the company. This resulted in management having to think of ways to obtain sources of funds relevant to debt [15].

For investors or shareholders, dividends are one of the benefits that will be obtained in addition to other benefits in the form of capital gains. According to [15] dividend policy will affect the level of debt use of a company.

[14] concludes no impact relationship between dividend policy and debt policy. The results of the study of [16] states that dividend policy has a negative but affect significantly on debt policy, while the results of [17] state that dividend policy has no negative effect to liabilities. Based on the theories that have been described, the hypotheses proposed are as follows:

H2: Dividend policy influences debt policy

E. Profitability

In order to be able to carry on his life, a company must be in a profitable state. Without profits it will be very difficult for companies to attract capital from outside. The creditors, company owners and especially the management of the company will try to increase this profit, because it is realized how important the meaning of profit for the company's future [18].

[19] found that profitability had a significant negative effect on debt policy. In contrast to [18] which states that profitability has no effect on debt policy. While the results of [20] research found that profitability has a positive influence on debt policy, which is supported by agency theory, to reduce Agency cost, the company can do one way, namely debt, so that the higher the profitability of the company, the higher the policy the company's debt. Based on the theories that have been described, the hypotheses proposed are as follows:

H3: Profitability affects the debt policy.

F. Company Size

The size of the company has an important influence on integration between parts of the company; this is because the size of a large company has greater supporting resources than smaller companies. In a small company, the complexity contained in the organization is also small [21].

According to [22] this ease is captured by investors as a positive signal and a good prospect so that company size can have a positive influence on company value. Companies that have a large size will be easier to enter the capital market so that with this opportunity the company pays large dividends to shareholders. Companies that have large assets tend to pay large dividends to maintain reputation among actual and potential investors. This action was taken to facilitate the company entering the capital market if it plans to issue new shares [23].

The results of the research [24] found that firm size had a significant positive affect liability regulation. This result contrast from [25] and [26] when conclude company total asset affect insignificantly, while the research of [27] found that there was an effect of company asset to liability regulation. According above explanation/theories that have been described, the hypotheses proposed is:

H4: Firm sizes affect the debt policy.

III. RESEARCH METHODOLOGY

A. Type research

The research method applied in this study is the causal study method. Causal study is research that aims to determine the causal of one or more problems [28]. This study proves a

causal relationship between independent variables, namely institutional ownership, dividend policy, profitability, and company asset with dependent variable, namely liability regulation.

B. Data Collection Techniques

Main input source of our research is secondary data sources, namely source obtained by researchers from existing sources [28]. This secondary data were financial data of manufacturing sector companies listed on the Indonesia Stock Exchange in 2014-2018, which have been professionally audited. The data can be obtained from the Indonesia Stock Exchange (IDX) website, namely www.idx.co.id.

C. Sampling Techniques

In this study, populations were manufacturing sector companies listed on the IDX that have published audited financial statements for 2014 to 2018. The sample is part of the population. Sample was selected using the purposive sampling method, namely the selection of sample members based on certain criteria possessed by the sample. The criteria used in this study are as follows:

1. Companies that have positive profits and do not experience losses during the 2014-2018 periods.
2. Companies distributed cash dividends in a row during the 2014-2018 periods.
3. Company has successive institutional ownership structures during the 2014-2018 periods.
4. Companies must have institutional shares because with the ownership of shares, the company will consider the debt policy.

D. Analysis Method

This research data analysis method uses multiple linear regressions because there are more than one independent variable. This analysis is to determine whether or not the influence of independent variables of institutional ownership, dividend policy, profitability, and firm size on the debt policy dependent variable. The equation of the regression function of this study can be explained as follows:

$$DTA = \alpha + \beta_1 IO + \beta_2 DPR + \beta_3 ROA + \beta_4 SIZE + \epsilon$$

Information:

- α : Constants
- $\beta_1, \beta_2, \beta_3, \beta_4$: Regression coefficients of each independent variable
- DTA: Debt policy
- IO: Institutional ownership
- DPR: Dividend policy
- ROA: Profitability
- SIZE: Company Size
- ϵ : Residual / error variable

E. Operation of Variables

Measurement variables in this study are as follows:

Table- I: Operation of Variables

Variables	Formula
Debt Policy (Y)	Debt to Total Asset = Total Debt / Total Asset
Institutional Ownership (X1)	Number of institutional shares / number of shares outstanding



Dividend (X2)	Dividend pay-out ratio = Cash dividends per share / earnings per share
Profitability (X3)	Return on Asset = Net Income / Average Asset
Firm Size (X4)	Logarithm natural (Ln) Total Asset

IV. RESEARCH RESULT

A. Normality Test

According to [29] normality test is used to test a regression model data, the independent and dependent variables or both have fulfill normal distribution pattern. Researchers conducted 2 data normality tests, namely the Kolmogorov-Smirnov statistical test and the Probability-Plot graph analysis.

In this study, researchers used the Kolmogorov-Smirnov normality statistical test with the following decision-making criteria [29].

1. Sig < 0.05, the residual data are not normally distributed.
2. Sig > 0.05, then the residuals are normally distributed.

Table- II: Normality Test

		Unstandardized Residual
N		85
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.14617269
Most Extreme Differences	Absolute	.094
	Positive	.094
	Negative	-.082
Test Statistik		.094
Asymp. Sig. (2-tailed)		.200 ^{c,d}

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

B. Auto Correlation Test

According to [29] the autocorrelation test aims to test to determine if there is a deviation from the classic assumption of autocorrelation, which is the correlation that occurs between residuals in one observation with other observations in the regression model. A prerequisite that must be met is the absence of autocorrelation in the regression model: t and t-1 (before). A good regression model is the absence of autocorrelation problems, researchers used the method used to detect the presence of autocorrelation symptoms using the Run-Test. With the following retrieval criteria:

1. Sig < 0.05, then the residual data has autocorrelation.
2. Sig > 0.05, then there is no autocorrelation residual.

Table- III: Run-Test

	Unstandardized Residual
Test Value ^a	-.02721
Cases < Test Value	23
Cases >= Test Value	23
Total Cases	85
Number of Runs	20
Z	-1.044
Asymp. Sig. (2-tailed)	.297

a. Median

Based on the value of the runs test results, it appears that the Asymp value. Sig. (2-tailed) of .297, this value is greater than the significance level of 0.05, which shows the residual value does not occur autocorrelation. From these results it can be concluded that the data from the independent variables of institutional ownership, dividend regulation, profit, and company asset on the debt regulation bound variable do not

have autocorrelation problems, so this research is feasible to use.

C. Multicollinearity Test

Multicollinearity in regression is a statistical phenomenon in which two or more predictor variables or independent variables in a multiple regression model are highly correlated. Multicollinearity in regression can cause strange results, especially when wanting to know the effect of partially independent variables on the dependent variable. Symptoms in multicollinearity are an analysis of the correlation between independent variables is performed, where this analysis is used on the value of tolerance and variance inflation factor (VIF). The easiest method of multicollinearity testing is to look at the correlation between the predictor variables in the regression model. When there is a high relationship between the predictor variables then the model might have multicollinearity problems. The multicollinearity test can also be seen from the VIF value, where the high VIF value indicates a multicollinearity problem [29].

Table- III: Multicollinearity Test

Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.	Collinearity Statistik	
	B	Std. Error	Beta				Tolerance	VIF
1 (Constant)	1.012	.194			5.205	.000		
IO	-.324	.173	-.253		-1.867	.069	.751	1.332
DPR	-.106	.078	-.175		-1.368	.179	.841	1.189
ROA	-1.249	.386	-.462		-3.236	.002	.676	1.479
FIRM SIZE	-.008	.006	-.179		-1.455	.153	.911	1.097

a. Dependent Variable: DTA

In the multicollinearity test results above, the following results were obtained:

1. The institutional ownership variable (IO) has a tolerance value of .751, and a variance inflation factor value of 1,332 (.751 > 0.10 and 1,332 < 10)
2. The dividend policy variable (DPR) has a tolerance value of .841, and a variance inflation factor value of 1,189 (.841 > 0.10 and 1,189 < 10)
3. Profitability variable (ROA) has a tolerance value of .676, and a variance inflation factor value of 1,479 (.676 > 0.10 and 1,479 < 10)
4. Firm size variable has a tolerance value of .911, and the variance inflation factor value is 1,097 (.911 > 0.10 and 1.097 < 10)

According from the results of the multicollinearity test, it can be seen that IO, DPR, ROA, Firm Size each has a variant inflation value < 10. So, it can be concluded that undetected symptom of multicollinearity, and multicollinearity does not occur.

D. Heteroscedasticity Test

In fact, this heteroscedasticity does not cause the estimation of the regression coefficient on the OLS (Ordinary Least Square) method to be biased. We certainly can still use the regression model well. However, this heteroscedasticity will affect the estimation of biased error standards. Biased standard error estimation will certainly cause the calculated t value to be biased. T arithmetic bias will certainly cause decision making through hypothesis testing to be biased as well.



We can be wrong in drawing conclusions, even though the model is still correct [29]. We use glejser test to detect heteroscedasticity. Glejser test aims to regress independent variables with their absolute residual values. If the significant value (sig) between the independent variable and the absolute residual is greater than 0.05 then there is no heteroscedasticity problem. Conversely, if it is less than 0.05, heteroscedasticity problems occur.

Table- IV: Heteroscedasticity Test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.011	.114		.098	.923
IO	.153	.102	.254	1.495	.143
DPR	.021	.046	.074	.459	.649
ROA	.095	.227	.075	.418	.678
Firm size	-.001	.003	-.062	-.401	.691

a. Dependent Variable: Abs_Res

In the heteroscedasticity test results above, glejser test prove (1) p-value of the institutional ownership variable (IO) is .143, where .143 > 0.05 (2) The significance value of the dividend policy variable (DPR) is .649, where .649 > 0.05 (3) The significance value of profitability (ROA) is .678, where .678 > 0.05 (4) The p-value firm size variable is .691, where .691 > 0.05.

According to outcome gained from heteroscedasticity test, it shows that there are no significant dependent variables. It means that the regression model equation does not contain heteroscedasticity problems and is appropriate to use.

E. Determination of Coefficient Test

In seeing the accuracy of the sample regression function in estimating the actual value can be measured from its Goodness of Fit. Statistically it can be measured from the coefficient of determination (R2). The coefficient of determination (R2) measures how far the model's ability to explain variations in the dependent variable [29]. The adjusted R2 value is a summary measure that shows how the sample regression line matches the population data. The coefficient of determination is between 0 and 1. The coefficient of determination is getting closer to 0, the smaller the effect of all dependent variables on the independent variable. If approaching number 1, the greater the effect of all dependent variables on the independent variable.

Table- V: Adjusted R2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.660 ^a	.436	.381	.15314

a. Predictors: (Constant), Firm size, IO, DPR, ROA
b. Dependent Variable: DTA

Based on the above results, the R Square value is .436 and the adjusted R Square value is obtained at .381 or 38.1%. This shows that the four institutional ownership variables (IO), dividend policy (DPR), profitability (ROA) and company size (FIRM SIZE) affect the debt policy (DTA) by 38.1% while the rest (100% -38.1%) by 61.9% explained by other factors. The Standard Error of the Estimates (SEE) value is .15314. It can be concluded that the smaller the value of the SEE will make the regression model more precise in predicting the dependent variable.

F. F Statistic Test

This test is conducted to determine the real effect of each independent variable, namely institutional ownership, dividend policy, profitability and company size on the debt policy. This test is carried out using the F-test. The F-test aims to find out whether or not there is a simultaneous influence (together) given the independent variable on the dependent variable that is bound. on the basis of decision making [28] including:

1. If the significant value (sig) <0.05 or f count> f table, then the independent variable has a significant effect on the dependent variable simultaneously.
2. If the significant value (sig) > 0.05 or f count < f table, then the independent variable has no significant effect on the dependent variable simultaneously.

Table- VI: ANOVAs

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	.742	4	.186	7.911	.000 ^b
Residual	.961	41	.023		
Total	1.704	45			

a. Dependent Variable: DTA

b. Predictors: (Constant), Firm size, OA, DPR, ROA

From the results of the statistical F test shows that the F count value of 7,911 is greater than the F table value of 2.61 with a significance value of .000 smaller than a significant value of 0.05. Based on these results it can be concluded that H0 is rejected Ha is accepted. This shows that institutional ownership (IC), dividend policy (DPR), profitability (ROA) and company size (Firm size) simultaneously significantly influence the debt policy variable (DTA) in manufacturing companies on the Indonesia Stock Exchange in the period 2014-2018.

G. T Statistic Test

This test is conducted to determine the real effect of each independent variable, namely institutional ownership, dividend policy, profitability and company size on the debt policy. This test is carried out using a t-test. T-test aims to determine the effect of the presence or absence of partial influence (alone) given the independent variable on the dependent variable, on the basis of decision making [29] including:

1. If the significant value (sig) <0.05 or t count> t table then the independent variable has a significant effect on the dependent variable partially.
2. If the significant value (sig) > 0.05 or t count < t table, the independent variable has no significant effect on the dependent variable partially.

The results of the statistical t test of each independent variable on the dependent variable are as follows:

The variable institutional ownership (IC) has a negative coefficient of -324. This negative sign indicates that institutional ownership (IC) has an influence not in line with the company's debt policy (DTA) predictions. The higher institutional ownership (IC) will affect on the lower the company's debt policy. The probability value of the significance level of .69 is greater than the significance level of 0.05 and the t-value of -1.867 is smaller than the table value of 2,021, then H0 is accepted and Ha is rejected.

The Influence of Institutional Ownership, Dividend Policy, Profitability, and Company Sizes on Debt Policy

This shows that institutional ownership (IC) does not significantly influence the debt policy of manufacturing companies on the Indonesia Stock Exchange in the 2014-2018 periods.

The dividend policy variable (DPR) has a negative coefficient of -106. This negative sign indicates that the dividend policy (DPR) has an influence not in line with the company's debt policy (DTA) predictions. The higher the dividend policy (DPR), will affect the lower the company's debt policy. The value of the probability of a significant level of .179 is greater than the level of significance of 0.05 and the t-value of -1.368 is smaller than the value of the table of 2.021, then H0 is accepted and Ha is rejected. This shows that the dividend policy (DPR) does not significantly influence the debt policy of manufacturing companies on the Indonesia Stock Exchange in the 2014-2018 periods.

Profitability variable (ROA) has a negative coefficient of -1.249. This negative sign indicates that profitability (ROA) has an effect not in line with the company's debt policy (DTA) predictions. The higher profitability (ROA), will affect on the lower the company's debt policy. The probability value of the significant level of .002 is smaller than the significance level of 0.05 and the t-value of -3.236 is greater than the value of the table of 2,021, then H0 is rejected and Ha is accepted. This shows that profitability (ROA) significantly influences the debt policy of manufacturing companies in the Indonesia Stock Exchange in the 2014-2018 periods.

Firm size variable has a negative coefficient of -.008. This negative sign indicates that the size of the company (Firm size) has an influence not in line with the prediction of the company's debt policy (DTA). The higher the size of the company (Firm size), will affect on the lower the company's debt policy. The value of the probability of a significant level of .153 is greater than the level of significance of 0.05 and the t-value of -1.455 is smaller than the value of the table of 2,021, then H0 is accepted and Ha is rejected. This shows that the size of the company (Firm size) does not significantly influence the debt policy of manufacturing companies in the Indonesia Stock Exchange in the 2014-2018 periods.

Table- VII: T Statistic Test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.012	0.194		5.205	0
IO	-0.324	0.173	-0.253	-1.867	0.069
DPR	-0.106	0.078	-0.175	-1.368	0.179
ROA	-1.249	0.386	-0.462	-3.236	0.002
Firm size	-0.008	0.006	-0.179	-1.455	0.153

a. Dependent Variable: DTA

V. CONCLUSION AND SUGGESTION

A. Conclusion

Based on research entitled The effect of institutional ownership, dividend policy, profitability and company size on debt policy on manufacturing companies listed on the Indonesia Stock Exchange in the 2014-2018 periods. With the results of hypothesis testing using multiple regression analysis it can be concluded that:

Data normality test results show that the data in this study are normally distributed, thus the regression model has fulfilled the normality assumption.

The results of testing the class assumptions on the research data show that the regression model used is free from autocorrelation, multicollinearity and heteroscedasticity disorders.

The results of testing of institutional ownership indicate the variable of institutional ownership (IO) has a negative coefficient of regression of -.324. The probability value of the significance level of .69 is greater than the significance level of 0.05 and the t-value of -1.867 is smaller than the table value of 2,021. then H0 is accepted and Ha is rejected. This shows that institutional ownership (IC) does not significantly influence debt policy. This result in line with [30] but opposite [10].

Test results on dividend policy (DPR) have a negative coefficient of -106. The value of the probability of a significant level of .179 is greater than the level of significance of 0.05 and the t-value of -1.368 is smaller than the value of the table of 2.021, then H0 is accepted and Ha is rejected. This shows that the dividend policy (DPR) does not significantly influence the debt policy. This result in line with [14] and [31].

The results of testing of profitability (ROA) have a negative coefficient of -1.249. The probability value of the significant level of .002 is smaller than the significance level of 0.05 and the t-value of -3.236 is greater than the value of the table of 2,021, then H0 is rejected and Ha is accepted. This shows that profitability (ROA) has a significant effect on debt policy. This result is in line with [4], [21].

The results of testing the company size (Firm Size) result in a negative coefficient of -.008. The value of the probability of a significant level of .153 is greater than the level of significance of 0.05 and the t-value of -1.455 is smaller than the value of the table of 2,021, then H0 is accepted and Ha is rejected. This shows that the size of the company (Firm Size) does not significantly influence the debt policy. This result support previous study by [22], [26].

The coefficient of determination (adjusted R Square) result is .381 or 38.1%. This shows that the four institutional ownership variables (KI), dividend policy (DPR), profitability (ROA) and company size (FIRM SIZE) affect the debt policy (DTA) by 38.1% while the rest (100% -38.1%) by 61.9% explained by other factors.

B. Suggestion

Some limitations of this research, can lead to suboptimal results of the research conducted. This research is expected to provide suggestions, namely:

For Companies

The company carefully considers what type of funding will be chosen. Based on the results of the study, profitability affects the company's debt policy as a source of funding. High profitability generally uses relatively small amounts of debt because with high investment returns the company can make capital with retained earnings alone.

For Investors

Investors can pay close attention to the composition of the company in particular the proportion of company debt to capital owned.

Based on research results, profitability can be used as a consideration for investors to see the condition of corporate funding, because companies with high profitability values tend to use internal funding compared to debt. so that investors do not need to worry about the high risk of bankruptcy of the company.

For further researchers

The next researcher is to extend the research period, and not only to use the manufacturing company as an object of research in order to obtain optimal results. As well as testing conducted with other variables that have not been examined in this study are managerial ownership, business risk, company growth, asset structure, and other.

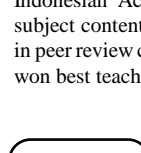
REFERENCES

1. A. S. Alisjahbana and J. M. Busch, "Forestry, Forest Fires, and Climate Change in Indonesia," *Bull. Indones. Econ. Stud.*, vol. 53, no. 2, pp. 111–136, 2017.
2. B. L. Handoko and Natasya, "Fraud diamond model for fraudulent financial statement detection," *Int. J. Recent Technol. Eng.*, vol. 8, no. 3, pp. 6865–6872, 2019.
3. M. C. Jensen and W. H. Meckling, "Theory of the firm: Managerial behavior, agency costs and ownership structure," *J. financ. econ.*, vol. 3, no. 4, pp. 305–360, 1976.
4. K. B. Prempeh, A. M. Sekyere, and E. N. Asare, "The Effect of Debt Policy on Firms' Performance: Empirical Evidence from Listed Manufacturing Companies on the Ghana Stock Exchange," vol. 7, no. 6, pp. 70–77, 2016.
5. R. Elkamhi, J. Ericsson, and C. A. Parsons, "The cost and timing of financial distress," *J. financ. econ.*, 2012.
6. K. M. Nelson, "Analysis Of Farmer Preferences For Wheat Variety Traits In Ethiopia: A Gender-Responsive Study," Cornell University, 2013.
7. J. E. Boritz and W. G. No, "E-Commerce and Privacy: Exploring What We Know and Opportunities for Future Discovery," *J. Inf. Syst.*, vol. 25, no. 2, pp. 11–45, 2011.
8. J. A. Clemente-Almendros and F. Sogorb-Mira, "The effect of taxes on the debt policy of spanish listed companies," *SERIEs*, vol. 7, no. 3, pp. 359–391, 2016.
9. P. Pegkas, "The effect of government debt and other determinants on economic growth: The Greek experience," *Economies*, vol. 6, no. 1, 2018.
10. B. L. Handoko, "The Effect of Institutional Ownership and Leverage towards Profit Management in Consumer Goods Industry Listed in BEI," *Binus Bus. Rev.*, 2015.
11. F. S. Journal, "Does Institutional Ownership Affect the," vol. 22, no. 2, pp. 1–10, 2018.
12. K. H. Chung and H. Zhang, "Corporate governance and institutional ownership," *J. Financ. Quant. Anal.*, vol. 46, no. 1, pp. 247–273, 2011.
13. S. H. Tahir, M. Saleem, and H. Arshad, "Institutional Ownership and Corporate Value: Evidence From Karachi Stock Exchange (KSE) 30-Index Pakistan," *Prakt. menadžment, stručni časopis za Teor. i praksu menadžmenta*, vol. 6, no. 1, pp. 41–49, 2015.
14. P. A. Maulina, R. R. Dewi, and Suhendro, "Analysis of Effect of Dividend Policy, Policies Debt, Profitability and Investment Decision in the Value of The Company," *2nd ICTESS*, vol. 2018, no. 2016, pp. 265–269, 2018.
15. G. De Franco, F. P. Vasvari, D. Vyas, and R. Wittenberg-Moerman, "Debt analysts' views of debt-equity conflicts of interest," *Account. Rev.*, 2014.
16. S. K. Koh, R. B. Durand, L. Dai, and M. Chang, "Financial distress: Lifecycle and corporate restructuring," *J. Corp. Financ.*, 2015.
17. B. Sarita, G. Zandi, and A. Shahabi, "Determinants of Performance in Indonesian Banking: a Cross-Sectional and Dynamic Panel Data Analysis," *Int. J. Econ. Financ. Stud. Int. J. Econ. Financ. Stud.*, vol. 4, no. 2, pp. 1309–8055, 2012.
18. D. Avramov, T. Chordia, G. Jostova, and A. Philipov, "Anomalies and financial distress," *J. financ. econ.*, 2013.
19. R. A. Khan and M. Ali, "Impact of Privatization of Banks on Profitability of Banking Sector in Pakistan," *Glob. J. Manag. Bus. Res. C Financ.*, vol. 16, no. 1, pp. 101–111, 2016.
20. B. L. Handoko, "THE EFFECT OF INSTITUTIONAL OWNERSHIP

AND LEVERAGE TOWARDS PROFIT MANAGEMENT IN CONSUMER GOODS INDUSTRY LISTED IN BEI Teori Keagenan (Agency Theory) Manajemen Laba," *Binus Bus. Rev.*, vol. 6, no. 3, pp. 414–423, 2015.

21. B. H. Teh, T. S. Ong, A. B. Samuel, and S. H. Ng, "An empirical study of auditors switching, corporate governance and financial performances of Malaysian public listed companies (PLCs)," *J. Pengur.*, vol. 47, pp. 43–53, 2016.
22. I. Lawrence, A. Ph, and A. Elijah, "Corporate Attributes and Audit Delay in Emerging Markets : Empirical Evidence from Nigeria," *Int. J. Bus. Soc. Res.*, vol. 05, no. 03, pp. 1–10, 2015.
23. N. A. Aris, S. Maznah, M. Arif, R. Othman, and M. M. Zain, "Fraudulent Financial Statement Detection Using Statistical Techniques: The Case Of Small Medium Automotive Enterprise," vol. 31, no. 4, pp. 1469–1478, 2015.
24. Y. M. Hassan, "Determinants of audit report lag: evidence from Palestine," *J. Account. Emerg. Econ.*, vol. 6, no. 1, pp. 13–32, 2016.
25. R. Burritt and K. Christ, "Industry 4.0 and environmental accounting: a new revolution?," *Asian J. Sustain. Soc. Responsib.*, vol. 1, no. 1, pp. 23–38, 2016.
26. B. L. Handoko and K. A. Ramadhani, "Pengaruh Karakteristik Komite Audit, Keahlian Keuangan dan Ukuran Perusahaan terhadap Kemungkinan Kecurangan Laporan Keuangan," *DeReMa J. Manajemen*, 2017.
27. L. Sommer, "Industrial revolution - Industry 4.0: Are German manufacturing SMEs the first victims of this revolution?," *J. Ind. Eng. Manag.*, vol. 8, no. 5, pp. 1512–1532, 2015.
28. U. Sekaran and R. Bougie, "Research Methods For Business. A Skill Building Approach. 7th Edition," *Book*, 2016.
29. I. Ghazali, "Moderated Structural Equation Modeling," in *Model persamaan struktural. Konsep dan aplikasi dengan program AMOS 19.0*, 2011.
30. D. A. Tsouknidis, "The effect of institutional ownership on firm performance: the case of U.S.-listed shipping companies," *Marit. Policy Manag.*, vol. 46, no. 5, pp. 509–528, 2019.
31. S. Hermuningsih, D. Agus Harjito, and D. KusumaWardani, "The Influence Of Insider Ownership, Deviden Policy And Debt Policy To The Firm Value At Companies Which Are Enlisted In Indonesia Stock Exchange," *Proceeding Int. Conf. Bus. Econ.*, vol. 1, no. 1, pp. 1–10, 2010.

AUTHORS PROFILE



Bambang Leo Handoko, Assistant Professor, he holds double master's degrees, Master Degree of Accounting from Trisakti University and Master of Management from Kalbis Institute, both in Jakarta, Indonesia. His research field is in the scope of financial and fraud auditing. He was expert in forensic accounting and fraud examination. He has become reviewer and keynote speech in worldwide international conference and reputable journal. He is member of Indonesian Accounting Council. Currently work as faculty member and subject content coordinator in Bina Nusantara University. He earns best sit in peer review coordinator from Bina Nusantara University in 2016, and then won best teaching award from Bina Nusantara University in 2018.

Rizky Nurviadin holds bachelor's degree in accounting from Bina Nusantara University, Indonesia. His research scope is in the field of financial auditing. Currently he works in public accounting firm. He is the disciple and member of the research team lead by Assistant Professor Bambang Leo Handoko. He has outstanding performance as student. He graduates faster than the targeted time. He finished his study in the same time with finishing his internship work. He took internship in public accounting firm to enhance his skill and knowledge in audit environment. He was listed as one of the notable alumni of Bina Nusantara University undergraduate program, now he plan to continues his study in Master Degree