The Indonesian Accounting Review Vol. 7, No. 2, July – December 2017, pages 141 – 154

The effect of institutional ownership, managerial ownership, free cash flow, firm size and corporate growth on debt policy

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A R T I C L E I N F O

Article history:
Received 1 June 2017
Revised 15 November 2017
Accepted 7 December 2017

JEL Classification:
G14

Key words:
Debt Policy, and Institutional Ownership.

DOI:
10.14414/tiar.v7i2.958

A B S T R A C T

Debt policy is a decision made by a company to obtain funds from outside parties to meet the operational needs of the company. Recent economic development encourages companies to continue to expand their business in order to survive and gain better corporate value. To develop the business, a company needs more funds. And when the funds are not enough, the company will perform debt policy. However, debt policy can be risky and therefore the company should carry out operational activities effectively in order to avoid the risks. This study aims to determine the effect of institutional ownership, managerial ownership, profitability, free cash flow, firm size and corporate growth on debt policy. The data used in this study are secondary data, that is, the financial reports of mining sector companies listed on the Indonesia Stock Exchange 2011-2015. The research is using purposive sampling method consisting of 59 data. Analysis techniques used in this study are classical assumptions and multiple regression analysis. The results show that institutional ownership and profitability have negative effect on debt policy, and free cash flow has positive effect on debt policy, while, managerial ownership, firm size, and corporate growth have no effect on debt policy. The implication of this study is for investors to notice that the debt policy taken by mining companies is influenced by the number of shares owned by the institution, return on equity, and the amount of free cash flow.

A B S T R A K

Kebijakan hutang adalah keputusan yang dibuat oleh perusahaan untuk mendapatkan dana dari pihak luar demi memenuhi kebutuhan operasional perusahaan. Perkembangan ekonomi mendorong perusahaan untuk terus mengembangkan bisnisnya agar dapat bertahan dan mendapatkan nilai perusahaan yang lebih baik. Untuk mengembangkan bisnis, perusahaan membutuhkan lebih banyak dana. Dan ketika dana tidak cukup, perusahaan akan melakukan kebijakan hutang. Namun, kebijakan hutang dapat berisiko dan oleh karena itu perusahaan harus melakukan kegiatan operasional secara efektif untuk menghindari risiko. Penelitian ini bertujuan untuk mengetahui pengaruh kepemilikan institusional, kepemilikan manajerial, profitabilitas, arus kas bebas, ukuran perusahaan dan pertumbuhan perusahaan terhadap kebijakan utang. Data yang digunakan dalam penelitian ini adalah data sekunder, yaitu laporan keuangan perusahaan sektor pertambangan yang terdaftar di Bursa Efek Indonesia 2011-2015. Penelitian ini menggunakan metode purposive sampling yang terdiri dari 59 data. Teknik analisis yang digunakan adalah asumsi klasik dan analisis regresi berganda. Hasil penelitian menunjukkan bahwa kepemilikan institusional dan profitabilitas memiliki efek negatif pada kebijakan hutang, dan arus kas bebas memiliki efek positif pada kebijakan hutang, sementara, kepemilikan manajerial, ukuran perusahaan, dan pertumbuhan perusahaan tidak berpengaruh pada kebijakan hutang. Implikasinya adalah bagi investor agar memperhatikan bahwa kebijakan hutang yang diambil oleh perusahaan pertambangan dipengaruhi oleh jumlah saham yang dimiliki oleh institusi, pengembalian atas ekuitas, dan jumlah arus kas bebas.

1. INTRODUCTION

Along with the recent economic development and the implementation of ASEAN Economic Community in Indonesia since the end of 2015, business

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people are required to develop their business in order to compete in the world of business healthily to increase the corporate value. The increase in corporate value can be recognized from the funding decisions set by the company's financial management. Funding decisions can be obtained through both internal and external funding sources. Internal funding sources can be derived from the retained earnings of the company, while external funding sources can obtained from outside the company such as indebtedness to creditors.

Decision-making on debt requires effective oversight and control to reduce debt risk. From 2014 to 2016 the amount of debt continued to increase for business expansion in mining sector. The mining sector owned by Bakrie group, that is, PT Bumi Resources, Tbk. had an ever-increasing debt. In 2015 the total debt of PT Bumi Resource, Tbk. was IDR 62.2 trillion, which increased from a total of IDR 51.25 trillion in 2014 (www.bisnis.com, November 2, 2016). In March 2016 the company's total debt increased by 2.8% of its total debt in 2015. In 2016 the company had short-term debt of US $ 220.78 million, long-term debt of US $ 3.6 billion and convertible bonds of US $ 374.7 million (www.bisnis.com, November 2 2016).

In addition, as of June 2012 PT Bumi Resources, Tbk. had a debt of US$ 3,789.63 million (www.kompas.com, November 2, 2016). PT Bumi Resources is the company that has the largest debt compared to other Bakrie-owned companies. Bakrie-owned companies are often in debts and get difficulty in paying their debts. The difficulty in paying the debts is caused by the difficulty in estimating the company's performance and the ever-increasing debts.

According to Jensen and Meckling (1976), agency theory is a theory that explains the relationship between the agent (manager) and the principal (shareholders) that can lead to agency conflicts and agency costs. The emergence of agency conflicts caused by differences of interests between agents and principals may lead to agency cost. Agency conflicts can be reduced by debt policy to creditors in funding large and risky projects and hopefully the owners can benefit more. However, if the project fails, the owner may transfer the risk to the creditor.

Debt policy is one of the company's funding sources for operational activities, in which the funding is obtained from external parties (Narsa and Isnalita 2017). Debt policy arises because there is a lack of internal funds in meeting and developing the needs of the company that eventually drives the company management to make decision on debt. There are several factors that affect the company to take the debt in order that it can grow and move forward. This study limits the explanation of the factors that affect the debt policy, such as institutional ownership, managerial ownership, profitability, free cash flow, firm size and company growth.

Institutional ownership is one part of the ownership structure. Institutional ownership has a negative effect on debt policy due to the large percentage of debt but smaller in the use (Ni Komang and I Wayan 2016). Meanwhile, according to Ardika et al (2015), institutional ownership has a significant effect on debt policy due to the different size of institutional ownership in management decision making.

According Ardika et al. (2015) managerial ownership is recognized from the number of shares owned by managers. Previous research findings indicate that managerial ownership has no significant effect on debt policy. These results are in line with previous research conducted by Ni Komang and I Wayan (2016). The results of previous studies are contrary to the results of the research conducted by Revi et al. (2015) that managerial ownership has negative effect on debt policy. This is due to the decline in the use of debt by the company. The research conducted by Weka and Wahidahwati (2015) shows that managerial ownership has a significant effect on debt policy.

Profitability ratio is a description of the company's ability to generate profits (Sofyan 2012: 304). There are several measurements of profitability. One of them is using Return on Equity (ROE). Through the financial ratio of ROE, the investors and users of financial statements can see the company's ability to generate profits. The studies conducted by Arif et al. (2016) and Revi et al. (2015) show that profitability has a negative effect on debt policy. It is because greater level of profitability can reduce debt policy. According to the research conducted by Weka and Wahidahwati (2015), profitability has a significant effect on debt policy and this research result is different from other research.

Free cash flow is the use of cash that can be attributed in the development of business or operational activities of the company. Companies that generate increased free cash flow can lead to agency conflicts between shareholders and company management. Shareholders expect a dividend from free cash flow, while management makes use of the profits by distributing bonuses to managers or investing in companies. Companies can control the agency conflicts by using debt to finance companies. According to Weka and Wahidahwati (2015), free cash flow has a significant and positive effect on debt

policy because the increase of free cash flow can lead to debt policy in the company.

Firm size can be seen from the assets used during the company's operating activities. Previous research results conducted by Arif et al. (2016), Mudrika (2014), Ni Komang and I Wayan (2016) show that company size has a positive effect on debt policy. The larger the firm size, the higher the debt policy. This is because large companies need substantial funds through funding from external funding.

Company growth is a picture of the increase or decrease of a company development from the previous period to the current period. The company growth is recognized through assets owned by the company. The relationship between the company growth and debt policy increases the debt policy. Company growth has a positive and significant effect on debt policy. This is in accordance with the results of the research conducted by Arif et al. (2016) and Shadegian et.al 2012. However, there are differences with the results of the research conducted by Weka and Wahidahwati (2015) that company growth has no effect on debt policy.

Based on the formulation of the problems, this study aims to determine the effect of institutional ownership, managerial ownership, profitability, free cash flow, firm size and company growth on debt policy.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Agency Theory

Agency theory is the theory of the relationship between shareholders, as the party that delegates the company's decision-making, and agency/management, as the party who receives the delegation (Antonius and Subarto 2004: 6). This theory discusses about the shareholders who grant the authority to the management in making decisions and managing the company's activities. According to Antonius and Subarto (2004: 7), agency problems arise due to the gap between shareholders and management. This agency problem can arise because management wants to gain more benefits for the services provided to manage the company. Agency costs can arise due to agency problems. Agency problem may occur because there is a difference in interest between the investor and the manager. To overcome such problem, the level of interest of both parties should be made equal.

Corporate Debt Policy

Debt or liability is an obligation that the company owns from external funds through sources of loan from leasing, banking, bond sale and the like (Irham 2014: 153). Debt policy is a management decision to obtain funding from outside the company that is used for the company's operational activities. Debt policy enables companies to motivate managers to work creatively and innovatively.

The Effect of Institutional Ownership on Debt Policy

Institutional ownership represents the number of a company's shares owned by institutional investors calculated based on the percentage of company capital (Ardika et al. 2015). The examples of institutional ownership are mutual fund, insurance, foundation, manufacturing company, and other companies except banking companies and subsidiaries. The relationship between agency theory and institutional ownership is that the shareholder plays a role in overseeing corporate management and policy making done by corporate managers. High proportion of institutional ownership may affect the company's debt policy. Based on the aforementioned description, the first hypothesis can be formulated as follows:

H_1: Institutional ownership has an effect on debt policy.

The Effect of Managerial Ownership on Debt Policy

Managerial ownership is the amount of company's shares owned by managers as shareholders (Yulius and Joshua 2007 in Ardika et al. 2015). The shareholders served as heads of companies such as boards of commissioners, directors, and managers. The share ownership by the management may lead to effective oversight of policies in accordance with management decisions. The management decisions can be felt by themselves especially related to the benefits obtained, because the manager can align the interests as he becomes the company shareholder. The amount of the company's shares owned by managers can determine the level in determining the company's debt policy effectively. Based on the aforementioned description, the second hypothesis can be formulated as follows:

H_2: Managerial ownership has an effect on debt policy.

The Effect of Profitability on Debt Policy

Profitability can be described as the company's ability to generate profits (Sofyan 2012: 304). Companies use earnings when they want to invest in order to generate greater profits, or the profits are saved for future use. Shareholders expect high profitability

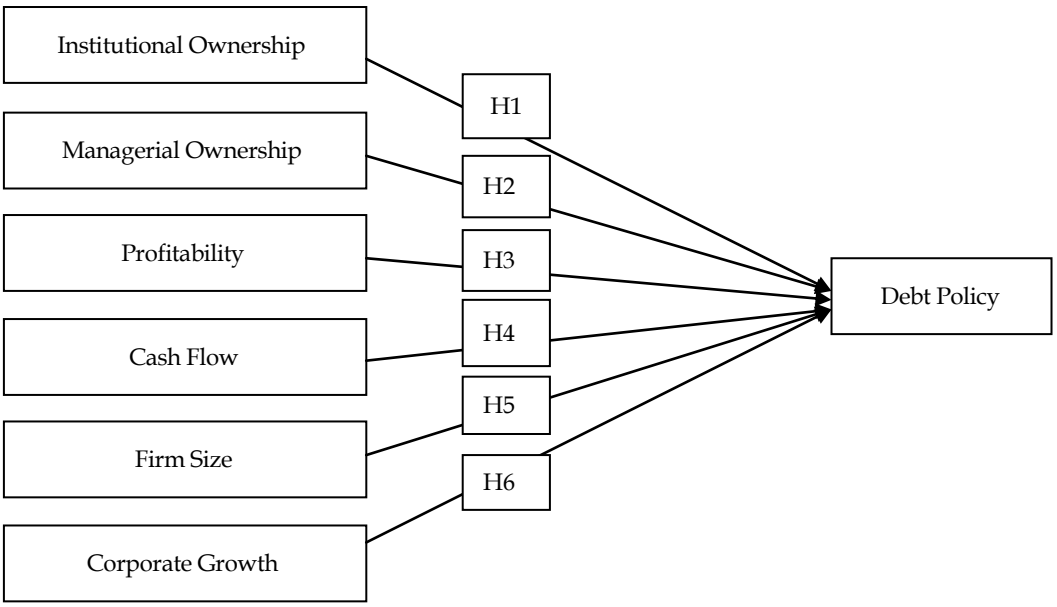

Figure 1
Theoretical Framework

from the companies managed by management in determining effective corporate policies. The results of corporate profitability in a certain period can affect the company's debt policy. Based on the aforementioned description, the third hypothesis can be formulated as follows:
H_3: Profitability has an effect on debt policy.

The Effect of Free Cash Flow on Debt Policy
Free cash flow is the distribution of the availability of cash flows to all investors after all their investments are placed on the need to maintain operations (Brigham and Houstan 2006: 65). Companies that generate increased free cash flow can lead to agency conflicts between shareholders and company management. The difference of interest between shareholders and company management can be controlled using debt policy because the available cash is used to pay off matured company debt. The bigger the free cash flow of the company to be distributed to shareholders, the greater the possibility of the company engage in debt policy. Based on the aforementioned description, the fourth hypothesis can be formulated as follows:
H_4: Free cash flow has an effect on debt policy.

The Effect of Firm Size on Debt Policy
Firm size is a proxy for asymmetric information between firm and market (Sugiarto 2009: 121). The size of the firm is recognized through the company's small or big total assets. According to the agency theory, shareholders delegate corporate managers to manage the company so that managers are expected to be able to make the company become big. Large companies will also use large debt to increase the company's assets. Based on the aforementioned description, the fifth hypothesis can be formulated as follows:
H_5: Firm size has an effect on debt policy.

The Effect of Corporate Growth on Debt Policy
The corporate growth explains the company's ability to maintain its position in the midst of economic growth and business sector (Kasmir 2013: 114-115). Corporate growth also shows that the company is expanding or developing the company so that the company needs funding to support the development of its business. Shareholders give authority to the company's management to manage the company and always increase corporate growth. The relationship between corporate growth and debt policy in an effort to increase the corporate growth leads to the creation of debt policy because the debt is used to increase the company's assets. Based on the aforementioned, the fifth hypothesis can be formulated as follows:
H_6: Corporate growth has an effect on debt policy.

Theoretical framework of this study is shown in Figure 1.

3. RESEARCH METHOD

Research Design
This research is included in descriptive research that is the research that aims to describe the specific details of the relationship between variables (Sujoko et al. 2008: 12). The data used in this study are second-

ary data collected not directly from the company but through intermediaries (Hartono 2010: 82). The research data are obtained from the financial statements of mining sector companies listed on the Indonesia Stock Exchange (IDX) and from the web of companies respectively. This research is a quantitative research using numbers in the acquisition of variable measurement with ratio.

Operational Definition of Variable
Dependent Variable
Debt Policy (DER)
Debt policy is a source of capital derived from outside the company. The measurement of company's debt policy is based on debt ratio called debt to equity ratio (DER) using total debt and equity in the statement of financial position at end of period after audited. Total debt consists of current debt and long-term debt. This ratio shows the proportion of the company in financing its operations and investments. Meanwhile, total equity is derived from the sum of stock and retained earnings. If the result of this ratio calculation is small, it will be better. According to Sofyan (2012: 303), the ratio is formulated as follows:

$$DER = \frac{Total\ Debt}{Total\ Equity}. \quad (1)$$

Independent Variables
Institutional Ownership (INST)
Institutional ownership is the number of shares owned by outsiders by percentage measurement. The greater the institutional ownership, the higher the supervision in the company. Institutional ownership is measured using the number of shares owned by institutional ownership divided by the number of shares outstanding. The institutional ownership and the shares outstanding are obtained from the notes in the financial statements with the calculating result in decimal form. The measurement can be formulated as follows Sugiarto (2011) in Ni Komang and I Wayan (2016):

$$INST = \frac{The\ Number\ of\ Institutional\ \ Owners hip}{The\ Number\ of\ Shares\ Outstanding}. \quad (2)$$

Managerial Ownership (MANJ)
Managerial ownership is the number of shares owned by company management. Company management includes directors, boards of commissioners or heads of companies. Managerial ownership can be measured by the number of shares owned by managers divided by the number of shares outstanding. The number of shares owned by managers and total shares outstanding is obtained through notes in the financial statements. Based on previous research, the calculation of managerial ownership can be formulated (Ni Komang and I Wayan (2016)) as follows:

$$MANJ = \frac{The\ Number\ of\ Man agerial\ \ Owners hip}{Total\ Shares\ Outstanding}. \quad (3)$$

Profitability (ROE)
Profitability is the ability of a company in generating corporate profits during one period with the ratio of operating profit. Profitability in this research is measured using Return on Equity (ROE) ratio. The calculation of ROE is done using net income derived from comprehensive income divided by total equity/capital obtained from the company's financial position. The ratio of profitability is formulated as follows Sofyan (2012: 304):

$$ROE = \frac{Net\ Income}{Total\ Capital}. \quad (4)$$

Free Cash Flow (CFC)
Free cash flow is the distribution of cash flow to all investors after all their investments are placed on the need to maintain the company's operations (Brigham and Houstan 2011: 65). Free cash flow is measured through the company's cash flow statement and financial position. Here's the calculation of free cash flow according to Ross et al. (2015: 48):

$$FCF = AKO - NCS - NWC. \quad (5)$$

Note:
FCF : Free cash flow
AKO : Company's operating cash flow
NCS : Company's working capital expenditure
NWC : Company's net working capital

According to Mudrika (2014), the measurement of free cash flow is as follows:

1. Operating cash flow is the cash derived from corporate earnings activities not from financing activities and others.
2. Capital expenditure is the net expenditure on property, plant and equipment. Net fixed assets at the end of the period minus net fixed assets at the beginning of the period.
3. Net Working Capital is the difference between current assets and current liabilities in the same period.

Firm Size (SIZE)
Firm size is seen from the size of a company's assets. The greater the company's assets, the easier the company in obtaining funding from financial institutions. Funding is easy to obtain because the assets of the company are used as the collateral. The amount of the asset is derived from the financial position on the company's financial statements. This study uses measurement on firm size from previous research

Table 1
Selection of Research Samples

	Company	Period	Number
Mining sector companies listen on IDX period 2011 -2015	47	5	235
Companies not publishing financial statements completely 2011 -2015 and have been audited.	(11)	5	(55)
The financial statement not expire as of Desember31	(1)	5	(5)
The financial statements not use IDR currency	(21)	5	(105)
The number of samples obtained	14	5	70
Outlier data			(11)
Data after outlier			59

Source: idx.co.id, processed .

Table 2
Descriptive Statistical Test Results

Code	N	Minimum	Maximum	Mean	Std. Deviation
DER	59	.00584	1.26804	.55260	.33721
INST	59	.00000	.96856	.51213	.38615
MANJ	59	.00000	.49564	.03933	.12613
ROE	59	-1.61893	.43753	.02173	.28596
FCF	59	-9,992,735,339,000	1,272,951,744,679	-1,334,567,455,863	2,298,434,141,314
SIZE	59	8,822,249,430	30,356,850,890,000	3,662,754,288,623	6.05997
GROWTH	59	-.87035	53.42822	2.10257	9.33502

Source: Processed data SPSS .

conducted by Arif et al (2016):

$SIZE = Ln\ (Total\ Assets)$. (6)

Corporate Growth (*GROWTH*)

Corporate growth is the ability of the company to maintain its position in the midst of economic growth and business sector (Kashmir 2013: 114-115). The calculation of corporate growth is conducted using the total assets acquired from the financial position. The calculation of company growth according to Sofyan (2012: 310):

$$GROWTH = \frac{Current\ Year\ Total\ Assets - Previous\ Year\ Total\ Assets}{Previous\ Year\ Total\ Assets}. \quad (7)$$

Population, Sample, and Sampling Technique

Population is a collection of objects under study by having certain characteristics (Sekaran 2000 in Ardika et al. 2015). The population in this study is the mining sector companies listed on the Indonesia Stock Exchange (IDX). Sampling technique is conducted using purposive sampling. Purposive sampling is a sampling technique which is based on a certain criteria (Hartono 2010: 79).

Table 1 is the sample data are obtained through selection based on predetermined criteria. The secondary data used in this research are debt policy data, institutional ownership, managerial ownership, profitability, free cash flow, firm size and corporate growth. This research uses the data obtained from IDX website, that is, www.idx.co.id. This research uses secondary data collection method, that is, indirect data and in the form of archive data by collecting the data on annual financial statements of mining companies listed in Indonesia Stock Exchange (IDX) period 2011-2015.

4. DATA ANALYSIS AND DISCUSSION

Descriptive Statistics

Descriptive statistics is the general description of the variables being tested. The general description of variables includes minimum, maximum, mean, and standard deviation values. Table 2 is the descriptive statistics of each variable. Descriptive statistical test results in Table 2 show the value of all variables after outlier. Initial research data used are 70 data, but after outlier, the number reduced to 59 data.

Debt policy of a company is measured using Debt Equity Ratio (DER) with the calculation of total debt divided by total capital owned by company. The average DER shows that the majority of debt of the mining companies does not exceed the amount of capital. So the company is still considered to have a good ability in paying off its debt with the guarantee of the assets owned.

There are some companies that do not have in-

stitutional ownership and managerial ownership. Viewed from the percentage of ownership, the average fifty percent of shares of mining companies are owned by the institution, while the shares owned by the manager are only a small part. The biggest managerial ownership is in PT. Perdana Karya Perkasa Tbk., almost fifty per cent.

Judging from the results of processed descriptive statistics in Table 2, Return on Equity (ROE) indicates that there is a company that suffers loss so that the value of its ROE is negative. The average ROE of 2% indicates that the company does not get much profit compared to its total equity. The average value of variable of free cash flow (FCF) is negative. This means that the average company experiences shortage of cash flow that can be used for the benefit of management, company or shareholders.

The size of a mining company is considered large viewed from its total assets, but the range is quite far and the data is heterogeneous in terms of the smallest, largest, and standard deviation data. In term of the asset growth, the average company experience decreased, but only PT. Golden Eagle Energy Tbk. whose assets reach more than fifty percent. Standard deviation for variable growth is also large, meaning that the range between data and between companies is large and heterogeneous.

Classical Assumption Test

Normality Test

Normality test is a regression model test used to determine the value of a variable whether it has been normally distributed or not. The result of Kolmogorov-Smirnov value is 0.652 with significance level (Asymp. Sig.) of 0.788. The result indicates that the significance level is 0.788 greater than 0.05 which can be said of that the data is normally distributed

Multicolonierity Test

Multicollonearity test aims to find out whether in regression model there is a correlation between the independent variables (Imam 2012: 105). The relationship between variables is said to be good if there is no correlation between independent variables with correlation value. Multicollinearity test results in the tolerance section show that no value has less than 0.10. This means that the correlation between independent variables is more than 0.10 with the largest value in the company's growth (GROWTH) of 0.976 or 98% and the smallest value of 0.368 or 37% in free cash flow. The result of analysis value is seen from Variance Inflation Factor (VIF) indicating that no variable has VIF value greater than 10 and the highest value is only 2,719 in free cash flow.

Autocorrelation Test

Autocorrelation test aims to determine whether the regression model has a disturbing correlation between the current period and the previous period in the time sequence. The regression research model is considered good if there is no correlation. Table of the results of autocorrelation test has a value of Durbin-Watson of 2.179 compared with a significance value of 0.05. The number of independent variables is 6 (k-6), that is, institutional ownership, managerial ownership, profitability, free cash flow, firm size, and company growth. From the results of the table Durbin-Watson value of 2.179 is greater than the upper limit (du) is 1.809 and less than 6 - 1.809 (6-du). The results can be concluded that this study has no autocorrelation.

Heterocedasticity Test

Heteroskedasticity test aims to find out whether in the regression research model there are variant inequality from independent variable to dependent variable (Imam 2012: 139). If the significance value is equal to or less than 0.05, this means that there is an influence of independent variables on dependent variable, which then heteroscedasticity occurs. The test results show that the variable of the company growth (GROWTH) has a significance value of 0.026 which is less than 0.05, indicating that it contains heteroscedasticity. The variables of institutional ownership (INST), managerial ownership (MANJ), profitability (ROE), free cash flow (FCF), and firm size (SIZE) have a significance value greater than 0.05 which means that there is no heteroscedasticity.

Multiple Regression Analysis

Multiple linear regression analysis is conducted to know the influence of independent variable on dependent variable. The way how to generate regression value is by entering variable to regression function. Based on Table 3, the result of multiple linear regression yields equation value in this research as follows:

DER = -1.007 – 0.337 (INST) – 0.297 (ROE) + 1.557E-013 (FCF) + e.

From the regression equation, it can be described as follows:

a. The value of a (Constant) = -1.007, which means that each of the variables of ownership (INST), profitability (ROE), and free cash flow (FCF) causes an increase in debt policy (DER) by -1.007.
b. The value of (β1) = -0.337, which means that constitutional ownership has negative effect on debt policy. If it is increased by 1%, there will be a decrease by 33.7%.

Table 3
Results of Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.007	1.025		-.982	.331
	INST	-.337	.152	-.386	-2.214	.031
	MANJ	.489	.415	.183	1.177	.244
	ROE	-.297	.139	-.252	-2.133	.038
	FCF	1.557E-013	.000	.380	2.081	.042
	SIZE	.064	.036	.291	1.776	.082
	GROWTH	-.006	.004	-.177	-1.581	.120

a. Dependent Variable: DER

Source: Processed data SPSS.

Table 4
Results of Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.603a	.363	.290	.28420890969

a. Predictors: (Constant), INST, MANJ, ROE, FCF, SIZE, GROWTH

b. Dependent Variable: DER

Source: Processed data SPSS.

c. The value of (β3) = -0.297, which means that profitability has negative effect on debt policy. If it is increased by 1%, there will be a decrease by 29.7%.
d. The value of (β4) = 1.557E-013, which means that free cash flow has positive effect on debt policy. If it is increased by 1%, there will be an increase by 1.557E-013.

Determination Coefficient R2

Determination coefficient aims to measure the ability of the independent variable to influence the dependent variable. The results of determination coefficient test can be seen in Table 4, especially on the numbers in the Adjusted R Square and Standard Error of the Estimate (SEE) columns. If the value in the Adjusted R Square column approaches one, this means that each independent variable gives all the information in predicting the dependent variable. However, if the value of R square is small, the independent variable can only explain the dependent variable in a limited way. The Standard Error of the Estimate (SEE) column shows the level of value in predicting the dependent variable. Table 4 shows the SPSS output of this study.

The results of determination coefficient test show that Adjusted R Square value is 0.284 or 28.4%. The result of 28.9% variation of debt policy explains the variables of institutional ownership, managerial ownership, profitability, free cash flow, firm size, and company growth. The Standard Error of the Estimate (SEE) column has a value of 0.28 which predicts debt policy. Smaller SEE value can make the regression model more accurately predict the independent variables.

F Test

F Test aims to find out whether the regression model is fit or not on the effect of independent variables on dependent variable. The F test also tests the influence of independent variables on dependent variable. The regression model is said to be fit if its significance value is less than 0.05. The test results can be seen in the ANOVA table contained in the sig. column as shown in Table 5.

The result of F test analysis in Table 5 shows that the value of F count is 4.929, with the significance level of 0.000 or less than 0.05 (0.000 <0.05) which means that the data can be said fit because the value is in accordance with the assessment. The results of the assessment explain that the regression model can be used to predict the effect of institutional ownership, managerial ownership, profitability, free cash flow, firm size and corporate growth on debt policy.

T Test

T test aims to determine the effect of each independent variable on dependent variable (Imam 2012: 98). Each independent variable is said to have an effect dependent variable if it has a significance value or $\alpha \leq 0.05$. The results of this test can be found in

Table 5
Results of F Test Analysis

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.395	6	.399	4.942	.000b
	Residual	4.200	52	.081		
	Total	6.595	58			

Source: Processed data SPSS .

Table 6
Hypothesis Test Results

Hypothesis	t count	Sig.	Conclusion
H1: The effect of institutional ownership on debt policy	-2.214	0.031	H1 is accepted
H2: The effect of managerial ownership on debt policy	1.177	0.244	H2 is rejected
H3: The effect of profitability on debt policy	-2.133	0.038	H3 is accepted
H4:The effect of free cash flow on debt policy	2.081	0.042	H4 is accepted
H5: The effect of firm size on debt policy	1.776	0.082	H5 is rejected
H6: The effect of company growth on debt policy	-1.581	0.120	H6 is rejected

Source: Processed data SPSS .

the sig column of Table 6.

The results of hypothesis test in Table 6 show that:

The first hypothesis (H1) indicates that institutional ownership has t count value of -2.214 (negative value), with a significant level of 0.031 or less than 0.05 which means that institutional ownership has an effect on debt policy. So it can be concluded that the first hypothesis is accepted, in which the institutional ownership has a negative effect on debt policy.

The second hypothesis (H2) indicates that managerial ownership t count value of 1.177 (positive value), with a significant level of 0.244 or more than 0.05 which means that managerial ownership has no effect on debt policy. So it can be concluded that the second hypothesis is rejected, in which ownership does not affect debt policy.

The third hypothesis (H3) indicates that profitability has t count value of -2.133 (negative value), with a significance level of 0.038 or less than 0.05 which means that profitability has an effect on debt policy. So it can be concluded that the third hypothesis is accepted, in which profitability has a negative effect on debt policy.

The fourth hypothesis (H4) indicates that free cash flow has t count value of 2.081 (positive value), with a significance level of 0.042 or less than 0.05 which means that free cash flow has an effect on debt policy. So it can be concluded the fourth hypothesis is accepted, in which free cash flow has a positive effect on debt policy.

The fifth hypothesis (H5) indicates that firm size has t count value of 1.776 (positive value), with a significance level of 0.082 or more than 0.05 which means firm size has no effect on debt policy. So it can be concluded the fifth hypothesis is rejected, in which firm size has no effect on debt policy.

The sixth hypothesis (H6) indicates that company growth has t count value of -1.581 (negative value), with a significance level of 0.120 or more than 0.05 which means that company growth has no effect on debt policy. So it can be concluded that the sixth hypothesis is rejected, in which company growth has no effect on debt policy.

The Effect of Institutional Ownership on Debt Policy

This study uses institutional ownership as measured by the number of shares owned by institutional ownership divided by the number of shares outstanding. Institutional investors are mutual fund companies, insurance companies, foundations, manufacturing companies, and other companies, except government, banking companies or subsidiaries. If a shareholder has a large company's shares ownership, the shareholder may have voting rights for decision making. Institutional ownership has the advantage in monitoring management activities in a more optimal company. This makes institutional ownership possible to influence the company's decision in policy making for its operational activities.

The agency theory concerns the relationship between shareholders and agent or management, in which the shareholders delegate the decision-making such as debt policy to the agent or management (Antonius and Subarto 2004: 6). The relationship between agency theory and institutional ownership is that institutional investors play a role in over-

seeing the company's operational activities undertaken by management in determining company policy. The company management, in decision making, sometimes has different goals from the shareholders resulting in agency problems. Agency problems may incur agency costs to address the agency problem.

Based on the results of over a five-year observation, institutional ownership has negative effect on debt policy. Table 6 shows the significance value of 0.031 less than 0.05, with beta value of -0.337 (or negative). It is said to be negative because the lower the proportion of institutional ownership, the higher the debt policy. The results of this study are also reinforced by the descriptive statistical results in Table 2. The results indicate that the minimum value of institutional ownership is 0.000 owned by PT Perdana Karya Perkasa Tbk. (PKPK) with a maximum value of debt policy of 1.268. The results show that the amount of institutional ownership is low or absent so the company tends to do more debt policy. The maximum value of institutional ownership of 0.969 is owned by PT Cita Mineral Investindo, Tbk. with a debt policy value of 0.798. The maximum value indicates that the companies with high institutional ownership shares are more likely to be low in debt policy.

The institutional ownership has a negative effect on debt policy because the higher the debt policy, the lower the amount of institutional ownership, while the higher the institutional ownership, the lower the company's debt policy. This is also because institutional ownership plays a role in overseeing the company's management activities. These results are in line with the results of previous research conducted by Ni Komang et al. (2016) and Ardika 2015. However, the results of this study are not in line with the results of the research conducted by Indah's (2015) and Weka (2015) where institutional ownership has no effect on debt policy. There is no influence because institutional investors are just as supervisors who have no active role in making decisions in the company.

The Effect of Managerial Ownership on Debt Policy

Managerial ownership can be measured by the number of shares owned by managers divided by the number of shares outstanding. Managerial ownership is the shares owned by managers, directors and commissioners of the company itself. The manager of the company has a role in decision-making that is also based on the interests of the shareholders and the interests of the company. Managerial ownership aims to improve the performance of managers to motivate the managers in obtaining targeted profits.

The existence of managerial ownership can unite between the interests of shareholders and the interests of managers associated with agency theory. A manager who has shares of the company can feel a shareholder so that the manager can manage the company actively. The higher the proportion of managerial ownership, the lower the company's debt. This is because managers do not take too much external funds in funding the company's business activities.

The results of this study indicate that managerial ownership has no effect on debt policy. Table 6 shows thaw managerial ownership has a significance value of 0.244 greater than 0.05. The results are reinforced by descriptive statistics in Table 2, which shows the minimum value of 0.00 owned by PT Ratu Prabu Energy Tbk. (ARTI) with debt policy of 0.809. The result shows that the number of institutional ownership shares is low or nonexistent then PT Ratu Prabu Energy Tbk. tends to do more debt policy. The maximum value of managerial ownership is 0.496 owned by PT Perdana Karya Perkasa, Tbk. with a debt policy value of 1.268. The maximum value results indicate that the firms with high number of managerial ownership shares are more likely to engage in high debt policy.

Managerial ownership has no effect on debt policy because either high or low managerial ownership still results in high debt policy. The company's decision or policy making is determined in a joint decision so that management does not decide for its own sake. In addition, the management has no courage to take risks in debt policy. These results are in line with the results of previous research conducted by Ardika et al. (2015) and Ni Komang and I Wayan (2016) showing that managerial ownership has no effect on debt policy. The non existence of the effect is caused by the low proportion of managerial ownership in the company. However, the results of this study are not supported by research conducted by Mudrika (2014), Weka and Wahidahwati (2015), and Revi et al. (2015) showing that managerial ownership has an effect on debt policy. The effect occurs because managers can align with the public interest so that the decisions taken should be careful to avoid the risk, such as in debt policy.

The Effect of Profitability on Debt Policy

Profitability is measured based on return on equity (ROE). The calculation of ROE is done using net income divided by total capital. Profitability aims to determine the ability of a company in generating

profits using its own capital. A company that is said to have a good financial performance is the company that earns big profits. If the company's profits are increasing, then the company's debt policy decision making is declining. While if the policy increases, then the profitability decreases.

The relationship between the effect of profitability on debt policy and agency theory is in the decision making done by agent in managing shareholder fund. The agent, as the management of the company that manages the company, is expected to increase the profitability of the company using the capital owned by the company. Meanwhile, the shareholders who invest their capital in the company always expect dividends from profits earned by the company. If the company obtains low profitability generated from capital, the debt policy will increase because the internal funds owned by the company are not enough.

Based on the results of over a five-year observation, profitability has negative effect on debt policy. Table 6 shows that profitability has a significance value of 0.038 which is less than 0.05, with beta value of -0.297 (negative) which means that the higher the value of debt policy, the lower the profitability. The results of this research are reinforced by the descriptive statistic in Table 2 that the minimum value of profitability is -1,619 which shows that the loss occurred at PT Mitra Investindo, Tbk. with debt policy of 1.244. These results indicate a low amount of profitability and suffering losses then the company tends to do more debt policy. The maximum value of profitability of 0.438 is obtained by PT Mitra Investindo, Tbk. with a debt policy value of 0.878. The maximum value indicates that the companies that have a high number of stocks of profitability are more likely to be low in performing debt policy.

The results of this study show that profitability has negative effect on debt policy. These results are supported by previous research conducted by Arif et al. (2016), Weka and Wahidahwati (2015), Revi (2015), Akoto and Vitor (2014), and Shadegian et al. (2012). Profitability is shown to have a negative effect, meaning that the lower the level of profitability, the higher the debt policy, or vice versa. Base on the results of this study, the profitability of mining companies decreased so that some companies suffered losses. The problem is then handled by performing debt policy so that the company can continue to conduct business is activities.

The Effect of Free Cash Flow on Debt Policy

This study uses free cash flow (FCF) variable, as the rest of company cash flow calculation that can be used for management, company or shareholder. The relationship between free cash flow and agency theory is that a shareholder and an agent, as a manager who manages the company, sometimes have a different purpose in managing the company's free cash flow. Companies that generate increased free cash flow can lead to agency conflicts between shareholders and company management. Companies can control agency conflicts by conducting debt policy as a funding of the company's business activities. If the value of free cash flow increases, the company's debt policy will also increase.

The results of five-year observation in the financial statements of mining companies show similar results with the hypothesis statement that free cash flow has a positive effect on debt policy. Free cash flow variable has a significance value of 0.042 which is less than 0.05. A positive value of beta means that the higher the free cash flow, the higher the debt policy. The results of this research are reinforced by the descriptive statistic in Table 2, in which the minimum value of free cash flow is -9,992,735,339,000 owned by PT Aneka Tambang Tbk. in 2015 with the debt policy value of 0.657. These results indicate that the amount of free cash flow is low or absent, and then the company's debt policy is also low. The maximum value of free cash flow is 1,272,951,744,679 in PT Cita Mineral Investindo, Tbk. in 2015 with a debt policy value of 1.164. The maximum value result indicates that companies that have a high free cash flow stocks will perform higher debt policy.

The results of this study show that free cash flow has a positive effect on debt policy. The higher the free cash flow, the higher the debt policy, because the increase in free cash flow can lead to debt policy in the company. The results of this study are also in line with the agency theory that with the increased free cash flow, managers make debt policy to reduce agency problems and agency costs. The results of this study are supported by previous studies conducted by Weka and Wahidahwati (2015), Javid and Mino (2015), and Mudrika (2014). But the research conducted by Indah (2015) indicates different result that free cash flow has negative effect on debt policy. According to Indah (2015) the high free cash flow can be used to finance the company's operations so as not to use funds from outside the company, such as debt.

The Effect of Firm Size on Debt Policy

Firm size is measured by total assets in natural logarithm. The size of the company is seen from the total assets of the company. Companies that have larger assets are better able to generate big profits than

companies that have smaller assets. The greater the assets owned by the company, the greater the willingness of creditor or financial institution to lend the company. The large assets can be used as collateral for debts to financial institutions such as creditors. This measurement aims to determine the influence of firm size on debt policy.

The Linkage between agency theory and firm size is that the shareholder who invests capital to the company can increase the company size. The size of the company can also be a measure for investors in investing in the company. Large companies are more capable of making profits to pay off their debts than small companies.

Based on a five-year observation, it can be known that firm size has no effect on debt policy. Table 6 shows that firm size has a significance value of 0.082 greater than 0.05. The results of this research are reinforced by descriptive statistic in Table 2, that the minimum value of firm size is 22.901 in 2011 obtained by PT Golden Eagle Energy, Tbk. with the value of the debt policy of 0.172. The results show that the smaller the firm, the lower the debt policy. The maximum value of firm size is 31.044 owned by PT Aneka Tambang, Tbk. in 2015 with the value of debt policy of 0.657. The maximum value of large companies is lower than the average value of debt policy in 2015, or 0.714.

The results are inconsistent with hypothesis and previous research results conducted by Arif et al. (2016), Ni Komang and I Wayan (2016), Akoto and Vitor (2014), and Mudrika (2014), that firm size has no effect on debt policy. The increase and the decrease in the value of firm size do not affect the size of debt policy. Companies with large assets tend to use a small amount of debt, while companies with small assets tend to pursue debt policies to increase their operations. For example, PT Perdana Karya Perkasa has a debt policy value of 1.268 in 2012, with a firm size value of 26.290.

The Effect of Corporate Growth on Debt Policy

Corporate growth is measured using the formula of current year total assets minus previous year total assets divided by the previous year total assets. The corporate growth explains the progress of the business carried out from the beginning of the year and the end of the year known from the assets of the company. If the company's assets increase, the company's growth may also increase as the company's growth measurement uses the company's assets. To increase corporate growth, a company may use funds from internal or external. Therefore, if the internal funding is less, the company may use funds from external or performs debt policy. The higher the corporate growth, the greater the debt policy made by the company. This measurement aims to find out the influence of corporate growth on debt policy.

The relationship between agency theory and corporate growth is that if the growth of the company continues to increase, it can attract prospective shareholders in investing capital. Shareholders expect that the increase in corporate growth may increase the benefit. If the growth of the company declines, the shareholders will tend to sell their shares and this condition is less able to raise the capital. A company that increases its corporate growth through debt policy will get more supervision from shareholders because they always try to avoid failure of investment.

Based on a five-year observation, corporate growth has no effect on debt policy. Table 6 shows that corporate growth has a significance value of 0.120 which is greater than 0.05. The result of this research is reinforced by descriptive statistic in Table 2 that corporate growth has a minimum value -0.870 owned by PT Aneka Tambang in 2012, with a debt policy value of 0.536. The results show that low corporate growth is more likely to engage in debt policy. The maximum value of corporate growth is 53.428 owned by PT Golden Eagle Energy, Tbk. in 2012 with a debt policy value of 0.073. The maximum value indicates that higher the corporate growth, the lower the debt policy.

The sixth hypothesis is not accepted, in which corporate growth has no effect on debt policy. This is because when a company experiences high growth, the company is in a low debt policy. However, as the corporate growth declines, its debt policy tends to be higher. The results of this study are supported by the results of previous research conducted by Weka and Wahidahwati (2015) that corporate growth does not affect the debt policy because it is unable to affect the debt that can reduce agency cost. However, the results of this study are inconsistent with the results of previous research by Shadegian et al. (2012), Arif et al. (2016) that corporate growth has an effect on debt policy. It is said to have an effect because with the high corporate growth, the company needs debt to buy the company's assets.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The purpose of this research is to find out the influence of institutional ownership, managerial ownership, profitability, free cash flow, firm size and corporate growth on debt policy in mining sector com-

panies listed on the Indonesia Stock Exchange (IDX). The dependent variable is debt policy, while the independent variables are institutional ownership, managerial ownership, profitability, free cash flow, firm size and corporate growth. Based on the results of statistical tests and discussion of the analysis of the previous chapter, it can be deduced as follows:

1. Institutional ownership has negative effect on debt policy indicating that the lower the institutional ownership, the higher the debt policy.
2. Managerial ownership has no effect on debt policy indicating the lower proportion of managerial ownership in shares circulating to the debt policy.
3. Profitability has negative effect on debt policy indicating that the lower the profitability, the higher the debt policy.
4. Free cash flow has a positive effect on debt policy indicating that the higher the free cash flow, the higher the debt policy.
5. Firm size has no effect on debt policy indicating that firm size does not affect the size of debt policy.
6. Corporate growth has no effect on debt policy indicating that big or small corporate growth does not affect big or small debt policy.

The limitation of this study is that the normality test is conducted four times so that the data can be distributed normally and heteroscedasticity occurs in the variable of corporate growth. It is expected that further research add other variables that have relationship with or influence on debt policy, in addition to adding the research samples in order to get better results. Companies should pay more attention to the acquisition of funding sources and the increase in corporate profits for the company's operational activities at the time of making policy and supervision on the company. The implications of this research are that investors who invest in mining companies need to pay attention to the debt policy taken by the company, especially related to the extent of the amount of institutional ownership, the percentage of profit compared to the total equity, and the free cash flow provided by the company for the benefit of the investors.

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